



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 980 656 616  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: BYGGMAKKER HANDEL AS  
Forretningsadresse: Høgslundveien 49  
2020 SKEDSMOKORSET

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Hilde Merethe Kristoffersen  
Dato for fastsettelse av årsregnskapet: 17.06.2021

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 15.09.2022



### Resultatregnskap

| Beløp i: NOK                                    | Note   | 2020                 | 2019                 |
|---|--------|----------------------|----------------------|
| <b>RESULTATREGNSKAP</b>                         |        |                      |                      |
| <b>Inntekter</b>                                |        |                      |                      |
| Revenue   | 1, 2   | 3 052 365 000        | 2 815 299 000        |
| Other operating income                          | 2      | 259 256 000          | 215 394 000          |
| <b>Sum inntekter</b>                            |        | <b>3 311 621 000</b> | <b>3 030 693 000</b> |
| <b>Kostnader</b>                                |        |                      |                      |
| Cost of materials                               |        | 3 093 093 000        | 2 846 418 000        |
| Personnel expenses                              | 3, 12  | 32 453 000           | 30 658 000           |
| Depreciation of operating and intangible assets | 6      | 2 927 000            | 2 283 000            |
| Other operating expenses                        |        | 132 193 000          | 124 392 000          |
| <b>Sum kostnader</b>                            | 14     | <b>3 260 665 000</b> | <b>3 003 750 000</b> |
| <b>Driftsresultat</b>                           |        | <b>50 955 000</b>    | <b>26 944 000</b>    |
| <b>Finansinntekter og finanskostnader</b>       |        |                      |                      |
| Renteinntekt fra foretak i samme konsern        | 14, 15 |                      | 2 000                |
| Annen renteinntekt                              | 14, 15 | 19 000               | 246 000              |
| Other financial income                          |        |                      |                      |
| <b>Sum finansinntekter</b>                      |        | <b>19 000</b>        | <b>249 000</b>       |
| Rentekostnad til foretak i samme konsern        | 14, 15 | 6 243 000            | 7 043 000            |
| Annen rentekostnad                              | 14, 15 | 12 000               | 5 000                |
| <b>Sum finanskostnader</b>                      |        | <b>6 254 000</b>     | <b>7 048 000</b>     |
| <b>Netto finans</b>                             | 14, 15 | <b>-6 236 000</b>    | <b>-6 800 000</b>    |
| <b>Ordinært resultat før skattekostnad</b>      |        | <b>44 720 000</b>    | <b>20 144 000</b>    |
| Tax on ordinary result                          |        | 9 858 000            | 4 697 000            |
| <b>Ordinært resultat etter skattekostnad</b>    |        | <b>34 861 000</b>    | <b>15 447 000</b>    |
| <b>Årsresultat</b>                              |        | <b>34 861 000</b>    | <b>15 447 000</b>    |
| <b>Årsresultat etter minoritetsinteresser</b>   |        | <b>34 861 000</b>    | <b>15 447 000</b>    |
| <b>Totalresultat</b>                            |        | <b>34 861 000</b>    | <b>15 447 000</b>    |



## Resultatregnskap

| <b>Beløp i: NOK</b>                      | <b>Note</b> | <b>2020</b>       | <b>2019</b>       |
|--|-------------|-------------------|-------------------|
| <b>Overføringer og disponeringer</b>     |             |                   |                   |
| Konsernbidrag                            |             | 5 178 000         | 10 920 000        |
| Allocated to other equity                |             | 29 684 000        | 4 527 000         |
| <b>Sum overføringer og disponeringer</b> |             | <b>34 861 000</b> | <b>15 447 000</b> |



### Balanse

| Beløp i: NOK   | Note | 2020                 | 2019                 |
|--|------|----------------------|----------------------|
| <b>BALANSE - EIENDELER</b>                                     |      |                      |                      |
| <b>Anleggsmidler</b>   |      |                      |                      |
| <b>Immaterielle eiendeler</b>                                  |      |                      |                      |
| Trade mark   | 6    | 274 900 000          | 274 900 000          |
| Concessions, patents, licences, trademarks, and similar rights | 6    | 4 103 000            | 4 880 000            |
| Utsatt skattefordel  | 4    | 4 000 000            | 5 403 000            |
| <b>Sum immaterielle eiendeler</b>                              |      | <b>283 004 000</b>   | <b>285 183 000</b>   |
| <b>Varige driftsmidler</b>                                     |      |                      |                      |
| Equipment and other movables                                   | 5    |                      | 267 000              |
| <b>Sum varige driftsmidler</b>                                 |      |                      | <b>267 000</b>       |
| <b>Finansielle anleggsmidler</b>                               |      |                      |                      |
| Investering i annet foretak i samme konsern                    | 7    | 2 675 463 000        | 1 337 165 000        |
| Other long-term receivables                                    | 12   |                      |                      |
| <b>Sum finansielle anleggsmidler</b>                           |      | <b>2 675 463 000</b> | <b>1 337 165 000</b> |
| <b>Sum anleggsmidler</b>                                       |      | <b>2 958 467 000</b> | <b>1 622 615 000</b> |
| <b>Omløpsmidler</b>  |      |                      |                      |
| <b>Varer</b>   |      |                      |                      |
| <b>Fordringer</b>  |      |                      |                      |
| Accounts receivables, incl Intercompany                        | 8    | 175 478 000          | 163 487 000          |
| Other short-term receivables                                   | 8    | 41 369 000           | 24 781 000           |
| <b>Sum fordringer</b>  |      | <b>216 847 000</b>   | <b>188 268 000</b>   |
| <b>Bankinnskudd, kontanter og lignende</b>                     |      |                      |                      |
| Cash and bank deposits   | 9    | 1 803 000            | 3 684 000            |
| <b>Sum bankinnskudd, kontanter og lignende</b>                 |      | <b>1 803 000</b>     | <b>3 684 000</b>     |
| <b>Sum omløpsmidler</b>  |      | <b>218 649 000</b>   | <b>191 951 000</b>   |
| <b>SUM EIENDELER</b>   |      | <b>3 177 117 000</b> | <b>1 814 566 000</b> |



### Balanse

| Beløp i: NOK                          | Note | 2020                 | 2019                 |
|---------------------------------------|------|----------------------|----------------------|
| <b>BALANSE - EGENKAPITAL OG GJELD</b> |      |                      |                      |
| <b>Egenkapital</b>                    |      |                      |                      |
| <b>Innskutt egenkapital</b>           |      |                      |                      |
| Share capital                         | 10   | 6 000 000            | 5 900 000            |
| Paid in capital, not registered       | 10   |                      |                      |
| Overkurs                              | 10   | 2 163 102 000        | 1 163 202 000        |
| Annen innskutt egenkapital            |      | 14 605 000           | 14 605 000           |
| <b>Sum innskutt egenkapital</b>       |      | <b>2 183 707 000</b> | <b>1 183 707 000</b> |
| <b>Opptjent egenkapital</b>           |      |                      |                      |
| Other equity                          |      | 164 503 000          | 134 819 000          |
| <b>Sum opptjent egenkapital</b>       |      | <b>164 503 000</b>   | <b>134 819 000</b>   |
| <b>Sum egenkapital</b>                | 11   | <b>2 348 210 000</b> | <b>1 318 526 000</b> |
| <b>Gjeld</b>                          |      |                      |                      |
| <b>Langsiktig gjeld</b>               |      |                      |                      |
| <b>Annen langsiktig gjeld</b>         |      |                      |                      |
| Other long term liabilities           |      | 4 502 000            |                      |
| <b>Sum annen langsiktig gjeld</b>     |      | <b>4 502 000</b>     |                      |
| <b>Sum langsiktig gjeld</b>           |      | <b>4 502 000</b>     | <b>0</b>             |
| <b>Kortsiktig gjeld</b>               |      |                      |                      |
| Leverandørgjeld                       | 8    | 222 093 000          | 171 201 000          |
| Tax payable                           | 4    | 1 742 000            | 4 122 000            |
| Public duties payable                 |      | 32 540 000           | 26 911 000           |
| Other current debt, incl Intercompany | 8    | 568 029 000          | 293 806 000          |
| <b>Sum kortsiktig gjeld</b>           |      | <b>824 405 000</b>   | <b>496 040 000</b>   |
| <b>Sum gjeld</b>                      |      | <b>828 907 000</b>   | <b>496 040 000</b>   |
| <b>SUM EGENKAPITAL OG GJELD</b>       |      | <b>3 177 117 000</b> | <b>1 814 566 000</b> |



### STATEMENT OF PROFIT AND LOSS

| BYGGMAKKER HANDEL AS                            | NOTE          | AMOUNTS IN NOK 1.000 |                  |
|---|---------------|----------------------|------------------|
|   |               | 2020                 | 2019             |
| <b>OPERATING INCOME AND OPERATING EXPENSES</b>  |               |                      |                  |
| Revenue   | 1, 2          | 3 052 365            | 2 815 299        |
| Other operating income                          | 2             | 259 256              | 215 394          |
| <b>Total operating income</b>                   |               | <b>3 311 621</b>     | <b>3 030 693</b> |
| Cost of materials                               |               | 3 093 093            | 2 846 418        |
| Personnel expenses                              | 3, 12         | 32 453               | 30 658           |
| Depreciation of operating and intangible assets | 6             | 2 927                | 2 283            |
| Other operating expenses                        |               | 132 193              | 124 392          |
| <b>Total operating expenses</b>                 | <b>14</b>     | <b>3 260 665</b>     | <b>3 003 750</b> |
| <b>Operating profit</b>                         |               | <b>50 955</b>        | <b>26 944</b>    |
| <b>FINANCIAL INCOME AND EXPENSES</b>            |               |                      |                  |
| Interest income from group companies            | 14, 15        | 0                    | 2                |
| Other interest income                           | 14, 15        | 19                   | 246              |
| Interest expense to group companies             | 14, 15        | 6 243                | 7 043            |
| Other interest expenses                         | 14, 15        | 12                   | 5                |
| <b>Net financial items</b>                      | <b>14, 15</b> | <b>-6 236</b>        | <b>-6 800</b>    |
| Operating result before tax                     |               | 44 720               | 20 144           |
| Tax on ordinary result                          |               | 9 858                | 4 697            |
| <b>Ordinary result after tax</b>                |               | <b>34 861</b>        | <b>15 447</b>    |
| <b>EXTRAORDINARY INCOME AND EXPENSES</b>        |               |                      |                  |
| <b>Annual net profit</b>                        |               | <b>34 861</b>        | <b>15 447</b>    |
| <b>BROUGHT FORWARD</b>                          |               |                      |                  |
| Given intra-group contribution                  |               | 5 178                | 10 920           |
| Allocated to other equity                       |               | 29 684               | 4 527            |
| <b>Net brought forward</b>                      |               | <b>34 861</b>        | <b>15 447</b>    |



### BALANCE SHEET

BYGGMAKKER HANDEL AS

AMOUNTS IN NOK 1.000

| ASSETS   | Note | 2020             | 2019             |
|--|------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |
| <b>INTANGIBLE ASSETS</b>                                       |      |                  |                  |
| Trade mark   | 6    | 274 900          | 274 900          |
| Concessions, patents, licences, trademarks, and similar rights | 6    | 4 103            | 4 880            |
| Deferred tax assets  | 4    | 4 000            | 5 403            |
| <b>Total intangible assets</b>                                 |      | <b>283 004</b>   | <b>285 183</b>   |
| <b>TANGIBLE ASSETS</b>   |      |                  |                  |
| Equipment and other movables                                   | 5    | 0                | 267              |
| <b>Total tangible assets</b>                                   |      | <b>0</b>         | <b>267</b>       |
| <b>FINANCIAL FIXED ASSETS</b>                                  |      |                  |                  |
| Investments in other group companies                           | 7    | 2 675 463        | 1 337 165        |
| <b>Total financial fixed assets</b>                            |      | <b>2 675 463</b> | <b>1 337 165</b> |
| <b>Total fixed assets</b>                                      |      | <b>2 958 467</b> | <b>1 622 615</b> |
| <b>CURRENT ASSETS</b>  |      |                  |                  |
| <b>DEBTORS</b>   |      |                  |                  |
| Accounts receivables, incl Intercompany                        | 8    | 175 478          | 163 487          |
| Other short-term receivables                                   | 8    | 41 369           | 24 781           |
| <b>Total receivables</b>                                       |      | <b>216 847</b>   | <b>188 268</b>   |
| <b>INVESTMENTS</b>   |      |                  |                  |
| Cash and bank deposits   | 9    | 1 803            | 3 684            |
| <b>Total current assets</b>                                    |      | <b>218 649</b>   | <b>191 951</b>   |
| <b>Total assets</b>  |      | <b>3 177 117</b> | <b>1 814 566</b> |



## BALANCE SHEET

| BYGGMAKKER HANDEL AS                        |           | AMOUNTS IN NOK 1.000 |                  |
|---|-----------|----------------------|------------------|
| EQUITY AND LIABILITIES                      | Note      | 2020                 | 2019             |
| <b>EQUITY</b>                               |           |                      |                  |
| <b>PAID-UP EQUITY</b>                       |           |                      |                  |
| Share capital                               | 10        | 6 000                | 5 900            |
| Share premium reserve                       |           | 2 163 102            | 1 163 202        |
| Other paid-up equity                        |           | 14 605               | 14 605           |
| <b>Total paid-up equity</b>                 |           | <b>2 183 707</b>     | <b>1 183 707</b> |
| <b>RETAINED EARNINGS</b>                    |           |                      |                  |
| Other equity                                |           | 164 503              | 134 819          |
| <b>Total retained earnings</b>              |           | <b>164 503</b>       | <b>134 819</b>   |
| <b>Total equity</b>                         | <b>11</b> | <b>2 348 210</b>     | <b>1 318 526</b> |
| <b>LIABILITIES</b>                          |           |                      |                  |
| <b>PROVISIONS FOR LIABILITIES</b>           |           |                      |                  |
| <b>OTHER LONG-TERM LIABILITIES</b>          |           |                      |                  |
| Other long term liabilities                 |           | 4 502                | 0                |
| <b>Total of other long term liabilities</b> |           | <b>4 502</b>         | <b>0</b>         |
| <b>CURRENT DEBT</b>                         |           |                      |                  |
| Trade creditors                             | 8         | 222 093              | 171 201          |
| Tax payable                                 | 4         | 1 742                | 4 122            |
| Public duties payable                       |           | 32 540               | 26 911           |
| Other current debt, incl Intercompany       | 8         | 568 029              | 293 806          |
| <b>Total current debt</b>                   |           | <b>824 405</b>       | <b>496 040</b>   |
| <b>Total liabilities</b>                    |           | <b>828 907</b>       | <b>496 040</b>   |
| <b>Total equity and liabilities</b>         |           | <b>3 177 117</b>     | <b>1 814 566</b> |

17.06.2021

The board of Byggmakker Handel AS

\_\_\_\_\_  
Jorma Antero Rauhala  
chairman of the board

\_\_\_\_\_  
Mika Tapani Lehtinen  
member of the board

\_\_\_\_\_  
Mia Maria Kaitaharju  
vice chairman

\_\_\_\_\_  
Hilde Merethe Kristoffersen  
general Manager



BYGGMAKKER HANDEL AS

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## Note 1 - Accounting principles

The annual financial statement is created in accordance with the Norwegian Accounting act, and general accepted accounting practice.

### Operating Income

Sales revenues are related to the flow-through-invoicing process in the Bygghandler chain. Revenue recognition takes place at the time of delivery of the goods. Rendered bonus and cash discounts to the chain members are booked as reduction of sales revenues. Other operating income is related to chain membership fee, supplier fees, and marketing support.

### Classification and assessment of balance sheet items

Current assets and current liabilities include items that are due for payment within one year from the acquisition date, and items that are related to the cycle of goods. Other items are classified as fixed assets at fair value. Current assets are valued at fair value. Current liabilities are recognized at nominal value at point of borrowing, then valued at fair value.

### Subsidiaries

Subsidiaries are valued at fair value in the balance sheet. Dividends and other disbursements are recognized the same year as they are accrued in the subsidiary.

### Receivables

Accounts receivables and other receivables are stated in the balance sheet at fair value after deduction of accrual for expected bad debt losses. Accrual for bad debt loss is based on individual assessment of the receivable items.

### Fixed Assets

Fixed assets are recognized in the balance sheet and depreciated over the asset's useful life when the useful life exceeds three years. Direct maintenance of fixed assets is expensed under operating expenses, while additions or improvements are added to the fixed asset's acquisition value and depreciated at the same rate as the asset. If the recoverable value of an asset is lower than what is recognized in the balance sheet, a write down is done to reflect the recoverable value. Recoverable value is the higher of net sales value and fair value. Fair value is the net present value of future economic benefit the asset will generate. The fixed assets in the balance sheet are valued at fair value.

### Intangible Assets

Intangible Assets are valued at fair value.

### Bank deposits and overdraft facilities

The cash pool agreement the company had with parent company Kesko Oyj has been discontinued, and the company is now instead part of Kesko's internal In House Cash solution. The company's spend inside the In House Cash solution constitutes an intercompany debt.

### Pension

The net pension cost for the year is classified as Payroll expense. The company is required by law to have an obligatory occupational pension plan. The current pension plan meets the requirements in the law.

### Bonus

Purchases through Bygghandler Handel AS's purchasing agreements generate supplier bonus which is to be distributed between the members of the Bygghandler chain. Accrued supplier bonus is netted against accrued bonus for chain members in the balance sheet.



## BYGGMAKKER HANDEL AS

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### Rent / Leasing

Rental agreements are classified as either financial or operational leasing based on assessment of each individual agreement. Lease agreements for non-current assets which are classified as financial leasing are booked to the balance sheet, and depreciated like fixed assets. Lease agreements for non-current assets which are classified as operational leasing are expensed as part of other operating cost.

### Taxes

The Tax amount in the income statement for the year comprises the tax payable, and the change in deferred tax. Deferred tax is calculated by 22% on the basis of the temporary differences which exist between accounting values and tax values. Tax increasing and tax reducing temporary differences which are reversing, or can be reversed within the same period, are offset.

### Cashflow

The cashflow statement is prepared using the indirect method. Cash and cash equivalents consists of cash and bank deposits. However, bank deposits that are part of the Kesko global cash pool are not included in cash and cash equivalents, as they are stated as intercompany receivables, and any utilization of credit limit in the cash pool is stated as intercompany debt.

## Note 2. Sales revenues

Amounts in NOK 1.000

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
| <b>Segment</b>               |                  |                  |
| Building and technical trade | 3 052 365        | 2 815 299        |
| Other operating income       | 259 256          | 215 394          |
| <b>Total</b>                 | <b>3 311 621</b> | <b>3 030 693</b> |

### Geographic division

|              |                  |                  |
|--------------|------------------|------------------|
| Norway       | 3 311 621        | 3 030 693        |
| <b>Total</b> | <b>3 311 621</b> | <b>3 030 693</b> |

## Note 3. Salaries and allowances, number of employees, employee loans and audit fees

Amounts in NOK 1.000

|   | 2020          | 2019          |
|---|---------------|---------------|
| <b>Salaries</b>                             |               |               |
| Salary                                      | 27 549        | 24 880        |
| Social security contribution                | 3 596         | 3 818         |
| Pension cost                                | 960           | 990           |
| Other benefits                              | 348           | 969           |
| <b>Total</b>                                | <b>32 453</b> | <b>30 658</b> |
| <br>  |               |               |
| Average number of Full Time Employees (FTE) | 24            | 24            |



## BYGGMAKKER HANDEL AS

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|                         | General Manager | The Board |
|-------------------------|-----------------|-----------|
| Salaries for management |                 |           |
| Salary                  | 4 702           |           |
| Other allowances        | 815             |           |

Salary expenses for management includes severance package of former General manager as well as salaries for the new General manager. No loans or securities have been granted to the General manager or other related parties.

Bonus to the General management team is determined for one year at a time, and is based on achievement of fixed goals.

No board fees are paid to the Board.

### Audit

| Audit fee is comprised of | 2020 | 2019 |
|---------------------------|------|------|
| Regular audit             | 443  | 235  |
| Tax advisory services     | 0    | 25   |
| Other services            | 12   | 664  |
| Total audit fee           | 455  | 924  |

Value added tax (VAT) is not included in the Audit fee.

## Note 4. Taxes

Amounts in NOK 1.000

Below is a specification of the differences between Accounting profit before tax and Tax basis for the year, as well as a specification of this year's tax expense.

Calculating the tax basis for the year:

|                                  | 2020          | 2019          |
|----------------------------------|---------------|---------------|
| Profit before tax                | 44 720        | 20 144        |
| Permanent differences            | 91            | 1 249         |
| Change in temporary differences  | -1 534        | 11 417        |
| Limitation of interest deduction | -4 843        | -74           |
| <b>Tax basis for the year</b>    | <b>38 433</b> | <b>32 736</b> |

| This year's tax expense consists of:           | 2020         | 2019         |
|--|--------------|--------------|
| Tax payable 22%                                | 8 455        | 7 202        |
| Change in deferred tax                         | 1 403        | -2 505       |
| Change in deferred tax due to changed tax rate | 0            | 0            |
| <b>Total tax expense</b>                       | <b>9 858</b> | <b>4 697</b> |



| BYGGMAKKER HANDEL AS  |                | 980 656 616    |  |
|---|----------------|----------------|--|
| <b>Temporary differences</b>                                    | <b>2020</b>    | <b>2019</b>    |  |
| Fixed assets  | -3 400         | -2 975         |  |
| Accounts receivables  | -2 030         | -2 584         |  |
| Accounting Accruals   | -12 261        | -12 916        |  |
| Gains- and loss   | -492           | 0              |  |
| Limited interest deductibility                                  | 0              | -4 843         |  |
| Accumulated loss carry forward                                  | 0              | 0              |  |
| Other differences   | 0              | -1 242         |  |
| <b>Basis for Deferred tax liability/ Deferred tax asset (-)</b> | <b>-18 183</b> | <b>-24 560</b> |  |
| 22% deferred tax liability/ deferred tax asset (-)              | -4 000         | -5 403         |  |
| <b>Tax payable in the balance sheet</b>                         |                |                |  |
|   | <b>2020</b>    | <b>2019</b>    |  |
| Tax payable in tax expense                                      | 8 455          | 7 202          |  |
| Reduction in tax related to given group contribution            | -1 460         | -3 080         |  |
| Tax receivable from last year                                   | -5 253         | 0              |  |
| <b>Total tax payable in the balance sheet</b>                   | <b>1 742</b>   | <b>4 122</b>   |  |

## Note 5. Fixed Assets

Amounts in NOK 1.000

|   | Furniture & Fixtures, Office<br>equipment, Real estate<br>equipment |
|---|---|
| Acquisition cost as of 1.1.2020                 | 4 013   |
| Acquisition of fixed assets during the year     | 0   |
| Acquisition of financial leases during the year | 0   |
| Retirement of fixed assets during the year      | -1 727  |
| <b>Total Acquisition cost as of 31.12.2020</b>  | <b>2 286</b>  |
| Accumulated depreciation pr 31.12.2020          | 2 286   |
| Accumulated write downs pr 31.12.2020           |   |
| Reversed write downs pr 31.12.2020              |   |
| <b>Net book value pr 31.12.2020</b>             | <b>0</b>  |
| This year's depreciation                        | 86  |
| This year's write downs                         | 0   |
| Useful life                                     | 3-10 years  |
| Depreciation plan                               | Linear  |



BYGGMAKKER HANDEL AS

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## Note 6. Intangible assets

Amounts in NOK 1.000

|  | Trademark      | Art / Other<br>intangible assets | Patents, licences<br>etc |
|--|----------------|----------------------------------|--------------------------|
| Acquisition cost as of 01.01.2020                | 274 900        | 518                              | 22 511                   |
| Acquisition of intangible assets during the year |                |                                  | 2 570                    |
| Acquisition of financial leases during the year  |                |                                  |                          |
| Retirement of intangible assets during the year  |                |                                  | -860                     |
| <b>Total Acquisition cost as of 31.12.2020</b>   | <b>274 900</b> | <b>518</b>                       | <b>24 221</b>            |
| Accumulated depreciation as of 31.12.2020        |                | 11                               | 20 625                   |
| Accumulated write downs as of 31.12.2020         |                |                                  |                          |
| Reversed write downs as of 31.12.2020            |                |                                  |                          |
| <b>Net book value as of 31.12.2020</b>           | <b>274 900</b> | <b>507</b>                       | <b>3 596</b>             |
| This year's depreciation                         | 0              | 0                                | 2 841                    |
| This year's write downs                          |                |                                  |                          |
| Useful life                                      | Indefinite     | Indefinite                       | 5 years                  |
| Depreciation plan                                |                |                                  | Linear                   |

## Note 7. Subsidiaries

Amounts in NOK 1.000

| Company name              | Acquisition date | Book value | Equity 31.12.2020 | Annual result 2020 |
|---------------------------|------------------|------------|-------------------|--------------------|
| Byggmakker Sør AS         | 02.07.18         | 699 643    | 468 074           | 17 389             |
| Byggmakker Nord AS        | 23.07.18         | 637 522    | 234 860           | 48 317             |
| Carlsen Fritzøe Handel AS | 07.07.20         | 1 338 298  | 327 529           | 169 007            |
| Sum                       |                  | 2 675 463  |                   |                    |

Ownership in all companies is 100%



## BYGGMAKKER HANDEL AS

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### Note 8. Intercompany balances

Amounts in NOK 1.000

|                                   |         |         |
|-----------------------------------|---------|---------|
| Receivables                       | 2020    | 2019    |
| Accounts receivables intercompany | 108 313 | 70 615  |
| Other receivables intercompany    | 5 196   | 0       |
| Total Receivables                 | 113 509 | 70 615  |
| Debt /Payables                    |         |         |
| Accounts payable intercompany     | 19 448  | 9 921   |
| Other payables intercompany       | 474 343 | 220 798 |
| Total debt / payables             | 493 791 | 230 719 |

### Note 9. Tax guarantee

Byggmakker Handel AS does not have a restricted account for deposit of employees' withholding tax. Instead a Tax Guarantee (bank guarantee) has been issued by Onninen (part of the same Group) for Skedsmo Kommune. The guarantee is for NOK 19 000 000,-, which covers the liability of the company, as well as for intercompanies Onninen AS and T M Christensen VVS Detaljer AS.

### Note 10. Share Capital

Amounts in full figures

| The Share capital consists of: | Number of shares | Nominal value | Recognized in balance sheet |
|--------------------------------|------------------|---------------|-----------------------------|
| A-shares                       | 4 000            | 1 475         | 6 000 000                   |
| <b>Total</b>                   | <b>4 000</b>     | <b>1 475</b>  | <b>6 000 000</b>            |

### Shareholders pr 31.12.2020

|                    | A-shares     | Ownership % | Vote %      |
|--------------------|--------------|-------------|-------------|
| Kesko Oyj, Finland | 4 000        | 100%        | 100%        |
| <b>Sum</b>         | <b>4 000</b> | <b>100%</b> | <b>100%</b> |



BYGGMAKKER HANDEL AS

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## Note 11. Equity

Amounts in NOK 1.000

|                             | Share capital | Share premium    | Other paid-in capital | Other equity   | Total            |
|-----------------------------|---------------|------------------|-----------------------|----------------|------------------|
| Equity pr 01.01.2020        | 5 900         | 1 163 202        | 14 605                | 134 819        | 1 318 526        |
| Capital contribution        | 100           | 999 900          |                       |                | 1 000 000        |
| Given group contribution    |               |                  |                       | -5 178         | -5 178           |
| Annual result               |               |                  |                       | 34 861         | 34 861           |
| <b>Equity pr 31.12.2020</b> | <b>6 000</b>  | <b>2 163 102</b> | <b>14 605</b>         | <b>164 503</b> | <b>2 348 210</b> |

## Note 12. Pensions

The defined benefit pension plans Bygghmakker Handel had were discontinued at the beginning of 2017. Since then Bygghmakker Handel has had Defined contribution plans, in addition to a Collective contractual pension (AFP).

There is no pension liability attached to the AFP-plan, so the cost is consecutively expensed throughout the year.

## Note 13. Rent and Leasing-agreements

The agreement for rent in Lillestrøm has an expiry date of Dec 18th 2023. Annual rent expense for 2020 is TNOK 10.851. Bygghmakker Handel has left these premises, and is now sub-letting half the building. Rent for the remaining part of the building is expensed with TNOK 12.916 in 2019, as the probability of generating further income from sub-letting is considered to be low or non-existing.

The agreement for rent of the Rosenholm Campus has duration through to September 2020, and includes an option to prolong until September 2026. Bygghmakker Handel has left these premises, and is now sub-letting half the building. Rent for the remaining part of the building is expensed with TNOK 3.101 in 2018, as the probability of generating further income from sub-letting is considered to be low or non-existing.

Furthermore, Bygghmakker Handel has operational lease agreements for cars with varying expiry dates up to 2024. Annual rent expense related to these lease agreements was TNOK 655 in 2020.



## BYGGMAKKER HANDEL AS

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### Note 14. Intercompany transactions

Amounts in NOK 1.000

Byggmakker Handel AS was until the end of 2016 owned 100% by Rautakesko Oy. By the end of 2016 Rautakesko Oy merged with the parent company Kesko Oyj, which now owns 100% of the shares in Byggmakker Handel AS.

Byggmakker Handel AS has intercompany sales and purchases of both goods and services to and from its subsidiaries Byggmakker Sør AS, Byggmakker Nord AS, as well as other Kesko group companies. All these transactions with the intercompanies are based on market prices and terms.

Receivables from intercompanies are mainly related to sales of goods and services. Payables to intercompanies are mainly related to purchase of goods and services.

The most significant transactions with Kesko Intercompanies are as follows:

| Transactions                          | 2020      | 2019      |
|---------------------------------------|-----------|-----------|
| Operating income (1)                  | 1 872 619 | 1 699 577 |
| Cost of goods sold (2)                | 42 578    | 32 275    |
| Other operating expenses (3)          | 72 834    | 50 087    |
| Net Financial income + /expense - (4) | 6 243     | 7 041     |
| Group contribution paid (5)           | 5 178     | 10 920    |

(1) Byggmakker Sør AS, Byggmakker Nord AS, Onninen AS, Byggmakker Mosjøen AS

(2) Kesko Oyj, Onninen AS, Byggmakker Sør AS, Byggmakker Nord AS

(3) Byggmakker Sør AS, Byggmakker Nord AS, Byggmakker Mosjøen, Onninen AS, Kesko Oyj, Kesko AB, Trøgstadveien 13 AS, Rake Bergen AS, Rake Eiendom AS, Hasti Ari AS, Sørbo AS, Tau & Jørpeland Eiendom AS

(4) Kesko Oyj

(5) Rake Eiendom AS, Rake Bergen

Intercompany balances in the Balance sheet are shown in Note 8.

### Note 15. Foreign currency

Amounts in NOK 1.000

|   | 2020      | 2019       |
|---|-----------|------------|
| <b>Foreign currency items in the income statement</b> |           |            |
| Gain on foreign exchange                              | 79        | 155        |
| Loss on foreign exchange                              | -7        | -169       |
| <b>Total</b>  | <b>72</b> | <b>-15</b> |



**BYGGMAKKER HANDEL AS**

**980 656 616**

## **Note 16. Consolidated financial statement**

Byggmakker Handel AS is included in the consolidated financial statement of Kesko Oyj.

**The consolidated financial statement can be retrieved from Kesko Oyj.**

Visiting address: Työpajankatu 12, FI-00580, Helsinki, Finland

Mail address: P.O.B. 1, FI-00016 Kesko, Helsinki, Finland

Web site: <https://www.kesko.fi/en>

## **Note 17. Pledges and Guarantees**

There are no pledges.

### **Bank guarantee**

For Rosenholm Campus

For Nordahl Bruns Gate 10 KS

### **Nominal value    Expiry date**

1 650 Nov 30th, 2020

11 000 Jun 18th, 2024

## **Note 18. Subsequent events**

It is the opinion of the Board that the preconditions for continued operation are present. The accounts for 2020 have not been negatively affected by Covid 19, and there have been no events after the balance sheet date that affect the assumptions about continued operations.

The board has approved a merger plan prepared together with the boards of Byggmakker Nord AS and Byggmakker Sør AS. It has been decided that Byggmakker Nord AS and Byggmakker Sør AS will be merged with Byggmakker Handel AS during 2021, and Byggmakker Handel AS will take over all assets, rights and obligations from the subsidiaries.

**BYGGMAKKER HANDEL AS****980 656 616****Cash flow statement**

Amounts in NOK 1.000

|  | <b>2020</b>       | <b>2019</b>    |
|--|-------------------|----------------|
| <b>Cash flow from operating activities</b>     |                   |                |
| Profit before tax                              | 44 720            | 20 144         |
| Taxes paid during the year                     | -9 375            | -6 534         |
| Ordinary depreciation                          | 2 926             | 2 283          |
| Gain/loss from sale of fixed assets            | 654               |                |
| Change in accounts receivable                  | 34 896            | -2 241         |
| Change in accounts payable                     | 37 372            | -82 096        |
| Change in intercompany debt                    | 226 404           | 41 780         |
| Change in other accruals                       | 15 390            |                |
| <b>Net cash flow from operating activities</b> | <b>352 987</b>    | <b>-26 664</b> |
| <b>Cash flow from investing activities</b>     |                   |                |
| Payment for purchase of fixed assets           | -2 570            | -1 914         |
| Payment for non-current assets                 | 0                 | -3 993         |
| Payment/refund purchase of shares              | -1 338 298        | 1 685          |
| <b>Net cash flow from investing activities</b> | <b>-1 340 868</b> | <b>-4 222</b>  |
| <b>Cash flow from financing activities</b>     |                   |                |
| Proceeds from new borrowings, group            | 0                 | 44 097         |
| Paid in capital                                | 1 000 000         |                |
| Paid group contribution                        | -14 000           | -14 795        |
| <b>Net cash flow from financing activities</b> | <b>986 000</b>    | <b>29 302</b>  |
| Net change in cash and cash equivalents        | -1 881            | -1 584         |
| Cash at the beginning of the year              | 3 684             | 5 268          |
| <b>Cash at the end of the year</b>             | <b>1 803</b>      | <b>3 684</b>   |



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## List of Signatures Page 1/1

### BM Handel - Årsregnskap 2020.pdf

| Name                         | Method            | Signed at               |
|------------------------------|-------------------|-------------------------|
| MIKA TAPANI LEHTINEN         | FTN (OP)          | 2021-07-01 14:26 GMT+02 |
| Jorma Antero Rauhala         | FTN (Danske Bank) | 2021-06-21 08:03 GMT+02 |
| MIA KAITAHARJU               | FTN (OP)          | 2021-06-18 08:44 GMT+02 |
| Kristoffersen, Hilde Merethe | BANKID_MOBILE     | 2021-06-17 19:00 GMT+02 |



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BYGGMAKKER HANDEL AS

980 656 616

## Byggmakker Handel AS Annual Report 2020

### Board of Director's Report

Byggmakker Handel AS manages the Byggmakker chain of 78 building and home improvement stores, 56 of which are owned by Byggmakker Handel through its subsidiaries. Other stores within the chain are owned by retailer entrepreneurs who have chain agreements with Byggmakker.

The company has its headquarters in Lillestrøm municipality. This is also the company's business address.

Kesko Oyj own 100% of the shares in the company.

### Financial Statement

Byggmakker Handel AS reported revenues of NOK 3 312 million in 2020, which is 9,3% above 2019 (NOK 3 031 million). Earnings before Interest and Taxes (EBIT) ended at NOK 51,0 million (NOK 26,9 million). The net profit for the year was NOK 34,9 million (NOK 15,4 million).

The net cash flow from operating activities amounted to NOK 353,0 million (NOK -26,7 million). The difference between the operating profit and the cash flow is mainly related to an increase in the intercompany debt. The total investments in 2020 was NOK 1 340,9 million.

The current liabilities of Byggmakker Handel AS amounted to 99,5% of total debt per 31.12.2020.

The total assets of Byggmakker Handel AS was NOK 3 177 million per 31.12.2020 (NOK 1815 million). The equity ratio in 2020 was 73,9% (72,7%).

The company had no research and development activities in 2020.

### Allocation of the Year's Result

The net profit for Byggmakker Handel AS was NOK 34,9 million which the Board proposes to be distributed as follows:

|                                  |      |        |
|----------------------------------|------|--------|
| Group contribution               | TNOK | 5 178  |
| Transferred to retained earnings | TNOK | 29 684 |
| Total                            | TNOK | 34 861 |

### Subsequent events and Prospects for 2021

It is the opinion of the Board that the preconditions for continued operation are present. The accounts for



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## BYGGMAKKER HANDEL AS

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2020 have not been negatively affected by Covid 19, and there have been no events after the balance sheet date that affect the assumptions about continued operations.

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the financial statement have been prepared on the assumption of a going concern as of the date of the financial statement.

## Risks

Risk management in Byggmakker Handel AS is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risks. Through quarterly risk reviews the significant risks are mapped and mitigating actions are planned and executed.

Byggmakker Handel AS is exposed to fluctuations in interest rates

Most of the sales in Byggmakker Handel AS is credit sales, and credit risk management is thus an important part of the business. The company monitors the credit exposure continuously, and management reviews the status in monthly credit reviews.

## Organization, Working Conditions and the Environment

At the end of 2020 Byggmakker Handel AS employed a total of 24 persons, equivalent to 24 FTEs. Sickness absence in the company was 0,6% in 2020, of which long term absence accounted for 0,2%

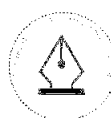
The company regularly conducts employee satisfaction surveys. The Board believes that the working environment in the company is satisfactory.

Byggmakker Handel AS strives to be an employer with full gender equality, and the company's human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion, or age. The company is also committed ensure that there is no disability discrimination. For employees and applicants with disabilities there will be made reasonable individual accommodations in the work environment.

Of the company's 24 employees, 45,8% are women. The Board consists of one woman and two men.

Byggmakker Handel AS does not have a significant direct negative impact on the environment and will always aspire to adapt to all environmental regulations. The company is focused on its social responsibility and is continuously working with its business partners to develop and encourage them to choose environmentally sustainable solutions.

Byggmakker Handel AS has regulations in its supplier agreements to ensure that no goods that are supplied to Byggmakker are harmful to the environment or the public health if used in a responsible way. Furthermore, the suppliers guarantees that no child labor or slavery is used as workforce in the production of its goods. The suppliers also guarantees that endangered trees is not used in its products, and that they act responsibly with regard to the environment, public health and animal welfare.



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BYGGMAKKER HANDEL AS

980 656 616

Lillestrøm, 17<sup>th</sup> of June 2021  
The Board of Byggmakker Handel AS

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Jorma Rauhala  
Chairman of the Board

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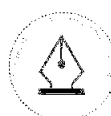
Mika Tapani Lehtinen  
Member of the Board

---

Mia Maria Kaitaharju  
Vice Chairman

---

Hilde Merethe Kristoffersen  
General Manager



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## STATEMENT OF PROFIT AND LOSS

| BYGGMAKKER HANDEL AS                            |               | AMOUNTS IN NOK 1.000 |                  |
|---|---------------|----------------------|------------------|
|   | NOTE          | 2020                 | 2019             |
| <b>OPERATING INCOME AND OPERATING EXPENSES</b>  |               |                      |                  |
| Revenue   | 1, 2          | 3 052 365            | 2 815 299        |
| Other operating income                          | 2             | 259 256              | 215 394          |
| <b>Total operating income</b>                   |               | <b>3 311 621</b>     | <b>3 030 693</b> |
| Cost of materials                               |               | 3 093 093            | 2 846 418        |
| Personnel expenses                              | 3, 12         | 32 453               | 30 658           |
| Depreciation of operating and intangible assets | 6             | 2 927                | 2 283            |
| Other operating expenses                        |               | 132 193              | 124 392          |
| <b>Total operating expenses</b>                 | <b>14</b>     | <b>3 260 665</b>     | <b>3 003 750</b> |
| <b>Operating profit</b>                         |               | <b>50 955</b>        | <b>26 944</b>    |
| <b>FINANCIAL INCOME AND EXPENSES</b>            |               |                      |                  |
| Interest income from group companies            | 14, 15        | 0                    | 2                |
| Other interest income                           | 14, 15        | 19                   | 246              |
| Interest expense to group companies             | 14, 15        | 6 243                | 7 043            |
| Other interest expenses                         | 14, 15        | 12                   | 5                |
| <b>Net financial items</b>                      | <b>14, 15</b> | <b>-6 236</b>        | <b>-6 800</b>    |
| Operating result before tax                     |               | 44 720               | 20 144           |
| Tax on ordinary result                          |               | 9 858                | 4 697            |
| <b>Ordinary result after tax</b>                |               | <b>34 861</b>        | <b>15 447</b>    |
| <b>EXTRAORDINARY INCOME AND EXPENSES</b>        |               |                      |                  |
| <b>Annual net profit</b>                        |               | <b>34 861</b>        | <b>15 447</b>    |
| <b>BROUGHT FORWARD</b>                          |               |                      |                  |
| Given intra-group contribution                  |               | 5 178                | 10 920           |
| Allocated to other equity                       |               | 29 684               | 4 527            |
| <b>Net brought forward</b>                      |               | <b>34 861</b>        | <b>15 447</b>    |

BYGGMAKKER HANDEL AS

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## BALANCE SHEET

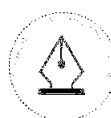
BYGGMAKKER HANDEL AS

AMOUNTS IN NOK 1.000

| ASSETS   | Note | 2020             | 2019             |
|--|------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |
| <b>INTANGIBLE ASSETS</b>                                       |      |                  |                  |
| Trade mark   | 6    | 274 900          | 274 900          |
| Concessions, patents, licences, trademarks, and similar rights | 6    | 4 103            | 4 880            |
| Deferred tax assets  | 4    | 4 000            | 5 403            |
| <b>Total intangible assets</b>                                 |      | <b>283 004</b>   | <b>285 183</b>   |
| <b>TANGIBLE ASSETS</b>   |      |                  |                  |
| Equipment and other movables                                   | 5    | 0                | 267              |
| <b>Total tangible assets</b>                                   |      | <b>0</b>         | <b>267</b>       |
| <b>FINANCIAL FIXED ASSETS</b>                                  |      |                  |                  |
| Investments in other group companies                           | 7    | 2 675 463        | 1 337 165        |
| <b>Total financial fixed assets</b>                            |      | <b>2 675 463</b> | <b>1 337 165</b> |
| <b>Total fixed assets</b>                                      |      | <b>2 958 467</b> | <b>1 622 615</b> |
| <b>CURRENT ASSETS</b>  |      |                  |                  |
| <b>DEBTORS</b>   |      |                  |                  |
| Accounts receivables, incl Intercompany                        | 8    | 175 478          | 163 487          |
| Other short-term receivables                                   | 8    | 41 369           | 24 781           |
| <b>Total receivables</b>                                       |      | <b>216 847</b>   | <b>188 268</b>   |
| <b>INVESTMENTS</b>   |      |                  |                  |
| Cash and bank deposits   | 9    | 1 803            | 3 684            |
| <b>Total current assets</b>                                    |      | <b>218 649</b>   | <b>191 951</b>   |
| <b>Total assets</b>  |      | <b>3 177 117</b> | <b>1 814 566</b> |

BYGGMAKKER HANDEL AS

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## BALANCE SHEET

BYGGMAKKER HANDEL AS

AMOUNTS IN NOK 1.000

| EQUITY AND LIABILITIES                      | Note      | 2020             | 2019             |
|---|-----------|------------------|------------------|
| <b>EQUITY</b>                               |           |                  |                  |
| <b>PAID-UP EQUITY</b>                       |           |                  |                  |
| Share capital                               | 10        | 6 000            | 5 900            |
| Share premium reserve                       |           | 2 163 102        | 1 163 202        |
| Other paid-up equity                        |           | 14 605           | 14 605           |
| <b>Total paid-up equity</b>                 |           | <b>2 183 707</b> | <b>1 183 707</b> |
| <b>RETAINED EARNINGS</b>                    |           |                  |                  |
| Other equity                                |           | 164 503          | 134 819          |
| <b>Total retained earnings</b>              |           | <b>164 503</b>   | <b>134 819</b>   |
| <b>Total equity</b>                         | <b>11</b> | <b>2 348 210</b> | <b>1 318 526</b> |
| <b>LIABILITIES</b>                          |           |                  |                  |
| <b>PROVISIONS FOR LIABILITIES</b>           |           |                  |                  |
| <b>OTHER LONG-TERM LIABILITIES</b>          |           |                  |                  |
| Other long term liabilities                 |           | 4 502            | 0                |
| <b>Total of other long term liabilities</b> |           | <b>4 502</b>     | <b>0</b>         |
| <b>CURRENT DEBT</b>                         |           |                  |                  |
| Trade creditors                             | 8         | 222 093          | 171 201          |
| Tax payable                                 | 4         | 1 742            | 4 122            |
| Public duties payable                       |           | 32 540           | 26 911           |
| Other current debt, incl Intercompany       | 8         | 568 029          | 293 806          |
| <b>Total current debt</b>                   |           | <b>824 405</b>   | <b>496 040</b>   |
| <b>Total liabilities</b>                    |           | <b>828 907</b>   | <b>496 040</b>   |
| <b>Total equity and liabilities</b>         |           | <b>3 177 117</b> | <b>1 814 566</b> |

17.06.2021

The board of Byggmakker Handel AS

Jorma Antero Rauhala  
chairman of the board

Mika Tapani Lehtinen  
member of the board

Mia Maria Kaitaharju  
vice chairman

Hilde Merethe Kristoffersen  
general Manager

BYGGMAKKER HANDEL AS

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**BYGGMAKKER HANDEL AS**

**980 656 616**

## **Note 1 - Accounting principles**

The annual financial statement is created in accordance with the Norwegian Accounting act, and general accepted accounting practice.

### **Operating Income**

Sales revenues are related to the flow-through-invoicing process in the Bygghandler chain. Revenue recognition takes place at the time of delivery of the goods. Rendered bonus and cash discounts to the chain members are booked as reduction of sales revenues. Other operating income is related to chain membership fee, supplier fees, and marketing support.

### **Classification and assessment of balance sheet items**

Current assets and current liabilities include items that are due for payment within one year from the acquisition date, and items that are related to the cycle of goods. Other items are classified as fixed assets at fair value. Current assets are valued at fair value. Current liabilities are recognized at nominal value at point of borrowing, then valued at fair value.

### **Subsidiaries**

Subsidiaries are valued at fair value in the balance sheet. Dividends and other disbursements are recognized the same year as they are accrued in the subsidiary.

### **Receivables**

Accounts receivables and other receivables are stated in the balance sheet at fair value after deduction of accrual for expected bad debt losses. Accrual for bad debt loss is based on individual assessment of the receivable items.

### **Fixed Assets**

Fixed assets are recognized in the balance sheet and depreciated over the asset's useful life when the useful life exceeds three years. Direct maintenance of fixed assets is expensed under operating expenses, while additions or improvements are added to the fixed asset's acquisition value and depreciated at the same rate as the asset. If the recoverable value of an asset is lower than what is recognized in the balance sheet, a write down is done to reflect the recoverable value. Recoverable value is the higher of net sales value and fair value. Fair value is the net present value of future economic benefit the asset will generate. The fixed assets in the balance sheet are valued at fair value.

### **Intangible Assets**

Intangible Assets are valued at fair value.

### **Bank deposits and overdraft facilities**

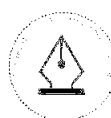
The cash pool agreement the company had with parent company Kesko Oyj has been discontinued, and the company is now instead part of Kesko's internal In House Cash solution. The company's spend inside the In House Cash solution constitutes an intercompany debt.

### **Pension**

The net pension cost for the year is classified as Payroll expense. The company is required by law to have an obligatory occupational pension plan. The current pension plan meets the requirements in the law.

### **Bonus**

Purchases through Bygghandler Handel AS's purchasing agreements generate supplier bonus which is to be distributed between the members of the Bygghandler chain. Accrued supplier bonus is netted against accrued bonus for chain members in the balance sheet.



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**BYGGMAKKER HANDEL AS**

**980 656 616**

## Rent / Leasing

Rental agreements are classified as either financial or operational leasing based on assessment of each individual agreement. Lease agreements for non-current assets which are classified as financial leasing are booked to the balance sheet, and depreciated like fixed assets. Lease agreements for non-current assets which are classified as operational leasing are expensed as part of other operating cost.

## Taxes

The Tax amount in the income statement for the year comprises the tax payable, and the change in deferred tax. Deferred tax is calculated by 22% on the basis of the temporary differences which exist between accounting values and tax values. Tax increasing and tax reducing temporary differences which are reversing, or can be reversed within the same period, are offset.

## Cashflow

The cashflow statement is prepared using the indirect method. Cash and cash equivalents consists of cash and bank deposits. However, bank deposits that are part of the Kesko global cash pool are not included in cash and cash equivalents, as they are stated as intercompany receivables, and any utilization of credit limit in the cash pool is stated as intercompany debt.

## Note 2. Sales revenues

Amounts in NOK 1.000

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
| <b>Segment</b>               |                  |                  |
| Building and technical trade | 3 052 365        | 2 815 299        |
| Other operating income       | 259 256          | 215 394          |
| <b>Total</b>                 | <b>3 311 621</b> | <b>3 030 693</b> |

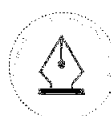
## Geographic division

|              |                  |                  |
|--------------|------------------|------------------|
| Norway       | 3 311 621        | 3 030 693        |
| <b>Total</b> | <b>3 311 621</b> | <b>3 030 693</b> |

## Note 3. Salaries and allowances, number of employees, employee loans and audit fees

Amounts in NOK 1.000

|   | 2020          | 2019          |
|---|---------------|---------------|
| <b>Salaries</b>                             |               |               |
| Salary                                      | 27 549        | 24 880        |
| Social security contribution                | 3 596         | 3 818         |
| Pension cost                                | 960           | 990           |
| Other benefits                              | 348           | 969           |
| <b>Total</b>                                | <b>32 453</b> | <b>30 658</b> |
| <br>  |               |               |
| Average number of Full Time Employees (FTE) | 24            | 24            |



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**BYGGMAKKER HANDEL AS****980 656 616**

| Salaries for management | General Manager | The Board |
|-------------------------|-----------------|-----------|
| Salary                  | 4 702           |           |
| Other allowances        | 815             |           |

Salary expenses for management includes severance package of former General manager as well as salaries for the new General manager. No loans or securities have been granted to the General manager or other related parties.

Bonus to the General management team is determined for one year at a time, and is based on achievement of fixed goals.

No board fees are paid to the Board.

| Audit                     | 2020 | 2019 |
|---------------------------|------|------|
| Audit fee is comprised of |      |      |
| Regular audit             | 443  | 235  |
| Tax advisory services     | 0    | 25   |
| Other services            | 12   | 664  |
| Total audit fee           | 455  | 924  |

Value added tax (VAT) is not included in the Audit fee.

**Note 4. Taxes**

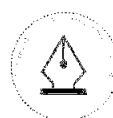
Amounts in NOK 1.000

Below is a specification of the differences between Accounting profit before tax and Tax basis for the year, as well as a specification of this year's tax expense.

Calculating the tax basis for the year:

|                                  | 2020          | 2019          |
|----------------------------------|---------------|---------------|
| Profit before tax                | 44 720        | 20 144        |
| Permanent differences            | 91            | 1 249         |
| Change in temporary differences  | -1 534        | 11 417        |
| Limitation of interest deduction | -4 843        | -74           |
| <b>Tax basis for the year</b>    | <b>38 433</b> | <b>32 736</b> |

| This year's tax expense consists of:           | 2020         | 2019         |
|--|--------------|--------------|
| Tax payable 22%                                | 8 455        | 7 202        |
| Change in deferred tax                         | 1 403        | -2 505       |
| Change in deferred tax due to changed tax rate | 0            | 0            |
| <b>Total tax expense</b>                       | <b>9 858</b> | <b>4 697</b> |



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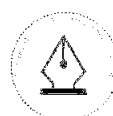


| <b>BYGGMAKKER HANDEL AS</b>                                     |                | <b>980 656 616</b> |
|---|----------------|--------------------|
| <b>Temporary differences</b>                                    | <b>2020</b>    | <b>2019</b>        |
| Fixed assets  | -3 400         | -2 975             |
| Accounts receivables  | -2 030         | -2 584             |
| Accounting Accruals   | -12 261        | -12 916            |
| Gains- and loss   | -492           | 0                  |
| Limited interest deductibility                                  | 0              | -4 843             |
| Accumulated loss carry forward                                  | 0              | 0                  |
| Other differences   | 0              | -1 242             |
| <b>Basis for Deferred tax liability/ Deferred tax asset (-)</b> | <b>-18 183</b> | <b>-24 560</b>     |
| <b>22% deferred tax liability/ deferred tax asset (-)</b>       | <b>-4 000</b>  | <b>-5 403</b>      |
| <b>Tax payable in the balance sheet</b>                         |                |                    |
|   | <b>2020</b>    | <b>2019</b>        |
| Tax payable in tax expense                                      | 8 455          | 7 202              |
| Reduction in tax related to given group contribution            | -1 460         | -3 080             |
| Tax receivable from last year                                   | -5 253         | 0                  |
| <b>Total tax payable in the balance sheet</b>                   | <b>1 742</b>   | <b>4 122</b>       |

## Note 5. Fixed Assets

Amounts in NOK 1.000

|   | <b>Furniture &amp; Fixtures, Office<br/>equipment, Real estate<br/>equipment</b> |
|---|--|
| Acquisition cost as of 1.1.2020                 | 4 013  |
| Acquisition of fixed assets during the year     | 0  |
| Acquisition of financial leases during the year | 0  |
| Retirement of fixed assets during the year      | -1 727   |
| <b>Total Acquisition cost as of 31.12.2020</b>  | <b>2 286</b>   |
| Accumulated depreciation pr 31.12.2020          | 2 286  |
| Accumulated write downs pr 31.12.2020           |  |
| Reversed write downs pr 31.12.2020              |  |
| <b>Net book value pr 31.12.2020</b>             | <b>0</b>   |
| This year's depreciation                        | 86   |
| This year's write downs                         | 0  |
| Useful life                                     | 3-10 years   |
| Depreciation plan                               | Linear   |



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BYGGMAKKER HANDEL AS

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## Note 6. Intangible assets

Amounts in NOK 1.000

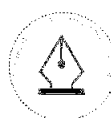
|  | Trademark      | Art / Other<br>intangible assets | Patents, licences<br>etc |
|--|----------------|----------------------------------|--------------------------|
| Acquisition cost as of 01.01.2020                | 274 900        | 518                              | 22 511                   |
| Acquisition of intangible assets during the year |                |                                  | 2 570                    |
| Acquisition of financial leases during the year  |                |                                  |                          |
| Retirement of intangible assets during the year  |                |                                  | -860                     |
| <b>Total Acquisition cost as of 31.12.2020</b>   | <b>274 900</b> | <b>518</b>                       | <b>24 221</b>            |
| Accumulated depreciation as of 31.12.2020        |                | 11                               | 20 625                   |
| Accumulated write downs as of 31.12.2020         |                |                                  |                          |
| Reversed write downs as of 31.12.2020            |                |                                  |                          |
| <b>Net book value as of 31.12.2020</b>           | <b>274 900</b> | <b>507</b>                       | <b>3 596</b>             |
| This year's depreciation                         | 0              | 0                                | 2 841                    |
| This year's write downs                          |                |                                  |                          |
| Useful life                                      | Indefinite     | Indefinite                       | 5 years                  |
| Depreciation plan                                |                |                                  | Linear                   |

## Note 7. Subsidiaries

Amounts in NOK 1.000

| Company name              | Acquisition date | Book value | Equity 31.12.2020 | Annual result 2020 |
|---------------------------|------------------|------------|-------------------|--------------------|
| Byggmakker Sør AS         | 02.07.18         | 699 643    | 468 074           | 17 389             |
| Byggmakker Nord AS        | 23.07.18         | 637 522    | 234 860           | 48 317             |
| Carlsen Fritzøe Handel AS | 07.07.20         | 1 338 298  | 327 529           | 169 007            |
| Sum                       |                  | 2 675 463  |                   |                    |

Ownership in all companies is 100%



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**BYGGMAKKER HANDEL AS** **980 656 616**

**Note 8. Intercompany balances**

Amounts in NOK 1.000

| Receivables                       | 2020           | 2019           |
|-----------------------------------|----------------|----------------|
| Accounts receivables intercompany | 108 313        | 70 615         |
| Other receivables intercompany    | 5 196          | 0              |
| <b>Total Receivables</b>          | <b>113 509</b> | <b>70 615</b>  |
| Debt /Payables                    |                |                |
| Accounts payable intercompany     | 19 448         | 9 921          |
| Other payables intercompany       | 474 343        | 220 798        |
| <b>Total debt / payables</b>      | <b>493 791</b> | <b>230 719</b> |

**Note 9. Tax guarantee**

Byggmakker Handel AS does not have a restricted account for deposit of employees' withholding tax. Instead a Tax Guarantee (bank guarantee) has been issued by Onninen (part of the same Group) for Skedsmo Kommune. The guarantee is for NOK 19 000 000,-, which covers the liability of the company, as well as for intercompanies Onninen AS and T M Christensen VVS Detaljer AS.

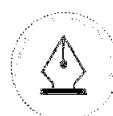
**Note 10. Share Capital**

Amounts in full figures

| The Share capital consists of: | Number of shares | Nominal value | Recognized in balance sheet |
|--------------------------------|------------------|---------------|-----------------------------|
| A-shares                       | 4 000            | 1 475         | 6 000 000                   |
| <b>Total</b>                   | <b>4 000</b>     | <b>1 475</b>  | <b>6 000 000</b>            |

**Shareholders pr 31.12.2020**

|                    | A-shares     | Ownership % | Vote %      |
|--------------------|--------------|-------------|-------------|
| Kesko Oyj, Finland | 4 000        | 100%        | 100%        |
| <b>Sum</b>         | <b>4 000</b> | <b>100%</b> | <b>100%</b> |



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BYGGMAKKER HANDEL AS

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## Note 11. Equity

Amounts in NOK 1.000

|                             | Share capital | Share premium    | Other paid-in capital | Other equity   | Total            |
|-----------------------------|---------------|------------------|-----------------------|----------------|------------------|
| Equity pr 01.01.2020        | 5 900         | 1 163 202        | 14 605                | 134 819        | 1 318 526        |
| Capital contribution        | 100           | 999 900          |                       |                | 1 000 000        |
| Given group contribution    |               |                  |                       | -5 178         | -5 178           |
| Annual result               |               |                  |                       | 34 861         | 34 861           |
| <b>Equity pr 31.12.2020</b> | <b>6 000</b>  | <b>2 163 102</b> | <b>14 605</b>         | <b>164 503</b> | <b>2 348 210</b> |

## Note 12. Pensions

The defined benefit pension plans Byggmakker Handel had were discontinued at the beginning of 2017. Since then Byggmakker Handel has had Defined contribution plans, in addition to a Collective contractual pension (AFP).

There is no pension liability attached to the AFP-plan, so the cost is consecutively expensed throughout the year.

## Note 13. Rent and Leasing-agreements

The agreement for rent in Lillestrøm has an expiry date of Dec 18th 2023. Annual rent expense for 2020 is TNOK 10.851. Byggmakker Handel has left these premises, and is now sub-letting half the building. Rent for the remaining part of the building is expensed with TNOK 12.916 in 2019, as the probability of generating further income from sub-letting is considered to be low or non-existing.

The agreement for rent of the Rosenholm Campus has duration through to September 2020, and includes an option to prolong until September 2026. Byggmakker Handel has left these premises, and is now sub-letting half the building. Rent for the remaining part of the building is expensed with TNOK 3.101 in 2018, as the probability of generating further income from sub-letting is considered to be low or non-existing.

Furthermore, Byggmakker Handel has operational lease agreements for cars with varying expiry dates up to 2024. Annual rent expense related to these lease agreements was TNOK 655 in 2020.



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## BYGGMAKKER HANDEL AS

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### Note 14. Intercompany transactions

Amounts in NOK 1.000

Byggmakker Handel AS was until the end of 2016 owned 100% by Rautakesko Oy. By the end of 2016 Rautakesko Oy merged with the parent company Kesko Oyj, which now owns 100% of the shares in Byggmakker Handel AS.

Byggmakker Handel AS has intercompany sales and purchases of both goods and services to and from its subsidiaries Byggmakker Sør AS, Byggmakker Nord AS, as well as other Kesko group companies. All these transactions with the intercompanies are based on market prices and terms.

Receivables from intercompanies are mainly related to sales of goods and services. Payables to intercompanies are mainly related to purchase of goods and services.

The most significant transactions with Kesko Intercompanies are as follows:

| Transactions                          | 2020      | 2019      |
|---------------------------------------|-----------|-----------|
| Operating income (1)                  | 1 872 619 | 1 699 577 |
| Cost of goods sold (2)                | 42 578    | 32 275    |
| Other operating expenses (3)          | 72 834    | 50 087    |
| Net Financial income + /expense - (4) | 6 243     | 7 041     |
| Group contribution paid (5)           | 5 178     | 10 920    |

(1) Byggmakker Sør AS, Byggmakker Nord AS, Onninen AS, Byggmakker Mosjøen AS

(2) Kesko Oyj, Onninen AS, Byggmakker Sør AS, Byggmakker Nord AS

(3) Byggmakker Sør AS, Byggmakker Nord AS, Byggmakker Mosjøen, Onninen AS, Kesko Oyj, Kesko AB, Trøgstadveien 13 AS, Rake Bergen AS, Rake Eiendom AS, Hasti Ari AS, Sørbo AS, Tau & Jørpeland Eiendom AS

(4) Kesko Oyj

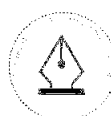
(5) Rake Eiendom AS, Rake Bergen

Intercompany balances in the Balance sheet are shown in Note 8.

### Note 15. Foreign currency

Amounts in NOK 1.000

|   | 2020      | 2019       |
|---|-----------|------------|
| <b>Foreign currency items in the income statement</b> |           |            |
| Gain on foreign exchange                              | 79        | 155        |
| Loss on foreign exchange                              | -7        | -169       |
| <b>Total</b>  | <b>72</b> | <b>-15</b> |



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**BYGGMAKKER HANDEL AS**

**980 656 616**

**Note 16. Consolidated financial statement**

Byggmakker Handel AS is included in the consolidated financial statement of Kesko Oyj.

**The consolidated financial statement can be retrieved from Kesko Oyj.**

Visiting address: Työpajankatu 12, FI-00580, Helsinki, Finland

Mail address: P.O.B. 1, FI-00016 Kesko, Helsinki, Finland

Web site: <https://www.kesko.fi/en>

**Note 17. Pledges and Guarantees**

There are no pledges.

**Bank guarantee**

For Rosenholm Campus

For Nordahl Bruns Gate 10 KS

**Nominal value Expiry date**

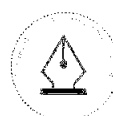
1 650 Nov 30th, 2020

11 000 Jun 18th, 2024

**Note 18. Subsequent events**

It is the opinion of the Board that the preconditions for continued operation are present. The accounts for 2020 have not been negatively affected by Covid 19, and there have been no events after the balance sheet date that affect the assumptions about continued operations.

The board has approved a merger plan prepared together with the boards of Byggmakker Nord AS and Byggmakker Sør AS. It has been decided that Byggmakker Nord AS and Byggmakker Sør AS will be merged with Byggmakker Handel AS during 2021, and Byggmakker Handel AS will take over all assets, rights and obligations from the subsidiaries.

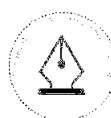


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| <b>BYGGMAKKER HANDEL AS</b>                    |                   | <b>980 656 616</b> |
|--|-------------------|--------------------|
| <b>Cash flow statement</b>                     |                   |                    |
| Amounts in NOK 1.000                           |                   |                    |
|  | <b>2020</b>       | <b>2019</b>        |
| <b>Cash flow from operating activities</b>     |                   |                    |
| Profit before tax                              | 44 720            | 20 144             |
| Taxes paid during the year                     | -9 375            | -6 534             |
| Ordinary depreciation                          | 2 926             | 2 283              |
| Gain/loss from sale of fixed assets            | 654               |                    |
| Change in accounts receivable                  | 34 896            | -2 241             |
| Change in accounts payable                     | 37 372            | -82 096            |
| Change in intercompany debt                    | 226 404           | 41 780             |
| Change in other accruals                       | 15 390            |                    |
| <b>Net cash flow from operating activities</b> | <b>352 987</b>    | <b>-26 664</b>     |
| <b>Cash flow from investing activities</b>     |                   |                    |
| Payment for purchase of fixed assets           | -2 570            | -1 914             |
| Payment for non-current assets                 | 0                 | -3 993             |
| Payment/refund purchase of shares              | -1 338 298        | 1 685              |
| <b>Net cash flow from investing activities</b> | <b>-1 340 868</b> | <b>-4 222</b>      |
| <b>Cash flow from financing activities</b>     |                   |                    |
| Proceeds from new borrowings, group            | 0                 | 44 097             |
| Paid in capital                                | 1 000 000         |                    |
| Paid group contribution                        | -14 000           | -14 795            |
| <b>Net cash flow from financing activities</b> | <b>986 000</b>    | <b>29 302</b>      |
| Net change in cash and cash equivalents        | -1 881            | -1 584             |
| Cash at the beginning of the year              | 3 684             | 5 268              |
| <b>Cash at the end of the year</b>             | <b>1 803</b>      | <b>3 684</b>       |



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| Name                         | Method            | Signed at               |
|------------------------------|-------------------|-------------------------|
| MIKA TAPANI LEHTINEN         | FTN (OP)          | 2021-07-01 14:25 GMT+02 |
| Jorma Antero Rauhala         | FTN (Danske Bank) | 2021-06-21 08:03 GMT+02 |
| MIA KAITAHARJU               | FTN (OP)          | 2021-06-18 08:41 GMT+02 |
| Kristoffersen, Hilde Merethe | BANKID_MOBILE     | 2021-06-17 19:01 GMT+02 |



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## Byggmakker Handel AS Annual Report 2020

### Board of Director's Report

Byggmakker Handel AS manages the Byggmakker chain of 78 building and home improvement stores, 56 of which are owned by Byggmakker Handel through its subsidiaries. Other stores within the chain are owned by retailer entrepreneurs who have chain agreements with Byggmakker.

The company has its headquarters in Lillestrøm municipality. This is also the company's business address.

Kesko Oyj own 100% of the shares in the company.

### Financial Statement

Byggmakker Handel AS reported revenues of NOK 3 312 million in 2020, which is 9,3% above 2019 (NOK 3 031million). Earnings before Interest and Taxes (EBIT) ended at NOK 51,0 million (NOK 26,9 million). The net profit for the year was NOK 34,9 million (NOK 15,4 million).

The net cash flow from operating activities amounted to NOK 353,0 million (NOK -26,7 million). The difference between the operating profit and the cash flow is mainly related to an increase in the intercompany debt. The total investments in 2020 was NOK 1 340,9 million.

The current liabilities of Byggmakker Handel AS amounted to 99,5% of total debt per 31.12.2020.

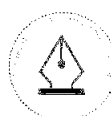
The total assets of Byggmakker Handel AS was NOK 3 177 million per 31.12.2020 (NOK 1815 million). The equity ratio in 2020 was 73,9% (72,7%).

The company had no research and development activities in 2020.

### Allocation of the Year's Result

The net profit for Byggmakker Handel AS was NOK 34,9 million which the Board proposes to be distributed as follows:

|                                  |      |        |
|----------------------------------|------|--------|
| Group contribution               | TNOK | 5 178  |
| Transferred to retained earnings | TNOK | 29 684 |
| Total                            | TNOK | 34 861 |



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## Subsequent events and Prospects for 2021

It is the opinion of the Board that the preconditions for continued operation are present. The accounts for 2020 have not been negatively affected by Covid 19, and there have been no events after the balance sheet date that affect the assumptions about continued operations.

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the financial statement have been prepared on the assumption of a going concern as of the date of the financial statement.

## Risks

Risk management in Bygghandel AS is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risks. Through quarterly risk reviews the significant risks are mapped and mitigating actions are planned and executed.

Bygghandel AS is exposed to fluctuations in interest rates

Most of the sales in Bygghandel AS is credit sales, and credit risk management is thus an important part of the business. The company monitors the credit exposure continuously, and management reviews the status in monthly credit reviews.

## Organization, Working Conditions and the Environment

At the end of 2020 Bygghandel AS employed a total of 24 persons, equivalent to 24 FTEs. Sickness absence in the company was 0,6% in 2020, of which long term absence accounted for 0,2%

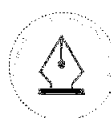
The company regularly conducts employee satisfaction surveys. The Board believes that the working environment in the company is satisfactory.

Bygghandel AS strives to be an employer with full gender equality, and the company's human resources policy is intended to be equitable, neutral and non-discriminatory, regardless of ethnicity and national background, gender, religion, or age. The company is also committed ensure that there is no disability discrimination. For employees and applicants with disabilities there will be made reasonable individual accommodations in the work environment.

Of the company's 24 employees, 45,8% are women. The Board consists of one woman and two men.

Bygghandel AS does not have a significant direct negative impact on the environment and will always aspire to adapt to all environmental regulations. The company is focused on its social responsibility and is continuously working with its business partners to develop and encourage them to choose environmentally sustainable solutions.

Bygghandel AS has regulations in its supplier agreements to ensure that no goods that are supplied to Bygghandel are harmful to the environment or the public health if used in a responsible way. Furthermore, the suppliers guarantees that no child labor or slavery is used as workforce in the production of its goods. The suppliers also guarantees that endangered trees is not used in its products, and that they act responsibly with regard to the environment, public health and animal welfare.



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Lillestrøm, 17<sup>th</sup> of June 2021  
The Board of Byggnakker Handel AS

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**Jorma Rauhala**  
Chairman of the Board

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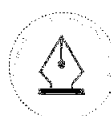
**Mika Tapani Lehtinen**  
Member of the Board

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**Mia Maria Kaitaharju**  
Member of the Board

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**Hilde Kristoffersen**  
CEO



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Til generalforsamlingen i Byggmakker Handel AS

UAVHENGIG REVISORS BERETNING

## Uttalelse om revisjonen av årsregnskapet

### Konklusjon

Vi har revidert Byggmakker Handel AS' årsregnskap som viser et overskudd på TNOK 34 861. Årsregnskapet består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

### Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

### Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

### Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

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Uavhengig revisors beretning -  
Byggmakker Handel AS

### *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimater og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifierer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

### **Uttalelse om andre lovmessige krav**

#### *Konklusjon om årsberetningen*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsen om samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

#### *Konklusjon om registrering og dokumentasjon*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon

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Uavhengig revisors beretning -  
Byggmakker Handel AS

eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsikk i Norge.

Oslo, 17. juni 2021  
Deloitte AS

Stian Jilg-Scherven  
statsautorisert revisor

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## Stian Jilg-Scherven

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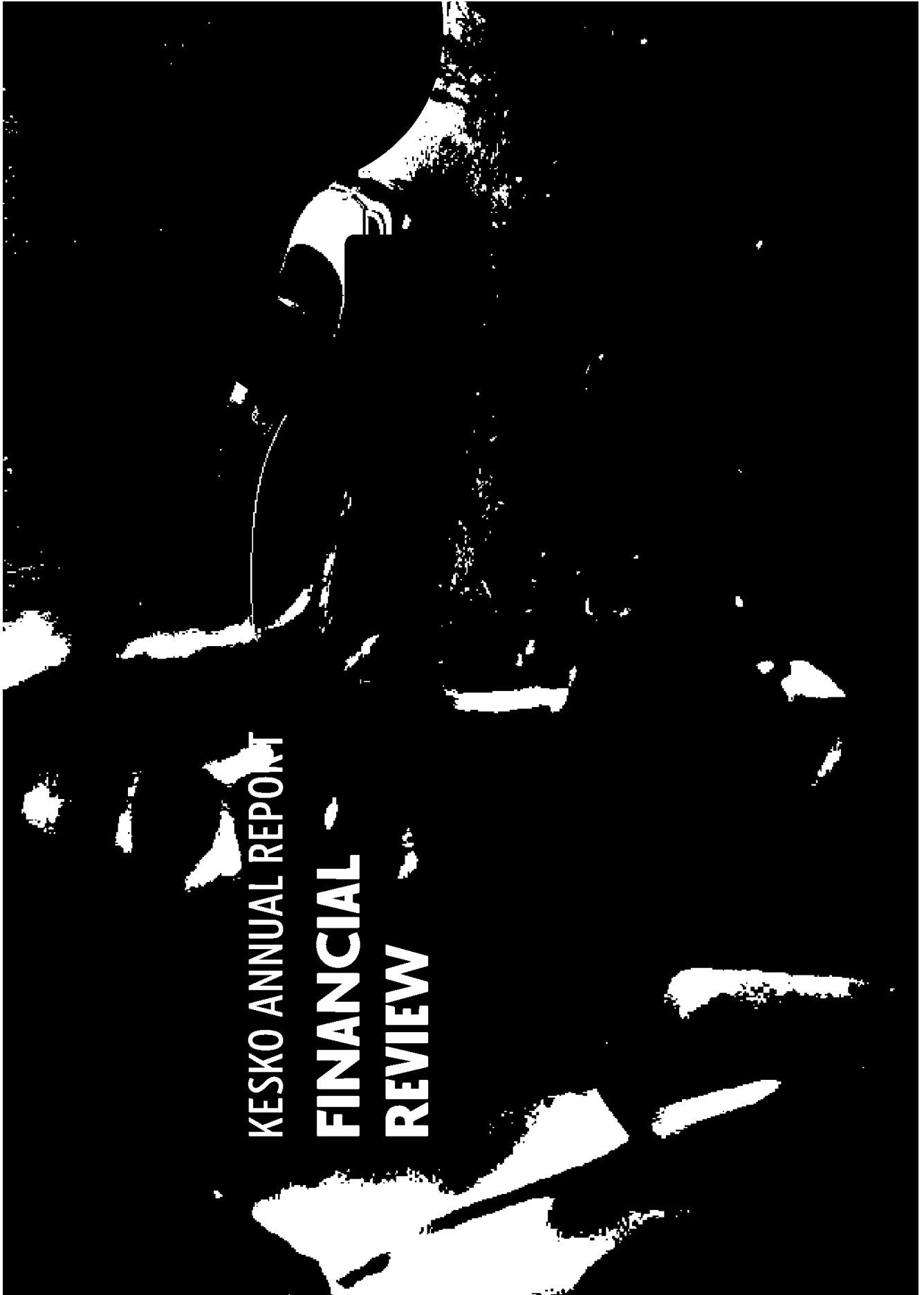
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## FINANCIAL REVIEW

Kesko's Annual Report 2020 has four sections. This section comprises the Report by the Board of Directors, the Group's key performance indicators, and the financial statements and Auditor's Report for 2020.

The following symbols indicate that additional information can be found either in this report or on our website:



Read more in the Annual Report



Read more on our website

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# 2022

## **K** **THE REPORT BY THE BOARD OF DIRECTORS**



KESKO'S DIRECTION

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# THE REPORT BY THE BOARD OF DIRECTORS

Kesko has operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland with over 1,800 stores engaged in chain operations.

Kesko's principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's chains. Retailer operations accounted for approximately 49% of Kesko's net sales in 2020. At the end of 2020, Kesko had over 1,100 independent K-retailer entrepreneurs as partners. Kesko also engages in own retailing, which accounted for some 18% of net sales in 2020. B2B trade is a significant and growing part of Kesko's business operations. In 2020, net sales from B2B trade totalled some €3.6 billion, accounting for some 33% of Kesko's net sales.

Kesko's international operations mainly concern own retailing and B2B trade. Net sales from international operations totalled some €1,964 million, representing 18.4% of Kesko's net sale.

Together, Kesko and K-retailers form K Group, whose retail sales (pro forma) totalled some €14 billion in 2020 (0% VAT). K Group employs around 39,000 people.

## Operating environment

Identified megatrends affecting K Group's operations are the global economy, climate change and biodiversity, digitalisation, increased customer knowledge and power, sustainability and conscientious consumption, and increasingly individual customer behaviour. Key opportunities and risks in the operating environment are related to the economic operating environment, risks related to climate change, maintaining biodiversity, responsibility in purchasing chains, and the increased importance of digitalisation and a multichannel approach in the trading sector. Risks have been described in more detail in the Significant risks and uncertainties section of this Board of Directors' Report.

KESKO'S YEAR 2020 | FINANCIAL REVIEW

## Main impacts of the Covid-19 pandemic on Kesko's business in 2020

The Covid-19 pandemic began affecting Kesko's business operations from mid-March onwards. Impacts of the exceptional situation varied between the divisions. In the grocery trade, net sales grew in all grocery store chains and K-Citymarket's home and speciality goods. Demand also increased for online sales of groceries. Restrictions imposed on restaurants and events due to the pandemic impacted Kespro's foodservice business negatively. The growth in grocery sales to K-food stores exceeded the decrease in foodservice net sales. In the building and technical trade, Covid-19 related circumstances and restrictions varied between businesses and operating countries. Nonetheless, the market remained good for both B2C and B2B trade. In the car trade, the pandemic weakened customer demand for both new and used cars in the first half of the year. Net sales saw a turnaround and began to grow in the latter half of the year as demand strengthened.

Key measures in managing the exceptional situation included ensuring the safety of customers and personnel, and securing operational purchasing and supply chains under all circumstances. We also quickly increased our online sales services. Development projects were postponed, as we focused on managing the situation. We secured cash flow by e.g. ensuring the availability and sufficiency of financing, managing the credit risks associated with amounts due from customers, cutting investments and adjusting fixed costs.

## Outlook and guidance for 2021

Kesko Group's outlook is given for the year 2021, in comparison with the year 2020.

Kesko estimates that its comparable operating profit in 2021 will be in the range of €570-620 million. The illustrative comparable operating profit in 2020 was €553.6 million.

The range for Kesko Group's 2021 profit guidance is wide due to the uncertainties related to the Covid-19 pandemic. The pandemic situation and progress with vaccinations have a significant impact on the overall economy, consumer behaviour and trading sector demand in Kesko's operating countries. During the pandemic, household consumption has focused on domestic purchases, which is expected to have a positive impact on some of Kesko's businesses also in 2021.

Overall, the outlook for Kesko's business in 2021 is positive. We anticipate moderate growth in Finnish grocery trade. Recovery in the foodservice business largely depends on the pandemic situation. Renovation building is expected to grow in the Northern European construction market. In housing construction, new construction volumes are expected to decrease overall, but to remain stable in the construction of small housing and vacation homes. The Finnish car trade market is expected to grow in 2021.

## Important events

### Kesko's new financial targets, 1 december 2020

Thanks to the successful execution of its growth strategy, Kesko achieved its previous financial targets at the end of September 2020, sooner than anticipated. The Covid-19 pandemic and related changes in consumer behaviour also had a positive impact on the company's profit in 2020. Kesko estimates that less than half of its profit growth in 2020 was related to the Covid-19 pandemic. The new targets take into account economic development in Kesko's operating countries in upcoming years, which is generally expected to be moderate.

The new medium-term financial targets for profitability, as approved by the Board of Directors of Kesko Corporation on 1 December 2020, are a comparable operating margin of 5.5% and a comparable return on capital employed of 12.5%. In terms of financial position, as before, the Group targets a maximum interest-bearing net debt/EBITDA ratio of 2.5, excluding the impact of IFRS 16. Kesko Group's previous financial targets were a comparable operating margin of 5.0%, a comparable return on capital employed of 11.0%, and interest-bearing net debt/EBITDA of less than 2.5 excluding the impact of IFRS 16.

### Positive profit warning, 17 September 2020

Kesko raised its guidance for the comparable operating profit for its continuing operations in 2020. Kesko estimated that the comparable operating profit for its continuing operations would be in the range of €510-570 million in 2020. The guidance upgrade was based on better than anticipated sales development in all divisions, improved cost efficiency, and a more positive outlook for the remainder of the year.

On 17 September 2020, Kesko issued a release concerning a change in the consolidation method of Kesko Senukai and impacts of the change. In the new operating profit guidance, Kesko Senukai is treated as a joint venture from July 2020 onwards. The change in classification has an approximately €20 million negative impact on the guidance on operating profit. The change in classification does not affect Kesko's comparable earnings per share or Kesko's dividend distribution.

Before, the company estimated that the comparable operating profit for continuing operations would be in the range of €430-510 million. In the previous guidance, Kesko Senukai was treated as a subsidiary for the full year 2020. (Stock exchange releases 17.9.2020)

### Positive profit warning, 10 July 2020

Kesko raised its guidance for the comparable operating profit for its continuing operations, issued in connection with the company's interim report on 28 April 2020. Kesko estimated at the time that the comparable operating profit for its continuing operations would be in the range of €430-510 million in 2020. (Stock exchange release 10.7.2020)

### Share issue without payment (share split)

Kesko's Annual General Meeting on 28 April 2020 resolved that new shares would be issued to the shareholders without payment in proportion to their existing holdings so that three (3) new A shares would be issued for each existing A share, and three (3) new B shares for each existing B share. The new shares were registered in the Finnish Trade Register on 30 April 2020. The registration of the new shares on the shareholders' book-entry accounts and the initiation of public trading on them on the Helsinki Stock Exchange took place on 4 May 2020. (Stock exchange releases 28.4.2020 and 30.4.2020)

## Profit warning, 18 March 2020

Kesko issued a profit warning due to the Covid-19 pandemic and related global economic uncertainty. Kesko estimated at the time that the comparable operating profit for its continuing operations would be in the range of €400-450 million in 2020. (Stock exchange release 18.3.2020)

## Strategic review of operations in the Baltics and Belarus and consolidation of Kesko Senukai in Kesko's Group reporting

Kesko is reporting Kesko Senukai Group, which is part of Kesko's building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture as of 1 July 2020. Kesko Senukai Group was reported as a subsidiary until 30 June 2020.

In its half year financial report on 23 July 2020, Kesko stated that it would continue the strategic review of operations in the Baltics and Belarus, initiated in April. The review process continues. Kesko also stated at the time that it was examining conditions for subsidiary consolidation of Kesko Senukai in Kesko's consolidated financial statements due to significant disagreements concerning the management of and exercise of control in Kesko Senukai.

After re-examining the conditions for consolidation, Kesko has deemed that it no longer exercises the type of control referred to in IFRS 10 over Kesko Senukai. Consequently, Kesko has decided to classify Kesko Senukai as a joint venture. Due to the change in classification, from 1 July 2020 onwards Kesko Senukai is consolidated as a joint venture on one line "Share of result of joint ventures" before operating profit in Kesko's consolidated income statement, instead of the previous line-by-line subsidiary consolidation. In the consolidated statement of financial position, the change means that the share of Kesko Senukai's net assets is presented on one line "Shares in associates and joint ventures" instead of the previous line-by-line consolidation of assets and liabilities. The change in classification affects the key performance indicators of Kesko Group and its building and technical trade division. The change in classification does not affect the comparable profit for the financial year attributable to equity holders of the parent or the comparable earnings per share presented in Kesko's consolidated financial statements, nor Kesko's dividend distribution. The change in classification also does not have a material impact on the Group's comparable operating profit or equity attributable to owners of the parent.

Kesko is reporting Kesko Senukai Group, which is part of Kesko's building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture as of 1 July 2020. Kesko Senukai Group was reported as a subsidiary until 30 June 2020. In order to enable the comparison of financial performance indicators between reporting periods, Kesko reports illustrative Group performance indicators to be used alongside indicators based on IFRS consolidated financial statements. In segment data, Kesko Senukai is reported consolidated as a joint venture also for the comparison periods, as this method is used in management reporting.

| Illustrative Group performance indicators | 1-12/2020 | 1-12/2019 |
|---|-----------|-----------|
| <b>Continuing operations</b>              |           |           |
| Net sales, € million                      | 10,242.6  | 9,862.0   |
| Operating profit, comparable, € million   | 553.6     | 434.7     |
| Operating margin, comparable, %           | 5.4       | 4.4       |
| Operating profit, € million               | 540.0     | 421.0     |

## Financial performance for continuing operations

In the table of key performance indicators of this "Financial performance for continuing operations" section, illustrative Group performance indicators are used alongside the reported performance indicators that are based on the consolidated financial statements, to depict the change in comparable operating profit as if Kesko Senukai had been consolidated in the consolidated financial statements as a joint venture also in the comparison period. The change based on the illustrative comparison figures is reported in the column "Change, illustrative comparison figures, € million."

The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and acquisitions and divestments completed in 2019 and 2020. The comparable operating profit has been calculated by deducting items affecting comparability from the reported operating profit. Illustrative performance indicators have been calculated for the 2020 financial year and the comparison period as if Kesko Senukai had been consolidated as a joint venture.

## Net sales and profit for 2020

| 1-12/2020   | Net sales, € million | Change %    | Change, % comparable, | Operating profit, comparable, € million | Change, € million | Change, illustrative comparison figures, € million* |
|---|----------------------|-------------|-----------------------|---|-------------------|---|
| Grocery trade   | 5,732.0              | +3.6        | +3.6                  | 375.2                                   | +47.3             | +47.3   |
| Building and technical trade excl. speciality goods trade | 3,424.3              | +9.5        | +6.5                  | 169.4                                   | +70.8             | +70.8   |
| Speciality goods trade                                    | 215.2                | -37.9       | -5.5                  | 7.4                                     | -2.1              | -2.1  |
| Kesko Senukai   | 427.3                | -50.3       | -                     | 25.1                                    | -9.6              | +3.2  |
| Building and technical trade total                        | 4,066.2              | -6.1        | +5.7                  | 201.9                                   | +59.1             | +71.9   |
| Car trade   | 892.6                | +3.3        | -3.3                  | 23.4                                    | -3.3              | -3.3  |
| Common functions and eliminations                         | -21.4                | (.)         | (.)                   | -32.7                                   | +3.2              | +3.2  |
| <b>Total</b>  | <b>10,669.2</b>      | <b>-0.5</b> | <b>+3.6</b>           | <b>567.8</b>                            | <b>+106.2</b>     | <b>+118.9</b>                                       |

(.) change over 100%

\* Kesko Senukai treated as a joint venture in the illustrative comparison figures

In comparable terms, net sales for the Group's continuing operations grew by 3.6%. The change in the Group's reported net sales was -0.5%, impacted by the consolidation of Kesko Senukai as a joint venture in the consolidated financial statements from 1 July 2020 onwards. Kesko's businesses and operating countries have been affected by the exceptional circumstances brought on by the Covid-19 pandemic in different ways. Net sales grew in the grocery trade division by 3.6%. In the building and technical trade division, net sales grew by 5.7% year-on-year in comparable terms, while reported net sales decreased by 6.1% due to the change in the consolidation method of Kesko Senukai. Net sales for the car trade division increased 3.3% thanks to the acquisitions carried out, but decreased 3.3% in comparable terms. The Group's net sales increased in comparable terms by 3.3% in Finland, and by 5.1% elsewhere. The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and acquisitions and divestments completed in 2019 and 2020.

Net sales grew in the grocery trade division in all grocery store chains and K-Citymarket's home and speciality goods trade. Net sales decreased in Kespro's foodservice business due to the Covid-19 pandemic and related restrictions.

Net sales for the building and technical trade division grew in comparable terms in Finland, Sweden, Norway and Poland. Net sales were boosted by the acquisitions of K-Bbygg in 2019, Mark & Infra i Sverige AB in April 2020, and Bygg & Interiör in September 2020 in Sweden,

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and the acquisition of Carlsen Fritze Handel in September 2020 and Flokkmann in October 2020 in Norway. The weakening of the Norwegian krone and the Polish zloty against the euro diminished net sales development in euro terms.

In the car trade division, net sales increased due to the acquisitions carried out in 2019, but in comparable terms, net sales decreased. The decrease in net sales was impacted by the weakened demand witnessed in the first year-half, and longer car delivery times.

The comparable operating profit for the Group's continuing operations grew by €106.2 million, or by €118.9 million with Kesko Senukai treated as a joint venture also for the comparison period (illustrative comparison figures). Profit development was also positively affected by the Covid-19 pandemic and resulting changes in consumer behaviour. Kesko estimates that less than half of the profit improvement in 2020 is attributable to the pandemic. In the grocery trade division, profitability improved thanks to good grocery sales development in the grocery store chains and cost adjustment measures especially in Kespro's foodservice business and K-Citymarket's home and speciality goods trade. The decrease in Kespro's net sales, resulting from restrictions imposed due to the Covid-19 pandemic, had a weakening impact on Kespro's comparable operating profit. In the building and technical trade division, the comparable operating profit for building and home improvement trade grew in Finland, Sweden and Norway. The acquisitions carried out in Norway and Sweden in 2018-2020

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accounted for €33.9 million (€14.5 million) of the comparable operating profit. Onninen's comparable operating profit clearly strengthened and grew in Finland, Sweden, Norway and Poland. In the Baltics, Onninen's comparable operating profit remained at level of the previous year. Kesko Senukai had a €25.1 million impact on the Group's comparable operating profit (€34.7 million, consolidated as a subsidiary). Kesko Senukai has been consolidated as a joint venture from 1 July 2020 onwards. In the car trade division, the comparable operating profit decreased due to weakened demand in the first year-half and longer car delivery times.

| Items affecting comparability, € million | 1-12/2020    | 1-12/2019    |
|--|--------------|--------------|
| <b>Comparable operating profit</b>       | <b>567.8</b> | <b>461.6</b> |
| Items affecting comparability            |              |              |
| +gains on disposal                       | 9.8          | 4.6          |
| -losses on disposal                      | -0.2         | -0.9         |
| +/-structural arrangements               | 22.8         | -17.5        |
| Total items affecting comparability      | 32.4         | -13.8        |
| <b>Operating profit</b>                  | <b>600.2</b> | <b>447.8</b> |

The most significant items affecting comparability were the positive profit impact of €46.1 million resulting from the change in the consolidation method of Kesko Senukai; the €2.5 million negative profit impact of changes in the store site network in Sweden; the €6.4 million sales gain from the divestment of machinery trade operations in the Baltics, completed on 31 March 2020 – all in the building and technical trade division – as well as the €5.2 million costs related to corporate restructuring in common functions, and the €10.4 million costs related to the discontinuation of The Athlete's Foot and Kookenkä chains in the leisure trade. The most significant items affecting comparability in the comparison year were the €7.8 million costs related to the divestment of Onninen's HEPAC contractor business in the building and technical trade in Sweden, the €4.3 million costs related to acquisitions, and the net €-4.8 million items related to the subsidiary consolidation of Kruunuvooren Satama Oy.

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) totalled €13,988.5 million, representing a growth of 4.4% compared to the previous year. The K-Plusa customer loyalty programme added 113,143 new households in 2020. The number of K-Plusa households stood at 2.5 million at the end of December and there were 3.5 million K-Plusa cardholders in total.

## Net finance costs, income tax and earnings per share

| Net finance costs, income tax and earnings per share | 1-12/2020 | 1-12/2019 |
|--|-----------|-----------|
| <b>Continuing operations</b>                         |           |           |
| Net finance costs, € million                         | -86.8     | -91.4     |
| Interests on lease liabilities, € million            | -83.3     | -95.4     |
| Profit before tax, comparable, € million             | 481.9     | 370.7     |
| Profit before tax, € million                         | 527.6     | 403.3     |
| Income tax, € million                                | -92.3     | -69.6     |
| Earnings per share, comparable, €                    | 0.97      | 0.74      |
| Earnings per share, €                                | 1.09      | 0.83      |
| <b>Group</b>   |           |           |
| Equity per share, €                                  | 5.52      | 5.11      |

Net finance costs for the Group's continuing operations were up due to exchange differences and change in the fair value of interest rate derivatives. Of the exchange differences, €-2.8 million was due to exchange rate losses on euro-denominated loan financing in January-June at Kesko Senukai's Belarusian subsidiary OMA, and €-1.7 million due to the weakening of the Norwegian krone, Swedish krona and Polish zloty.

The share of result of associates amounted to €14.3 million (€46.8 million), or €1.5 million (€0.7 million) in comparable terms. The share of result of associates included a €11.6 million profit related to the dissolution of Valluga-sijoitus Oy, recognised as an item affecting comparability. In 2019, Kruunuvooren Satama Oy had a €17.8 million impact on the share of result of associates and a €0.3 million impact on the comparable share of result, taking into account the gains on disposal and impairment charges related to Kruunuvooren Satama Oy's ownership arrangement, net €-17.4 million. Other associates had a combined impact of €29.1 million on the result of associates in the comparison year, and the impact on the comparable share of result was €0.3 million excluding the sales gains amounting to €28.7 million included in the share of results of associates and reported as items affecting comparability.

The comparable profit before tax for the Group's continuing operations grew thanks to operating profit growth and reduction in net finance costs compared to the year before. The Group's effective tax rate was 17.5% (17.3%). The Group's effective tax rate decreased due to a positive profit impact of €46.1 million arising from the change in the consolidation method of Kesko Senukai, recognised as an item affecting comparability, tax-exempt sales gains, and

share of result of associates and joint ventures totalling €21.8 million. The Group's effective tax rate was raised by a €3.7 million residual tax related to a reassessment decision on 2013 and 2014 for Indoor Group Oy concerning the right of deduction of losses transferred in a cross-border merger, recorded in Q2.

Earnings per share and comparable earnings per share for the Group's continuing operations grew compared to the year before.

### Cash flow and financial position

The cash flow from operating activities for the Group's continuing operations totalled €1,152.4 million (€893.1 million). The cash flow from operating activities for continuing operations in the comparison year included a €48.3 million return of surplus assets paid by Kesko Pension Fund, the dividend payment and repayment of equity by Kruunuvooren Satama Oy in May 2019 totalling €44.1 million, and the €39.3 million dividend paid by the associate Valluge-sijoitus Oy, meaning that operatively, cash flow from operating activities increased by €391.1 million. Cash flow from operating activities increased due to operating profit growth and improved capital efficiency. The cash flow from operating activities for discontinued operations in the comparison year totalled €3.5 million. The Group's cash flow from operating activities totalled €1,152.4 million (€896.6 million).

|                                     | 1-12/2020 | 1-12/2019 |
|-------------------------------------|-----------|-----------|
| <b>Cash flow, € million</b>         |           |           |
| <b>Continuing operations</b>        |           |           |
| Cash flow from operating activities | 1,152.4   | 893.1     |
| Cash flow from investing activities | -413.7    | -620.3    |
| <b>Group</b>                        |           |           |
| Cash flow from financing activities | -707.5    | -295.4    |

|   | 31/12/2020 | 31/12/2019 |
|---|------------|------------|
| <b>Financial position</b>   |            |            |
| <b>Group</b>  |            |            |
| Liquid assets, € million  | 306.0      | 169.0      |
| Interest-bearing liabilities, € million                                   | 2,616.3    | 3,037.3    |
| Lease liabilities, € million  | 2,025.0    | 2,422.2    |
| Interest-bearing net debt excl. lease liabilities, € million              | 285.3      | 446.1      |
| Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months | 0.4        | 0.9        |
| Gearing, %  | 105.5      | 134.0      |
| Equity ratio, %   | 33.1       | 31.2       |

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The cash flow from investing activities for the Group's continuing operations totalled €-413.7 million (€-620.3 million), which included €155.7 million in acquisitions, a negative €92.7 million impact of the change in Kesko Senukai's consolidation method, and a positive €19.6 million cash flow impact of the divestment of Baltic machinery trade operations. The acquisition of the store property of K-Citymarket in Järvenpää, previously leased by Kesko, is reported under cash flow from financing activities. The cash flow from investing activities for the comparison year included acquisitions totalling €280.7 million and Kruunuvooren Satama Oy's ownership arrangement, which had a negative €84.6 million impact.

The Group's liquidity remained strong throughout the year despite the economic uncertainty caused by the Covid-19 pandemic. Kesko Group implemented adjustment measures in all its operating countries to secure cash flow.

### Capital expenditure

|                                       | 1-12/2020    | 1-12/2019    |
|---------------------------------------|--------------|--------------|
| <b>Capital expenditure, € million</b> | <b>398.4</b> | <b>686.1</b> |
| <b>Continuing operations</b>          |              |              |
| Store sites                           | 125.8        | 227.7        |
| Acquisitions                          | 159.1        | 290.5        |
| IT                                    | 25.6         | 33.9         |
| Other investments                     | 87.9         | 134.0        |

Capital expenditure in store sites was increased in part by the acquisition of the store property of K-Citymarket in Järvenpää in the first quarter. Kruunuvooren Satama Oy's ownership arrangement had a €85.3 million impact on capital expenditure in store sites in the comparison year.

Acquisitions consisted of Mark & Infra i Sverige AB (MIAB) and Bygg & Interiör in Sweden and Carlsen Fritzøe Handel and Flokkmann in Norway, while acquisitions in the comparison year comprised Sørby's building and home improvement stores in Norway, Huittinen Laatuauto Oy's Volkswagen and SEAT business operations in Forssa and Huittinen, Länsi/Auto Oy's Volkswagen, Audi and SEAT businesses in Kotka, Kouvola and Lappeenranta, Laakkonen Group's Volkswagen, Audi and SEAT businesses, and Fresks group in Sweden.

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## Segments

### Seasonal nature of operations

The Group's operating activities are affected by seasonal fluctuations. The net sales and the operating profits of the reportable segments are not earned evenly throughout the year. Instead, they vary by quarter depending on the characteristics of each segment. In terms of the level of operating profit, the second and third quarter are the strongest, whereas the impact of the first quarter on the full year profit is the smallest. The acquisitions of Suomen Lähikauppa, Onninen and the Norwegian Skattum Handel AS, Gipling AS, the DIY retail business of Sørby, Carlsen Fritzøe Handel AS and Flokkmann, and the Swedish Fresks Group, Mark & Infra i Sverige AB, and Bygg & Interiör have increased seasonal fluctuations between quarters. The operating profit levels of these companies are at their lowest in the first quarter.

### Grocery trade

|   | 1-12/2020 | 1-12/2019 |
|---|-----------|-----------|
| Net sales, € million                      | 5,732.0   | 5,531.2   |
| Operating profit, comparable, € million   | 375.2     | 327.9     |
| Operating margin, comparable, %           | 6.5       | 5.9       |
| Return on capital employed, comparable, % | 16.9      | 14.5      |
| Capital expenditure, € million            | 125.4     | 180.8     |
| Personnel, average                        | 6,197     | 6,063     |

|                         | 1-12/2020      | 1-12/2019      | Change, %   | Change, % comparable |
|-------------------------|----------------|----------------|-------------|----------------------|
| Net sales, € million    |                |                |             |                      |
| Sales to K-food stores  |                |                |             |                      |
| K-Citymarket, food      | 1,291.7        | 1,150.4        | +12.3       | +12.3                |
| K-Supermarket           | 1,549.6        | 1,417.0        | +9.4        | +9.4                 |
| K-Market                | 1,434.9        | 1,336.3        | +7.4        | +7.4                 |
| K-Citymarket, non-food  | 585.5          | 584.6          | +0.2        | +0.2                 |
| Kespro                  | 777.9          | 935.5          | -16.8       | -16.8                |
| Others and eliminations | 92.4           | 107.4          | -14.0       | -14.0                |
| <b>Total</b>            | <b>5,732.0</b> | <b>5,531.2</b> | <b>+3.6</b> | <b>+3.6</b>          |

Net sales for the grocery trade amounted to €5,732.0 million (€5,531.2 million), an increase of 3.6%. Net sales grew in all grocery store chains and K-Citymarket's home and speciality goods trade. Net sales decreased in Kespro's foodservice business due to the Covid-19 pandemic and related restrictions.

The total grocery market in Finland (incl. VAT) is estimated to have grown by approximately 8.6% (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.9% (incl. VAT, PTY's price development estimate). K Group's grocery sales grew by 9.4% (incl. VAT), thus exceeding the market growth. K Group's sales grew in all grocery store chains. Online sales of groceries grew by 378%, and accounted for approximately 2.9% of K Group's grocery sales (incl. VAT). All K Group grocery store chains offer online grocery sales services. The number of K-food stores offering online grocery sales services grew by 241 to 469.

The comparable operating profit for the grocery trade totalled €375.2 million (€327.9 million), up by €47.3 million. Profitability improved thanks to good grocery sales development in the food store chains and cost adjustment measures. The decrease in Kespro's net sales, resulting from restrictions imposed due to the Covid-19 pandemic, had a weakening impact on Kespro's comparable operating profit. Operating profit for the grocery trade totalled €373.7 million (€334.6 million). Items affecting comparability totalled €-1.5 million (€6.7 million).

Capital expenditure for the grocery trade totalled €125.4 million (€180.8 million), of which €109.7 million (€157.0 million) was in store sites. Kruunuvooren Satama Oy's ownership arrangement had a €62.8 million impact on capital expenditure in store sites in the comparison year.

Two new K-Supermarket stores and eight new K-Market stores (four replacement new buildings) opened in 2020. Remodelling and extensions were made in a total of 43 stores.

## Building and technical trade

The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 has impacted the performance indicators for the building and technical trade in the segment information. In the segment information for the building and technical trade, performance indicators are illustrative except for the balance sheet indicators and personnel numbers. Due to the change in consolidation method, the Group changed the internal reporting to its highest operative decision-maker, the Group Management Board. Consequently, Kesko Senukai has been reported in the 1-12/2019 and 1-6/2020 income statement figures for the building and technical trade as if it had been consolidated on one line before operating profit in accordance with ownership interest, as opposed to the subsidiary consolidation method used before. Such a change has not been made to internally reported balance sheet figures or personnel numbers.

|   | 1-12/2020        | 1-12/2019      |
|---|------------------|----------------|
| <b>Net sales, € million</b>                               | <b>3,639.5</b>   | <b>3,472.8</b> |
| Building and technical trade excl. speciality goods trade | 3,424.3          | 3,126.1        |
| Building & home improvement trade                         | 1,845.8          | 1,589.0        |
| Onninen   | 1,625.6          | 1,587.7        |
| Speciality goods trade                                    | 215.2            | 346.7          |
| <b>Operating profit, comparable, € million</b>            | <b>187.7</b>     | <b>115.9</b>   |
| Building and technical trade excl. speciality goods trade | 169.4            | 98.5           |
| Building & home improvement trade                         | 99.5             | 48.6           |
| Onninen   | 70.7             | 50.0           |
| Speciality goods trade                                    | 7.4              | 9.5            |
| Kesko Senukai   | 11.0             | 7.8            |
| <b>Operating margin, comparable, %</b>                    | <b>5.2</b>       | <b>3.3</b>     |
| Building and technical trade excl. speciality goods trade | 4.9              | 3.2            |
| Building & home improvement trade                         | 5.4              | 3.1            |
| Onninen   | 4.4              | 3.2            |
| Speciality goods trade                                    | 3.4              | 2.7            |
| <b>1-12/2020</b>  | <b>1-12/2019</b> |                |
| Return on capital employed, comparable, %                 | 11.2             | 7.4            |
| Capital expenditure, € million                            | 186.3            | 332.7          |
| Personnel, average  | 9,308            | 12,630         |

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|  | 1-12/2020      | 1-12/2019      | Change, %    | Change, % comparable |
|--|----------------|----------------|--------------|----------------------|
| <b>Net sales, € million</b>  | <b>1,845.8</b> | <b>1,589.0</b> | <b>+16.2</b> | <b>+7.9</b>          |
| Building and home improvement trade, Finland                           | 971.6          | 908.4          | +7.0         | +6.8                 |
| K-Rauta, Sweden  | 186.1          | 163.7          | +13.7        | +12.6                |
| K-Bygg, Sweden   | 228.4          | 132.8          | +72.0        | +9.6                 |
| Bygghälskor and Carlsen Fritze, Norway                                 | 463.0          | 386.9          | +19.7        | +7.9                 |
| <b>Building and home improvement trade, total</b>                      | <b>1,845.8</b> | <b>1,589.0</b> | <b>+16.2</b> | <b>+7.9</b>          |
| Onninen, Finland   | 985.2          | 909.6          | +8.3         | +8.3                 |
| Onninen and MIAB, Sweden*  | 101.5          | 121.2          | -16.3        | -5.6                 |
| Onninen, Norway  | 227.6          | 237.8          | -4.3         | +4.2                 |
| Onninen, Baltics   | 80.1           | 85.2           | -6.1         | -6.1                 |
| Onninen, Poland  | 234.1          | 237.2          | -1.3         | +2.0                 |
| <b>Onninen, total*</b>   | <b>1,625.5</b> | <b>1,587.7</b> | <b>+2.4</b>  | <b>+5.2</b>          |
| <b>Building and technical trade excl. speciality goods trade total</b> | <b>3,424.3</b> | <b>3,126.1</b> | <b>+9.5</b>  | <b>+6.5</b>          |
| Leisure trade, Finland   | 192.4          | 203.7          | -5.5         | -5.5                 |
| Machinery trade  | 22.8           | 143.0          | -84.1        | -                    |
| <b>Speciality goods trade total</b>                                    | <b>215.2</b>   | <b>346.7</b>   | <b>-37.9</b> | <b>-5.5</b>          |
| <b>Total</b>   | <b>3,639.5</b> | <b>3,472.8</b> | <b>+4.8</b>  | <b>+5.7</b>          |

(...) Change over 100%

\* Onninen's comparable net sales: development in Sweden calculated minus internal net sales in Sweden to K-Rauta.

Net sales for the building and technical trade totalled €3,639.5 million (€3,472.8 million). Net sales grew by 4.8%, or by 5.7% in comparable terms. Net sales grew in comparable terms in Finland, Sweden, Norway and Poland. In the Baltics, net sales decreased. The weakening of the Norwegian krone and the Polish zloty against the euro diminished net sales development in Norway and Poland in euro terms. The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and the acquisitions and divestments completed in 2019 and 2020. The exceptional circumstances related to the Covid-19 pandemic have impacted the businesses and operating countries in different ways from March onwards.



KESKO'S DIRECTION

SUSTAINABILITY

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CORPORATE GOVERNANCE

In Finland, net sales for the building and technical trade totalled €2,102.7 million (€1,992.8 million), up by 5.5%. In comparable terms, net sales in Finland grew by 6.2%. Net sales from international operations amounted to €1,536.8 million (€1,480.0 million), an increase of 3.8%. In comparable terms, net sales from international operations grew by 5.1%.

Net sales for the building and home improvement trade grew in Finland, Sweden and Norway.

Onninen's net sales grew in comparable terms in Finland, Norway and Poland. In Sweden and the Baltic countries, net sales decreased compared to the year before.

In the speciality goods leisure trade, net sales decreased.

The comparable operating profit for the building and technical trade totalled €187.7 million (€115.9 million), up by €71.9 million. The comparable operating profit for the building and home improvement trade grew by €50.8 million, and grew in Finland, Sweden and Norway. The acquisitions carried out in Norway and Sweden in 2018-2020 accounted for €33.9 million (€14.5 million) of the comparable operating profit. Onninen's comparable operating profit grew in Finland, Sweden, Norway and Poland. In the Baltics, Onninen's comparable operating profit remained at level of the previous year.

The comparable operating profit for the building and technical trade totalled €126.5 million (€94.2 million) in Finland, €15.4 million (€-6.2 million) in Sweden and €29.5 million (€10.3 million) in Norway.

Operating profit for the building and technical trade totalled €177.7 million (€100.7 million). Items affecting comparability totalled €-10.0 million (€-15.2 million). The most significant items affecting comparability were the €10.4 million costs related to the discontinuation of The Athlete's Foot and Kookenkä chains in the leisure trade, the €2.5 million negative profit impact of changes to the store site network in Sweden, and the €6.4 million sales gain on the divestment of machinery trade operations in the Baltics, completed on 31 March 2020. The most significant items affecting comparability in the comparison year were the €7.8 million costs related to the divestment of Onninen's HEPAC contractor business in Sweden.

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Capital expenditure for the building and technical trade totalled €186.3 million (€332.7 million). Capital expenditure included €159.1 million (€233.2 million) in acquisitions.

Kesko reports Kesko Senukai Group, which is part of the building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture on one line in the consolidated income statement and balance sheet as of 1 July 2020. Kesko Senukai Group was reported as a subsidiary until 30 June 2020. The table below shows Kesko Senukai's financials for the financial year 2020 and the comparison year and the share of result of joint ventures reported in the illustrative comparison figures.

| Kesko Senukai financials, € million             | 1-12/2020         | 1-12/2019         |
|---|-------------------|-------------------|
| <b>Net sales</b>                                | 921.7             | 860.1             |
| Operating profit                                | 59.3              | 34.6              |
| Operating profit, comparable                    | 59.3              | 34.7              |
| Net profit for the period                       | 30.7              | 15.9              |
| Kesko Group's share of result of joint ventures | 11.0              | 7.8               |
|   | <b>31/12/2020</b> | <b>31/12/2019</b> |
| Assets  | 760.8             | 721.2             |
| Liabilities                                     | 549.4             | 529.2             |
| Equity  | 211.4             | 191.9             |

The figures include Kesko Senukai's business and real estate companies. A profit impact of €4.4 million of fair value allocation has been deducted from Kesko Group's share of result of joint ventures for 1-12/2020.

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## Car trade

|   | 1-12/2020 | 1-12/2019 |
|---|-----------|-----------|
| Net sales, € million                      | 892.6     | 863.9     |
| Operating profit, comparable, € million   | 23.4      | 26.8      |
| Operating margin, comparable, %           | 2.6       | 3.1       |
| Return on capital employed, comparable, % | 6.3       | 9.5       |
| Capital expenditure, € million            | 64.7      | 131.3     |
| Personnel, average                        | 1,283     | 1,179     |

| Net sales, € million | 1-12/2020 | 1-12/2019 | Change, % comparable |
|----------------------|-----------|-----------|----------------------|
| Car trade            | 892.6     | 863.9     | +3.3                 |
|                      |           |           | -3.3                 |

Net sales for the car trade totalled €892.6 million (€863.9 million). In comparable terms, net sales decreased by 3.3%. The comparable change % has been calculated excluding the impact of acquisitions completed in 2019. The Covid-19 pandemic weakened customer demand for both new and used cars in the first half of the year. Net sales saw a turnaround and began to grow in the latter half of the year thanks to strengthened demand.

The combined market performance of first registrations of passenger cars and vans was -15.6% (-5.4%). The combined market share of the Volkswagen, Audi, SEAT, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by the car trade division was 16.9% (16.9%).

The comparable operating profit for the car trade totalled €23.4 million (€26.8 million). Operating profit for the car trade totalled €23.3 million (€25.5 million). In the comparison year, items affecting comparability totalled €-1.2 million, related to efficiency improvement measures and structural arrangements carried out.

Capital expenditure for the car trade totalled €64.7 million (€131.3 million). Capital expenditure for the comparison year contained the acquisitions of Huititisten Laatuauto and the Volkswagen, Audi and SEAT businesses of LämsiAuto and Laakkonen Group, in total €57.4 million.

## Changes in group composition

Kesko Corporation changed the consolidation method of Kesko Senukai in Kesko's consolidated financial statements from a subsidiary to a joint venture as of 1 July 2020.

On 1 October 2020, Kesko acquired Reidar Flokkmanns Eftf AS (Flokkmann), which is part of the Norwegian Byggmakker chain, and the store property Arn Eiendom AS.

On 2 September 2020, Kesko acquired Carlsen Fritzøe Handel AS in Norway. The acquisition strengthens Kesko's position in the Oslo fjord region, where the Carlsen Fritzøe Handel network of 25 stores complements Kesko's existing Byggmakker store network.

Kesko Group simplified its corporate structure in Sweden by merging Onninen AB with K-Rauta AB on 1 May 2020. The name of the company is Kesko AB. The merger did not impact the operations of Onninen or K-Rauta in Sweden.

On 1 April 2020, Kesko acquired the Swedish Mark & Infra i Sverige AB (MIAB), a company specialising in the sales of water and sewage products. The acquisition strengthens Onninen's technical wholesale offering to Infra customers in Sweden.

On 31 March 2020, Konekesko Oy divested its remaining shares in its Baltic subsidiaries.

## Main objectives and results achieved in sustainability

Kesko's operations generate value and economic benefits for various stakeholder groups in Kesko's operating countries and market areas. Key stakeholders include shareholders, customers, personnel, retailers, goods suppliers and service providers, and the society. Kesko promotes the growth of welfare throughout its supply chain, including developing countries.

The most important cash flows comprise revenue from customer purchases and retailer operations, purchases from goods suppliers and service providers, dividends to shareholders, salaries and wages paid to personnel, taxes and capital expenditure. Kesko employs 17,650 people. In 2020, Kesko paid €613.1 million in wages and salaries. The income taxes paid by



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Kesko in 2020 totalled €70.6 million in Finland and €13.9 million in other countries. Kesko also pays real estate and net-worth taxes and collects, reports and remits indirect taxes, such as value added tax and excise duties. Kesko's capital expenditure has a positive financial impact on the operations of building firms and suppliers of fixtures, equipment and information systems, for example. In 2020, Kesko's capital expenditure totalled €398 million. At the end of 2020, Kesko had over 57,000 shareholders. Dividends paid for 2019 totalled €249 million.

### Key commitments, policies and principles

Corporate responsibility is a strategic choice for K Group and it is integrated into our day-to-day activities. Kesko's operations are based on its value, vision and mission. Our corporate responsibility and sustainability work is guided by Kesko's sustainability strategy, responsibility programme, general corporate responsibility principles, the K Code of Conduct, and our ethical purchasing principles.

Key group-level policies guiding Kesko's operations include Kesko's risk management policy, treasury policy, data protection policy, information security policy, security policy, sustainability policy, HR policy, and ethical principles for utilising artificial intelligence.

Kesko's operations are based on data and processing of data in the company's operating environments. Ensuring data protection is part of Kesko's compliance activities, risk management and the K Code of Conduct. Kesko's data protection policy determines the principles, practices and responsibilities concerning the lawful processing of personal data and for ensuring the high level of data protection at Kesko.

Kesko is committed to promoting the UN's Sustainable Development Goals (SDG) in its operations. For Kesko and its stakeholders, the three key goals are Responsible consumption, Decent work and economic growth, and Climate action. In accordance with Kesko's human rights commitment, we respect all internationally recognised human rights.

In spring 2019, Kesko's Board made sustainability and combatting climate change strategic focus areas for Kesko. Key concerns in our corporate responsibility work are transparency in sourcing, mitigating climate change and environmental care, responsibility for personnel, and extensive value creation throughout the society.

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Kesko's materiality assessment determines key corporate responsibility and sustainability themes for Kesko and its stakeholders. It guides Kesko's corporate responsibility efforts and work with stakeholders and actions to meet stakeholder expectations. Kesko last conducted a materiality assessment in autumn 2020. The biggest changes to the previous assessment were the increased importance of climate change, sustainable products, and biodiversity. Responsibility in the purchasing chain and personnel responsibility remained among key issues.

Since 2000, Kesko has reported on its actions annually in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. The Sustainability section of Kesko's Annual Report is prepared in accordance with the GRI Standards: Core option, and covers the key areas of economic, social and environmental responsibility. The Sustainability section of Kesko's Annual Report details Kesko's sustainability principles, management, objectives, processes and results.

### Kesko in sustainability indices

As a result of its long-term commitment to corporate responsibility work, Kesko is listed on several major sustainability indices, such as the Dow Jones Sustainability Index the DJSI World, the FTSE4Good Index, and the STOXX Global ESG Leaders Index.

In September 2020, Kesko was included in the Dow Jones Sustainability Index the DJSI World. In the 2020 assessment, Kesko's overall score rose compared to the year before. Kesko received the industry best overall score in the Environmental Dimension. Kesko received excellent scores in Climate Reporting, Climate Strategy, Operational Eco-Efficiency, and Water Related Risks. Kesko has previously been included in the DJSI World and DJSI Europe indices in 2003-2014 and 2017-2019.

Kesko received the 'A' score in CDP's global Climate questionnaire in 2020.

Kesko ranked 87th on the Global 100 list of the Most Sustainable Corporations in the World in 2021 (99th in 2020). In 2021, Kesko ranked the highest in the 'Grocery and Diversified Stores' category, and thus was the most sustainable grocery trade company in the world for the seventh consecutive year.

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## Human rights and purchasing

In 2016, Kesko published its human rights commitment and impact assessment in compliance with the UN's Guiding Principles on Business and Human Rights. The human rights assessment is reviewed every three years by the Group's Corporate Responsibility Management Team – the most recent review took place in 2019.

In accordance with the human rights commitment, Kesko respects all internationally recognised human rights. Kesko's purchasing is guided by Kesko's ethical principles for purchasing, which are based on the fundamental rights at work accepted by the International Labour Organisation (ILO), the UN Declaration of Human Rights, and the UN Convention on the Rights of the Child.

According to Group guidelines, a K Code of Conduct contract clause is to be added to all agreements under which Kesko Group companies purchase products or services from external parties.

Kesko employs sustainability policies to guide the sourcing of products containing raw materials identified as critical from a social and environmental responsibility perspective. At the end of 2020, Kesko had ten sustainability policies, the most recent addition being the packaging policy published in the summer of 2020.

In terms of purchasing chains, Kesko pays special attention to human rights issues and working conditions in high-risk countries. Kesko utilises international social responsibility assessment systems in the assessment of suppliers in high-risk countries, primarily amfori BSCI auditing. Kesko is a member of amfori and part of the amfori Business Social Compliance Initiative (BSCI). Kesko's principle in high-risk countries is to collaborate only with suppliers that are already included within the scope of social responsibility audits or that start the process when cooperation begins. The audits focus on e.g. the observance of working time regulations, management practices at factories, and occupational health and safety of the workers.

Kesko has joined the 2018 Accord on Fire and Building Safety in Bangladesh to improve the safety of clothing factories in the country. Kesko is a member of the Center for Child Rights and Corporate Social Responsibility (CCR CSR) based in China.

In an effort to improve the transparency of its supply chains, Kesko launched a new 'Tracing our products' website at [kesko.fi/producttracing](https://kesko.fi/producttracing) in autumn 2020. The products highlighted on the website represent K Group's own product brands. Focus is especially on products where the sustainable production of ingredients or raw materials is challenging and where K Group uses its own sustainability policies to guide purchasing.

## Product safety

Kesko and K Group stores together with suppliers are responsible to the products' end-users for ensuring that the products comply with all the requirements of Finnish and EU legislation, are safe for users and meet quality and other promises. Product labelling complies with legislative requirements and authority recommendations. All food product operations have a self-control plan in place, as required by law.

The assessment of the health and safety impacts of products is part of the operations of the Quality and Product Development unit in Kesko's grocery trade. The manufacturers of Kesko's own-brand food products have international certifications that assure product safety. The standards approved by Kesko's grocery trade include BRC, IFS, FSSC 22000 and GlobalGAP. The unit's laboratory monitors the product safety and quality of the own brand products and own imports in the grocery trade. It is a testing laboratory T251 which has been accredited by the FINAS accreditation services and approved to comply with the SFS-EN ISO/IEC 17025 standard.

## Climate and environment

K Group's sustainability policy guides the climate and environmental actions of Kesko Group and K Group stores in all operating countries. Kesko's key business partners are expected to observe corresponding environmental management principles.



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Kesko's most significant direct environmental impacts are related to emissions from the generation of electrical and heat energy on properties, emissions from transport, and waste produced in warehouse functions and at the stores. The biggest indirect impact comes from the manufacture, use and disposal of the products sold. Kesko's grocery trade plays a significant role in reducing food waste through cooperation with the whole food chain, from primary production to the end user.

Kesko is committed to the Paris Climate Agreement goal of mitigating global warming. In 2017, Kesko was the first company in Finland to set Science Based Targets for emissions from its own operations and supply chain.

In February 2020, Kesko set more challenging climate targets, aiming for carbon neutrality by 2025. Kesko will seek to systematically reduce emissions to reach net zero emissions from its own operations by 2030. From 2025 onwards, Kesko will offset the remaining emissions from its own operations. Kesko also aims to have reduction targets set for two-thirds of its direct supplier emissions by 2025.

K Group is moving towards carbon neutrality by increasing the share of electricity and heat produced with renewable energy, by improving energy efficiency, and by switching to biofuels in transports in Finland. In October 2020, Kesko joined the CDP supply chain programme to challenge its suppliers to reduce and report their emissions.

Kesko participates in the 2017-2025 action plan of the commerce sector Energy Efficiency Agreement, according to which Kesko commits to reducing its energy consumption through various savings measures by 7.5%. A new energy recycling model was developed for K-food stores in 2019, which can reduce heat consumption by as much as 95% and turn a grocery store property almost carbon neutral in terms of energy. Our objective is to have the new system installed in all K Group grocery stores by 2030.

All electricity purchased by Kesko for K-stores and other Kesko properties in Finland is produced with renewable energy. In 2020, this comprised hydropower, bioenergy and wind power. Some of the electricity is generated with Kesko's own solar power plants. At the

end of 2020, K Group stores and properties hosted 42 solar power plants, with a combined power of some 13.5 MWp and an electricity production capacity of some 11.4 GWh.

In 2019, Kesko began extensive work to identify sustainable products from a climate perspective in each division. Sustainable products are those with a markedly smaller climate impact than that of comparable products, and products that are significant in adjusting to climate change. The objective is to monitor and report the sales of sustainable products going forward.

### Climate related risks and opportunities

Kesko regularly assesses risks related to climate change as part of its responsibility risk assessment. The most significant risks are reported to Kesko's Board and the market as part of the Group's risk management steering and management model.

Climate change related transition risks for Kesko are increasing regulation, which necessitates changes in business operations and leads to additional costs, and in the longer term, changes in consumer behaviour that require changes to business models. Increase in extreme weather phenomena is a physical risk that impacts product availability and causes disturbances in logistics and the store site network.

Identified opportunities related to climate change are sustainable products, new business models related to mobility, products and services that improve energy-efficiency, and promoting circular economy.

### Financing linked to sustainability targets

During the 2019 financial year, Kesko made financing agreements totalling €700 million, where the interest margin will increase or decrease depending on Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down €300 million during the 2019 financial year, and has the possibility to draw down more later on with a separate credit decision by the banks. Kesko also agreed on a Revolving Credit Facility of €100 million linked to the same sustainability targets, which was not in use on 31 December 2020.



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### Personnel

| Personnel  | 1-12/2020     | 1-12/2019     |
|--|---------------|---------------|
| <b>Average number of personnel converted into full-time employees, continuing operations</b> | <b>17,629</b> | <b>20,846</b> |
| <b>Personnel at the end of the reporting period</b>  |               |               |
| Finland  | 12,647        | 12,657        |
| Other countries  | 5,003         | 12,511        |
| <b>Total</b>   | <b>17,650</b> | <b>25,168</b> |

The change in the consolidation method of Kesko Senukai has a marked impact on the number of Group employees outside Finland.

In the first year-half, Kesko carried out adjustment measures due to a reduction in workloads brought on by the Covid-19 pandemic. In total, some 2,500 Kesko employees in Finland working in business operations and support functions were affected by the various adjustment measures. Of those, temporary lay-off measures affected some 2,000 employees. Adjustment measures were also carried out in Kesko's operations in Sweden, Norway, Poland and the Baltic countries.

Professional, committed personnel is the basis for all our operations. Kesko's personnel management is guided by Kesko's HR policy, the K Code of Conduct and common operating principles. The HR policy is based on Kesko's mission, vision, strategy, value and responsible operating and management principles. The objective of the HR policy is to ensure that Kesko has skilled and committed personnel that knows where Kesko is heading and what their own objectives are, thus creating a foundation for achieving good and sustainable financial results.

To ensure the implementation of Kesko's strategy, the company's methods for target setting, performance management, personnel development and remuneration are based

on management by information. Recruitments are based on need, an approved resourcing plan, and identified change initiatives. In recruitments, we are committed to equality, non-discrimination and selection based on factors that predict success at a position.

Personnel satisfaction and wellbeing are measured, and development measures are drafted at various organisational levels based on the results. Proactive management of personnel wellbeing and working capacity is used to reduce the number of sick leaves and to prevent occupational injuries and premature retirement due to disability. We aim for zero injuries.

Since the beginning of the Covid-19 pandemic, ensuring the safety of personnel and customers has been a key priority for K Group. Special focus has been on doing everything possible to ensure the health and safety of the people working in logistics and the stores, while also enabling safe shopping for customers. Kesko and the K-retailers have developed new services, such as dedicated shopping hours for at-risk people, extended online grocery services, delivery services, and a new advice and phone order service for people over 70.

In accordance with the non-discrimination plan, Kesko has established a working group comprising representatives of the employer, personnel and the labour protection function, to handle matters related to non-discrimination and equality within the Group. Combatting discrimination is at the core of the group's activities. The group reviews matters related to e.g. recruitment, career development and training, remuneration and the reconciliation of work and family life.

In 2020, we prepared a diversity and inclusion programme to enable a more diverse and equal K Group. Our objectives include increasingly employing minority language speakers and helping persons with partial working capacity cope at work. A diverse working community and inclusive corporate culture are built through the actions, attitudes and choices of everyone at Kesko.



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## Compliance programmes

Kesko's Board has confirmed a K Compliance operating model for Kesko. The model strengthens Kesko's compliance with laws, rules and regulations. The K Code of Conduct forms the basis and core for the operating model. Individual group-wide programmes confirmed based on the operating model concern key legislation the breach of which could result in significant negative consequences for Kesko, such as serious financial or reputational risk. The programmes include the prevention of corruption and bribery, competition law, data protection, and consumer protection.

The K Compliance operating model confirms the organisation and steering model for the compliance function. Operations are guided by the identification of key compliance risks related to Kesko's strategy and business. Kesko's Legal Affairs, Risk Management and business operations regularly survey and prioritise risks. Based on the prioritisation of risks, Kesko's Governance, Risk and Compliance (GRC) steering group determines the necessary compliance programmes, which are confirmed by Kesko's President and CEO and reported to the Board's Audit Committee. Annual plans for the compliance programmes are established based on risk assessment. The GRC steering group monitors changes in risks and guides and controls the implementation of the compliance programmes.

## Prevention of corruption and bribery

The prevention of corruption and bribery has been confirmed as a K Compliance programme. The main instructions can be found in the K Code of Conduct. The K Code of Conduct is a means to ensure that everyone at Kesko has the same understanding of the values and principles that guide their daily work. K Code of Conduct has been published in nine languages and the principles are the same for all Kesko employees in all operating countries, and it lays out what is expected of Kesko employees and business partners in the areas of, for example, human rights, environmental care, and fair competition.

Kesko's attitude to bribery is absolutely uncompromising. "We do not offer or accept bribes", "We comply with the Kesko policies on hospitality and gifts" and "We avoid conflicts of interest" are key statements of the K Code of Conduct.

All Kesko Group personnel are obliged to confirm annually their commitment to comply with the K Code of Conduct. Kesko's Legal Affairs, Risk Management and Internal Audit organise training on the K Code of Conduct. Kesko Group's Internal Audit monitors and ensures the functioning and efficiency of management, supervision, risk management and corporate governance in Kesko Group. Kesko's Internal Audit pays special attention to the efficiency of controls that prevent malpractice and financial losses.

SpeakUp is a confidential reporting channel for both Kesko's partners and personnel, meant for reporting criminal and malpractice suspicions when, for one reason or another, the information cannot be passed directly to Kesko's persons in charge. The SpeakUp channel can also be used to report suspected breaches of securities market regulation.



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## Main objectives and results achieved

### Human rights and purchasing

| Target  | Method   | Results in 2020  |
|---|--|--|
| The social responsibility of the production of own direct imports from high-risk countries has been assured | Full amfori BSCI audits conducted at the factories and farms of suppliers in high-risk countries.      | 210 (180) factories or farms underwent full amfori BSCI audits                                       |
| Amfori BSCI follow-up audits conducted at the factories and farms of suppliers in high-risk countries.      | Amfori BSCI follow-up audits conducted at the factories and farms of suppliers in high-risk countries. | 117 (172) factories or farms underwent amfori BSCI follow-up audits                                  |
| Suppliers in high-risk countries have valid social responsibility audits and certifications.                | Suppliers in high-risk countries have valid social responsibility audits and certifications.           | 613 (733) suppliers in high-risk countries had valid social responsibility audits and certifications |

### Product safety

| Target   | Method   | Results in 2020  |
|--|--|--|
| Products are safe for users and meet quality promises  | The manufacturers of Kesko's own-brand food products have international certifications that assure product safety.                   | 517 (605) suppliers have an audit certificate  |
| The Quality and Product Development unit monitors the safety and quality of own brand products and own imports in the grocery trade. | The Quality and Product Development unit monitors the safety and quality of own brand products and own imports in the grocery trade. | Product samples analysed by the unit's laboratory and test kitchen 6,440 (7,405)                               |
| If a fault is detected in the quality of a product on the market, a recall is made.  | If a fault is detected in the quality of a product on the market, a recall is made.  | 167 (164) product recalls, of which 43 (46) K Group's own brand products;                                      |
|  |  | 6 (2) public recalls of own brand products (cases where a fault in the product could endanger consumer health) |

### Climate and environment

| Target   | Method   | Results in 2020   |
|--|--|---|
| Reducing the climate and environmental impacts of Kesko's operations | Kesko has committed to the Energy Efficiency Agreement for the commerce sector in Finland and to reducing its energy consumption by 7.5% between 2017 and 2025.  | Energy consumption in properties managed by Kesko in all operating countries* (Q4/2019-Q3/2020) 934 GWh (997 GWh)<br>* Change in calculation method: electricity consumption in Finland includes electricity provided by Ankkuri-Energia Oy and electricity obtained by retailers from other sources, used by Kesko |
|  | All electricity purchased by Kesko for K-stores and other Kesko properties in Finland is produced with renewable energy. In recent years, Kesko has been building solar power plants at K Group stores and properties.                       | Renewable electricity purchases 560 GWh (560 GWh), 42 (34) own solar power plants, electricity production in Finland 9.3 GWh (6.8 GWh)  |
|  | Kesko has set Science Based Targets for reducing emissions from its facilities, transportation, and supply chains. Kesko has committed to reducing its direct and indirect (Scope 1 and 2) emissions by 18% by 2025, using a 2015 base year. | Scope 1 and 2 emissions in all operating countries (Q4/2019-Q3/2020) 90,260 (118, 879) tCO <sub>2</sub> e   |

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| Personnel  | Method   | Results in 2020  |
|--|--|--|
| <p><b>Target</b></p> <p>Prevention of corruption and bribery (Governance)</p>        | <p>Employees agree upon their personal objectives together with their managers in accordance with the performance management process.</p> <p>Personnel satisfaction and commitment are measured in personnel surveys conducted every other year (last conducted in 2019), with complementary Pulse surveys when necessary.</p> <p>In 2020, two Pulse surveys were conducted to gauge how personnel were coping with the prolonged exceptional circumstances caused by the Covid-19 pandemic.</p> <p>Active early identification and intervention with regard to sickness absences is used to promote personnel wellbeing and working capacity.</p> | <p>Objectives set for approximately 84% (85%) of the target group</p> <p>Personnel commitment in 2019 was 76% (78%); 76% (76%) of personnel would recommend K Group as an employer (in 2019). Respondents to the Pulse surveys rated their overall satisfaction at 3,4 in the spring and 3,5 in the autumn.</p> <p>Sickness absences 5,1% (4,7%); premature retirement due to disability 23 (21)</p> |
| <p><b>Target</b></p> <p>100% commitment to compliance with the K Code of Conduct</p> | <p><b>Method</b></p> <p>"We do not offer or accept bribes", "We comply with the Keskko policies on hospitality and gifts" and "We avoid conflicts of interest" are key sections of the K Code of Conduct.</p> <p>SpeakUp is a confidential reporting channel for both personnel and Keskko's partners, meant for reporting criminal and malpractice suspicions when, for one reason or another, the information cannot be passed directly to Keskko's persons in charge. The SpeakUp channel can also be used to report suspected breaches of securities market regulation.</p>  | <p><b>Results in 2020</b></p> <p>86% (82%) of personnel signed the annual revision of the K Code of Conduct</p> <p>31 (28) notifications received via the SpeakUp channel</p>  |



## Shares, securities market and board authorisations

At the end of December 2020, the total number of Kesko Corporation shares was 400,079,008, of which 126,948,028, or 31.7%, were A shares and 273,130,980 or 68.3%, were B shares. In the second quarter, the number of shares in Kesko Corporation increased following the resolution of the 28 April 2020 Annual General Meeting to carry out a share issue without payment (share split) (stock exchange releases on 28 April 2020 and 30 April 2020). On 31 December 2020, Kesko Corporation held 3,339,862 of its own B shares as treasury shares.

These treasury shares accounted for 1.22% of the total number of B shares, 0.83% of the total number of shares, and 0.22% of the votes attached to all shares in the Company. The total number of votes attached to all shares was 1,542,611,260. Each A share carries ten (10) votes and each B share one (1) vote. The Company cannot vote with own shares held by it as treasury shares and no dividend is paid on them. At the end of December 2020, Kesko Corporation's share capital totalled €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €58.80 at the end of 2019 (€14.70 with the share split), and €20.00 at the end of 2020, representing an increase of 36.1%. Correspondingly, the price of a B share was €63.08 at the end of 2019 (€15.77 with the share split), and €21.04 at the end of December 2020, representing an increase of 33.4%. In 2020, the highest A share price was €22.80 and the lowest €10.40. The highest B share price was €24.08 and the lowest €10.41. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 10.1% and the weighted OMX Helsinki Cap index by 10.4%. The Retail Sector Index was up by 45.9%.

At the end of December 2020, the market capitalisation of the A shares was €2,539 million. The market capitalisation of the B shares was €5,676 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €8,215 million, an increase of €2,100.7 million from the end of 2019.

In 2020, a total of 10.6 million A shares were traded on Nasdaq Helsinki (calculated with the post-split number of shares). The exchange value of the A shares was €175.3 million. Meanwhile, 249.0 million B shares were traded (calculated with the post-split number of shares), with an exchange value of €4,434.2 million. Nasdaq Helsinki accounted for over 90% of the trading on Kesko's A shares in 2020 and over 80% of the trading on B shares. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Cboe (source: Euroland).

The number of registered shareholders rose by 38.8% in 2020. At the end of December 2020, the number of registered shareholders was 57,132, which is 15,957 more than at the end of 2019. At the end of December, foreign ownership of all shares was 37.12%, and foreign ownership of B shares 53.38%.

Kesko has a share-based commitment and incentive scheme. To implement the scheme, Kesko's Board of Directors may decide, within share issue authorisations granted by the Company's General Meeting, to transfer Kesko B shares held by the Company as treasury shares. In 2020, Kesko Corporation transferred 381,124 Kesko B shares held as treasury shares to members of management and other selected key persons in accordance with the terms and conditions of share award plans. 3,692 B shares were returned to the Company without consideration based on the same terms and conditions. The share numbers are presented as numbers following the share issue without payment (share split). Kesko issued related stock exchange releases on 12 March 2020 and 29 September 2020. Kesko issued a stock exchange release on 5 February 2020 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 8,158 of its own B shares held by the Company as treasury shares to the members of Kesko's Board of Directors as part of the Board members' annual remuneration, and issued a related stock exchange release on 5 May 2020.

Kesko's Annual General Meeting of 28 April 2020 authorised the Board to decide on the issue of a total maximum of 40,000,000 new B shares and B shares held by the Company as treasury shares. The authorisation is valid until 30 June 2021. The authorisation was communicated in a stock exchange release on 28 April 2020.



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## Key events during the financial year

The Market Court in Finland announced its decision on Kesko's acquisition of the Heino Tukka foodservice wholesale company, prohibiting the transaction. (Press release 17.2.2020)

Kesko agreed to acquire the Swedish Mark & Infra i Sverige AB (MIAB), a company specialising in the sales of water and sewage products. The acquisition strengthens Onninen's technical wholesale offering to Infra customers in Sweden. (Press release 6.3.2020)

Kesko issued a profit warning due to the Covid-19 pandemic and related global economic uncertainty. Kesko cancelled its previous outlook statement regarding the net sales for continuing operations and changed the outlook statement regarding the comparable operating profit for continuing operations, both issued in connection with the financial statements release on 5 February 2020. (Stock exchange release 18.3.2020)

Kesko's Board of Directors decided to cancel the Annual General Meeting convened for 30 March 2020 due to developments concerning the Covid-19 pandemic, and to reconvene a new meeting later on. (Stock exchange release 19.3.2020)

The Danish Agro Group company DA Agravis Machinery Holding A/S acquired Konekesko Oy's remaining stake in its Baltic subsidiaries. (Press release 31.3.2020)

Kesko announced that it would adjust its operations due to the Covid-19 pandemic.

Temporary lay-off measures were estimated to affect approximately 2,000 Kesko employees in Finland – Kesko managed to significantly reduce the number with employee transfers between units. (Press release 3.4.2020)

Kesko's Annual General Meeting convened on 28 April 2020. (Stock exchange releases 7.4.2020 and 28.4.2020)

A total of 95,211,021 new A shares and 204,848,235 new B shares issued in the share issue without payment (share split) decided upon by the Annual General Meeting of Kesko Corporation on 28 April 2020 were entered in the Finnish Trade Register on 30 April 2020. In the share issue without payment, new shares were issued to the shareholders in proportion to their existing holdings, so that three (3) new A shares were issued for each A share held, and three (3) new B shares for each B share held. (Stock exchange release 30.4.2020)

K Group raised its climate goals to a new level and will strive to become carbon neutral by 2025. K Group will seek to systematically reduce emissions to reach net zero emissions from its own operations and transports by 2030. (Press release 12.5.2020)

Kesko issued a positive profit warning and provided preliminary information on its second-quarter net sales and comparable operating profit. Kesko raised its guidance for the comparable operating profit for its continuing operations, issued in connection with the company's interim report on 28 April 2020. (Stock exchange release 10.7.2020)

Kesko's subsidiary Byggmakker Handel AS acquired Carlsen Fritze Handel AS, a Norwegian operator in the building and home improvement trade with net sales of approximately €201 million in 2019. The acquisition strengthens Kesko's position in the Oslo fjord region, where the Carlsen Fritze Handel network of 25 stores complements Kesko's existing Byggmakker store network. (Press releases 8.7.2020 and 2.9.2020)

Kesko acquired the Swedish Bygg & Interiör building and home improvement trade stores. The acquisition complements Kesko's growing K-Bygg chain for professional builders in the Mälaren Valley region of Sweden. (Press release 2.9.2020)

Kesko's Annual General Meeting of 28 April 2020 resolved to establish a Shareholders' Nomination Committee. The Committee will prepare proposals related to the number, election and remuneration of Board members to Kesko's General Meeting of shareholders. The Nomination Committee has three members: two appointed by Kesko's biggest shareholders and one who is the Chairman of Kesko's Board of Directors. (Stock exchange release 11.9.2020)

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Kesko announced that it would be changing the consolidation method of Kesko Senukai, which is part of the building and technical trade segment and operates in the Baltic countries and Belarus, from a subsidiary to a joint venture in its consolidated financial statements as of 1 July 2020. Kesko Senukai was reported as a subsidiary until 30 June 2020. (Stock exchange release 17.9.2020)

After the financial year, Rikka Joukio, M.Sc. (Tech.), eMBA, has been appointed Executive Vice President in charge of Corporate Responsibility and Public Affairs, and a member of Kesko's Group Management Board. Joukio will join the company on 1 August 2021 at the latest. (Stock exchange release 11.1.2021)

Kesko issued a positive profit warning and raised its guidance for the 2020 comparable operating profit for its continuing operations. Kesko estimated that the comparable operating profit for its continuing operations would be in the range of €510-570 million in 2020. The guidance upgrade was based on better than anticipated sales development in all divisions, improved cost efficiency, and a more positive outlook for the remainder of the year. (Stock exchange release 17.9.2020)

Karollina Partanen, M.Sc. (Soc.), was appointed Executive Vice President in charge of Communications, Brand and Stakeholder Relations and a member of Kesko's Group Management Board as of 1 October 2020. (Stock exchange release 18.9.2020)

The new medium-term financial targets for profitability, as approved by the Board of Directors of Kesko Corporation, are a comparable operating margin of 5.5% and a comparable return on capital employed of 12.5%. In terms of financial position, as before, the Group targets a maximum interest-bearing net debt/EBITDA ratio of 2.5, excluding the impact of IFRS 16. Kesko Group's previous financial targets were a comparable operating margin of 5.0%, a comparable return on capital employed of 11.0%, and interest-bearing net debt/EBITDA of less than 2.5 excluding the impact of IFRS 16. (Stock exchange release 1.12.2020)

The Board of Directors of Kesko Corporation approved an updated disclosure policy on 17 December 2020, which describes the key disclosure principles Kesko observes in its investor communication and financial reporting. The updated disclosure policy came into force on 1 January 2021. The main changes to the disclosure policy concern the so-called silent period and a new "investor news" category for releases. (Stock exchange release 18.12.2020)

## Key events after the financial year

No significant events took place after the balance sheet date.



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## Resolutions of the 2020 annual general meeting and decisions of the board's organisational meeting

The Annual General Meeting of Kesko Corporation on 28 April 2020 adopted the financial statements and consolidated financial statements for 2019. The Annual General Meeting resolved to distribute a dividend of €2.52 per share on shares held outside the Company, paid in two instalments. The record date of the first dividend instalment of €1.28 per share was 30 April 2020 and pay date 8 May 2020. The record date of the second dividend instalment of €0.31 per share was 1 October 2020 and pay date 8 October 2020. The Annual General Meeting discharged the Board members and the Managing Director from liability for the financial year 2019, confirmed the Company's Remuneration Policy for Governing Bodies, and resolved to keep the Board members' fees unchanged.

The Annual General Meeting resolved that the Auditor's fee and the reimbursements of the Auditor's expenses will be paid according to an invoice approved by the Company. The Annual General Meeting elected the firm of authorised public accountants Deloitte Oy as the Company's new Auditor. APA Jukka Vattulainen is the auditor with principal responsibility.

The Annual General resolved, in accordance with the Board's proposal, to carry out a share issue without payment (share split). According to the resolution, in the share issue without payment, new shares were issued without payment to the shareholders in proportion to their existing holdings, so that three (3) new A shares were issued for each A share held, and three (3) new B shares for each B share held. In addition, new B shares were similarly issued without payment to the Company on the basis of B shares held by the Company. A total of 95,211,021 new A shares and a total of 204,848,235 new B shares were issued. The shares were issued to shareholders who were registered in the Company's register of shareholders maintained by Euroclear Finland Ltd on the record date of the share issue, 30 April 2020. The share issue without payment was executed in the book-entry system and did not require any action on the part of the shareholders. The new shares have generated shareholder rights as of 30 April 2020 when they were registered in the Trade Register. The registration of the new shares in the shareholders' book-entry accounts took place on 4 May 2020. The new shares did not entitle their holders to the first instalment of dividend in accordance with the Board's proposal for the distribution

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of profit of €1.28 per share, but they did entitle the holders to the second proposed dividend instalment of €0.31 per share. The Annual General Meeting also resolved to amend section 3 of the Company's Articles of Association ("Shares") in accordance with the Board's proposal.

The Annual General Meeting resolved, in accordance with the Board's proposal, to authorise the Board to decide on the issuance of new B series shares as well as of own B shares held by the Company as treasury shares. The number of B shares thereby issued would total at maximum 40,000,000. The authorisation is valid until 30 June 2021.

The Annual General Meeting resolved, in accordance with the Board's proposal, to establish a Shareholders' Nomination Committee, and confirmed the Committee's rules of procedure.

The Annual General Meeting resolved, in accordance with the Board's proposal, to authorise the Board to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2021, and to decide on the donation recipients, purposes of use and other terms of the donations.

The Board members were elected by the 2018 Annual General Meeting to serve the three-year terms provided in the Company's Articles of Association, ending at the close of the 2021 Annual General Meeting. The Board elects its Chairman and Deputy Chairman for the Board's whole three-year term of office. In the organisational meeting held by the Board after the Annual General Meeting of 11 April 2018, the Board elected Esa Kiiskinen as Chairman of the Board and Peter Fagernäs as Deputy Chairman. The Board did not make changes to the compositions of its Audit Committee or Remuneration Committee in its organisational meeting held after the Annual General Meeting on 28 April 2020. Jannica Fagerholm was elected as Chairman of the Board's Audit Committee, Matti Kyytsönen as Deputy Chairman, and Piia Karhu as a Committee member. Esa Kiiskinen was elected as Chairman of the Board's Remuneration Committee, Peter Fagernäs as Deputy Chairman, and Matti Kyytsönen as a Committee member.

The resolutions of the Annual General Meeting and the decisions of the Board's organisational meeting were communicated in more detail in stock exchange releases on 28 April 2020.

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## Information contained in the notes to the financial statements

Information on the Group's personnel is disclosed in Note 2.5.

Financial risks and information on financial instruments measured at fair value are disclosed in Note 4.3.

Related party transactions are disclosed in Note 5.3.

Information on disputes and legal and authority proceedings is disclosed in Note 5.5.

## Risk management

Risk management in Kesko Group is guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed. The management of business operations and common functions are responsible for the execution of risk management. Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at Group, division, company and function levels throughout the Group.

The Group's risk map, the most significant risks and uncertainties, as well as material changes in, responses to and indicators for them are reported to the Kesko Board's Audit Committee quarterly in connection with the review of interim reports, the half year financial report and financial statements. The Audit Committee Chair reports on risk management to the Board as part of the Audit Committee report. The most significant risks and uncertainties are reported to the market by the Board in the Report by the Board of Directors and any material changes in them in the interim reports and the half year financial report.

The following describes the risks and uncertainties assessed as significant.

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## Significant risks and uncertainties

### Impact of economic uncertainty on Kesko's sales and profit

There is great uncertainty regarding developments with the pandemic and its duration, which impacts economic outlook and consumer behaviour in all of Kesko's operating countries. A significant weakening of the economy would impact especially the building and technical trade and the car trade. Extended restrictions on restaurants impact the foodservice business.

Should the economy weaken, we will continue the determined execution of Kesko's strategy, and if necessary, will prioritise and adjust operations to changes in demand.

### Competitive situation in the grocery trade

A weakening economy causes consumers to focus on price when it comes to decisions on products and services. This causes competition to tighten.

K Group ensures customer satisfaction and the competitiveness of its stores by efficiently utilising customer data, by offering customers a safe shopping experience, by implementing store-specific business ideas, by investing considerably in digital services that make everyday life easier for customers, and by ensuring competitive selections and prices.

### Impact of the Covid-19 pandemic on business continuity and personnel health

Large numbers of sick employees in the logistics centres or stores and key members of personnel getting sick could endanger the continuity of K Group's critical operations and supply chain and product availability. There is a significantly bigger emphasis on ensuring the safety of personnel and customers in management and everyday operations.

The safety of personnel is ensured by following internal safety instructions and procedures that are based on instructions and recommendations issued by authorities and healthcare experts. Business continuity and product availability are ensured through efficient implementation of function-specific contingency and preparedness plans.



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## Critical information falling into the wrong hands

Crime is increasingly committed through data networks and crime has become more international and professional. A failure to protect the security of payment transactions and personal data in particular can cause losses, claims for damages and reputational harm.

When protecting critical information, it is essential to constantly monitor data security threats and proactively develop data security, train personnel comprehensively, and maintain the data security of systems throughout their lifecycle.

## Business interruptions due to cybercrime and information technology failures

Growing threats necessitate quality actions from service providers, good data security, and sufficient data security skills from our personnel. Cyber-attacks could, for example, result in significant loss of sales and weakened customer satisfaction. In addition to cyber threats, failures may arise due to e.g. hardware failures, issues with data communications, and software errors.

A high level of service data security and contingency and recovery plans for disruptions are required from critical service providers. To ensure operational continuity, contingency plans have been established for critical operations and there is a standard process for managing disruptions. Continuity exercises are used to maintain the ability to operate during disruptions.

## Integration of acquisitions in the building and technical trade

There are operational risks related to the ongoing integration of acquisitions carried out in Sweden and Norway.

The key to risk management is to follow the integration plan and ensure sufficient resources for implementing the plan.

## Product safety

A failure in product safety control or supply chain quality assurance could result in financial losses, loss of customer trust and reputation, or, in the worst case, a health hazard to customers.

Risk management responses include Kesko's quality and product development unit's quality control of grocery trade products, and product safety management of the companies manufacturing own brand products. Self-control ensures compliance with foodstuffs regulations. Defective products can be quickly withdrawn from sale using the recall procedure.

## Staff availability

The implementation of strategies and the achievement of objectives require competent and motivated personnel. The acquisitions carried out as well as other significant business and development projects, coupled with an increased need for special competencies increase the key-person risk and the dependency on individual expertise.

In connection with strategy work, the competencies required for strategy implementation are identified and personnel plans are drawn up. Personnel surveys play a central role in the development of human resources management. Recruitment processes have been developed and personnel members are provided with a variety of training opportunities and career paths. Employee wellbeing and working capacity are promoted with Kesko's wellbeing at work development programme. Kesko's employer image is developed through systematic cooperation with stakeholders, as well as internal and external communications.

## Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, and loss of trust and reputation. The EU General Data Protection Regulation has placed more importance on the need to protect personal data.



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Separate compliance programmes are established for managing key legal risks. In general, legal risks are managed through the monitoring of changes in legislation, personnel training, by conducting audits and self-assessments, and by developing technical data security and data protection. Contractual risks are managed by harmonising agreements and agreement-making processes and by electronic agreement archiving.

### Store sites and properties

With a view to business growth and profitability, good store sites are a key competitive factor. The acquisition of store sites can be delayed by town planning and permit procedures and the availability and pricing of sites. Considerable amounts of capital or lease liabilities are tied up in properties for years. As a result of urbanisation, changes in the market situation, growing significance of e-commerce, or a chain concept proving inefficient, there is a risk that a store site or a property becomes unprofitable and operations are discontinued while long-term liabilities remain.

Management responses to the risks include long-term store network planning, careful preparatory work preceding each decision to invest in a store site, long-term cooperation with lessors, as well as management solutions and the sale and leaseback operating model. In cases where Kesko is the property developer, the aim is that the space solutions and use of the store site can be changed flexibly as necessary. The needs of multichannel business operations are taken into account when new premises are designed and existing premises are modernised. Flexibility and continuity are ensured with extension options included in lease agreements.

### Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as ensuring responsibility in the purchasing chain of products, fair and equal treatment of employees, the prevention of corruption, and environmental protection, are increasingly important to customers. Any failures in corporate responsibility could result in negative publicity for Kesko and cause operational and financial damage. Challenges in Kesko's corporate responsibility work include communicating responsibility principles to customers and ensuring responsibility in the supply chain of products.

The K Code of Conduct has been implemented among the whole personnel and partners. Kesko's responsible purchasing is guided by ethical purchasing principles, the compliance with which is ensured by continuous training of purchasing personnel. Responsibility in purchasing is also maintained by ensuring the existence and timeliness of suppliers' product safety systems and self-control plans. The SpeakUp reporting channel, intended for reporting suspected criminal offences or misconduct related to Kesko's operations, is in use in all Kesko operating countries.

### Climate change

Climate change risks are twofold. Risks for Kesko are related to increasing regulation and extreme weather phenomena. Increasing regulation necessitates changes in business operations and leads to additional costs. Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network. The impacts of Kesko's operations on the climate, in turn, are related to Kesko's energy solutions and emissions and the lifecycle impact of products and services sold.

Kesko aims to reach carbon neutrality in K Group by 2025 and to cut emissions from own operations and transports down to zero by 2030. One key action on the road to zero emissions is to increase the share of electricity and heat produced with renewable energy. K Group is also encouraging its suppliers, the whole supply chain, and customers to take action to reduce emissions. Kesko aims to have reduction targets set for two-thirds of its direct supplier emissions by 2025.

### Reporting to market

In its investor communication and financial reporting, Kesko follows the disclosure policy approved by Kesko's Board of Directors. Kesko's objective is to produce and publish reliable and timely information. Disclosure follows the principle of providing all market participants information in a timely manner and non-selectively to form the basis for the price formation of Kesko's financial instruments such as shares. If any information published by Kesko proved to be incorrect, or communications failed to meet regulations in other respects, it could result in losing investor and other stakeholder confidence and in possible



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sanctions. Significant business arrangements, tight disclosure schedules and dependency on information systems create challenges for the accuracy of financial information.

The risk is mitigated with efficient internal control, careful process scheduling and instructions and by ensuring the right resources, explicit responsibilities and sufficient competencies.

### Risks of damage

Accidents, natural phenomena and epidemics can cause significant damage to people, property or business. In addition, risks of damage may cause business interruptions that cannot be prevented.

Financial consequences of damage are insured against in accordance with the principles confirmed by Kesko's Board of Directors. Kesko Group has international insurance schemes that cover, for example, property damage, business interruption losses and liability damage. The Group's risk management has centralised control over the implementation of the Group's insurance schemes.

### Proposal for profit distribution

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 12 April 2021 that a dividend of €0.75 per share be paid for the year 2020 based on the adopted balance sheet on shares held outside the Company at the date of dividend distribution. The remaining distributable assets will remain in equity. The Board proposes that the dividend be paid in two instalments.

The first instalment, €0.38 per share, is to be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the first dividend instalment payment record date 14 April 2021. The Board proposes that the first dividend instalment pay date be 21 April 2021.

The second instalment, €0.37 per share, is to be paid to shareholders registered in the Company's register of shareholders kept by Euroclear Finland Ltd on the second dividend instalment payment record date 1 October 2021. The Board proposes that the second dividend instalment pay date be 8 October 2021. The Board proposes that it be authorised to decide, if necessary, on a new dividend payment record date and pay date for the second instalment if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As at the date of the proposal for the distribution of profit, 2 February 2021, 396,739,146 shares were held outside the Company, and the corresponding total amount of dividends is €297,554,359.50.

The distributable assets of Kesko Corporation total €1,436,295,866.09, of which profit for the financial year is €234,293,405.12.

### Annual general meeting

The Board of Directors has decided that the Annual General Meeting will be held on 12 April 2021 at 1.00 pm (EET).



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Group's key performance indicators

|  | Group     | Continuing operations |          |          |          |          |
|--|-----------|-----------------------|----------|----------|----------|----------|
|  |           | 2016                  | 2017     | 2018     | 2019     | 2020     |
| <b>Income statement</b>  |           |                       |          |          |          |          |
| Net sales  | € million | 10,180.4              | 10,491.8 | 10,382.8 | 10,720.3 | 10,669.2 |
| Change in net sales  | %         | 17.3                  | 3.1      | -1.0     | 3.3      | -0.5     |
| Change in net sales, comparable  | %         | 1.6                   | 1.9      | 3.5      | 1.4      | 3.6      |
| Operating profit, comparable   | € million | 272.9                 | 296.2    | 428.5    | 461.6    | 567.8    |
| Operating profit as percentage of net sales, comparable                  | %         | 2.7                   | 2.8      | 4.1      | 4.3      | 5.3      |
| Operating profit   | € million | 146.8                 | 338.6    | 404.3    | 447.8    | 600.2    |
| Operating profit as percentage of net sales                              | %         | 1.4                   | 3.2      | 3.9      | 4.2      | 5.6      |
| Profit for the year (incl. non-controlling interests)                    | € million | 113.8                 | 284.5    | 232.4    | 333.6    | 435.3    |
| Profit for the year as percentage of net sales                           | %         | 1.1                   | 2.7      | 2.2      | 3.1      | 4.1      |
| <b>Profitability</b>   |           |                       |          |          |          |          |
| Return on equity, group  | %         | 5.2                   | 12.3     | 8.7      | 16.6     | 20.1     |
| Return on equity, comparable, group                                      | %         | 9.8                   | 10.9     | 12.5     | 15.1     | 17.8     |
| Return on capital employed   | %         | 6.4                   | 15.2     | 9.2      | 9.3      | 12.7     |
| Return on capital employed, comparable                                   | %         | 11.9                  | 13.3     | 9.8      | 9.6      | 12.0     |
| <b>Funding and financial position</b>                                    |           |                       |          |          |          |          |
| Interest-bearing net debt, group   | € million | 123.3                 | 135.9    | 2,450.7  | 2,868.4  | 2,310.3  |
| Interest-bearing net debt excluding lease liabilities                    | € million | 123.3                 | 135.9    | 161.6    | 446.1    | 285.3    |
| Gearing, group   | %         | 5.8                   | 6.1      | 121.3    | 134.0    | 105.5    |
| Equity ratio, group  | %         | 48.6                  | 50.4     | 31.9     | 31.2     | 33.1     |
| Interest-bearing net debt/ EBITDA excluding the impact of IFRS 16, group |           | 0.4                   | 0.3      | 0.4      | 0.9      | 0.4      |
| <b>Other performance indicators</b>                                      |           |                       |          |          |          |          |
| Capital expenditure  | € million | 743.1                 | 333.5    | 417.6    | 686.1    | 398.4    |
| Capital expenditure as percentage of net sales                           | %         | 7.3                   | 3.2      | 4.0      | 6.4      | 3.7      |
| Cash flow from operating activities                                      | € million | 170.2                 | 291.8    | 748.3    | 893.1    | 1,152.4  |
| Cash flow from investing activities                                      | € million | -501.1                | -71.5    | -373.3   | -620.3   | -413.7   |
| Cash flow from operating activities, discontinued operations             | € million | -                     | 9.9      | -23.3    | 3.5      | -        |
| Cash flow from investing activities, discontinued operations             | € million | -                     | -16.8    | 164.3    | 3.5      | -        |
| Personnel, average for the period, group total                           |           | 22,475                | 22,077   | 19,995   | 20,852   | 17,629   |
| Personnel, as at 31 Dec., group total                                    |           | 27,656                | 24,984   | 23,458   | 25,168   | 17,650   |



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|  | IFRS 16 applied      |         |         |         |         |
|--|----------------------|---------|---------|---------|---------|
|  | 2016                 | 2017    | 2018    | 2019    | 2020    |
| <b>Share price as at 31 Dec.</b>             |                      |         |         |         |         |
| A share**                                    | € 10,96              | 11,03   | 10,90   | 14,70   | 20,00   |
| B share**                                    | € 11,87              | 11,31   | 11,78   | 15,77   | 21,04   |
| Average share price                          |                      |         |         |         |         |
| A share**                                    | € 9,33               | 10,91   | 11,80   | 12,31   | 16,62   |
| B share**                                    | € 9,76               | 11,13   | 12,17   | 13,57   | 17,72   |
| Market capitalisation as at 31 Dec., A share | € million 987,7      | 1,399,6 | 1,383,7 | 1,866,1 | 2,539,0 |
| Market capitalisation as at 31 Dec., B share | € million 2,181,9    | 3,064,3 | 3,169,0 | 4,248,5 | 5,676,4 |
| <b>Turnover</b>                              |                      |         |         |         |         |
| A share                                      | Million pcs 2        | 1       | 1       | 7       | 11***   |
| B share                                      | Million pcs 52       | 49      | 52      | 46      | 249***  |
| Relative turnover rate                       |                      |         |         |         |         |
| A share                                      | % 5,4                | 4,0     | 4,6     | 21,1    | 8,2     |
| B share                                      | % 74,3               | 70,9    | 75,9    | 67,5    | 91,2    |
| Diluted average number of shares**           | Thousand pcs 396,995 | 397,705 | 396,728 | 396,296 | 396,661 |

|  | IFRS 16 applied |       |       |       |       |
|--|-----------------|-------|-------|-------|-------|
|  | 2016            | 2017  | 2018  | 2019  | 2020  |
| <b>Share performance indicators</b>  |                 |       |       |       |       |
| Earnings/share, basic and diluted**  |                 |       |       |       |       |
| Continuing operations  | € -             | 0,69  | 0,54  | 0,83  | 1,09  |
| Discontinued operations  | € -             | -0,04 | -0,14 | 0,03  | -     |
| Group total  | € 0,25          | 0,65  | 0,40  | 0,86  | 1,09  |
| Earnings/share, comparable, basic***   |                 |       |       |       |       |
| Continuing operations  | € -             | 0,57  | 0,61  | 0,74  | 0,97  |
| Group total  | € 0,50          | -     | -     | -     | -     |
| Equity/share**   | € 5,11          | 5,36  | 4,83  | 5,11  | 5,52  |
| Dividend/share*  | € 0,50          | 0,55  | 0,59  | 0,63  | 0,75  |
| Payout ratio   | % 201,3         | 84,9  | 145,2 | 74,8  | 69,8  |
| Payout ratio, comparable   | % 99,5          | 96,6  | 95,8  | 80,3  | 77,4  |
| Cash flow from operating activities/share, adjusted, group total**           | € 0,43          | 0,76  | 1,83  | 2,26  | 2,91  |
| Cash flow from operating activities/share, adjusted, continuing operations** | € -             | -     | 1,89  | 2,25  | 2,91  |
| Price/earnings ratio (P/E), A share, adjusted                                | 44,14           | 17,01 | 27,05 | 17,44 | 18,62 |
| Price/earnings ratio (P/E), B share, adjusted                                | 47,80           | 17,45 | 29,22 | 18,71 | 19,59 |
| Effective dividend yield, A share  | % 4,6           | 5,0   | 5,4   | 4,3   | 3,8   |
| Effective dividend yield, B share  | % 4,2           | 4,9   | 5,0   | 4,0   | 3,6   |

\* Proposal to the General Meeting  
 \*\*Kesko Corporations' Annual General Meeting on 28 April 2020 decided on a share issue without payment (share split) in which three (3) new A shares were issued for each existing A share, and three (3) new B shares for each existing B share. The share-specific indicators have been calculated using the post-split number of shares.  
 Share-specific indicators for the comparison periods have been adjusted to correspond to the post-split number of shares.  
 \*\*\* Calculated with post-split number of shares

## Net sales by segment

| € million  | 1-12/2020       | 1-12/2019       | Change, %   |
|--|-----------------|-----------------|-------------|
| Grocery trade, Finland                                     | 5,732.0         | 5,531.2         | 3.6         |
| <b>Grocery trade, total</b>                                | <b>5,732.0</b>  | <b>5,531.2</b>  | <b>3.6</b>  |
| - of which intersegment trade                              | 15.3            | 10.2            | 51.0        |
| Building and technical trade, Finland                      | 2,102.7         | 1,992.8         | 5.5         |
| Building and technical trade, other countries*             | 1,536.8         | 1,480.0         | 3.8         |
| <b>Building and technical trade, total</b>                 | <b>3,639.5</b>  | <b>3,472.8</b>  | <b>4.8</b>  |
| - of which intersegment trade                              | -0.7            | -0.6            | 15.7        |
| Car trade, Finland   | 892.6           | 863.9           | 3.3         |
| <b>Car trade, total</b>                                    | <b>892.6</b>    | <b>863.9</b>    | <b>3.3</b>  |
| - of which intersegment trade                              | 6.7             | 3.4             | 95.8        |
| Common functions and eliminations                          | -21.4           | -5.9            | (-)         |
| <b>Finland, total</b>                                      | <b>8,705.8</b>  | <b>8,382.0</b>  | <b>3.9</b>  |
| <b>Other countries, total**</b>                            | <b>1,536.8</b>  | <b>1,480.0</b>  | <b>3.8</b>  |
| <b>Segment information, total</b>                          | <b>10,242.6</b> | <b>9,862.0</b>  | <b>3.9</b>  |
| Impact of change in Kesko Senukai's consolidation method** | 426.6           | 858.3           | -50.3       |
| <b>Reported continuing operations</b>                      | <b>10,669.2</b> | <b>10,720.3</b> | <b>-0.5</b> |

(-) Change over 100%

\*Net sales in countries other than Finland

\*\* Kesko Senukai's net sales, net of Group company net sales from sales of products and services to Kesko Senukai, have been consolidated in the consolidated income statement. The sum is not presented in the segment reporting as net sales due to a different accounting policy.

## Operating profit by segment

| € million   | 1-12/2020    | 1-12/2019    | Change       |
|---|--------------|--------------|--------------|
| Grocery trade   | 373.7        | 334.6        | 39.1         |
| Building and technical trade                              | 177.7        | 100.7        | 77.0         |
| Car trade   | 23.3         | 25.5         | -2.2         |
| Common functions and eliminations                         | -34.8        | -39.9        | 5.1          |
| <b>Segment information, total</b>                         | <b>540.0</b> | <b>421.0</b> | <b>119.0</b> |
| Impact of change in Kesko Senukai's consolidation method* | 60.2         | 26.9         | 33.4         |
| <b>Reported continuing operations</b>                     | <b>600.2</b> | <b>447.8</b> | <b>152.4</b> |

\* 100% of the operating profit reported by Kesko Senukai in 1-12/2019 and 1-6/2020 and the realised profit of €46.1 million from the change in consolidation method in 7-12/2020 are consolidated in the operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2019 and 1-6/2020 operating profit.

## Comparable operating profit by segment

| € million   | 1-12/2020    | 1-12/2019    | Change       |
|---|--------------|--------------|--------------|
| Grocery trade   | 375.2        | 327.9        | 47.3         |
| Building and technical trade                              | 187.7        | 115.9        | 71.9         |
| Car trade   | 23.4         | 26.8         | -3.3         |
| Common functions and eliminations                         | -32.7        | -35.9        | 3.2          |
| <b>Segment information, total</b>                         | <b>553.6</b> | <b>434.7</b> | <b>118.9</b> |
| Impact of change in Kesko Senukai's consolidation method* | 14.1         | 26.9         | -12.8        |
| <b>Reported continuing operations</b>                     | <b>567.8</b> | <b>461.6</b> | <b>106.2</b> |

\* 100% of the operating profit reported by Kesko Senukai in 1-12/2019 and 1-6/2020 has been consolidated in the operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2019 and 1-6/2020 operating profit.

## Comparable operating margin by segment, %

|   | 1-12/2020  | 1-12/2019  | Change, pp |
|---|------------|------------|------------|
| Grocery trade   | 6.5        | 5.9        | 0.6        |
| Building and technical trade                              | 5.2        | 3.3        | 1.8        |
| Car trade   | 2.6        | 3.1        | -0.5       |
| <b>Segment information, total</b>                         | <b>5.4</b> | <b>4.4</b> | <b>1.0</b> |
| Impact of change in Kesko Senukai's consolidation method* | 0.1        | 0.1        | 0.0        |
| <b>Reported continuing operations</b>                     | <b>5.3</b> | <b>4.3</b> | <b>1.0</b> |

\* The difference between the operating margin in segment reporting and the operating margin calculated based on the consolidated income statement

## Comparable return on capital employed by segment, %

|                                     | 1-12/2020   | 1-12/2019  | Change, pp |
|-------------------------------------|-------------|------------|------------|
| Grocery trade                       | 16.9        | 14.5       | 2.4        |
| Building and technical trade        | 11.2        | 7.4        | 3.8        |
| Car trade                           | 6.3         | 9.5        | -3.3       |
| <b>Continuing operations, total</b> | <b>12.0</b> | <b>9.6</b> | <b>2.4</b> |

## Capital expenditure by segment

|                                     | 1-12/2020    | 1-12/2019    | Change        |
|-------------------------------------|--------------|--------------|---------------|
| Grocery trade                       | 125.4        | 180.4        | -55.3         |
| Building and technical trade        | 186.3        | 332.7        | -146.5        |
| Car trade                           | 64.7         | 131.3        | -66.6         |
| Common functions and eliminations   | 22.0         | 41.3         | -19.3         |
| <b>Continuing operations, total</b> | <b>398.4</b> | <b>686.1</b> | <b>-287.7</b> |



## Group's performance indicators by quarter

|   | 1-3/2019 | 4-6/2019 | 7-9/2019 | 10-12/2019 | 1-3/2020 | 4-6/2020 | 7-9/2020 | 10-12/2020 |
|---|----------|----------|----------|------------|----------|----------|----------|------------|
| Net sales, continuing operations, € million                         | 2,400.8  | 2,781.4  | 2,803.9  | 2,734.2    | 2,540.4  | 2,814.5  | 2,651.9  | 2,662.3    |
| Change in net sales, continuing operations, %                       | -0.5     | 4.1      | 6.1      | 3.0        | 5.8      | 1.2      | -5.4     | -2.6       |
| Change in net sales, comparable, continuing operations, %           | -0.6     | 2.1      | 2.9      | 0.9        | 4.0      | 2.2      | 4.6      | 4.5        |
| EBITDA, comparable, € million                                       | 173.4    | 242.2    | 275.4    | 258.0      | 190.5    | 281.8    | 299.4    | 285.6      |
| Operating profit, continuing operations, € million                  | 51.6     | 119.9    | 148.6    | 127.8      | 65.9     | 154.1    | 224.6    | 155.6      |
| Operating profit, comparable, continuing operations, € million      | 57.5     | 122.5    | 152.0    | 129.7      | 65.1     | 152.2    | 181.8    | 165.6      |
| Operating margin, comparable, continuing operations, %              | 2.4      | 4.4      | 5.4      | 4.7        | 2.6      | 5.5      | 6.9      | 6.2        |
| Finance income/costs, continuing operations, € million              | -23.7    | -23.1    | -23.3    | -21.3      | -32.3    | -20.4    | -19.1    | -15.0      |
| Interest expense for lease liabilities, € million                   | -24.6    | -24.2    | -23.1    | -23.5      | -23.1    | -22.4    | -19.0    | -18.8      |
| Profit before tax, continuing operations, € million                 | 28.8     | 114.1    | 154.8    | 105.7      | 33.1     | 136.2    | 220.0    | 138.4      |
| Profit before tax, continuing operations, %                         | 1.2      | 4.1      | 5.5      | 3.9        | 1.3      | 4.8      | 8.3      | 5.2        |
| Return on capital employed, continuing operations, %                | 4.6      | 10.3     | 12.0     | 10.1       | 5.3      | 12.8     | 19.9     | 13.7       |
| Return on capital employed, comparable, continuing operations, %    | 5.1      | 10.5     | 12.3     | 10.2       | 5.2      | 12.9     | 16.1     | 14.6       |
| Return on equity, %   | 4.3      | 20.3     | 25.7     | 17.7       | 5.0      | 20.8     | 37.9     | 21.5       |
| Return on equity, comparable, %                                     | 5.4      | 17.7     | 20.7     | 17.8       | 4.8      | 20.5     | 26.5     | 23.4       |
| Cash flow from operating activities/share, continuing operations, € | 0.40     | 0.68     | 0.48     | 0.69       | 0.34     | 1.06     | 0.72     | 0.78       |
| Equity ratio, %   | 31.8     | 27.9     | 29.6     | 31.2       | 30.0     | 27.4     | 30.8     | 33.1       |
| Capital expenditure, continuing operations, € million               | 97.3     | 373.4    | 132.2    | 83.3       | 99.0     | 69.1     | 174.8    | 55.5       |
| Earnings/share, basic and diluted, €                                |          |          |          |            |          |          |          |            |
| Continuing operations   | 0.07     | 0.22     | 0.32     | 0.22       | 0.09     | 0.24     | 0.48     | 0.29       |
| Discontinued operations   | 0.00     | 0.03     | 0.00     | 0.01       | -        | -        | -        | -          |
| Group total   | 0.07     | 0.24     | 0.31     | 0.23       | 0.09     | 0.24     | 0.48     | 0.29       |
| Earnings/share, basic and diluted, comparable €                     |          |          |          |            |          |          |          |            |
| Continuing operations   | 0.08     | 0.18     | 0.25     | 0.23       | 0.08     | 0.24     | 0.33     | 0.31       |
| Equity/share, €   | 4.95     | 4.61     | 4.92     | 5.11       | 5.02     | 4.68     | 5.15     | 5.52       |



## Net sales by segment

| € million   | 1-3/2019       | 4-6/2019       | 7-9/2019       | 10-12/2019     | 1-3/2020       | 4-6/2020       | 7-9/2020       | 10-12/2020     |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Grocery trade   | 1,253.9        | 1,408.6        | 1,402.7        | 1,456.0        | 1,321.5        | 1,431.1        | 1,462.1        | 1,517.2        |
| Building and technical trade                              | 767.3          | 933.2          | 945.1          | 827.2          | 816.3          | 954.4          | 951.2          | 917.6          |
| Car trade   | 200.5          | 211.9          | 222.9          | 228.5          | 222.6          | 192.0          | 244.3          | 233.6          |
| Common functions and eliminations                         | -1.2           | -1.0           | -1.8           | -1.9           | -4.8           | -4.8           | -5.7           | -6.1           |
| <b>Segment information, total</b>                         | <b>2,230.6</b> | <b>2,552.7</b> | <b>2,568.9</b> | <b>2,509.8</b> | <b>2,355.6</b> | <b>2,572.7</b> | <b>2,651.9</b> | <b>2,662.3</b> |
| Impact of change in Kesko Senukai's consolidation method* | 170.3          | 228.7          | 235.0          | 224.4          | 184.8          | 241.9          | -              | -              |
| <b>Reported continuing operations</b>                     | <b>2,400.8</b> | <b>2,781.4</b> | <b>2,803.9</b> | <b>2,734.2</b> | <b>2,540.4</b> | <b>2,814.5</b> | <b>2,651.9</b> | <b>2,662.3</b> |

\* Kesko Senukai's net sales, net of Group company net sales from sales of products and services to Kesko Senukai, have been consolidated in the consolidated income statement. The sum is not presented in the segment reporting as net sales due to a different accounting policy.

## Operating profit by segment

| € million   | 1-3/2019    | 4-6/2019     | 7-9/2019     | 10-12/2019   | 1-3/2020    | 4-6/2020     | 7-9/2020     | 10-12/2020   |
|---|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Grocery trade   | 56.8        | 85.6         | 93.7         | 98.5         | 59.8        | 82.3         | 108.6        | 123.0        |
| Building and technical trade                              | -3.9        | 35.4         | 49.4         | 19.7         | 13.0        | 63.3         | 69.0         | 32.4         |
| Car trade   | 7.6         | 4.9          | 4.9          | 8.0          | 6.1         | 3.8          | 7.3          | 6.2          |
| Common functions and eliminations                         | -10.7       | -14.3        | -7.8         | -7.1         | -13.5       | -8.9         | -8.0         | -4.4         |
| <b>Segment information, total</b>                         | <b>49.9</b> | <b>111.6</b> | <b>140.3</b> | <b>119.1</b> | <b>65.5</b> | <b>140.4</b> | <b>176.9</b> | <b>157.2</b> |
| Impact of change in Kesko Senukai's consolidation method* | 1.7         | 8.3          | 8.3          | 8.6          | 0.5         | 13.7         | 47.7         | -1.6         |
| <b>Reported continuing operations</b>                     | <b>51.6</b> | <b>119.9</b> | <b>148.6</b> | <b>127.8</b> | <b>65.9</b> | <b>154.1</b> | <b>224.6</b> | <b>155.6</b> |

\* 100% of the operating profit reported by Kesko Senukai in 1-12/2019 and 1-6/2020 and the realised profit of €46.1 million from the change in consolidation method in 7-12/2020 are consolidated in the operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2019 and 1-6/2020 operating profit.

## Items in operating profit affecting comparability

| € million  | 1-3/2019    | 4-6/2019    | 7-9/2019    | 10-12/2019  | 1-3/2020   | 4-6/2020    | 7-9/2020    | 10-12/2020   |
|--|-------------|-------------|-------------|-------------|------------|-------------|-------------|--------------|
| Grocery trade  | 0.0         | 6.6         | 0.3         | -0.2        | -0.5       | -0.7        | -0.1        | -0.2         |
| Building and technical trade                             | -5.4        | -4.7        | -2.5        | -2.6        | 6.5        | -0.4        | -4.1        | -11.9        |
| Car trade  | -0.1        | -0.1        | -0.1        | -1.0        | -          | -           | -0.1        | -            |
| Common functions and eliminations                        | -0.4        | -4.3        | -1.0        | 1.8         | -5.1       | 0.0         | -0.6        | 3.6          |
| <b>Segment information, total</b>                        | <b>-5.8</b> | <b>-2.6</b> | <b>-3.4</b> | <b>-1.9</b> | <b>0.8</b> | <b>-1.1</b> | <b>-4.9</b> | <b>-8.4</b>  |
| Impact of change in Kesko Senukai's consolidation method | -           | -           | -0.1        | -           | -          | -           | 47.7        | -1.6         |
| <b>Reported continuing operations</b>                    | <b>-5.8</b> | <b>-2.6</b> | <b>-3.5</b> | <b>-1.9</b> | <b>0.8</b> | <b>-1.1</b> | <b>42.8</b> | <b>-10.1</b> |



### Comparable operating profit by segment

| € million   | 1-3/2019    | 4-6/2019     | 7-9/2019     | 10-12/2019   | 1-3/2020    | 4-6/2020     | 7-9/2020     | 10-12/2020   |
|---|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Grocery trade   | 56.8        | 79.0         | 93.5         | 98.6         | 60.4        | 83.0         | 108.7        | 123.2        |
| Building and technical trade                              | 1.5         | 40.1         | 51.9         | 22.3         | 6.5         | 63.7         | 73.2         | 44.3         |
| Car trade   | 7.7         | 5.0          | 5.0          | 9.0          | 6.1         | 3.8          | 7.4          | 6.2          |
| Common functions and eliminations                         | -10.3       | -10.0        | -6.7         | -8.9         | -8.4        | -8.9         | -7.4         | -8.0         |
| <b>Segment information, total</b>                         | <b>55.7</b> | <b>114.2</b> | <b>143.7</b> | <b>121.1</b> | <b>64.6</b> | <b>141.5</b> | <b>181.8</b> | <b>165.6</b> |
| Impact of change in Kesko Senukai's consolidation method* | 1.7         | 8.3          | 8.3          | 8.6          | 0.5         | 13.7         | -            | -            |
| <b>Reported continuing operations</b>                     | <b>57.5</b> | <b>122.5</b> | <b>152.0</b> | <b>129.7</b> | <b>65.1</b> | <b>155.2</b> | <b>181.8</b> | <b>165.6</b> |

\* 100% of the comparable operating profit reported by Kesko Senukai in 1-12/2019 and 1-6/2020 has been consolidated in the comparable operating profit calculated based on the operating profit in the consolidated income statement. In segment reporting, the share of joint venture's net profit equivalent to ownership interest has been consolidated in the 1-12/2019 and 1-6/2020 comparable operating profit.

### Comparable operating margin by segment, %

| € million   | 1-3/2019   | 4-6/2019   | 7-9/2019   | 10-12/2019 | 1-3/2020   | 4-6/2020   | 7-9/2020   | 10-12/2020 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Grocery trade   | 4.5        | 5.6        | 6.7        | 6.8        | 4.6        | 5.8        | 7.4        | 8.1        |
| Building and technical trade                              | 0.2        | 4.3        | 5.5        | 2.7        | 0.8        | 6.7        | 7.7        | 4.8        |
| Car trade   | 3.8        | 2.4        | 2.3        | 3.9        | 2.7        | 2.0        | 3.0        | 2.6        |
| <b>Segment information, total</b>                         | <b>2.5</b> | <b>4.5</b> | <b>5.6</b> | <b>4.8</b> | <b>2.7</b> | <b>5.5</b> | <b>6.9</b> | <b>6.2</b> |
| Impact of change in Kesko Senukai's consolidation method* | -0.1       | -0.1       | -0.2       | -0.1       | -0.2       | -0.0       | -          | -          |
| <b>Reported continuing operations</b>                     | <b>2.4</b> | <b>4.4</b> | <b>5.4</b> | <b>4.7</b> | <b>2.5</b> | <b>5.5</b> | <b>6.9</b> | <b>6.2</b> |

\* The difference between the operating margin in segment reporting and the operating margin calculated based on the consolidated income statement.



## Calculation of performance indicators

Kesko uses alternative performance measures to reflect business performance and profitability. These indicators should be examined together with the IFRS-compliant performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the financial year as well as the comparison year. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions.

Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. Gains and losses on disposal of real estate, shares and business operations, impairment charges and significant restructuring costs are identified as items affecting comparability. Gains on disposal have been presented within other operating income, and losses on disposal within other operating expenses in the income statement.

In addition, the financial performance indicators required by the Decree of the Ministry of Finance on obligation of securities issuers to disclose periodic information have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

## Profitability

|   |  |
|---|--|
| Operating profit, comparable              | Operating profit +/- items affecting comparability   |
| Items affecting comparability             | - gains on disposal + losses on disposal + impairment charges +/- structural arrangements  |
| Return on equity, %                       | $(\text{Profit/loss before tax} - \text{Income tax}) \times 100$<br>Shareholders' equity, average of the beginning and end of the financial year   |
| Return on equity, comparable, %           | $(\text{Profit/loss adjusted for items affecting comparability before tax} - \text{Income tax adjusted for the tax effect of the items affecting comparability}) \times 100$<br>Shareholders' equity, average of the beginning and end of the financial year |
| Return on capital employed, %             | $\text{Operating profit} \times 100$<br>(Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months  |
| Return on capital employed, comparable, % | $\text{Comparable operating profit} \times 100$<br>(Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months   |
| EBITDA                                    | Operating profit + Depreciation and amortisation + Impairment charges  |



## Funding, capital expenditure and financial position

|  |  |   |   |
|--|--|---|---|
| Equity ratio, %  | Shareholders' equity x 100<br>(Balance sheet total - Advances received)  | Earnings/share, diluted                   | Net profit/loss - Share of non-controlling interests of net profit/loss<br>Average number of shares adjusted for the dilutive effect                          |
| Gearing, %   | Interest-bearing net debt x 100<br>Shareholders' equity  | Earnings/share, basic                     | Net profit/loss - Share of non-controlling interests of net profit/loss<br>Average number of shares   |
| Interest-bearing net debt  | Interest-bearing liabilities + Lease liabilities - Financial assets at fair value through profit or loss - Available-for-sale financial assets - Cash and cash equivalents | Earnings/share, basic, comparable         | Net profit/loss adjusted for items affecting comparability - Share of non-controlling interests of net profit/loss adjusted for items affecting comparability |
| Interest-bearing net debt excluding lease liabilities              | Interest-bearing net debt - Lease Liabilities  | Equity/share                              | Average number of shares  |
| Capital expenditure  | Investments in property, plant and equipment, intangible assets, subsidiary shares, shares in associates and joint ventures and other shares                               | Payout ratio, %                           | Equity attributable to equity holders of the parent<br>Basic number of shares at the balance sheet date<br>(Dividend/share) x 100<br>(Earnings/share)         |
| Interest-bearing net debt / EBITDA excluding the impact of IFRS 16 | Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16   | Price/earnings ratio (P/E)                | Share price at balance sheet date<br>(Earnings/share)   |
|  |  | Effective dividend yield, %               | (Dividend/share) x 100<br>Share price at balance sheet date   |
|  |  | Market capitalisation                     | Share price at balance sheet date x Number of shares  |
|  |  | Cash flow from operating activities/share | Cash flow from operating activities<br>Average number of shares   |
|  |  | Yield of A share and B share              | Change in share price + Annual dividend yield   |



CORPORATE GOVERNANCE

FINANCIAL REVIEW

SUSTAINABILITY

KESKO'S DIRECTION



## Reconciliation of performance indicators to IFRS financial statements

| € million  | 1-12/2020      | 1-12/2019    |
|--|----------------|--------------|
| <b>Continuing operations</b>                                       |                |              |
| Items affecting comparability                                      |                |              |
| Gains on disposal  | 9.8            | 4.6          |
| Losses on disposal   | -0.2           | -0.9         |
| Structural arrangements  | 22.8           | -17.5        |
| <b>Items in operating profit affecting comparability</b>           | <b>32.4</b>    | <b>-13.8</b> |
| Items in financial items affecting comparability                   | 13.4           | 46.3         |
| Items in income taxes affecting comparability                      | 4.1            | 0.4          |
| <b>Total items affecting comparability</b>                         | <b>49.9</b>    | <b>32.9</b>  |
| <b>Items in EBITDA affecting comparability</b>                     | <b>39.1</b>    | <b>-14.5</b> |
| <b>Operating profit, comparable</b>                                |                |              |
| Operating profit   | 600.2          | 447.8        |
| Net of   |                |              |
| Items in operating profit affecting comparability                  | 32.4           | -13.8        |
| <b>Operating profit, comparable</b>                                | <b>567.8</b>   | <b>461.6</b> |
| <b>EBITDA</b>  |                |              |
| Operating profit   | 600.2          | 447.8        |
| Plus   |                |              |
| Depreciation and impairment charges                                | 170.2          | 161.5        |
| Depreciation and impairment charges for right-of-use assets        | 325.8          | 325.0        |
| <b>EBITDA</b>  | <b>1,096.2</b> | <b>934.4</b> |
| <b>EBITDA, comparable</b>  |                |              |
| EBITDA   | 1,096.2        | 934.4        |
| Net of   |                |              |
| Items in EBITDA affecting comparability                            | 59.1           | -14.5        |
| <b>EBITDA, comparable</b>  | <b>1,057.1</b> | <b>948.9</b> |
| <b>Profit before tax, comparable</b>                               |                |              |
| Profit before tax  | 527.6          | 403.3        |
| Net of   |                |              |
| Items in operating profit affecting comparability                  | 32.4           | -13.8        |
| Items in financial items affecting comparability                   | 13.4           | 46.3         |
| <b>Profit before tax, comparable</b>                               | <b>481.9</b>   | <b>370.7</b> |
| <b>Net profit, comparable</b>                                      |                |              |
| Comparable profit before tax                                       | 481.9          | 370.7        |
| Net of   |                |              |
| Income tax   | 92.3           | 69.6         |
| Items in income taxes affecting comparability                      | 4.1            | 0.4          |
| <b>Net profit, comparable</b>                                      | <b>385.5</b>   | <b>300.7</b> |
| <b>Net profit attributable to owners of the parent, comparable</b> |                |              |
| Net profit, comparable   | 385.5          | 300.7        |
| Net profit attributable to non-controlling interests               | 2.0            | 6.0          |
| <b>Net profit attributable to owners of the parent, comparable</b> | <b>383.5</b>   | <b>294.7</b> |
| <b>Earnings/share, comparable, €</b>                               |                |              |
| Net profit attributable to owners of the parent, comparable        | 383.5          | 294.7        |
| Average number of shares, basic, 1,000 pcs                         | 396,661        | 396,296      |
| <b>Earnings/share, comparable, €</b>                               | <b>0.97</b>    | <b>0.74</b>  |
| <b>Return on capital employed, %</b>                               |                |              |
| Operating profit   | 600.2          | 447.8        |
| Capital employed, average  | 4,718.5        | 4,803.3      |
| <b>Return on capital employed, %</b>                               | <b>12.7</b>    | <b>9.3</b>   |



KESKO'S DIRECTION

SUSTAINABILITY

FINANCIAL REVIEW

CORPORATE GOVERNANCE

| € million  | 1-12/2020   | 1-12/2019   |
|--|-------------|-------------|
| <b>Return on capital employed, comparable, %</b> |             |             |
| Operating profit, comparable                     | 567.8       | 461.6       |
| Capital employed, average                        | 4,718.5     | 4,803.3     |
| <b>Return on capital employed, comparable, %</b> | <b>12.0</b> | <b>9.6</b>  |
| <b>Group</b>                                     |             |             |
| <b>Return on equity, %</b>                       |             |             |
| Net profit                                       | 435.3       | 345.2       |
| Equity, average                                  | 2,165.0     | 2,080.9     |
| <b>Return on equity, %</b>                       | <b>20.1</b> | <b>16.6</b> |
| <b>Return on equity, comparable, %</b>           |             |             |
| Net profit, comparable                           | 385.5       | 313.2       |
| Equity, average                                  | 2,165.0     | 2,080.9     |
| <b>Return on equity, comparable, %</b>           | <b>17.8</b> | <b>15.1</b> |
| <b>Equity ratio, %</b>                           |             |             |
| Shareholders' equity                             | 2,189.3     | 2,140.8     |
| Total assets                                     | 6,641.9     | 6,899.3     |
| Advances received                                | 32.8        | 34.6        |
| <b>Equity ratio, %</b>                           | <b>33.1</b> | <b>31.2</b> |

KESKO'S YEAR 2020 | FINANCIAL REVIEW



## Reconciliation of performance indicators to IFRS financial statements by quarter

| € million   | 1-3/2019     | 4-6/2019     | 7-9/2019     | 10-12/2019   | 1-3/2020     | 4-6/2020     | 7-9/2020     | 10-12/2020   |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Continuing operations</b>                                |              |              |              |              |              |              |              |              |
| <b>Items affecting comparability</b>                        |              |              |              |              |              |              |              |              |
| Gains on disposal   | 0.0          | 1.0          | 0.4          | 3.3          | 6.4          | -            | -            | 3.5          |
| Losses on disposal  | -0.0         | -            | -            | -0.9         | -0.0         | -            | -0.1         | -0.1         |
| Impairment charges  | -            | -            | 0.0          | -            | -            | -            | -            | -            |
| Structural arrangements                                     | -5.8         | -3.5         | -3.8         | -4.3         | -5.5         | -1.1         | 42.8         | -13.5        |
| <b>Items in operating profit affecting comparability</b>    | <b>-5.8</b>  | <b>-2.6</b>  | <b>-3.5</b>  | <b>-1.9</b>  | <b>0.8</b>   | <b>-1.1</b>  | <b>42.8</b>  | <b>-10.1</b> |
| Items in financial items affecting comparability            | -            | 17.4         | 29.0         | -0.1         | -0.4         | 2.1          | 13.6         | -1.9         |
| Items in income taxes affecting comparability               | 0.1          | -1.5         | 0.5          | 1.3          | 1.1          | 0.2          | 0.9          | 2.0          |
| <b>Total items affecting comparability</b>                  | <b>-5.8</b>  | <b>13.4</b>  | <b>26.0</b>  | <b>-0.7</b>  | <b>1.5</b>   | <b>1.2</b>   | <b>57.2</b>  | <b>-10.0</b> |
| <b>Items in EBITDA affecting comparability</b>              | <b>-5.6</b>  | <b>-5.4</b>  | <b>-2.0</b>  | <b>-1.5</b>  | <b>0.2</b>   | <b>-1.1</b>  | <b>44.8</b>  | <b>-4.8</b>  |
| <b>Operating profit, comparable</b>                         |              |              |              |              |              |              |              |              |
| Operating profit  | 51.6         | 119.9        | 148.6        | 127.8        | 65.9         | 154.1        | 224.6        | 155.6        |
| Net of  |              |              |              |              |              |              |              |              |
| Items in operating profit affecting comparability           | -5.8         | -2.6         | -3.5         | -1.9         | 0.8          | -1.1         | 42.8         | -10.1        |
| <b>Operating profit, comparable</b>                         | <b>57.5</b>  | <b>122.5</b> | <b>152.0</b> | <b>129.7</b> | <b>65.1</b>  | <b>155.2</b> | <b>181.8</b> | <b>165.6</b> |
| <b>EBITDA</b>   |              |              |              |              |              |              |              |              |
| Operating profit  | 51.6         | 119.9        | 148.6        | 127.8        | 65.9         | 154.1        | 224.6        | 155.6        |
| Plus  |              |              |              |              |              |              |              |              |
| Depreciation and impairment charges                         | 35.3         | 41.1         | 41.7         | 43.4         | 40.9         | 45.8         | 41.7         | 43.8         |
| Depreciation and impairment charges for right-of-use assets | 80.8         | 75.8         | 83.1         | 85.4         | 83.9         | 82.7         | 77.8         | 81.4         |
| <b>EBITDA</b>   | <b>167.8</b> | <b>236.8</b> | <b>273.3</b> | <b>256.5</b> | <b>190.7</b> | <b>280.6</b> | <b>344.2</b> | <b>280.7</b> |
| <b>EBITDA, comparable</b>                                   |              |              |              |              |              |              |              |              |
| EBITDA  | 167.8        | 236.8        | 273.3        | 256.5        | 190.7        | 280.6        | 344.2        | 280.7        |
| Net of  |              |              |              |              |              |              |              |              |
| Items in EBITDA affecting comparability                     | -5.6         | -5.4         | -2.0         | -1.5         | 0.2          | -1.1         | 44.8         | -4.8         |
| <b>EBITDA, comparable</b>                                   | <b>173.4</b> | <b>242.2</b> | <b>275.4</b> | <b>258.0</b> | <b>190.5</b> | <b>281.8</b> | <b>299.4</b> | <b>285.6</b> |



**K** KESKO'S DIRECTION      SUSTAINABILITY      FINANCIAL REVIEW      CORPORATE GOVERNANCE

| € million  | 1-3/2019    | 4-6/2019    | 7-9/2019     | 10-12/2019   | 1-3/2020    | 4-6/2020     | 7-9/2020     | 10-12/2020   |
|--|-------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|
| <b>Profit before tax, comparable</b>                               |             |             |              |              |             |              |              |              |
| Profit before tax  | 28.8        | 114.1       | 154.8        | 105.7        | 33.1        | 136.2        | 220.0        | 138.4        |
| Net of   |             |             |              |              |             |              |              |              |
| Items in operating profit affecting comparability                  | -5.8        | -2.6        | -3.5         | -1.9         | 0.8         | -1.1         | 42.8         | -10.1        |
| Items in financial items affecting comparability                   | -           | 17.4        | 29.0         | -0.1         | -0.4        | 2.1          | 13.6         | -1.9         |
| <b>Profit before tax, comparable</b>                               | <b>34.6</b> | <b>99.2</b> | <b>129.3</b> | <b>107.7</b> | <b>32.7</b> | <b>135.2</b> | <b>163.6</b> | <b>150.4</b> |
| <b>Net profit, comparable</b>                                      |             |             |              |              |             |              |              |              |
| Profit before tax, comparable                                      | 34.6        | 99.2        | 129.3        | 107.7        | 32.7        | 135.2        | 163.6        | 150.4        |
| Net of   |             |             |              |              |             |              |              |              |
| Income tax   | 6.1         | 23.3        | 25.3         | 14.9         | 6.4         | 31.0         | 30.2         | 24.7         |
| Items in income taxes affecting comparability                      | 0.1         | -1.5        | 0.5          | 1.3          | 1.1         | 0.2          | 0.9          | 2.0          |
| <b>Net profit, comparable</b>                                      | <b>28.4</b> | <b>77.3</b> | <b>103.5</b> | <b>91.4</b>  | <b>25.2</b> | <b>104.1</b> | <b>132.6</b> | <b>123.6</b> |
| <b>Net profit attributable to owners of the parent, comparable</b> |             |             |              |              |             |              |              |              |
| Net profit, comparable   | 28.4        | 77.3        | 103.5        | 91.4         | 25.2        | 104.1        | 132.6        | 123.6        |
| Net of   |             |             |              |              |             |              |              |              |
| Net profit attributable to non-controlling interests               | -4.7        | 5.2         | 3.7          | 1.8          | -8.0        | 9.9          | -            | -            |
| <b>Net profit attributable to owners of the parent, comparable</b> | <b>33.2</b> | <b>72.1</b> | <b>99.8</b>  | <b>89.7</b>  | <b>33.1</b> | <b>94.2</b>  | <b>132.6</b> | <b>123.6</b> |
| <b>Earnings/share, comparable, €</b>                               |             |             |              |              |             |              |              |              |
| Net profit attributable to owners of the parent, comparable        | 33.2        | 72.1        | 99.8         | 89.7         | 33.1        | 94.2         | 132.6        | 123.6        |
| Average number of shares, basic, 1,000 pcs                         | 396,108     | 396,236     | 396,277      | 396,296      | 396,432     | 396,583      | 396,635      | 396,661      |
| <b>Earnings/share, comparable, €</b>                               | <b>0.08</b> | <b>0.18</b> | <b>0.25</b>  | <b>0.23</b>  | <b>0.08</b> | <b>0.24</b>  | <b>0.33</b>  | <b>0.31</b>  |
| <b>Return on capital employed, %</b>                               |             |             |              |              |             |              |              |              |
| Operating profit   | 51.6        | 119.9       | 148.6        | 127.8        | 65.9        | 154.1        | 224.6        | 155.6        |
| Capital employed, average  | 4,537.4     | 4,673.8     | 4,956.6      | 5,064.1      | 5,015.1     | 4,810.5      | 4,521.0      | 4,552.4      |
| <b>Return on capital employed, %</b>                               | <b>4.6</b>  | <b>10.3</b> | <b>12.0</b>  | <b>10.1</b>  | <b>5.3</b>  | <b>12.8</b>  | <b>19.9</b>  | <b>13.7</b>  |
| <b>Return on capital employed, comparable, %</b>                   |             |             |              |              |             |              |              |              |
| Operating profit, comparable                                       | 57.5        | 122.5       | 152.0        | 129.7        | 65.1        | 155.2        | 181.8        | 165.6        |
| Capital employed, average  | 4,537.4     | 4,673.8     | 4,956.6      | 5,064.1      | 5,015.1     | 4,810.5      | 4,521.0      | 4,552.4      |
| <b>Return on capital employed, comparable, %</b>                   | <b>5.1</b>  | <b>10.5</b> | <b>12.3</b>  | <b>10.2</b>  | <b>5.2</b>  | <b>12.9</b>  | <b>16.1</b>  | <b>14.6</b>  |



| € million                              | 1-3/2019    | 4-6/2019    | 7-9/2019    | 10-12/2019  | 1-3/2020    | 4-6/2020    | 7-9/2020    | 10-12/2020  |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Group</b>                           |             |             |             |             |             |             |             |             |
| <b>Return on equity, %</b>             |             |             |             |             |             |             |             |             |
| Net profit                             | 22.2        | 101.7       | 128.6       | 92.8        | 26.6        | 105.3       | 189.8       | 113.6       |
| Equity, average                        | 2,042.7     | 2,000.3     | 1,997.6     | 2,099.8     | 2,115.4     | 2,027.7     | 2,003.6     | 2,115.6     |
| <b>Return on equity, %</b>             | <b>4.3</b>  | <b>20.3</b> | <b>25.7</b> | <b>17.7</b> | <b>5.0</b>  | <b>20.8</b> | <b>37.9</b> | <b>21.5</b> |
| <b>Return on equity, comparable, %</b> |             |             |             |             |             |             |             |             |
| Net profit, comparable                 | 27.6        | 88.6        | 103.5       | 93.5        | 25.2        | 104.1       | 132.6       | 123.6       |
| Equity, average                        | 2,042.7     | 2,000.3     | 1,997.6     | 2,099.8     | 2,115.4     | 2,027.7     | 2,003.6     | 2,115.6     |
| <b>Return on equity, comparable, %</b> | <b>5.4</b>  | <b>17.7</b> | <b>20.7</b> | <b>17.8</b> | <b>4.8</b>  | <b>20.5</b> | <b>26.5</b> | <b>23.4</b> |
| <b>Equity ratio, %</b>                 |             |             |             |             |             |             |             |             |
| Shareholders' equity                   | 2,064.4     | 1,936.3     | 2,058.8     | 2,140.8     | 2,090.0     | 1,965.3     | 2,042.0     | 2,189.3     |
| Total assets                           | 6,523.8     | 6,985.0     | 6,987.9     | 6,899.3     | 6,987.8     | 7,199.2     | 6,653.7     | 6,641.9     |
| Advances received                      | 35.4        | 37.0        | 24.4        | 34.6        | 28.5        | 29.3        | 21.9        | 32.8        |
| <b>Equity ratio, %</b>                 | <b>31.8</b> | <b>27.9</b> | <b>29.6</b> | <b>31.2</b> | <b>30.0</b> | <b>27.4</b> | <b>30.8</b> | <b>33.1</b> |

## Analysis of shareholding

### Analysis of shareholding by shareholder type as at 31 Dec. 2020

| All shares  | Number of shares, pcs | Percentage of all shares, % |
|---|-----------------------|-----------------------------|
| Nominee-registered and non-Finnish holders          | 148,520,801           | 37.12                       |
| Households  | 94,784,874            | 23.69                       |
| Non-financial corporations and housing corporations | 94,506,752            | 23.62                       |
| General government*                                 | 29,239,849            | 7.31                        |
| Non-profit institutions serving households**        | 21,158,564            | 5.29                        |
| Financial and insurance corporations                | 11,868,168            | 2.97                        |
| <b>Total</b>  | <b>400,079,008</b>    | <b>100.00</b>               |

| A shares  | Number of shares, pcs | Percentage of A shares, % | Percentage of all shares, % |
|---|-----------------------|---------------------------|-----------------------------|
| Non-financial corporations and housing corporations | 74,592,047            | 58.76                     | 18.64                       |
| Households  | 23,160,087            | 18.24                     | 5.79                        |
| General government*                                 | 15,946,564            | 12.56                     | 3.99                        |
| Non-profit institutions serving households**        | 9,392,019             | 7.40                      | 2.35                        |
| Nominee-registered and non-Finnish holders          | 2,715,723             | 2.14                      | 0.68                        |
| Financial and insurance corporations                | 1,141,588             | 0.90                      | 0.29                        |
| <b>Total</b>  | <b>126,948,028</b>    | <b>100.00</b>             | <b>31.73</b>                |

| B shares  | Number of shares, pcs | Percentage of B shares, % | Percentage of all shares, % |
|---|-----------------------|---------------------------|-----------------------------|
| Nominee-registered and non-Finnish holders          | 145,805,078           | 53.38                     | 36.44                       |
| Households  | 71,624,787            | 26.22                     | 17.90                       |
| Non-financial corporations and housing corporations | 19,914,705            | 7.29                      | 4.98                        |
| General government*                                 | 13,293,285            | 4.87                      | 3.32                        |
| Non-profit institutions serving households**        | 11,766,545            | 4.31                      | 2.94                        |
| Financial and insurance corporations                | 10,726,580            | 3.93                      | 2.68                        |
| <b>Total</b>  | <b>273,130,980</b>    | <b>100.00</b>             | <b>68.27</b>                |

\* General government; for example, municipalities, the provincial administration of Åland, authorised pension providers and social security funds

\*\* Non-profit institutions; for example, foundations awarding scholarships, organisations safeguarding certain interests and various charitable associations

### Analysis of shareholding by number of shares held as at 31 Dec. 2020

| All shares      | Number of shareholders, pcs | Percentage of shareholders, % | Share total, pcs   | Percentage of shares, % |
|-----------------|-----------------------------|-------------------------------|--------------------|-------------------------|
| 1-100           | 16,843                      | 29.48                         | 705,708            | 0.18                    |
| 101-500         | 15,936                      | 27.89                         | 4,402,528          | 1.10                    |
| 501-1,000       | 7,190                       | 12.58                         | 5,408,675          | 1.35                    |
| 1,001-5,000     | 11,985                      | 20.98                         | 28,587,750         | 7.15                    |
| 5,001-10,000    | 2,473                       | 4.33                          | 17,601,378         | 4.40                    |
| 10,001-50,000   | 2,233                       | 3.91                          | 45,900,958         | 11.47                   |
| 50,001-100,000  | 252                         | 0.44                          | 17,641,492         | 4.41                    |
| 100,001-500,000 | 178                         | 0.31                          | 35,164,735         | 8.79                    |
| 500,001-        | 42                          | 0.07                          | 244,665,784        | 61.15                   |
| <b>Total</b>    | <b>57,132</b>               | <b>100.00</b>                 | <b>400,079,008</b> | <b>100.00</b>           |

| A shares        | Number of shareholders, pcs | Percentage of A shareholders, % | A share total, pcs | Percentage of A shares, % |
|-----------------|-----------------------------|---------------------------------|--------------------|---------------------------|
| 1-100           | 5,776                       | 40.82                           | 213,874            | 0.17                      |
| 101-500         | 3,211                       | 22.69                           | 859,422            | 0.68                      |
| 501-1,000       | 1,121                       | 7.92                            | 839,272            | 0.66                      |
| 1,001-5,000     | 2,229                       | 15.75                           | 6,208,527          | 4.89                      |
| 5,001-10,000    | 683                         | 4.83                            | 4,961,881          | 3.91                      |
| 10,001-50,000   | 889                         | 6.28                            | 18,758,636         | 14.78                     |
| 50,001-100,000  | 128                         | 0.90                            | 9,159,453          | 7.22                      |
| 100,001-500,000 | 100                         | 0.71                            | 19,405,081         | 15.29                     |
| 500,001-        | 14                          | 0.10                            | 66,541,882         | 52.42                     |
| <b>Total</b>    | <b>14,151</b>               | <b>100.00</b>                   | <b>126,948,028</b> | <b>100.00</b>             |

| B shares        | Number of shareholders, pcs | Percentage of B shareholders, % | B share total, pcs | Percentage of B shares, % |
|-----------------|-----------------------------|---------------------------------|--------------------|---------------------------|
| 1-100           | 12,157                      | 26.22                           | 550,783            | 0.19                      |
| 101-500         | 13,709                      | 29.57                           | 3,830,026          | 1.40                      |
| 501-1,000       | 6,496                       | 14.01                           | 4,898,950          | 1.79                      |
| 1,001-5,000     | 10,417                      | 22.47                           | 23,892,173         | 8.75                      |
| 5,001-10,000    | 1,950                       | 4.21                            | 13,842,738         | 5.07                      |
| 10,001-50,000   | 1,397                       | 3.01                            | 27,464,920         | 10.06                     |
| 50,001-100,000  | 128                         | 0.28                            | 8,601,129          | 3.15                      |
| 100,001-500,000 | 87                          | 0.19                            | 17,504,209         | 6.41                      |
| 500,001-        | 23                          | 0.05                            | 172,566,052        | 63.18                     |
| <b>Total</b>    | <b>46,364</b>               | <b>100.00</b>                   | <b>273,130,980</b> | <b>100.00</b>             |

### 10 largest shareholders by number of shares held as at 31 Dec. 2020

|   | Number of shares, pcs | Percentage of shares, % | Number of votes | Percentage of votes, % |
|---|-----------------------|-------------------------|-----------------|------------------------|
| 1. K-Retailers' Association                               | 20,136,381            | 5.03                    | 201,363,810     | 13.05                  |
| 2. Ilmarinen Mutual Pension Insurance Company             | 16,175,084            | 4.04                    | 159,500,840     | 10.34                  |
| 3. Vähittäiskaupan Takaus Oy                              | 13,195,008            | 3.30                    | 131,950,080     | 8.55                   |
| 4. Varma Mutual Pension Insurance Company                 | 5,073,944             | 1.27                    | 5,073,944       | 0.33                   |
| 5. Foundation for Vocational Training in the Retail Trade | 5,061,123             | 1.27                    | 50,611,230      | 3.28                   |
| 6. Eio Mutual Pension Insurance                           | 4,204,628             | 1.05                    | 4,384,628       | 0.28                   |
| 7. The State Pension Fund                                 | 2,660,000             | 0.67                    | 2,660,000       | 0.17                   |
| 8. Heimo Väilinen Oy                                      | 2,280,000             | 0.57                    | 22,800,000      | 1.48                   |
| 9. K-Food Retailers' Club                                 | 2,224,955             | 0.56                    | 22,249,550      | 1.44                   |
| 10. Food Paradise Oy                                      | 2,064,164             | 0.52                    | 20,641,640      | 1.34                   |

Does not contain shares held by Kesko Corporation, amounting to 3,339,862 on 31 Dec. 2020.

### 10 largest shareholders by number of votes as at 31 Dec. 2020

|   | Number of shares, pcs | Percentage of shares, % | Number of votes | Percentage of votes, % |
|---|-----------------------|-------------------------|-----------------|------------------------|
| 1. K-Retailers' Association                               | 20,136,381            | 5.03                    | 201,363,810     | 13.05                  |
| 2. Ilmarinen Mutual Pension Insurance Company             | 16,175,084            | 4.04                    | 159,500,840     | 10.34                  |
| 3. Vähittäiskaupan Takaus Oy                              | 13,195,008            | 3.30                    | 131,950,080     | 8.55                   |
| 4. Foundation for Vocational Training in the Retail Trade | 5,061,123             | 1.27                    | 50,611,230      | 3.28                   |
| 5. Heimo Väilinen Oy                                      | 2,280,000             | 0.57                    | 22,800,000      | 1.48                   |
| 6. K-Food Retailers' Club                                 | 2,224,955             | 0.56                    | 22,249,550      | 1.44                   |
| 7. Food Paradise Oy                                       | 2,064,164             | 0.52                    | 20,641,640      | 1.34                   |
| 8. OP-Finland mutual fund                                 | 2,030,000             | 0.51                    | 9,168,458       | 0.59                   |
| 9. T.A.I. Invest Oy                                       | 792,080               | 0.20                    | 7,726,400       | 0.50                   |
| 10. Pokela Oy Iso Omena                                   | 745,600               | 0.19                    | 7,456,000       | 0.48                   |

### Management's shareholdings

At the end of December 2020, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 1,277,056 Kesko Corporation A shares and 315,530 Kesko Corporation B shares, i.e. a total of 1,592,586 shares, which represents 0.40% of the total number of shares and 0.85 % of votes carried by all shares of the Company.

At 31 December 2020, the President and CEO held 269,844 Kesko Corporation B shares, which represented 0.07% of the total number of shares and 0.02% of votes carried by all shares of the Company. At 31 December 2020, the Group Management Board including the President and CEO held 324 Kesko Corporation A shares and 774,528 Kesko Corporation B shares, which represented 0.19% of the total number of shares and 0.05% of votes carried by all shares of the Company.



2022

**K**  
**FINANCIAL**  
**STATEMENTS**



# CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

## Consolidated income statement

| € million   | Note     | 1 Jan.-31 Dec.<br>2020 | %     | 1 Jan.-31 Dec.<br>2019 | %     |
|---|----------|------------------------|-------|------------------------|-------|
| <b>Continuing operations</b>  |          |                        |       |                        |       |
| <b>Net sales</b>  | 2.1      | <b>10,669.2</b>        | 100.0 | <b>10,720.3</b>        | 100.0 |
| Material and services   | 2.3      | -9,148.3               | -85.7 | -9,238.4               | -86.2 |
| Change in inventory   |          | -6.9                   | -0.1  | 47.9                   | 0.4   |
| Other operating income  | 2.4      | 930.9                  | 8.7   | 823.1                  | 7.7   |
| Employee benefit expenses   | 2.5      | -750.7                 | -7.0  | -775.4                 | -7.2  |
| Depreciation, amortisation and impairment charges                             | 3.2, 3.3 | -170.2                 | -1.6  | -161.5                 | -1.5  |
| Depreciation, amortisation and impairment charges for right-of-use assets     | 3.4      | -325.8                 | -3.1  | -325.0                 | -3.0  |
| Other operating expenses  | 2.5      | -605.5                 | -5.7  | -643.0                 | -6.0  |
| Share of result of joint ventures   |          | 7.5                    | 0.1   | -                      | -     |
| <b>Operating profit</b>   |          | <b>600.2</b>           | 5.6   | <b>447.8</b>           | 4.2   |
| Interest income and other finance income                                      | 4.4      | 11.7                   | 0.1   | 14.0                   | 0.1   |
| Interest expense and other finance costs                                      | 4.4      | -10.5                  | -0.1  | -9.1                   | -0.1  |
| Interest expense for lease liabilities  | 4.4      | -83.3                  | -0.8  | -95.4                  | -0.9  |
| Foreign exchange differences  | 4.4      | -4.7                   | 0.0   | -0.8                   | 0.0   |
| Total finance income and costs  | 4.4      | -86.8                  | -0.8  | -91.4                  | -0.9  |
| Share of result of associates   |          | 14.3                   | 0.1   | 46.8                   | 0.4   |
| <b>Profit before tax</b>  |          | <b>527.6</b>           | 4.9   | <b>403.3</b>           | 3.8   |
| Income tax  | 2.7      | -92.3                  | -0.9  | -69.6                  | -0.6  |
| <b>Net profit for the year, continuing operations</b>                         |          | <b>435.3</b>           | 4.1   | <b>333.6</b>           | 3.1   |
| <b>Discontinued operations</b>  |          |                        |       |                        |       |
| Net profit for the year from discontinued operations                          |          | -                      |       | 11.6                   | 0.1   |
| <b>Net profit for the year</b>  |          | <b>435.3</b>           | 4.1   | <b>345.2</b>           | 3.2   |
| <b>Net profit for the year attributable to</b>                                |          |                        |       |                        |       |
| Owners of the parent  |          | 433.4                  |       | 339.2                  |       |
| Non-controlling interests   |          | 2.0                    |       | 6.0                    |       |
| <b>Earnings per share for net profit attributable to owners of the parent</b> |          |                        |       |                        |       |
| Basic and diluted, continuing operations, €                                   | 2.8      | 1.09                   |       | 0.83                   |       |
| Basic and diluted, discontinued operations, €                                 | 2.8      | -                      |       | 0.03                   |       |
| Basic and diluted, Group total, €   | 2.8      | 1.09                   |       | 0.86                   |       |



## Consolidated statement of comprehensive income

| € million   | Note      | 1 Jan.–31 Dec. 2020 | 1 Jan.–31 Dec. 2019 |
|---|-----------|---------------------|---------------------|
| <b>Net profit for the year</b>  |           | <b>435.3</b>        | <b>345.2</b>        |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |           |                     |                     |
| Actuarial gains and losses  | 2.10, 3.7 | 0.8                 | -3.6                |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |           |                     |                     |
| Currency translation differences related to a foreign operation           | 2.10      | -2.8                | 3.8                 |
| Cash flow hedge revaluation   | 2.10      | -2.7                | -1.0                |
| Others  | 2.10      | -0.3                | -0.3                |
| <b>Total comprehensive income for the year, net of tax</b>                |           | <b>-4.9</b>         | <b>-1.2</b>         |
| <b>Total comprehensive income for the year</b>                            |           | <b>430.5</b>        | <b>344.1</b>        |
| <b>Comprehensive income for the year attributable to</b>                  |           |                     |                     |
| Owners of the parent  |           | 432.6               | 336.7               |
| Non-controlling interests   |           | -2.2                | 7.4                 |



## Consolidated statement of financial position

| € million   | Note        | 31 Dec. 2020   | %            | 31 Dec. 2019   | %            |
|---|-------------|----------------|--------------|----------------|--------------|
| <b>ASSETS</b>   |             |                |              |                |              |
| <b>Non-current assets</b>                             |             |                |              |                |              |
| Property, plant and equipment                         | 3.2         | 1,450.8        |              | 1,487.9        |              |
| Goodwill  | 3.3         | 572.1          |              | 479.0          |              |
| Intangible assets                                     | 3.3         | 205.2          |              | 205.6          |              |
| Right-of-use assets                                   | 3.4         | 1,819.0        |              | 2,191.3        |              |
| Shares in associates and joint ventures               | 3.8,5.2     | 199.1          |              | 57.8           |              |
| Financial assets at fair value through profit or loss | 4.3,4.5     | 22.7           |              | 20.6           |              |
| Non-current receivables                               | 4.3,4.5     | 73.8           |              | 59.9           |              |
| Deferred tax assets                                   | 2.7         | 1.5            |              | 7.6            |              |
| Pension assets  | 3.7         | 89.6           |              | 93.2           |              |
| <b>Total non-current assets</b>                       |             | <b>4,433.8</b> | <b>66.8</b>  | <b>4,602.9</b> | <b>66.7</b>  |
| <b>Current assets</b>                                 |             |                |              |                |              |
| Inventories   | 3.5         | 836.9          |              | 1,037.7        |              |
| Interest-bearing receivables                          | 3.6,4.5     | 12.3           |              | 2.2            |              |
| Trade receivables                                     | 3.6,4.3,4.5 | 776.5          |              | 804.7          |              |
| Income tax assets                                     | 3.6         | 1.6            |              | 14.4           |              |
| Other non-interest-bearing receivables                | 3.6,4.5     | 265.0          |              | 206.6          |              |
| Financial assets at fair value through profit or loss | 4.3,4.5     | 119.8          |              | 10.1           |              |
| Financial assets at amortised cost                    | 4.3,4.5     | 31.7           |              | 34.5           |              |
| Cash and cash equivalents                             |             | 154.5          |              | 124.4          |              |
| <b>Total current assets</b>                           |             | <b>2,198.2</b> | <b>33.1</b>  | <b>2,234.5</b> | <b>32.4</b>  |
| Non-current assets classified as held for sale        |             | 9.9            | 0.1          | 61.9           | 0.9          |
| <b>Total assets</b>                                   |             | <b>6,641.9</b> | <b>100.0</b> | <b>6,899.3</b> | <b>100.0</b> |



|  | Note        | 31 Dec. 2020   | %            | 31 Dec. 2019   | %            |
|--|-------------|----------------|--------------|----------------|--------------|
| <b>€ million</b>   |             |                |              |                |              |
| <b>EQUITY AND LIABILITIES</b>                                |             |                |              |                |              |
| <b>Equity attributable to owners of the parent</b>           |             |                |              |                |              |
| Share capital  | 4.2         | 197.3          |              | 197.3          |              |
| Share premium  | 4.2         | 197.8          |              | 197.8          |              |
| Other reserves   | 4.2         | 266.8          |              | 267.0          |              |
| Currency translation differences                             | 4.2         | -20.0          |              | -21.3          |              |
| Revaluation reserve  | 4.2         | -2.0           |              | 0.6            |              |
| Retained earnings  |             | 1,549.3        |              | 1,384.4        |              |
|  |             | <b>2,189.3</b> | <b>33.0</b>  | <b>2,025.8</b> | <b>29.4</b>  |
| <b>Non-controlling interests</b>                             | 5.1         | -              | -            | <b>115.0</b>   | <b>1.7</b>   |
| <b>Total equity</b>  |             | <b>2,189.3</b> | <b>33.0</b>  | <b>2,140.8</b> | <b>31.0</b>  |
| <b>Non-current liabilities</b>                               |             |                |              |                |              |
| Interest-bearing non-current liabilities                     | 4.3,4.5,4.6 | 408.7          |              | 477.3          |              |
| Lease liabilities  | 4.5,4.6     | 1,712.3        |              | 2,039.0        |              |
| Non-interest-bearing non-current liabilities                 | 4.3,4.5     | 29.5           |              | 29.8           |              |
| Deferred tax liabilities                                     | 2.7         | 16.4           |              | 6.8            |              |
| Pension obligations  |             | 0.4            |              | 0.4            |              |
| Provisions   | 3.9         | 20.3           |              | 19.7           |              |
|  |             | <b>2,187.7</b> | <b>32.9</b>  | <b>2,573.0</b> | <b>37.3</b>  |
| <b>Current liabilities</b>                                   |             |                |              |                |              |
| Current interest-bearing liabilities                         | 4.3,4.5,4.6 | 182.6          |              | 137.8          |              |
| Lease liabilities  | 4.5,4.6     | 312.7          |              | 383.2          |              |
| Trade payables   | 4.3,4.5     | 1,091.3        |              | 1,029.9        |              |
| Other non-interest-bearing liabilities                       | 4.3,4.5     | 218.1          |              | 207.9          |              |
| Income tax liabilities                                       | 4.5         | 35.2           |              | 11.8           |              |
| Accrued liabilities  | 4.3,4.5     | 405.1          |              | 387.6          |              |
| Provisions   | 3.9         | 17.7           |              | 16.4           |              |
|  |             | <b>2,262.6</b> | <b>34.1</b>  | <b>2,174.7</b> | <b>31.5</b>  |
| <b>Total current liabilities</b>                             |             |                |              |                |              |
| Liabilities related to available-for-sale non-current assets |             | 2.3            | 0.0          | 10.9           | 0.2          |
| <b>Total liabilities</b>                                     |             | <b>4,452.6</b> | <b>67.0</b>  | <b>4,758.5</b> | <b>69.0</b>  |
| <b>Total equity and liabilities</b>                          |             | <b>6,641.9</b> | <b>100.0</b> | <b>6,899.3</b> | <b>100.0</b> |





## Consolidated statement of changes in equity

| € million   | Attributable to owners of the parent |          |                                  |                     |                 |                   |         | Total equity |                          |
|---|--------------------------------------|----------|----------------------------------|---------------------|-----------------|-------------------|---------|--------------|--------------------------|
|   | Share capital                        | Reserves | Currency translation differences | Revaluation reserve | Treasury shares | Retained earnings | Total   |              | Non-controlling interest |
| <b>Balance as at 1 January 2020</b>                             | 197.3                                | 464.8    | -21.3                            | 0.6                 | -35.4           | 1,419.8           | 2,025.8 | 115.0        | 2,140.8                  |
| Share-based payments  |                                      |          |                                  |                     | 4.0             |                   | 4.0     |              | 4.0                      |
| Dividends   |                                      |          |                                  |                     |                 | -249.9            | -249.9  |              | -249.9                   |
| Increase in share capital                                       |                                      |          |                                  |                     |                 |                   |         |              |                          |
| Disposal of subsidiaries  |                                      | 0.0      |                                  |                     |                 | -21.2             | -21.3   |              | 1.2                      |
| Change in Kesko Senukai's consolidation method                  |                                      | -0.1     |                                  |                     |                 |                   | -0.1    |              | -109.9                   |
| Other changes   |                                      |          |                                  |                     |                 | -1.9              | -1.9    |              | -1.9                     |
| Transactions with owners, total                                 |                                      | -0.2     |                                  |                     | 4.0             | -273.0            | -269.2  |              | -112.8                   |
| <b>Comprehensive income</b>                                     |                                      |          |                                  |                     |                 |                   |         |              |                          |
| Net profit for the year, continuing operations                  |                                      |          |                                  |                     |                 | 433.4             | 433.4   | 2.0          | 435.3                    |
| Actuarial gains/losses  |                                      |          |                                  |                     |                 | 1.0               | 1.0     |              | 1.0                      |
| Currency translation differences related to a foreign operation |                                      |          | 1.3                              |                     |                 | 0.1               | 1.4     |              | -4.1                     |
| Cash flow hedge revaluation                                     |                                      |          |                                  |                     |                 | -3.3              | -3.3    |              | -3.3                     |
| Other items   |                                      |          |                                  |                     |                 | -0.3              | -0.3    |              | -0.3                     |
| Tax related to other comprehensive income                       |                                      |          |                                  |                     |                 | 0.7               | 0.7     |              | 0.5                      |
| Total comprehensive income for the period                       |                                      |          | 1.3                              |                     |                 | 434.0             | 432.6   | -2.2         | 430.5                    |
| <b>Balance as at 31 December 2020</b>                           | 197.3                                | 464.7    | -20.0                            | -2.0                | -31.4           | 1,580.7           | 2,189.3 | 0.0          | 2,189.3                  |



| € million   | Attributable to owners of the parent |              |                                  |                     |                 |                   |                | Total equity |                          |
|---|--------------------------------------|--------------|----------------------------------|---------------------|-----------------|-------------------|----------------|--------------|--------------------------|
|   | Share capital                        | Reserves     | Currency translation differences | Revaluation reserve | Treasury shares | Retained earnings | Total          |              | Non-controlling interest |
| <b>Balance as at 1 January 2019</b>                             | <b>197.3</b>                         | <b>464.7</b> | <b>-23.7</b>                     | <b>1.7</b>          | <b>-36.9</b>    | <b>1,311.0</b>    | <b>1,914.0</b> | <b>107.0</b> | <b>2,021.1</b>           |
| Share-based payments  |                                      |              |                                  |                     | 1.5             |                   | 1.5            |              | 1.5                      |
| Dividends   |                                      |              |                                  |                     |                 | -231.9            | -231.9         | -6.2         | -238.2                   |
| Increase in share capital                                       |                                      |              |                                  |                     |                 |                   |                | 6.4          | 6.4                      |
| Other changes   |                                      | 0.1          |                                  |                     |                 | 5.4               | 5.5            | 0.4          | 5.9                      |
| Transactions with owners, total                                 |                                      | 0.1          |                                  |                     | 1.5             | -226.5            | -224.9         | 0.6          | -224.3                   |
| <b>Comprehensive income</b>                                     |                                      |              |                                  |                     |                 |                   |                |              |                          |
| Net profit for the year, continuing operations                  |                                      |              |                                  |                     |                 | 327.6             | 327.6          | 6.0          | 333.6                    |
| Net profit for the year, discontinued operations                |                                      |              |                                  |                     |                 | 11.6              | 11.6           |              | 11.6                     |
| Actuarial gains/losses  |                                      |              |                                  |                     |                 | -4.5              | -4.5           |              | -4.5                     |
| Currency translation differences related to a foreign operation |                                      |              | 2.4                              |                     |                 | 0.0               | 2.4            | 1.4          | 3.8                      |
| Cash flow hedge revaluation                                     |                                      |              |                                  |                     |                 | -1.3              | -1.3           |              | -1.3                     |
| Other items   |                                      |              |                                  |                     |                 | -0.3              | -0.3           |              | -0.3                     |
| Tax related to other comprehensive income                       |                                      |              |                                  |                     |                 | 0.9               | 0.9            |              | 1.2                      |
| Total comprehensive income for the period                       |                                      |              | 2.4                              |                     |                 | 355.3             | 336.7          | 7.4          | 344.1                    |
| <b>Balance as at 31 December 2019</b>                           | <b>197.3</b>                         | <b>464.8</b> | <b>-21.3</b>                     | <b>0.6</b>          | <b>-35.4</b>    | <b>1,419.8</b>    | <b>2,025.8</b> | <b>115.0</b> | <b>2,140.8</b>           |

Further information on share capital and reserves is disclosed in note 4.2, on components of other comprehensive income in note 2.10 and on share-based compensation plans in note 5.4.



Notes to the consolidated financial statements

## 1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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Accounting policies are stated in each note in sections 2–5.



KESKO'S DIRECTION

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The notes to the consolidated financial statements have been grouped into sections based on their nature. The basis of preparation is described as part of this note (Accounting policies for the consolidated financial statements), while the accounting policies directly related to a specific note are presented as part of the note in question. The notes contain the relevant financial information as well as a description of the accounting policies and key estimates and judgements applied for the topics of the individual note.

## 1.1 Basic information about the Company

Kesko is a Finnish listed trading sector company. Kesko has approximately 1,800 stores engaged in chain operations in the Nordic and Baltic countries and Poland.

Kesko Group's reportable segments consist of its business divisions, namely the grocery trade, the building and technical trade, and the car trade.

The Group's parent company, Kesko Corporation, is a Finnish public limited company constituted in accordance with the laws of Finland. The Company's business ID is 0109862-8, it is domiciled in Helsinki, Finland and its registered address is PO Box 1, FI-00016 KESKO. Copies of Kesko Corporation's financial statements and the consolidated financial statements are available from Kesko Corporation, PO Box 1, Helsinki, FI-00016 KESKO, visiting address Työpajankatu 12, Helsinki, Finland and from the internet at [www.kesko.fi](http://www.kesko.fi).

Kesko's Board of Directors has approved these financial statements for disclosure on 2 February 2021.

Kesko is issuing an XHTML financial review complying with the ESEF requirements on a voluntary basis on Kesko's website. The Audit firm Deloitte Oy has provided to company an independent auditor's reasonable assurance report in accordance with ISAE 3000 (Revised) on Kesko's ESEF Financial Statements.

## 1.2 Basis of preparation

Kesko's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they

comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2020. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Act and regulations based on it. Accounting standards not yet effective have not been adopted voluntarily for the consolidated financial statements. The notes to the consolidated financial statements also include compliance with Finnish accounting and corporate legislation.

All amounts in the consolidated financial statements are in millions of euros and based on original cost, with the exception of items specified below, which have been measured at fair value in compliance with the standards.

## 1.3 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with international accounting standards requires the use of certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities, contingent liabilities, and income and expense. The actual results may differ from these estimates and assumptions. The most significant circumstances for which estimates have been required are described below.

The estimates and judgements made are continuously evaluated, and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Measurement of assets acquired and liabilities assumed

Assets acquired and liabilities assumed in business combinations are measured at their fair values at the date of acquisition. The fair values on which the allocation of costs and liabilities is based are determined by reference to market values to the extent they are available. If market values are not available, the measurement is based on the estimated earnings-generating capacity of the asset and its future use in Kesko's operating activities. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets. More detailed information in Note 3.1.



## Impairment test

The recoverable amounts of cash generating units have been determined using calculations based on value in use. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of three years. More detailed information in Note 3.3.

## Employee benefits

The Group operates both defined contribution pension plans and defined benefit pension plans. Items relating to employee benefits are calculated using several factors that require the application of judgement. Pension calculations under defined benefit plans in compliance with IAS 19 are based on, among others, the following factors that rely on management estimates:

- discount rate used in calculating pension expenses and obligations and net finance cost for the period
- future salary level trend
- employee service life.

Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. In addition, a significant part of the pension plan assets is invested in real estate and shares, whose value adjustments impact the recognised amount of pension assets. More detailed information in Note 3.7.

## Measurement of inventories

The Group regularly reviews inventories for obsolescence and turnover, and for possible reduction of net realisable value below cost, and records an impairment as necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods. More detailed information in Note 3.5.

## Trade receivables

The Group companies apply a uniform practice to measuring receivables past due. Possible changes in customers' solvency may cause changes in the measurement of trade receivables in future periods. More detailed information in Note 3.6.

## Provisions

The existence of criteria for recognising provisions and the amounts of provisions are determined based on estimates of the existence and amount of the obligation. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

## Leases

When recognising leases in the balance sheet, assessments must be made concerning the lease term, use of extension options and the discount rate used. When assessing the lease term of a new lease, extension options are not acknowledged until a commitment has been made to use the extension option. The assessments may differ from the actualised future lease terms and conditions. More detailed information in Note 4.6.

## 1.4 Critical judgements in applying accounting policies

The Group's management uses its judgement in the adoption and application of accounting policies in the financial statements. The management has exercised its judgement in the application of accounting policies in the income statement with regard to the presentation of profits (Note 2.1), the existence of control over subsidiaries (Note 3.1), measuring receivables, determining provisions for restructuring, and measuring assets and liabilities recognised in the balance sheet based on leases (Note 4.6).

## 1.5 Consolidation principles

### Subsidiaries

The consolidated financial statements combine the financial statements of Kesko Corporation and subsidiaries controlled by the Group. Control exists when the Group has more than half of the voting rights of a subsidiary or otherwise exerts control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. The existence of potential voting rights has been considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Subsidiaries are listed in note 5.2.



KESKO'S DIRECTION

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Mutual shareholding is eliminated by using the acquisition cost method. The cost of assets acquired is determined on the basis of the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of non-controlling interest.

Intragroup transactions, receivables and payables, unrealised profits and internal distributions of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to the impairment of an asset. Non-controlling interest in the profit for the period is disclosed in the income statement and the amount of equity attributable to the non-controlling interests is disclosed separately in equity.

The Group accounts for its real estate company acquisitions as acquisitions of assets.

## Associates

Associates are companies over which the Group has significant influence but not control. In Kesko Group, significant influence accompanies a shareholding or agreement of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost.

The Group's share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from associates are deducted from the Group's result and the cost of the shares. An investment in an associate includes the goodwill generated by the acquisition. Goodwill is not amortised.

## Joint agreements

Joint agreements are arrangements in which the sharing of joint control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint agreement whereby the parties that have joint control of the agreement have rights to the net assets of the agreement. Investments in joint ventures are accounted for using the equity method, and on initial recognition, they are recognised at cost.

The Group's share of post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from joint ventures are deducted from the Group's result and the cost of the shares. An investment in a joint venture includes the goodwill generated by the acquisition. Goodwill is not amortised.

Mutual real estate companies are consolidated as common functions on a line-by-line basis in proportion to ownership. The Group's share of mutual real estate companies' loans and reserves is accounted for separately in the consolidation.

Subsidiaries, associates and joint ventures and proportionately consolidated mutual real estate companies are listed in note 5.2.

## Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the environment in which the Group's parent operates and the presentation currency. On initial recognition, the amounts with respect to the result and financial position



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of the Group companies located outside the euro zone are recorded in the functional currency of each of their operating environments.

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange rate gains and losses on foreign currency transactions as well as receivables and liabilities denominated in foreign currency are recognised in the income statement, with the exception of monetary items that form a part of a net investment in a foreign operation and loans designated as hedges for foreign net investments and regarded as effective. These exchange differences are recognised in equity and their changes are presented in other comprehensive income. The exchange differences are presented in the income statement on disposal of the foreign operation or settlement of the hedges. The Group has currently no loans designated as hedges for foreign net investments. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gains and losses from foreign exchange forward contracts and options used for hedging financial transactions, and from foreign currency borrowings are included in finance income and costs.

The income statements of the Group companies operating outside the euro zone have been translated into euros at the average rate of the financial year, and their balance sheets at the closing rate. The foreign exchange difference resulting from the use of different rates, the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, exchange differences arising from monetary items that form a part of a net investment in a foreign operation and the hedging results of net investments are recognised in equity, and the changes are presented in other comprehensive income. In connection with the disposal of a subsidiary, translation differences are recognised in the income statement as part of the gains or losses on the disposal.

Goodwill arising on the acquisition of foreign operations and the fair value adjustments of assets and liabilities made upon their acquisition are treated as assets and liabilities of these foreign operations and translated into euros at the closing rate.

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## 1.6 Discontinued operations and non-current assets classified as held for sale and related liabilities

Non-current assets (or a disposal group) are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower rate of the carrying amount and fair value net of costs to sell.

The comparative information in the income statement is adjusted for operations classified as discontinued during the latest financial period being reported. Consequently, the result of discontinued operations is presented as a separate line item also for the comparatives. The Group did not have discontinued operations in the 2020 financial year.

## 1.7 New IFRS standards and IFRIC interpretations and the impact of new and updated standards

IFRIC interpretations, amendments to existing standards, and new and updated standards

In May 2020, IASB published the 'Covid-19-Related Rent Concessions' amendment to 'IFRS 16 Leases'. The amendment enables an alternative treatment of rent concessions related to the Covid-19 pandemic. The lessee does not have to determine whether rent concessions are lease modifications. The Group does not apply the alternative treatment. The rent concessions received do not have a material impact.

An amendment to IFRS 3 'Business Combinations' specifies the definition of a business. The amendment did not have an impact on the 2020 financial statements.

Annual improvements or amendments to standards that become effective on 1 January 2021 or later are not estimated to have a significant impact on the consolidated financial statements.

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Notes to the consolidated financial statements

## 2. FINANCIAL RESULTS

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## 2.1 Revenue recognition

### Accounting policies

In the consolidated income statement, net sales comprise the sales of goods, services and energy based on customer agreements. The share of sales of services and energy of total net sales is not significant. The Group sells products to retailers and other business customers and engages in own retailing. Income from sales of goods and services is recognised when the customer obtains control of the goods or services. Customers obtain control when they have the ability to direct the use of and obtain the benefits from the goods or services. As a rule, income from sales of goods can be recognised at the time of transfer. Income from services is recognised after the service has been performed. Sales to retailers and business customers are based on invoicing. Sales to consumers are mainly in cash or by credit card.

When calculating net sales, sales revenue is adjusted for indirect taxes, sales adjustment items and the exchange differences of foreign-currency-denominated sales. In businesses in Finland that are part of the K-Plussa customer loyalty scheme, sales adjustment items include loyalty award credits, recognised as part of sales transactions. Income from corresponding sales is recognised when the award credits are redeemed or expire. Contract liability is recognised in the balance sheet. Loyalty award credits affect the net sales of those businesses that grant K-Plussa customer loyalty award credits in Finland and engage in retailing.

Other operating income includes income other than that associated with the sale of goods or services based on customer agreements, such as lease income, store site and chain fees charged from retailers, and various other service fees and commissions. Fees charged from retailer entrepreneurs are based on a partnership agreement (chain agreement) based on which the retailers engage in business in line with the chain's operating models and objectives. Store site fees and chain fees vary depending on the growth and profitability of the retailer's business operations under the chain agreement. Chain marketing fees and data system fees are cost-based charges.

Other operating income also includes gains on the disposal of property, plant and equipment and intangible assets as well as gains on disposal of businesses and realised and unrealised gains on derivatives used for hedging foreign currency risks associated with commercial transactions.

Interest income is recognised on a time apportionment basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

## 2.2 Segment information

### Accounting policies

The Group's reportable segments are composed of the Group's divisions, namely the grocery trade, the building and technical trade, and the car trade.

Division information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources to the divisions, has been identified as the Group Management Board. The reportable operating segments derive their net sales from the grocery trade, the building and technical trade, and the car trade. Sales between divisions are charged at prevailing market rates. The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 impacted performance indicators for the building and technical trade in segment information. Due to the change, the Group changed internal reporting to its highest operative decision-maker, the Group Management Board, so that Kesko Senukai is reported in the income statement figures for the building and technical trade as if it has been consolidated on one line before operating profit in accordance with ownership interest as of 1 January 2019, as opposed to the subsidiary consolidation method used before. Such a change has not been made for internally reported balance sheet figures.

The Group Management Board uses alternative performance indicators alongside the IFRS financial statements indicators in the Group's results reporting. The Group Management Board assesses the divisions' performances based on operating profit, comparable operating profit, and comparable return on capital employed. Results reporting to management corresponds to the accounting policies of the consolidated financial statements apart from items affecting comparability and the treatment of the change in the consolidation method of Kesko Senukai, detailed above. Finance income and costs are not allocated to the divisions as the Group's cash and cash equivalents and financial liabilities are managed by the Group Treasury. Changes in the fair values of intra-Group foreign exchange forward contracts entered into and realised gains and losses are reported as part of other operating income and expenses to the extent that they hedge the divisions' foreign exchange risk.

The assets and liabilities of a division's capital employed consist of operating items that can be justifiably allocated to the divisions. The assets of capital employed comprise property, plant and equipment and intangible assets, right-of-use assets related to leases, interests in associates and joint ventures and other investments, pension assets, inventories, trade receivables and other non-interest-bearing receivables, interest-bearing receivables, and assets held for sale. The liabilities of capital employed consist of trade payables, the share of other non-interest-bearing liabilities and provisions. The Group's real estate assets and the revenue and costs generated from them have been allocated to the divisions. Capital employed does not include deferred tax assets and liabilities, financial assets at fair value through profit or loss with the exception of fair value of foreign exchange forward contracts recognised in the balance sheet, cash and cash equivalents, or interest-bearing liabilities.

The same revenue recognition policies apply to segment information as to the consolidated financial statements and consolidated statement of financial position. The revenue recognition policies are presented in Note 2.1.

### Kesko's business models

Kesko's principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's chains and B2B trade. Kesko manages the operations of the chains made up of the stores. Chain operations ensure higher competitiveness and a strong operational basis for K-retailers in terms of purchasing goods, building selections, marketing and price competition. Outside Finland, Kesko mainly engages in own retailing and B2B trade. Retailer operations accounted for 49 % (45%) of the Group's net sales in 2020. B2B trade accounted for 33% (37%) of the Group's net sales in 2020. Kesko's own retailing accounted for 18 % (18%) of the Group's net sales. According to Kesko's management, the above depicts how economic factors impact the nature, amount, timing and uncertainties of sales gains and cash flows.



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## Grocery trade

The grocery trade comprises the wholesale and B2B trade of groceries and the retailing of home and speciality goods in Finland. Kesko's grocery trade operates under the K-retailer business model. There are approximately 1,200 K-food stores operated by K-retailers in Finland. These stores form the K-Citymarket, K-Supermarket, K-Market and Neste K grocery retail chains. Kespro is the leading foodservice provider and wholesaler in Finland. K-Citymarket's home and speciality goods trade operates in home and speciality goods retailing in Finland.

## Building and technical trade

The building and technical trade operates in the wholesale, retail and B2B trade in Finland, Sweden, Norway, the Baltic countries and Poland. In the building and home improvement trade, Kesko is responsible for the chains' concepts, marketing, purchasing and logistics services and the store site network in all operating countries and for retailer resources in Finland where the retailer business model is employed. Kesko itself acts as a retail operator in Sweden and Norway. The retail store chains are K-Rauta (Finland and Sweden), K-Bygg (Sweden) and Byggmakker as well as Carlsen Fritzøe (Norway). The building and home improvement stores serve both consumers and business customers. Omininen provides HEPAC and electrical products and services to business customers in the Baltic Sea Region and Scandinavia. The group specialises in the B2B trade and has around 130 places of business in Finland, Sweden, Norway, Poland and the Baltic countries.

The speciality trade included in the building and technical trade division comprises leisure trade in Finland. The chains in the leisure trade are Intersport, Budget Sport, The Athlete's Foot and Kookenkä. As part of the strategy for the leisure trade, measures were initiated in December to discontinue The Athlete's Foot and Kookenkä chains. The machinery trade operations in the Baltics were divested during the 2020 financial year.

## Car trade

The car trade comprises the business operations of K-Auto, K-Caara and AutoCarrera. The car trade imports and markets Volkswagen, Audi, Seat, Porsche and Bentley passenger cars and Volkswagen and MAN commercial vehicles in Finland. K-Auto also engages in car retailing and provides after-sales services at its own retail outlets.

## Common functions

Common functions comprise Group support functions.



## Segment information 2020

### Profit, continuing operations

| € million   | Grocery trade  | Building and technical trade | Car trade    | Common functions | Segment information total | Impact of change in Kesko Senukai's consolidation method | Total           |
|---|----------------|------------------------------|--------------|------------------|---------------------------|--|-----------------|
| Division net sales  | 5,732.0        | 3,639.5                      | 892.6        | 0.1              | 10,264.2                  | 426.7  | 10,690.8        |
| of which intersegment sales   | -15.3          | 0.7                          | -6.7         | -0.3             | -21.6                     | 0.0  | -21.6           |
| <b>Net sales from external customers</b>                                      | <b>5,716.6</b> | <b>3,640.3</b>               | <b>885.8</b> | <b>-0.1</b>      | <b>10,242.6</b>           | <b>426.6</b>   | <b>10,669.2</b> |
| Change in net sales in local currency excluding acquisitions and disposals, % | 3.6            | 5.7                          | -3.3         | (.)              | 3.6                       |  | 3.6             |
| Change in net sales, %  | 3.6            | 4.8                          | 3.3          | (.)              | 4.1                       |  | -0.5            |
| Other division income   | 703.8          | 152.1                        | 8.2          | 19.6             | 883.8                     | 52.7   | 936.4           |
| of which intersegment income  | -1.1           | -0.6                         | 0.0          | -1.7             | -3.5                      | -1.9   | -5.4            |
| <b>Other operating income from external customers</b>                         | <b>702.7</b>   | <b>151.5</b>                 | <b>8.2</b>   | <b>17.9</b>      | <b>880.3</b>              | <b>50.7</b>  | <b>930.9</b>    |
| Depreciation and amortisation   | -79.1          | -29.7                        | -25.1        | -31.8            | -165.7                    | -4.5   | -170.2          |
| Depreciation and impairment charges for right-of-use assets                   | -203.8         | -89.7                        | -10.1        | -5.9             | -309.5                    | -16.3  | -325.8          |
| Share of result of joint ventures   |                | 11.0                         |              |                  | 11.0                      | -3.5   | 7.5             |
| <b>Operating profit</b>   | <b>373.7</b>   | <b>177.7</b>                 | <b>23.3</b>  | <b>-34.8</b>     | <b>540.0</b>              | <b>60.2</b>  | <b>600.2</b>    |
| Items affecting comparability   | -1.5           | -10.0                        | -0.1         | -2.1             | -13.7                     | 46.1   | 32.4            |
| <b>Comparable operating profit</b>  | <b>375.2</b>   | <b>187.7</b>                 | <b>23.4</b>  | <b>-32.7</b>     | <b>553.6</b>              | <b>14.1</b>  | <b>567.8</b>    |
| Finance income and costs  |                |                              |              |                  |                           |  | -86.8           |
| Share of result of associates   |                |                              |              |                  |                           |  | 14.3            |
| <b>Profit before tax</b>  |                |                              |              |                  |                           |  | <b>527.6</b>    |

(.) Change over 100%



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Assets and liabilities

| € million  | Building and technical trade |                | Common operations | Eliminations | Total        |                |
|--|------------------------------|----------------|-------------------|--------------|--------------|----------------|
|  | Grocery trade                | Car trade      |                   |              |              |                |
| Property, plant, equipment and intangible assets                       | 1,120.0                      | 801.0          | 218.8             | 90.0         | -1.6         | 2,228.2        |
| Right-of-use assets  | 1,195.4                      | 488.4          | 65.8              | 69.4         |              | 1,819.0        |
| Interests in associates and joint ventures and other investments       | 7.7                          | 141.9          | 0.0               | 72.8         | -0.6         | 221.8          |
| Pension assets   | 19.8                         | 4.5            |                   | 65.3         |              | 89.6           |
| Inventories  | 230.4                        | 414.2          | 192.2             |              |              | 836.9          |
| Trade receivables  | 334.9                        | 406.6          | 34.8              | 2.3          | -2.0         | 776.5          |
| Other non-interest-bearing receivables                                 | 97.3                         | 167.6          | 10.1              | 26.8         | -33.0        | 268.8          |
| Interest-bearing receivables   | 0.3                          | 8.2            |                   | 75.4         | 0.0          | 83.8           |
| Non-current assets classified as held for sale                         |                              | 9.4            |                   | 0.5          | 0.0          | 9.9            |
| <b>Assets included in capital employed</b>                             | <b>3,005.7</b>               | <b>2,441.8</b> | <b>521.7</b>      | <b>402.4</b> | <b>-37.2</b> | <b>6,334.3</b> |
| <b>Unallocated items</b>   |                              |                |                   |              |              | 1.5            |
| Deferred tax assets  |                              |                |                   |              |              | 1.5            |
| Financial assets at fair value through profit or loss                  |                              |                |                   |              |              | 119.8          |
| Financial assets at amortised cost                                     |                              |                |                   |              |              | 31.7           |
| Cash and cash equivalents  |                              |                |                   |              |              | 154.5          |
| <b>Total assets</b>  | <b>3,005.7</b>               | <b>2,441.8</b> | <b>521.7</b>      | <b>402.4</b> | <b>-37.2</b> | <b>6,641.9</b> |
| Trade payables   | 544.9                        | 515.7          | 17.5              | 14.8         | -1.6         | 1,091.3        |
| Other non-interest-bearing liabilities                                 | 288.4                        | 246.5          | 88.8              | 71.6         | -33.4        | 661.9          |
| Provisions   | 2.9                          | 4.3            | 30.7              | 0.0          |              | 37.9           |
| Liabilities related to assets held for sale                            |                              | 2.3            |                   |              |              | 2.3            |
| <b>Liabilities included in capital employed</b>                        | <b>836.1</b>                 | <b>768.8</b>   | <b>137.0</b>      | <b>86.4</b>  | <b>-35.0</b> | <b>1,793.4</b> |
| <b>Unallocated items</b>   |                              |                |                   |              |              | 591.3          |
| Interest-bearing liabilities   |                              |                |                   |              |              | 591.3          |
| Lease liabilities  |                              |                |                   |              |              | 2,025.0        |
| Other non-interest-bearing liabilities                                 |                              |                |                   |              |              | 26.4           |
| Deferred tax liabilities   |                              |                |                   |              |              | 16.4           |
| <b>Total liabilities</b>   | <b>836.1</b>                 | <b>768.8</b>   | <b>137.0</b>      | <b>86.4</b>  | <b>-35.0</b> | <b>4,452.6</b> |
| <b>Total capital employed as at 31 December, continuing operations</b> | <b>2,169.6</b>               | <b>1,673.0</b> | <b>384.6</b>      | <b>315.9</b> | <b>-2.3</b>  | <b>4,540.9</b> |
| <b>Average capital employed, continuing operations</b>                 | <b>2,223.7</b>               | <b>1,804.5</b> | <b>372.8</b>      | <b>319.6</b> | <b>-2.2</b>  | <b>4,718.5</b> |
| <b>Return on capital employed, %, comparable</b>                       | <b>16.9</b>                  | <b>11.2</b>    | <b>6.3</b>        |              |              | <b>12.0</b>    |
| <b>Number of personnel as at 31 December, continuing operations</b>    | <b>8,286</b>                 | <b>7,193</b>   | <b>1,310</b>      | <b>861</b>   |              | <b>17,650</b>  |
| <b>Average number of personnel, continuing operations</b>              | <b>6,197</b>                 | <b>9,308</b>   | <b>1,283</b>      | <b>841</b>   |              | <b>17,629</b>  |



Segment information 2019

Profit, continuing operations

| € million   | Grocery trade  | Building and technical trade | Car trade    | Common functions | Segment information total | Impact of change in Kesko Senukai's consolidation method | Total           |
|---|----------------|------------------------------|--------------|------------------|---------------------------|--|-----------------|
| Division net sales  | 5,531.2        | 3,472.8                      | 863.9        | 25.3             | 9,893.2                   | 858.3  | 10,751.5        |
| of which intersegment sales                                 | -10.2          | 0.6                          | -3.4         | -18.3            | -31.2                     | 0.0  | -31.2           |
| <b>Net sales from external customers</b>                    | <b>5,521.0</b> | <b>3,473.5</b>               | <b>860.4</b> | <b>7.1</b>       | <b>9,862.0</b>            | <b>858.3</b>   | <b>10,720.3</b> |
| Other division income                                       | 654.9          | 137.6                        | 8.0          | 15.9             | 816.4                     | 8.9  | 825.3           |
| of which intersegment income                                | -0.9           | -0.5                         | 0.0          | -0.7             | -2.1                      | -0.1   | -2.2            |
| <b>Other operating income from external customers</b>       | <b>654.0</b>   | <b>137.1</b>                 | <b>8.0</b>   | <b>15.2</b>      | <b>814.3</b>              | <b>8.8</b>   | <b>823.1</b>    |
| Depreciation and amortisation                               | -73.3          | -28.2                        | -18.9        | -33.0            | -153.4                    | -8.1   | -161.5          |
| Depreciation and impairment charges for right-of-use assets | -197.2         | -85.6                        | -7.0         | -4.9             | -294.7                    | -30.4  | -325.0          |
| Share of result of joint ventures                           |                | 7.8                          |              |                  | 7.8                       | -7.8   | 0.0             |
| <b>Operating profit</b>                                     | <b>334.6</b>   | <b>100.7</b>                 | <b>25.5</b>  | <b>-39.9</b>     | <b>421.0</b>              | <b>26.9</b>  | <b>447.8</b>    |
| Items affecting comparability                               | 6.7            | -15.2                        | -1.2         | -4.0             | -13.7                     |  | -13.8           |
| <b>Comparable operating profit</b>                          | <b>327.9</b>   | <b>115.9</b>                 | <b>26.8</b>  | <b>-35.9</b>     | <b>434.7</b>              | <b>26.9</b>  | <b>461.6</b>    |
| Finance income and costs                                    |                |                              |              |                  |                           |  | -91.4           |
| Share of result of associates                               |                |                              |              |                  |                           |  | 46.8            |
| <b>Profit before tax</b>                                    |                |                              |              |                  |                           |  | <b>403.3</b>    |
| (..) Change over 100%                                       |                |                              |              |                  |                           |  |                 |



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Assets and liabilities

| € million  | Building and technical trade |                |                              | Common operations | Eliminations | Total          |
|--|------------------------------|----------------|------------------------------|-------------------|--------------|----------------|
|  | Grocery trade                | Car trade      | Building and technical trade |                   |              |                |
| Property, plant, equipment and intangible assets                 | 1,079.8                      | 800.4          | 193.9                        | 100.0             | -1.6         | 2,172.6        |
| Right-of-use assets  | 1,334.5                      | 711.5          | 71.7                         | 73.6              |              | 2,191.3        |
| Interests in associates and joint ventures and other investments | 7.6                          | 9.1            | 0.0                          | 62.3              | -0.6         | 78.4           |
| Pension assets   | 20.2                         | 7.6            |                              | 65.4              |              | 93.2           |
| Inventories  | 216.9                        | 597.5          | 223.3                        |                   |              | 1,037.7        |
| Trade receivables  | 329.2                        | 432.6          | 43.9                         | 6.2               | -7.2         | 804.7          |
| Other non-interest-bearing receivables                           | 53.8                         | 132.6          | 15.1                         | 34.0              | -13.2        | 222.3          |
| Interest-bearing receivables                                     | 1.0                          | 1.7            |                              | 58.1              | 0.0          | 60.8           |
| Non-current assets classified as held for sale                   |                              | 61.5           |                              | 0.5               | -0.1         | 61.9           |
| <b>Assets included in capital employed</b>                       | <b>3,043.0</b>               | <b>2,754.5</b> | <b>547.9</b>                 | <b>400.1</b>      | <b>-22.8</b> | <b>6,722.7</b> |
| <b>Unallocated items</b>   |                              |                |                              |                   |              |                |
| Deferred tax assets  |                              |                |                              |                   |              | 7.6            |
| Financial assets at fair value through profit or loss            |                              |                |                              |                   |              | 10.1           |
| Financial assets at amortised cost                               |                              |                |                              |                   |              | 34.5           |
| Cash and cash equivalents  |                              |                |                              |                   |              | 124.4          |
| <b>Total assets</b>  | <b>3,043.0</b>               | <b>2,754.5</b> | <b>547.9</b>                 | <b>400.1</b>      | <b>-22.8</b> | <b>6,899.3</b> |
| Trade payables   | 502.4                        | 486.3          | 25.6                         | 19.1              | -3.5         | 1,029.9        |
| Other non-interest-bearing liabilities                           | 244.0                        | 227.9          | 98.6                         | 55.3              | -16.9        | 608.9          |
| Provisions   | 3.1                          | 1.3            | 30.6                         | 1.2               |              | 36.1           |
| Liabilities related to assets held for sale                      |                              | 10.9           |                              |                   |              | 10.9           |
| <b>Liabilities included in capital employed</b>                  | <b>749.5</b>                 | <b>726.3</b>   | <b>154.8</b>                 | <b>75.6</b>       | <b>-20.4</b> | <b>1,685.8</b> |
| <b>Unallocated items</b>   |                              |                |                              |                   |              |                |
| Interest-bearing liabilities                                     |                              |                |                              |                   |              | 615.1          |
| Lease liabilities  |                              |                |                              |                   |              | 2,422.2        |
| Other non-interest-bearing liabilities                           |                              |                |                              |                   |              | 28.5           |
| Deferred tax liabilities   |                              |                |                              |                   |              | 6.8            |
| <b>Total liabilities</b>   | <b>749.5</b>                 | <b>726.3</b>   | <b>154.8</b>                 | <b>75.6</b>       | <b>-20.4</b> | <b>4,758.5</b> |
| <b>Total capital employed as at 31 December</b>                  | <b>2,293.5</b>               | <b>2,028.2</b> | <b>393.1</b>                 | <b>324.5</b>      | <b>-2.4</b>  | <b>5,036.9</b> |
| <b>Average capital employed</b>                                  | <b>2,261.8</b>               | <b>1,923.8</b> | <b>280.5</b>                 | <b>340.6</b>      | <b>-3.4</b>  | <b>4,803.3</b> |
| <b>Return on capital employed, % comparable</b>                  | <b>14.5</b>                  | <b>7.4</b>     | <b>9.5</b>                   |                   |              | <b>9.6</b>     |
| <b>Number of personnel as at 31 December</b>                     | <b>8,086</b>                 | <b>14,743</b>  | <b>1,337</b>                 | <b>1,002</b>      |              | <b>25,168</b>  |
| <b>Average number of personnel</b>                               | <b>6,063</b>                 | <b>12,630</b>  | <b>1,179</b>                 | <b>975</b>        |              | <b>20,846</b>  |

## Alternative performance indicators in segment reporting

Kesko uses alternative performance indicators in internal reporting of business performance and profitability to the highest operational decision-making body, i.e. the Group Management Board. These indicators should be examined together with the IFRS-compliant performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the reporting period as well as the comparison period. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions.

Exceptional transactions outside the ordinary course of business are treated as items affecting comparability. Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. As items affecting comparability are identified gains and losses on the disposal of real estate, shares and business operations, impairments and significant restructurings as items affecting comparability. Gains on disposals are presented in the income statement within other operating income, and losses on disposals within other operating expenses. Impairment charges and significant profit and loss items related to changes in leases are presented in the income statement under depreciation, amortisation and impairment charges.

Alternative performance measures that have been adjusted for the impact of IFRS 16 are used to illustrate continuity in business profitability and financial position and the achievement of certain financial targets. The EBITDA excluding the impact of IFRS 16 corresponds to EBITDA before the adoption of IFRS 16, and the interest-bearing net debt excluding lease liabilities correspond to interest-bearing net debt before the adoption of the standard. These restated indicators are included as components in the Group's financial targets' performance indicators. The indicator is presented in Note 4.1 Capital management.

## Items affecting comparability

| € million, continuing operations                                | 2020        | 2019         |
|---|-------------|--------------|
| Gains on disposal   | 9.8         | 4.6          |
| Losses on disposal  | -0.2        | -0.9         |
| Structural arrangements   | 22.8        | -17.5        |
| <b>Items in operating profit affecting comparability, total</b> | <b>32.4</b> | <b>-13.8</b> |

The most significant items affecting comparability were the positive profit impact of €46.1 million resulting from the change in the consolidation method of Kesko Senukai; the negative €2.5 million profit impact of changes in the store site network in Sweden; the €6.4 million sales gain from the divestment of machinery trade operations in the Baltics, completed on 31 March 2020, the €5.2 million costs related to corporate restructuring, and the €10.4 million costs related to the discontinuation of The Athlete's Foot and Kookonkä chains in the leisure trade. Items related to structural arrangements are presented on the following lines in the consolidated income statement: materials and services (€-0.6 million), change in inventory (€-1.1 million), other operating income (€46.1 million), employee benefit expenses (€-5.0 million), depreciation, amortisation and impairment charges (€-0.3 million), depreciation, amortisation and impairment charges for right-of-use assets (€-6.7 million), and other operating expenses (€-9.4 million).

In 2019, the most significant items affecting comparability were the €7.8 million costs related to the divestment of Onninen's HEPAC contractor business in the building and technical trade in Sweden, the €4.3 million costs related to acquisitions, and the net €+4.8 million items related to the subsidiary consolidation of Kruunuvioreen Satama Oy. Items related to structural arrangements are presented on the following lines in the consolidated income statement: materials and services (€-0.4 million), change in inventory (€-5.2 million), other operating income (€0.9 million), employee benefit expenses (€-5.5 million), depreciation, amortisation and impairment charges (€-3.6 million), depreciation, amortisation and impairment charges for right-of-use assets (€3.4 million), and other operating expenses (€-7.2 million).

## Reconciliation of performance indicators to IFRS financial statements

| € million, continuing operations                  | 2020         | 2019         |
|---|--------------|--------------|
| <b>Operating profit, comparable</b>               | 600.2        | 447.8        |
| Net of  |              |              |
| Items in operating profit affecting comparability | 32.4         | -13.8        |
| <b>Operating profit, comparable</b>               | <b>567.8</b> | <b>461.6</b> |
| <b>Return on capital employed, comparable, %</b>  |              |              |
| Operating profit, comparable                      | 567.8        | 461.6        |
| Capital employed, average                         | 4,718.5      | 4,803.3      |
| <b>Return on capital employed, comparable, %</b>  | <b>12.0</b>  | <b>9.6</b>   |

## Comparable change in net sales

| € million  | 2020    | 2019    |
|--|---------|---------|
| <b>Net sales, illustrative, building and technical trade</b> | 3,639.5 | 3,472.8 |
| Foreign exchange effects                                     | 63.5    |         |
| Effect of acquisitions and divestments                       | -206.8  | -166.0  |
| Change in net sales, comparable, %                           | 5.7     |         |
| <b>Net sales, car trade</b>                                  | 892.6   | 863.9   |
| Effect of acquisitions and divestments*                      | -56.9   |         |
| Change in net sales, comparable, %                           | -3.3    |         |

| Net sales, illustrative, Group         | 2020   | 2019   |
|--|--------|--------|
| Foreign exchange effects               | 63.5   |        |
| Effect of acquisitions and divestments | -263.6 | -166.0 |
| Change in net sales, comparable, %     | 3.6    |        |

\* When calculating the change in the comparable net sales for the car trade, on the line 'Effect of acquisitions and divestments' the total net sales of dealers acquired have been deducted and the net sales from car trade imports to the acquired dealers added.

## Calculation of performance indicators

### Operating profit, comparable

Operating profit +/- items affecting comparability

### Return on capital employed, comparable, %

Comparable operating profit x 100

(Property, plant and equipment + Goodwill + Intangible assets + Right-of-use assets + Shares in associates and joint ventures + Financial assets at fair value through profit or loss + Non-current receivables + Pension assets + Inventories + Trade receivables + Income tax assets + Other non-interest-bearing receivables + Non-current assets classified as held for sale - Non-interest-bearing non-current liabilities - Pension obligations - Provisions - Trade payables - Other non-interest-bearing liabilities - Income tax liabilities - Accrued liabilities - Liabilities related to available-for-sale non-current assets) on average for the reporting period

## Geographical information, continuing operations

The Group operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. The grocery trade operates in Finland. The building and technical trade operates in Finland, Sweden, Norway, the Baltic countries and Poland, and the car trade operates in Finland. Net sales, assets, capital expenditure and personnel are presented by location.

The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 impacted performance indicators for the building and technical trade

in segment information. Due to the change, the Group changed internal reporting to its highest operative decision-maker, the Group Management Board, so that Kesko Senukai is reported in the income statement figures for the building and technical trade as if it has been consolidated on one line before operating profit in accordance with ownership interest as of 1 January 2019, as opposed to the subsidiary consolidation method used before. Such a change has not been made for internally reported balance sheet figures.

| 2020<br>€ million                   | Other Nordic countries |                        |                  | Baltic countries | Others | Eliminations | Segment information total | Impact of change in Kesko Senukai's consolidation method | Total, continuing operations |
|-------------------------------------|------------------------|------------------------|------------------|------------------|--------|--------------|---------------------------|--|------------------------------|
|                                     | Finland                | Other Nordic countries | Baltic countries |                  |        |              |                           |  |                              |
| Net sales                           | 8,713.5                | 1,200.0                | 102.8            | 234.1            | -7.9   | 10,242.6     | 426.6                     | 10,669.2   |                              |
| Assets included in capital employed | 4,877.8                | 1,140.6                | 195.8            | 120.1            | -      | -            | -                         | 6,334.3  |                              |
| Average number of personnel         | 10,339                 | 2,560                  | 3,908            | 822              | -      | -            | -                         | 17,629   |                              |

| 2019<br>€ million                   | Other Nordic countries |                        |                  | Baltic countries | Others | Eliminations | Segment information total | Impact of change in Kesko Senukai's consolidation method | Total, continuing operations |
|-------------------------------------|------------------------|------------------------|------------------|------------------|--------|--------------|---------------------------|--|------------------------------|
|                                     | Finland                | Other Nordic countries | Baltic countries |                  |        |              |                           |  |                              |
| Net sales                           | 8,389.6                | 1,028.3                | 214.9            | 237.2            | -8.1   | 9,862.0      | 858.3                     | 10,720.3   |                              |
| Assets included in capital employed | 4,962.4                | 839.7                  | 706.0            | 214.6            | -      | -            | -                         | 6,722.7  |                              |
| Average number of personnel         | 10,194                 | 2,192                  | 5,094            | 3,365            | -      | -            | -                         | 20,845   |                              |

Net sales are nearly completely derived from sales of goods. The amount derived from sales of services is minor.

Kesko Group does not have income derived from a single customer amounting to more than 10% of Kesko Group's total income.



## 2.3 Material and services

| € million                           | 2020            | 2019            |
|-------------------------------------|-----------------|-----------------|
| Material and services               | -8,959.1        | -9,052.4        |
| External services                   | -189.2          | -186.0          |
| <b>Total, continuing operations</b> | <b>-9,148.3</b> | <b>-9,238.4</b> |

## 2.4 Other operating income

Revenue recognition, including the definition of income reported under other operating income, is presented in Note 2.1.

| € million   | 2020         | 2019         |
|---|--------------|--------------|
| Income from services  | 694.9        | 641.2        |
| Lease income  | 41.5         | 43.8         |
| Gains on disposal of property, plant, equipment and intangible assets | 0.9          | 2.5          |
| Gains on disposal of businesses                                       | 55.5         | 3.1          |
| Realised gains on derivative contracts and changes in fair value      | 6.6          | 4.1          |
| Others  | 131.7        | 128.4        |
| <b>Total, continuing operations</b>                                   | <b>930.9</b> | <b>823.1</b> |

Income from services mainly comprises chain and store site fees paid by retailers' chain companies.

More information on lease income is provided in note 4.6.

## 2.5 Operating expenses

Accounting policies  
Other operating expenses include expenses other than the cost of goods sold, such as employee benefit expenses, marketing costs, property and store site maintenance costs, information system expenses, and lease payments recognised in the income statement on leases classified as short-term leases or leased assets classified as of low value. Other operating expenses also include losses on the disposal of property, plant and equipment and intangible assets, losses on disposal of business operations as well as realised and unrealised losses on derivatives used for hedging foreign currency risks associated with commercial transactions.

### Employee benefit expenses

| € million                           | 2020          | 2019          |
|-------------------------------------|---------------|---------------|
| Salaries and fees                   | -613.1        | -633.8        |
| Social security costs               | -50.5         | -52.6         |
| Pension costs                       |               |               |
| Defined benefit plans               | -5.5          | -2.9          |
| Defined contribution plans          | -72.1         | -79.2         |
| Share-based payment                 | -9.5          | -7.0          |
| <b>Total, continuing operations</b> | <b>-750.7</b> | <b>-775.4</b> |

Information on the employee benefits of the Group's management personnel and other related party transactions are presented in note 5.3, and information on share-based compensation in note 5.4.

CORPORATE GOVERNANCE

| Auditors' fees   | 2020       | 2019       |
|------------------|------------|------------|
| € million        |            |            |
| Audit            | 1.0        | 1.0        |
| Tax consultation | 0.0        | 0.1        |
| Other services   | 0.0        | 0.6        |
| <b>Total</b>     | <b>1.0</b> | <b>1.7</b> |

The Annual General Meeting of 28 April 2020 elected Deloitte Oy as Kesko Corporation's Auditor. In 2019, Kesko's Auditor was PricewaterhouseCoopers Oy.

## 2.6 Foreign exchange differences recognised in operating profit

| € million                           | 2020        | 2019       |
|-------------------------------------|-------------|------------|
| Sales                               | -0.1        | -0.2       |
| Other income                        | 6.6         | 4.1        |
| Purchases                           | -0.9        | 0.2        |
| Other expenses                      | -7.6        | -3.4       |
| <b>Total, continuing operations</b> | <b>-2.1</b> | <b>0.7</b> |

FINANCIAL REVIEW

| Average number of the Group personnel | 2020          | 2019          |
|---------------------------------------|---------------|---------------|
| Grocery trade                         | 6,197         | 6,063         |
| Building and technical trade          | 9,308         | 12,630        |
| Car trade                             | 1,283         | 1,179         |
| Common functions                      | 841           | 975           |
| <b>Total, continuing operations</b>   | <b>17,629</b> | <b>20,846</b> |
| Discontinued operations               | -             | 6             |
| <b>Total, Group</b>                   | <b>17,629</b> | <b>20,852</b> |

SUSTAINABILITY

KESKO'S DIRECTION

## Other operating expenses

| € million  | 2020          | 2019          |
|--|---------------|---------------|
| Marketing costs  | -207.4        | -215.3        |
| Property and store site maintenance expenses                           | -159.4        | -159.9        |
| ICT expenses   | -97.8         | -98.7         |
| Lease expenditure  | -8.2          | -12.9         |
| Losses on disposal of property, plant, equipment and intangible assets | -0.6          | -1.9          |
| Realised losses on derivative contracts and changes in fair value      | -7.6          | -3.4          |
| Other operating expenses   | -124.5        | -150.7        |
| <b>Total, continuing operations</b>                                    | <b>-605.5</b> | <b>-643.0</b> |

Lease expenditure for short-term leases and low-value leased assets as well as variable lease payments are presented under Lease expenditure. Property and store site maintenance expenses also include maintenance expenses for leased properties. More information on lease expenditure is provided in note 4.6.

## 2.7 Income tax

### Accounting policies

The taxes recognised in the consolidated income statement include the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes. The Group companies' taxes have been calculated from the taxable income of each company determined by local jurisdiction. The tax impact of items recognised in other comprehensive income has been recognised correspondingly in other comprehensive income.

Deferred tax assets and liabilities are recognised on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities and for unused tax losses. Deferred tax liability has not been calculated on goodwill insofar as goodwill is not tax deductible. Deferred tax on subsidiaries' undistributed earnings is not recognised unless a distribution of earnings is probable, causing tax implications.

Deferred tax has been determined using the tax rates enacted at the balance sheet date, and as the rates changed, at the known new rate. A deferred income tax asset is recognised to the extent that it is probable that it can be utilised against future taxable income. The Group's deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

The most significant temporary differences arise from leases, defined benefit pension plans, property, plant and equipment (depreciation difference), provisions and measurements at fair value of asset items in connection with acquisitions.

The Group's tax position is regularly assessed to identify situations open to interpretation. The Group prepares for situations in which it is deemed unlikely that the Group's interpretation will be approved in the calculation of income tax. An uncertain tax position may affect taxes or deferred taxes for the financial year or both.

| € million                           | 2020         | 2019         |
|-------------------------------------|--------------|--------------|
| Current tax                         | -80.8        | -77.4        |
| Tax for prior years                 | -3.7         | -0.4         |
| Deferred tax                        | -7.8         | 8.1          |
| <b>Total, continuing operations</b> | <b>-92.3</b> | <b>-69.6</b> |

### Reconciliation between tax expense shown in the income statement and tax calculated at parent's rate

| € million   | 2020         | 2019         |
|---|--------------|--------------|
| Profit before tax   | 527.6        | 403.5        |
| Tax at parent's rate 20.0%  | -105.5       | -80.7        |
| Effect of foreign subsidiaries' different tax rates                         | -1.1         | -1.2         |
| Effect of tax-free income   | 12.4         | 0.8          |
| Effect of expenses not deductible for tax purposes                          | -1.6         | -1.5         |
| Effect of unrecognised deferred tax assets                                  | 2.6          | 2.9          |
| Effect of consolidation of share of result of associates and joint ventures | 4.4          | 9.4          |
| Tax for prior years   | -3.7         | -0.4         |
| Effect of change in tax rate  | 0.1          | -            |
| Others  | 0.2          | 1.1          |
| <b>Tax charge, continuing operations</b>                                    | <b>-92.3</b> | <b>-69.6</b> |
| <b>Effective tax rate, continuing operations</b>                            | <b>17.5%</b> | <b>17.3%</b> |

The Group's effective tax rate decreased due to a positive profit impact of €46.1 million arising from the change in the consolidation method of Kesko Senukai, and by tax-exempt sales gains and share of result of associates and joint ventures totalling €21.8 million. Taxes for previous financial years include a €3.7 million residual tax related to a reassessment decision on 2013 and 2014 for Indoor Group Oy concerning the right of deduction of losses transferred in a cross-border merger, paid during the financial year.

The impact of the corporation tax rate change effective from 1 January 2021 in Sweden on taxes for the financial year 2020 was €0.1 million.



Movements in deferred tax in 2020

| € million   | 1 Jan. statement 2020 | Income charged/credited to equity | Exchange differences | Other changes | 31 Dec. 2020 |
|---|-----------------------|-----------------------------------|----------------------|---------------|--------------|
| <b>Deferred tax assets</b>                                      |                       |                                   |                      |               |              |
| Leases  | 43.0                  | 0.8                               | 0.0                  | -2.1          | 41.6         |
| Provisions  | 7.1                   | 0.2                               | 0.0                  | 0.5           | 7.6          |
| Defined benefit pension plans                                   | 0.1                   | 0.0                               |                      |               | 0.1          |
| Tax loss carry-forwards   | 16.4                  | -12.0                             | 0.0                  | -0.1          | 4.3          |
| Other temporary differences                                     | 23.4                  | 3.8                               | -0.6                 | -3.8          | 23.6         |
| <b>Total</b>  | <b>90.0</b>           | <b>-7.2</b>                       | <b>-0.7</b>          | <b>-5.7</b>   | <b>77.1</b>  |
| <b>Deferred tax liabilities</b>                                 |                       |                                   |                      |               |              |
| Difference between accounting depreciation and tax depreciation | 40.1                  | 3.3                               |                      | 0.5           | 43.9         |
| Fair value allocation   | 24.0                  | -1.1                              | -0.6                 | 3.1           | 25.4         |
| Defined benefit pension plans                                   | 18.6                  | -1.2                              | 0.2                  |               | 17.6         |
| Other temporary differences                                     | 6.4                   | -0.4                              | -0.1                 | -1.0          | 5.1          |
| <b>Total</b>  | <b>89.1</b>           | <b>0.7</b>                        | <b>-0.7</b>          | <b>2.6</b>    | <b>92.0</b>  |
| Net deferred tax asset (+)/liability (-)                        | 0.8                   |                                   |                      |               | -14.9        |

Balance sheet division of net deferred tax asset

| € million                | 2020         | 2019       |
|--------------------------|--------------|------------|
| Deferred tax assets      | 1.5          | 7.6        |
| Deferred tax liabilities | 16.4         | 6.8        |
| <b>Total</b>             | <b>-14.9</b> | <b>0.8</b> |

Other temporary differences within deferred tax assets include €15.3 million of deferred tax assets resulting from timing differences between local accounting principles and taxation.

Movements in deferred tax in 2019

| € million   | 1 Jan. statement 2019 | Income charged/credited to equity | Exchange differences | Other changes | 31 Dec. 2019 |
|---|-----------------------|-----------------------------------|----------------------|---------------|--------------|
| <b>Deferred tax assets</b>                                      |                       |                                   |                      |               |              |
| Leases  | 43.6                  | -0.5                              | 0.0                  | 0.0           | 43.0         |
| Provisions  | 8.3                   | -1.2                              |                      |               | 7.1          |
| Defined benefit pension plans                                   | 0.1                   | 0.0                               |                      |               | 0.1          |
| Tax loss carry-forwards   | 22.8                  | -6.7                              | 0.3                  | 0.0           | 16.4         |
| Other temporary differences                                     | 12.7                  | 10.2                              | 0.5                  | 0.2           | 23.4         |
| <b>Total</b>  | <b>87.4</b>           | <b>1.8</b>                        | <b>0.6</b>           | <b>0.2</b>    | <b>90.0</b>  |
| <b>Deferred tax liabilities</b>                                 |                       |                                   |                      |               |              |
| Difference between accounting depreciation and tax depreciation | 29.6                  | 3.3                               |                      | 7.2           | 40.1         |
| Fair value allocation   | 20.1                  | -0.8                              | 0.1                  | 4.6           | 24.0         |
| Defined benefit pension plans                                   | 29.7                  | -10.1                             | -0.9                 |               | 18.6         |
| Other temporary differences                                     | 5.3                   | 1.4                               | -0.3                 | 0.1           | 6.4          |
| <b>Total</b>  | <b>84.7</b>           | <b>-6.3</b>                       | <b>-1.2</b>          | <b>11.9</b>   | <b>89.1</b>  |
| Net deferred tax asset  | 2.7                   |                                   |                      |               | 0.8          |

Tax loss carry-forwards

As at 31 December 2020, the Group had €209.2 million losses from foreign operations for which deferred tax assets have not been recognised, because at the balance sheet date, the realisation of the related tax benefit through future taxable profits is not probable.

Tax losses carried forward for which tax assets have not been recognised expire as follows:

| € million    | 2021 | 2022 | 2023 | 2024 | 2025 | 2026- | Total        |
|--------------|------|------|------|------|------|-------|--------------|
|              |      |      |      |      |      |       | 209.0        |
| <b>Total</b> |      |      |      |      |      |       | <b>209.0</b> |

## 2.8 Earnings per share

### Accounting policies

Basic earnings per share are calculated by dividing the net profit for the period attributable to the parent's equity holders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares.

Kesko Corporations' Annual General Meeting on 28 April 2020 decided on a share issue without payment (share split) in which three (3) new A shares were issued for each existing A share, and three (3) new B shares for each existing B share. The share-specific indicators have been calculated using the post-share split number of shares. Share-specific indicators for the comparison periods have been adjusted to correspond to the post-share split number of shares.

|  | 2020  | 2019  |
|--|-------|-------|
| <b>Net profit for the period attributable to equity holders of the parent, € million</b> | 433.4 | 339.2 |

| <b>Number of shares</b>  |             |             |
|--|-------------|-------------|
| Weighted average number of shares outstanding  | 396,661,394 | 396,296,140 |
| Diluted weighted average number of shares outstanding                                  | 396,661,394 | 396,296,140 |
| <b>Earnings per share from net profit attributable to equity holders of the parent</b> |             |             |
| Basic and diluted, continuing operations, €  | 1.09        | 0.83        |
| Basic and diluted, discontinued operations, €  | -           | 0.03        |
| Basic and diluted, Group total, €  | 1.09        | 0.86        |

## 2.9 Notes related to the statement of cash flows

### Capital expenditure and non-cash financing activities

| € million  | 2020         | 2019         |
|--|--------------|--------------|
| Total acquisitions of property, plant, equipment and intangible assets                 | 222.8        | 399.7        |
| Total acquisitions of subsidiaries and investments in associates and other investments | 175.7        | 286.4        |
| <b>Total capital expenditure</b>   | <b>398.4</b> | <b>686.1</b> |
| of which cash payments   | 378.4        | 599.8        |
| Loans relating to acquired companies and cash and cash equivalents                     | 15.9         | 83.5         |
| Payments arising from prior period investing activities                                | -11.5        | -12.4        |
| Capital expenditure financed with liabilities  | 15.7         | 15.3         |
| <b>Total, continuing operations</b>  | <b>398.4</b> | <b>686.1</b> |

The acquisition of the store property of K-Citymarket in Järvenpää, previously leased by Kesko, is reported under cash flow from financing activities in the statement of cash flows.

### Adjustments to cash flows from operating activities

| € million   | 2020         | 2019       |
|---|--------------|------------|
| Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows: |              |            |
| Change in provisions  | 2.0          | -6.8       |
| Share of results of associates and joint ventures   | -21.9        | -46.8      |
| Impairments   | -            | 0.0        |
| Credit losses   | 6.1          | 3.6        |
| Gains on disposal of property, plant, equipment and intangible assets and business operations                             | -50.1        | -0.7       |
| Losses on disposal of property, plant, equipment and intangible assets and business operations                            | 0.6          | 1.9        |
| Share-based compensation  | -3.4         | -2.9       |
| Defined benefit pensions  | 4.8          | 50.1       |
| Others  | 7.7          | 2.0        |
| <b>Total, continuing operations</b>   | <b>-54.3</b> | <b>0.3</b> |

The group 'Others' within the adjustments to cash flows from operating activities includes the adjustment of unrealised foreign exchange gains and losses on purchases and sales, and the adjustment of other transactions of a non-cash nature.

### Cash flow from leases

| € million                              | 2020          | 2019          |
|--|---------------|---------------|
| Interest expense for lease liabilities | -83.3         | -95.4         |
| Decrease in lease liabilities          | -363.3        | -328.3        |
| Rent in income statement               | -8.2          | -12.9         |
| <b>Total</b>                           | <b>-454.8</b> | <b>-436.6</b> |

Information on leases is presented in Note 4.6, and information on right-of-use assets related to leases in Note 3.4.

### Cash and cash equivalents

| € million  | 2020         | 2019         |
|--|--------------|--------------|
| Financial assets at amortised cost (maturing in less than 3 months), continuing operations   | 4.5          | 2.0          |
| Financial assets at amortised cost (maturing in less than 3 months), discontinued operations | -            | -            |
| Cash and cash equivalents, continuing operations   | 150.0        | 122.4        |
| Cash and cash equivalents, discontinued operations   | -            | 0.0          |
| <b>Total</b>   | <b>154.5</b> | <b>124.4</b> |

Cash and cash equivalents include cash on hand and deposits with banks as well as liquid funds measured at amortised cost which are invested in instruments with maturities of less than three months from acquisition.

### Reconciliation of cash and debt

| € million   | 2020            | 2019            |
|---|-----------------|-----------------|
| Financial assets at amortised cost (maturing in less than 3 months) | 4.5             | 2.0             |
| Cash and cash equivalents   | 150.0           | 122.4           |
| Borrowings - repayable within one year (including overdraft)        | -182.6          | -137.8          |
| Lease liabilities - repayable within one year                       | -312.7          | -383.2          |
| Borrowings - repayable after one year                               | -408.7          | -477.3          |
| Lease liabilities - repayable after one year                        | -1,712.3        | -2,039.0        |
| <b>Cash and debt, net</b>   | <b>-2,461.9</b> | <b>-2,913.0</b> |

| € million   | 2020            | 2019            |
|---|-----------------|-----------------|
| Cash and cash equivalents and financial assets at amortised cost (maturing in less than 3 months) | 154.5           | 124.4           |
| Gross debt - fixed interest rates   | -142.1          | -162.5          |
| Gross debt - variable interest rates  | -449.3          | -452.6          |
| Lease liabilities   | -2,025.0        | -2,422.2        |
| <b>Cash and debt, net</b>   | <b>-2,461.9</b> | <b>-2,913.0</b> |



| € million  | Other assets       |                                    |                                     | Finance-related debt               |                              |                             | Total           |
|--|--------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------|-----------------------------|-----------------|
|  | Cash and overdraft | Financial assets at amortised cost | Lease liabilities due within 1 year | Lease liabilities due after 1 year | Borrowings due within 1 year | Borrowings due after 1 year |                 |
| <b>Cash and debt, net as at 1 Jan. 2020</b>              | 122.4              | 2.0                                | -383.2                              | -2,039.0                           | -137.8                       | -477.3                      | -2913.0         |
| Cash flows   | 125.2              | 2.5                                | 363.3                               |                                    | -49.2                        | 33.6                        | 475.3           |
| Acquisitions of subsidiaries                             | 1.0                |                                    | -9.4                                | -86.5                              | -0.1                         | -0.1                        | -95.0           |
| Sale of subsidiaries                                     | -5.0               |                                    | 1.6                                 | 2.3                                |                              |                             | -1.1            |
| Impact of change in Kesko Senukai's consolidation method | -92.9              |                                    | 26.6                                | 288.7                              | 4.0                          | 34.1                        | 260.6           |
| Net changes of lease liabilities                         |                    |                                    | -312.8                              | 119.0                              |                              |                             | -193.9          |
| Foreign exchange adjustments                             | -0.7               |                                    | 1.2                                 | 3.1                                | 0.5                          | 0.9                         | 5.1             |
| <b>Cash and debt, net as at 31 Dec. 2020</b>             | <b>150.0</b>       | <b>4.5</b>                         | <b>-312.7</b>                       | <b>-1,712.3</b>                    | <b>-182.6</b>                | <b>-408.7</b>               | <b>-2,461.9</b> |

| € million                                    | Other assets       |                                    |                                     | Finance-related debt               |                              |                             | Total           |
|--|--------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------|-----------------------------|-----------------|
|  | Cash and overdraft | Financial assets at amortised cost | Lease liabilities due within 1 year | Lease liabilities due after 1 year | Borrowings due within 1 year | Borrowings due after 1 year |                 |
| <b>Cash and debt, net as at 1 Jan. 2019</b>  | 107.9              | 31.7                               | -311.5                              | -1,982.8                           | -231.4                       | -174.6                      | -2,560.7        |
| Cash flows                                   | 1.1                | -29.7                              | 324.1                               |                                    | 94.0                         | -302.2                      | 87.3            |
| Acquisitions of subsidiaries                 | 13.0               |                                    | -5.3                                | -37.7                              | -0.1                         | -0.2                        | -30.3           |
| Net changes of lease liabilities             |                    |                                    | -390.4                              | -18.0                              |                              |                             | -408.4          |
| Foreign exchange adjustments                 | 0.4                |                                    | -0.1                                | -0.6                               | -0.3                         | -0.3                        | -0.8            |
| <b>Cash and debt, net as at 31 Dec. 2019</b> | <b>122.4</b>       | <b>2.0</b>                         | <b>-383.2</b>                       | <b>-2,039.0</b>                    | <b>-137.8</b>                | <b>-477.3</b>               | <b>-2,913.0</b> |



## 2.10 Components of other comprehensive income

| € million   | 2020<br>Before tax | Tax charge/<br>credit | After tax   | 2019<br>Before tax | Tax charge/<br>credit | After tax   |
|---|--------------------|-----------------------|-------------|--------------------|-----------------------|-------------|
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                    |                       |             |                    |                       |             |
| Actuarial gains and losses  | 1.0                | -0.2                  | 0.8         | -4.5               | 0.9                   | -3.6        |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                    |                       |             |                    |                       |             |
| Currency translation differences relating to a foreign operation          | -2.8               |                       | -2.8        | 3.8                |                       | 3.8         |
| Cash flow hedge revaluation   | -3.3               | 0.7                   | -2.7        | -1.3               | 0.3                   | -1.0        |
| Others  | -0.3               |                       | -0.3        | -0.3               |                       | -0.3        |
| <b>Total, continuing operations</b>                                       | <b>-5.3</b>        | <b>0.5</b>            | <b>-4.9</b> | <b>-2.3</b>        | <b>1.2</b>            | <b>-1.2</b> |
| Discontinued operations   | -                  |                       | -           | 0.0                |                       | 0.0         |
| <b>Group total</b>  | <b>-5.3</b>        | <b>0.5</b>            | <b>-4.9</b> | <b>-2.3</b>        | <b>1.2</b>            | <b>-1.2</b> |



Notes to the consolidated financial statements

### 3. CAPITAL EMPLOYED

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### 3.1. Business acquisitions, disposals of assets, and non-current assets classified as held for sale and related liabilities

#### Acquisitions in 2020

##### Carlsen Fritzøe Handel AS

Kesko's subsidiary Byggmakker Handel AS acquired the entire capital stock of the Norwegian building and home improvement trade company Carlsen Fritzøe Handel AS on 1 September 2020. The preliminary consideration paid was €127.6 million, and the amount of cash and cash equivalents obtained was €0.1 million. The amount of consideration paid will be specified during 2021. Carlsen Fritzøe Handel AS recorded net sales of some €201 million in 2019. The acquisition strengthens Kesko's position in the Oslo fjord region, where the Carlsen Fritzøe Handel network of 25 stores complements Kesko's existing Byggmakker store network.

On 1 October 2020, Kesko's subsidiary Byggmakker Nord AS acquired the entire capital stock of both Reidar Flokkmanns Eftf AS, which is part of the Norwegian Byggmakker chain, and the store property Arn Eiendom AS (together 'Flokkmann'). The preliminary consideration paid was €10.4 million, and the amount of cash and cash equivalents obtained was €0.8 million. The amount of consideration paid will be specified during 2021.

According to a preliminary acquisition cost calculation concerning Carlsen Fritzøe Handel AS, assets acquired for Kesko Group amounted to €156.2 million and liabilities assumed to €129.2 million. The fair value of the intangible assets acquired (including customer relationships and trademark) at the date of acquisition totalled €8.8 million. The €103.7 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections, logistics and operational efficiency. The goodwill is not tax deductible. The Group income statement includes €1.3 million in acquisition-related costs under "Other operating expenses", presented as items affecting comparability. According to a preliminary acquisition cost calculation for Flokkmann, assets acquired for Kesko Group amounted to €7.7 million and liabilities assumed to €2.1 million. The Group income statement includes minor acquisition-related costs for Flokkmann under "Other operating expenses", presented as items affecting comparability.

Carlsen Fritzøe Handel AS had a €77.9 million impact on net sales for September-December. The impact on the profit for September-December was €5.0 million. If the acquisition had taken place on 1 January 2020, according to management estimates, the impact on Group net sales would have been approximately €226.9 million. The impact on profit would have been €15.1 million. In determining the net sales and profit, the management estimates that recorded fair values would have been the same on the date of acquisition had the acquisition taken place on 1 January 2020. Flokkmann's impact on Group net sales and profit was minor.

##### Mark & Infra i Sverige AB Bygg & Interiör

Kesko's Swedish subsidiary Fresks Försäljning AB acquired the Bygg & Interiör building and home improvement trade stores for professional builders in Sweden on 1 September 2020. On 1 April 2020, Kesko's Swedish subsidiary Kesko AB acquired the Swedish Mark & Infra i Sverige AB (MIAB), a company specialising in the sales of water and sewage products. The combined consideration paid for the acquisitions completed in Sweden was €21.6 million, and the amount of cash and cash equivalents obtained was €0.1 million.

According to preliminary acquisition cost calculations concerning Bygg & Interiör and Mark & Infra, assets acquired for Kesko Group amounted to €16.8 million and liabilities assumed to €10.2 million. The goodwill is not tax deductible. The Group income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability. The impact of the acquired businesses on the Group's net sales and operating profit was minor.

The acquisitions completed in Sweden complement Kesko's K-Bygg chain for professional builders in the Mälaren Valley region as well as Onninen's technical wholesale offering for Infra customers in Sweden.

The following table provides a summary of the consideration paid, the values of assets acquired and liabilities assumed by Kesko Group at the date of acquisition, and the cash flow impact of the acquisitions.

| 2020<br>€ million  | Carlson Fritsøe<br>Handel AS and<br>Flokkmann | Mark & Infra<br>i Sverige AB and<br>Bygg & Interiør |
|--|---|---|
| <b>Debt-free acquisition price</b>   | 141.4   | 22.5  |
| <b>Fair values of assets acquired and liabilities assumed at the date of acquisition</b> |   |   |
| Intangible assets  | 8.8   | 2.0   |
| Property, plant, equipment, right-of-use assets and investments                          | 96.7  | 3.6   |
| Inventories  | 25.2  | 4.3   |
| Receivables  | 31.4  | 6.9   |
| Deferred tax asset   | 0.8   |   |
| Cash and cash equivalents  | 0.9   | 0.1   |
| <b>Total assets</b>  | <b>163.9</b>                                  | <b>16.8</b>   |
| Trade payables, other payables, provisions, lease liabilities                            | 129.2   | 9.4   |
| Deferred tax liability   | 2.0   | 0.8   |
| <b>Total liabilities</b>   | <b>131.3</b>                                  | <b>10.2</b>   |
| <b>Net assets acquired, total</b>  | <b>32.6</b>                                   | <b>6.6</b>  |
| <b>Goodwill</b>  | <b>108.8</b>                                  | <b>16.0</b>   |
| <b>Cash flow impact of acquisition</b>   |   |   |
| Consideration paid   | -138.1  | -21.6   |
| Cash and cash equivalents acquired   | 0.9   | 0.1   |
| Unpaid share   | 0.0   | 2.8   |
| <b>Cash flow impact of acquisition</b>   | <b>-137.2</b>                                 | <b>-18.7</b>  |

### Change in Kesko Senukai's consolidation method in the 2020 consolidated financial statements

During the financial year, Kesko announced that it had initiated a strategic review concerning the business operations in the Baltics and Belarus. Kesko also stated that it was examining conditions for the subsidiary consolidation of the company UAB Kesko Senukai Lithuania in

Kesko's consolidated financial statements due to significant disagreements concerning the management of and exercise of control over Kesko Senukai.

Kesko's management exercised its judgement in reassessing control over and conditions for subsidiary consolidation of Kesko Senukai under IFRS 10. In 2020, the company's shareholders had significant differences of opinion regarding the management and development of the company and exercise of control over it. According to Kesko's management's assessment, the company is no longer managed in accordance with the shareholders' agreement and previously established practices. Work on Kesko Senukai's Board has become difficult and has been fully prevented in some areas. Kesko's ability to obtain information on the company has been significantly restricted. According to the management assessment, Kesko no longer exercises the type of control referred to in IFRS 10 over Kesko Senukai. According to the management estimate, the loss of control was not due to any individual event, but was affected by the changes in circumstances and actions by minority shareholders referred to above. Kesko has detailed the litigation related to these actions in Note 5.5 of the consolidated financial statements.

Due to the loss of control, Kesko decided to classify Kesko Senukai as a joint venture as of 1 July 2020. None of the shareholders exercise control over Kesko Senukai. Instead, the shareholders exercise joint control based on a contractual arrangement, as defined in IFRS 11.5. As a joint venture, Kesko Senukai's shareholders are entitled to its net assets, and the shareholders' liability for the company's obligations is limited to the amount of equity invested.

As a result of the change in classification, the assets, liabilities, share of non-controlling interests, and accumulated currency translation differences were no longer recognised in the consolidated statement of financial position, and the share of joint ventures was recognised at fair value on the balance sheet. Consequently, a profit of €46.1 million was recognised under "Other operating income" on the consolidated income statement, which arose when the share of joint venture related to Kesko Senukai was valued at fair value. A negative item of €92.7 million was recognised under "Cash flows from investing activities" in the consolidated statement of cash flows, corresponding to the amount of Kesko Senukai's cash and cash equivalents on the balance sheet on 30 June 2020 before the end of subsidiary

consolidation. The €109.9 million non-controlling interest in Kesko Senukai, included in equity in the consolidated statement of financial position, is no longer recognised in the consolidated statement of financial position.

The fair value of the share of joint venture has been determined using discounted cash flow method. Cash flows have been determined using country-specific projections on developments in construction, consumer demand, GDP and inflation. In the DCF model the compound annual growth rate for the forecast period is 3.7% and the EBITDA ratio range (excluding IFRS 16 impact) is 3.7-4.4%. Cash flows have been discounted using the weighted average cost of capital of Kesko Senukai's operating countries, which was 10.3%. The discount rate has been determined taking into account the weak liquidity of the unlisted shareholding by raising the discount rate. Due to the differences of opinion regarding the management and development of the joint venture, the forecast periods contain the assumption that Kesko Senukai cannot be managed optimally. This may lead to a lower valuation (minority discount).

Due to the change in classification, from 1 July 2020 onwards Kesko Senukai is consolidated as a joint venture on one line "Share of result of joint ventures" before operating profit in Kesko's consolidated income statement, instead of the previous line-by-line subsidiary consolidation. In the consolidated statement of financial position, the change means that share of Kesko Senukai's net assets is presented on one line "Shares in associates and joint ventures" instead of the previous line-by-line consolidation of assets and liabilities.

| Calculation of impacts of the change in Kesko Senukai's classification, € million | 1 Jul. 2020 |
|---|-------------|
| Kesko Senukai's net assets in the consolidated statement of financial position    | -184.9      |
| Carrying amount of non-controlling interests                                      | 109.9       |
| Fair value of ownership interest in joint venture                                 | 127.7       |
| Translation differences in comprehensive income                                   | -6.7        |
| <b>Profit recognised in income statement at fair value</b>                        | <b>46.1</b> |

| Kesko Senukai's assets and liabilities included in the consolidated statement of financial position, € million | 30 Jun. 2020 |
|--|--------------|
| <b>Assets</b>  |              |
| Property, plant and equipment  | 88.4         |
| Right-of-use assets  | 298.5        |
| Intangible assets  | 38.3         |
| Deferred tax assets and other long-term receivables  | 6.3          |
| <b>Total</b>   | <b>431.4</b> |
| Inventories  | 198.7        |
| Non-interest-bearing receivables   | 54.5         |
| Other interest-bearing receivables   | 0.6          |
| Cash and cash equivalents  | 92.7         |
| <b>Total</b>   | <b>346.5</b> |
| <b>Total assets</b>  | <b>777.9</b> |
| <b>Non-current interest-bearing liabilities</b>  | <b>54.8</b>  |
| Lease liabilities  | 289.7        |
| Deferred tax liabilities   | 0.1          |
| <b>Total</b>   | <b>344.5</b> |
| <b>Current interest-bearing liabilities</b>  | <b>10.8</b>  |
| Lease liabilities  | 26.7         |
| Non-interest-bearing liabilities   | 211.0        |
| <b>Total</b>   | <b>248.5</b> |
| <b>Total liabilities</b>   | <b>593.1</b> |
| <b>Net assets</b>  | <b>184.9</b> |



## Disposals of assets in 2020

On 31 March 2020, Kesko sold its remaining stake in its Baltic machinery trade subsidiaries in the building and technical trade division to the Danish Agro Group company DA Agravis Machinery Holding A/S.

| Impact of the divestment of Baltic machinery trade operations, € million          | 31 Mar. 2020 |
|---|--------------|
| Konekesko Baltics' net assets in the consolidated statement of financial position | -39.2        |
| Carrying amount of non-controlling interests                                      | 4.1          |
| Transaction price   | 41.6         |
| Translation differences in comprehensive income                                   | -0.2         |
| <b>Profit recognised in income statement for the disposal</b>                     | <b>6.4</b>   |

## Baltic machinery trade assets and liabilities included in the consolidated statement of financial position, € million

|  | 31 Mar. 2020 |
|--|--------------|
| Property, plant and equipment                                | 3.2          |
| Right-of-use assets  | 3.3          |
| Intangible assets  | 0.0          |
| Inventories  | 58.3         |
| Trade receivables and other non-interest-bearing receivables | 8.2          |
| Interest-bearing receivables                                 | 7.8          |
| Cash and cash equivalents                                    | 5.0          |
| <b>Assets, total</b>   | <b>85.7</b>  |

|   |             |
|---|-------------|
| Trade payables and other non-interest-bearing current liabilities | 29.6        |
| Lease liabilities   | 3.9         |
| Other interest-bearing liabilities                                | 11.9        |
| Provisions  | 1.2         |
| <b>Liabilities, total</b>   | <b>46.6</b> |
| <b>Net assets</b>   | <b>39.2</b> |

Of the total transaction price, €20.4 million was paid during the 2020 financial year. As for cash flow, cash and cash equivalents and interest-bearing receivables from Kesko at the date of disposal are deducted from the selling price and interest-bearing liabilities to Kesko added, arriving at a cash flow impact of €19.6 million.

## Non-current assets classified as held for sale and related liabilities

| Liabilities related to available-for-sale non-current assets, € million | 2020        | 2019         |
|---|-------------|--------------|
| Intangible assets   | 0.2         | 0.0          |
| Property, plant and equipment   | 1.2         | 3.5          |
| Right-of-use assets   | -           | 3.6          |
| Inventories   | 6.1         | 48.3         |
| Trade receivables   | 1.1         | 5.9          |
| Other receivables   | 1.3         | 0.6          |
| <b>Non-current assets held for sale</b>                                 | <b>9.9</b>  | <b>61.9</b>  |
| Trade payables  | -0.6        | -6.1         |
| Other liabilities   | -1.8        | -3.6         |
| Provisions  | -           | -1.2         |
| <b>Liabilities related to assets held for sale</b>                      | <b>-2.3</b> | <b>-10.9</b> |

At the end of the 2020 financial year, non-current assets classified as held for sale and related liabilities mainly comprised items related to two building and home improvement stores in Finland. The building and home improvement stores are to be transferred to retailers during 2021. At the end of the 2019 financial year, non-current assets classified as held for sale and related liabilities mainly comprised items related to Baltic machinery trade operations.

## Acquisitions in 2019

### The DIY business of the Sørbø retailer group

In January, Kesko Corporation subsidiaries Skattum Handel AS and Rake Eiendom AS acquired the DIY retail business and related properties of the Norwegian Sørbø retailer group as well as a B2B logistics centre. The acquired stores previously operated Byggekammeret under the retailer business model. The debt-free price of the transaction, structured as a share purchase and business acquisition, totalled NOK 238.2 million (€24.2 million). The acquisitions resulted in goodwill totalling €4.6 million. The consolidated income statement includes minor acquisition-related costs under other operating expenses, presented as items affecting comparability. The impact of the acquired businesses on the Group's net sales and operating profit in 2019 February-December was minor.

## Fresks Group (K-Bygg)

Kesko Group company K-rauta AB completed the acquisition of Fresks Group from Litorina, Oscarson Invest and the group's management. The debt-free price of the transaction, structured as a share purchase, was SEK 2,192.0 million (€209.8 million). The acquisition of Fresks Group significantly strengthened Kesko's market position in Sweden, especially in the growing professional builders customer segment. With the acquisition, Kesko assumed ownership of 33 stores and some 500 employees, who mainly serve small and medium-sized renovation companies. Since June 2019, Fresks Group has served customers under the K-Bygg brand.

The fair value of the intangible assets acquired (including customer relationships) at the date of acquisition totalled €4.8 million. The €170.5 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections, logistics and operational efficiency. The consolidated income statement included €1.4 million in acquisition-related costs under other operating expenses, presented as items affecting comparability.

Fresks Group's impact on net sales for May-December 2019 was €132.8 million. The impact on the profit for May-December 2019 was €6.2 million. If the acquisitions had taken place on 1 January 2019, according to management estimates, the impact on Group net sales would have been approximately €199.1 million. The impact on profit would have been €6.5 million. In determining the net sales and comparable operating profit, management estimates that recorded fair values would have been the same on the date of acquisition had the acquisition taken place on 1 January 2019.

## Car trade acquisitions from Huittisten Laatuauto, LänsiAuto and Laakkonen Group

In March, Kesko Group company K Caara Oy completed the acquisitions of the Volkswagen and SEAT businesses of Huittisten Laatuauto Oy in Forssa and Huittinen, and the Volkswagen, Audi and SEAT businesses of LänsiAuto Oy in Kotka, Kouvolaa and Lappeenranta. In July, K Caara Oy completed the acquisition of the Volkswagen, Audi and SEAT businesses of Laakkonen Group. The combined debt-free transaction price of the acquisitions, structured as business acquisitions, was €57.4 million.

The fair value of the intangible assets acquired (including customer relationships) at the date of acquisition totals €0.5 million. The €23.1 million goodwill arising from the acquisitions

reflects the synergies expected to be achieved in efficiency in retail and other operations. The consolidated income statement included minor acquisition-related costs under other operating expenses. The impact of the acquired businesses on the Group's net sales and operating profit in March-December 2019 was minor.

The table provides a summary of the consideration paid, the values of assets acquired and liabilities assumed by Kesko Group at the date of acquisition, and the cash flow impact of the acquisitions.

| 2019<br>€ million  | DIY business<br>of Sorbo<br>retailer group | Fresks Group<br>(K-Bygg) | Car trade<br>acquisitions |
|--|--|--------------------------|---------------------------|
| <b>Consideration paid</b>  | 24.2                                       | 209.8                    | 57.4                      |
| <b>Fair values of assets acquired and liabilities assumed at the date of acquisition</b> |  |                          |                           |
| Intangible assets  | -  | 4.8                      | 0.5                       |
| Property, plant, equipment, right-of-use assets and investments                          | 18.8                                       | 48.5                     | 57.6                      |
| Inventories  | 4.9  | 36.4                     | 31.9                      |
| Receivables  | 1.4  | 24.2                     | 0.7                       |
| Deferred tax asset   | 0.1  | 0.0                      | -                         |
| Cash and cash equivalents  | 0.3  | 10.5                     | -                         |
| <b>Total assets</b>  | <b>25.4</b>                                | <b>124.4</b>             | <b>90.8</b>               |
| Trade payables, other payables, provisions, lease liabilities                            | 2.2  | 81.3                     | 56.4                      |
| Deferred tax liability   | 3.7  | 3.7                      | 0.1                       |
| <b>Total liabilities</b>   | <b>5.9</b>                                 | <b>85.0</b>              | <b>56.5</b>               |
| <b>Net assets acquired, total</b>  | <b>19.6</b>                                | <b>39.4</b>              | <b>34.3</b>               |
| <b>Goodwill</b>  | <b>4.6</b>                                 | <b>170.5</b>             | <b>23.1</b>               |
| <b>Cash flow impact of acquisition</b>   |  |                          |                           |
| Consideration paid   | -24.2                                      | -207.0                   | -57.4                     |
| Cash and cash equivalents acquired   | 0.3  | 10.3                     | -                         |
| Unpaid share   | -  | -                        | 1.0                       |
| <b>Cash flow impact of acquisition</b>   | <b>-23.9</b>                               | <b>-196.7</b>            | <b>-56.4</b>              |



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### Disposals of assets in 2019

Kesko Corporation completed the divestment of Onninen AB's HEPAC contractor business in Sweden to Solar A/S on 15 May 2019.

Kesko Group company Konekesko Oy sold its Finnish agricultural machinery trade operations to Danish Agro Machinery's Finnish subsidiary Finnish Agro Machinery on 1 August 2019.

### 3.2 Property, plant and equipment

#### Accounting policies

Property, plant and equipment mainly comprise land, buildings, machinery and equipment. Property, plant and equipment are carried at historic cost net of depreciation and possible impairment. The property, plant and equipment of acquired subsidiaries are measured at fair value at the date of acquisition.

Subsequent costs relating to items of property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. The machinery and equipment of buildings are treated as separate assets and any significant expenditure related to their replacement is capitalised. All other repair, service and maintenance expenditures of items of property, plant and equipment are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. Land is not depreciated.

The most common estimated useful lives are:

|                              |             |
|------------------------------|-------------|
| Buildings                    | 10–33 years |
| Components of buildings      | 8–10 years  |
| Machinery and equipment      | 3–8 years   |
| Cars and transport equipment | 5 years     |

The residual values and useful lives of property, plant and equipment are reviewed at least at the end of each financial year. If the estimates of useful life and the expected pattern of economic benefits are different from previous estimates, the change in the estimate is accounted for.

Depreciation of property, plant and equipment ceases when an item is classified as a non-current asset held for sale.

Gains and losses on disposals of property, plant and equipment are recognised in the income statement and stated as other operating income and expenses.

The Group has not capitalised interest costs incurred as part of the acquisition of assets, because the Group does not have qualifying assets.



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| 2020<br>€ million   | Land<br>and<br>waters | Buildings<br>equipment | Machinery<br>and<br>equipment | Other<br>tangible<br>assets | Prepayments<br>and<br>construction<br>in progress | Total<br>2020  |
|---|-----------------------|------------------------|-------------------------------|-----------------------------|---|----------------|
| <b>Cost</b>   |                       |                        |                               |                             |   |                |
| Cost as at 1 January  | 301.9                 | 1,384.1                | 610.8                         | 37.5                        | 36.3  | 2,370.6        |
| Exchange differences  | -0.3                  | -3.2                   | -1.1                          | -0.4                        | -0.3  | -5.2           |
| Additions   | 9.3                   | 62.0                   | 100.5                         | 0.9                         | 16.9  | 189.7          |
| Acquisitions  | 1.3                   | 21.7                   | 2.6                           | 0.2                         | 0.2   | 25.8           |
| Deductions  | -1.6                  | -22.8                  | -41.6                         | -0.3                        | -2.8  | -69.0          |
| Impact of change in Kesko<br>Senukai's consolidation<br>method          | -13.0                 | -50.1                  | -73.6                         | -2.6                        | -1.2  | -140.6         |
| Transfers between items   | 4.4                   | 19.4                   | 6.6                           | 0.2                         | -37.0   | -6.4           |
| Cost as at 31 December  | 302.0                 | 1,411.0                | 604.2                         | 35.7                        | 11.9  | 2,364.8        |
| <b>Accumulated depreciation<br/>and impairment charges</b>              |                       |                        |                               |                             |   |                |
| Accumulated depreciation<br>and impairment charges<br>as at 1 January   | -5.0                  | -499.0                 | -358.3                        | -20.5                       |   | -882.8         |
| Exchange differences  |                       | 0.0                    | 0.2                           | -0.1                        |   | 0.2            |
| Accumulated depreciation on<br>deductions                               |                       | 20.5                   | 26.3                          | 0.2                         |   | 47.0           |
| Impact of change in Kesko<br>Senukai's consolidation<br>method          |                       | 6.3                    | 45.1                          | 0.8                         |   | 52.2           |
| Accumulated depreciation on<br>transfers                                |                       | 0.0                    | 0.2                           | 0.0                         |   | 0.2            |
| Depreciation and impairment<br>charges for the year                     |                       | -64.9                  | -63.8                         | -2.2                        |   | -130.9         |
| Accumulated depreciation<br>and impairment charges<br>as at 31 December | -5.0                  | -537.1                 | -350.3                        | -21.6                       |   | -914.0         |
| Carrying amount<br>as at 1 January                                      | 296.9                 | 885.0                  | 252.5                         | 17.0                        | 36.3  | 1,487.8        |
| <b>Carrying amount<br/>as at 31 December</b>                            | <b>297.0</b>          | <b>873.9</b>           | <b>253.9</b>                  | <b>14.0</b>                 | <b>11.9</b>                                       | <b>1,450.8</b> |

\*Transfers between items include transfers to non-current assets classified as held for sale and transfers of assets reported as finance lease assets before the implementation of IFRS 16 to right-of-use assets.

### 3.3 Intangible assets

#### Accounting policies

Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

#### Goodwill and trademarks

Goodwill is not amortised but is instead tested for impairment annually and whenever there is an indication of impairment. For testing purposes, goodwill is allocated to the cash generating units. Goodwill is measured at initial cost and that acquired prior to 1 January 2004, at deemed cost net of impairment. Any negative goodwill is immediately recognised as income. For goodwill, a recognised impairment loss is not reversed.

#### Software

Costs directly attributable to the development of new software are capitalised as part of the software cost. On the balance sheet, software is included in intangible assets and its cost is amortised over the useful life of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are not amortised. They are tested for impairment annually and whenever there is an indication of impairment. Costs for intangible assets without indefinite useful lives are recognised in the balance sheet as costs during the useful lives of the assets. These intangible assets include trademarks capitalised upon acquisition, recorded at their fair values at the acquisition date.

#### Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives is assessed every year whether or not there is an indication of impairment. In addition, an impairment test is performed whenever there is an indication of impairment.

#### Other intangible assets

The cost of intangible assets with definite useful lives are recorded in the balance sheet and recognised as expenses during their useful lives. Such intangible assets include software licences, customer relationships and licences measured at the fair value at the date of acquisition, and leasehold interests that are amortised during their probable lease terms.

The estimated useful lives are:

|                                     |            |
|-------------------------------------|------------|
| Software and licences               | 3–5 years  |
| Customer and supplier relationships | 5–10 years |
| Licences                            | 20 years   |

#### Research and development expenses

The costs of research and development activities have been expensed as incurred, because the Group does not have development costs eligible for capitalisation.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Often, it is not possible to estimate the recoverable amount for an individual asset. Then, as in the case of goodwill, the recoverable amount is determined for the cash generating unit to which the goodwill or asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in the income statement. An impairment loss recognised for an asset in prior years is reversed, if the revaluation shows an increase in the recoverable amount. However, the reversal of an impairment loss of an asset should not exceed the carrying amount of the asset without impairment loss recognition. For goodwill, a recognised impairment loss is not reversed under any circumstances.



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| 2019<br>€ million   | Goodwill     | Trademarks  | Other<br>intangible<br>assets | Prepay-<br>ments | Total 2019   |
|---|--------------|-------------|-------------------------------|------------------|--------------|
| <b>Cost</b>   |              |             |                               |                  |              |
| Cost as at 1 January  | 330.4        | 94.3        | 244.0                         | 17.9             | 686.6        |
| Exchange differences  | 3.1          | 0.3         | 0.3                           | -0.1             | 3.6          |
| Additions   | 198.1        |             | 23.8                          | 9.1              | 231.1        |
| Acquisitions  |              |             | 4.8                           |                  | 4.8          |
| Deductions  | -0.8         |             | -34.4                         | -4.7             | -39.9        |
| Transfers between items   |              |             | 8.1                           | -8.6             | -0.5         |
| Cost as at 31 December  | 530.8        | 94.6        | 246.6                         | 13.7             | 885.7        |
| <b>Accumulated amortisation and impairment charges</b>            |              |             |                               |                  |              |
| Accumulated amortisation and impairment charges as at 1 January   | -51.7        | -7.1        | -135.7                        |                  | -194.5       |
| Exchange differences  | 0.0          | -0.1        | -0.2                          |                  | -0.3         |
| Accumulated amortisation and impairment charges on disposals      | 0.0          |             | 34.6                          |                  | 34.6         |
| Accumulated amortisation on transfers                             | 0.0          |             | 0.0                           |                  | 0.0          |
| Amortisation and impairment charges for the year                  | 0.0          |             | -40.9                         |                  | -40.9        |
| Accumulated amortisation and impairment charges as at 31 December | -51.7        | -7.2        | -142.2                        |                  | -201.0       |
| Carrying amount as at 1 January                                   | 278.7        | 87.2        | 108.3                         | 17.9             | 492.1        |
| <b>Carrying amount as at 31 December</b>                          | <b>479.0</b> | <b>87.4</b> | <b>104.5</b>                  | <b>13.7</b>      | <b>684.7</b> |

Other intangible assets include other non-current expenditure, of which €50.0 million (€66.0 million) are software and licence costs.

| 2020<br>€ million   | Goodwill     | Trademarks  | Other<br>intangible<br>assets | Prepay-<br>ments | Total 2020   |
|---|--------------|-------------|-------------------------------|------------------|--------------|
| <b>Cost</b>   |              |             |                               |                  |              |
| Cost as at 1 January  | 530.8        | 94.6        | 246.6                         | 13.7             | 885.7        |
| Exchange differences  | 1.4          | -1.8        | -2.1                          |                  | -2.5         |
| Additions   |              |             | 23.1                          | 6.3              | 29.4         |
| Acquisitions  | 124.8        | 2.2         | 8.6                           |                  | 135.6        |
| Deductions  |              |             | -11.3                         | -0.1             | -11.4        |
| Impact of change in Keskko Senukai's consolidation method         | -38.6        |             | -16.3                         |                  | -54.9        |
| Transfers between items   | -0.1         |             | 13.1                          | -8.0             | 4.9          |
| Cost as at 31 December  | 618.3        | 95.0        | 261.6                         | 11.9             | 986.8        |
| <b>Accumulated amortisation and impairment charges</b>            |              |             |                               |                  |              |
| Accumulated amortisation and impairment charges as at 1 January   | -51.7        | -7.2        | -142.2                        |                  | -201.0       |
| Exchange differences  | -0.2         | 0.4         | 1.7                           |                  | 1.9          |
| Accumulated amortisation and impairment charges on disposals      |              |             | 12.2                          |                  | 12.2         |
| Impact of change in Keskko Senukai's consolidation method         | 5.7          |             | 11.0                          |                  | 16.7         |
| Accumulated amortisation on transfers                             | 0.1          |             |                               |                  | 0.1          |
| Amortisation and impairment charges for the year                  | 0.0          | -0.5        | -38.8                         |                  | -39.3        |
| Accumulated amortisation and impairment charges as at 31 December | -46.2        | -7.2        | -156.0                        |                  | -209.5       |
| Carrying amount as at 1 January                                   | 479.1        | 87.4        | 104.5                         | 13.7             | 684.7        |
| <b>Carrying amount as at 31 December</b>                          | <b>572.1</b> | <b>87.7</b> | <b>105.6</b>                  | <b>11.9</b>      | <b>777.4</b> |

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## Goodwill and intangible rights by division

| € million                              | Trade-marks 2020 | Goodwill 2020 | Pre-tax discount rate 2020 | Trade-marks 2019 | Goodwill 2019 | Pre-tax discount rate 2019 |
|--|------------------|---------------|----------------------------|------------------|---------------|----------------------------|
| Grocery trade, chain operations        |                  | 76.1          | 5.7                        |                  | 76.1          | 5.6                        |
| Grocery trade, Kespro                  | 5.3              | 2.0           | 5.5                        | 5.3              | 2.0           | 5.5                        |
| Building and technical trade           |                  |               |                            |                  |               |                            |
| Byggmakker and Carlsen Fritzøe, Norway | 23.7             | 201.9         | 6.8                        | 23.8             | 98.9          | 6.8                        |
| Onninen                                | 58.6             | 66.3          | 7.3                        | 58.3             | 55.1          | 7.4                        |
| Kesko Senukai, Baltics                 | -                | -             | -                          | -                | 33.0          | 7.6                        |
| K-Bygg, Sweden                         |                  | 182.7         | 6.7                        |                  | 171.0         | 6.7                        |
| Car trade                              |                  | 43.1          | 6.8                        |                  | 43.1          | 6.9                        |
| <b>Total</b>                           | <b>87.7</b>      | <b>572.1</b>  |                            | <b>87.4</b>      | <b>479.0</b>  |                            |

Intangible assets with indefinite useful lives are tested annually for possible impairment and whenever there is an indication of impairment.

The useful lives of some trademarks (brands) included in intangible assets have been classified as indefinite, because it has been estimated that the period over which they generate cash inflows is indefinite. This is because no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group can be seen. Trademarks are part of assets acquired in connection with acquisitions.

Cash generating units have been identified at maximum at the level of reported divisions.

### Impairment test for goodwill and intangible assets

The recoverable amount of a cash-generating unit's business is determined based on value-in-use calculations in impairment testing. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of three years. The plans are based on external sources concerning projections for total market growth, weighted with the cash-generating unit's own business' share of the market in question. Profitability trends, including changes in store site network, product and service selection, pricing and movements

in operating costs, are based on management-approved plans. The average compound annual growth rate for the forecast period was 1.7-1.8% and the EBITDA ratio range 4.7-12.4%. Cash flows after the period are estimated based on a 0.5-2.0% (1.0-2.0%) growth projection, taking into account country-specific differences. The growth projection for chain operations in grocery trade in Finland for the period following the forecast period is 0.5%, while the projection for Kespro is 1.5% and for the car trade 1.5%. The projected growth for K-Bygg in Sweden and Byggmakker and Carlsen Fritzøe in Norway is 2.0%. The projected growth for Onninen, which operates in seven countries, after the forecast period is 2.0%.

The discount rate used is the weighted average cost of capital (WACC) after tax, specified for each division and country and adjusted for tax effect in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, target capital structure, borrowing cost and country risks. In goodwill impairment testing, the adoption of IFRS 16 Leases in 2019 increased recoverable amounts and assets tested. Discount rates have been determined using formula inputs based on IFRS 16.

### Impairment losses

There were no impairment charges recognised on goodwill or intangible rights in the financial years 2020 and 2019.

### Sensitivity analysis

The key variables used in impairment testing are the growth percentage, EBITDA margin and discount rate after the forecast period. The plans are based on external sources concerning projections for total market growth, weighted with the cash-generating unit's own business' share of the market in question.

The most sensitive to movements in assumptions is the goodwill impairment test for K-Bygg. K-Bygg's net sales in 2020 totalled €228.4 million, and the comparable change in net sales (calculated in local currency and excluding the impact of acquisitions and divestments) was 9.6%. During the forecast period, the range for change in K-Bygg's net sales is 3.2-9.0%; the highest growth rate is explained by the acquisitions completed in September 2020. The growth forecast for K-Bygg's net sales for the period following the forecast period is 2%.



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By the end of the forecast period, K-Bygg's EBITDA margin is expected to have grown by 0.1 percentage points from the EBITDA margin achieved in 2020. Impairment would be recognised if the post-forecast period EBITDA margin would decrease by more than 1.5 percentage points, if the post-forecast period growth percentage would be below 0.7%, or if the pre-tax discount rate was above 8.0%. In K-Bygg's impairment test, the recoverable amount exceeded the carrying amount of the assets tested by €81.5 million (31 Dec. 2019: €204.3 million).

The impairment testing sensitivity of Byggnær's goodwill has been reduced by the increase in the share of own retailing following the acquisition of Carlsen Fritzøe, which has increased the profitability of the cash-generating unit.

During the financial year, an impairment test concerning goodwill for the car trade was conducted because due to increased economic uncertainty caused by the Covid-19 pandemic, projections for the car trade market had not materialised. According to the annual impairment testing conducted at the end of the financial year, sensitivity to movements in assumptions used in the testing had decreased, primarily due to the improved market situation in the car trade in the latter half of the financial year. According to the impairment test, the recoverable amount on 31 December 2020 exceeded the carrying amount of the assets tested by €202.8 million, versus €74.7 million in the impairment test on 30 June 2020.

With regard to the other cash generating units, according to management estimates, a foreseeable change in any key variable would not create a situation in which the unit's recoverable amount would be lower than its carrying amount.

### 3.4 Right-of-use assets

#### Accounting policies

The Group leases properties, machinery and equipment for use in its business operations. A right-of-use asset and lease liability corresponding to the present value of future lease payments are recognised in the balance sheet at the initiation of a lease. The right-of-use asset is remeasured with corresponding remeasurement of lease liability. The lease liability is remeasured at the effective date of lease modification, and the consequent change is recognised as an adjustment to the right-of-use asset. If the reduction in lease liability exceeds the right-of-use asset, the difference is recognised in profit or loss. Lease liabilities must be remeasured using a revised discount rate when there is a change in the lease term, the assessment of whether an option to extend or terminate the lease is exercised, or the lease payment amount, and when there is a change in the assessment of whether an option to purchase the underlying asset is exercised. Information on leases can be found in Note 4.6, and cash flows from leases are presented in Note 2.9.

The lessee depreciates the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise of the purchase option, the depreciation is made from the commencement date of the lease to the end of the useful life of the underlying asset.

If the use of a leased asset is discontinued or if a leased asset is re-leased at a lower rate, the lease becomes loss-making and an impairment is recognised for the corresponding right-of-use asset.



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3.5 Inventories

Accounting policies  
Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale. The cost is determined using weighted average costs. The cost of certain categories of inventory is determined using the FIFO method. The cost of finished goods comprises all costs of purchase including freight. The cost of self-constructed goods comprises all costs of conversion including direct costs and allocations of variable and fixed production overheads. The cost excludes borrowing costs.

| € million   | 2020  | 2019    |
|---|-------|---------|
| Goods   | 835.6 | 1,027.0 |
| Prepayments                                       | 1.3   | 10.6    |
| Total   | 836.9 | 1,037.7 |
| Write-down of inventories to net realisable value | 48.2  | 46.6    |

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| 2020<br>€ million  | Land and buildings | Machinery and equipment | Total   |
|--|--------------------|-------------------------|---------|
| Carrying amount as at 1 January                          | 2,170.2            | 21.1                    | 2,191.3 |
| Additions  | 231.4              | 9.2                     | 240.6   |
| Acquisitions   | 94.8               |                         | 94.8    |
| Transfers between items                                  | 1.8                | 0.6                     | 2.4     |
| Impact of change in Kesko Senukai's consolidation method | -297.7             | -0.7                    | -298.4  |
| Depreciation   | -307.9             | -8.6                    | -316.5  |
| Impairment charges                                       | -10.9              |                         | -10.9   |
| Deductions   | -81.3              | -0.4                    | -81.8   |
| Exchange differences                                     | -2.3               | -0.2                    | -2.5    |
| Carrying amount as at 31 December                        | 1,798.1            | 20.9                    | 1,819.0 |

| 2019<br>€ million                 | Land and buildings | Machinery and equipment | Total   |
|-----------------------------------|--------------------|-------------------------|---------|
| Carrying amount as at 1 January   | 2,039.5            | 17.5                    | 2,057.0 |
| Additions                         | 655.0              | 6.6                     | 661.6   |
| Acquisitions                      | 33.7               | 2.1                     | 35.8    |
| Transfers between items           | -                  | 5.3                     | 5.3     |
| Depreciation                      | -314.5             | -10.7                   | -325.1  |
| Impairment charges                | -9.6               | -                       | -9.6    |
| Carrying amount as at 31 December | 2,170.2            | 21.1                    | 2,191.3 |

### 3.6 Trade and other current receivables

#### Accounting policies

Trade receivables are recognised in the amounts of initial sale. According to the IFRS 9 impairment model, impairments must be recognised on the basis of expected credit losses. The Group has adopted the standard's simplified approach for recognising impairment of trade receivables using the provision matrix. For the impairment model, Group companies have been classified into risk categories on the basis of their business model and realised historical credit losses. In addition, impairment is recognised, if there is other evidence of a debtor's insolvency, bankruptcy or liquidation. Impairment is recognised as an expense in other operating expenses. If an amount previously written off is subsequently settled, it is recognised as a reduction of other operating expenses.

| € million                                    | 2020           | 2019           |
|--|----------------|----------------|
| Interest-bearing receivables                 |                |                |
| Interest-bearing loans and receivables       | 12.3           | 2.2            |
| Total interest-bearing receivables           | 12.3           | 2.2            |
| Trade receivables                            | 776.5          | 804.7          |
| Income tax assets                            | 1.6            | 14.4           |
| Other non-interest-bearing receivables       |                |                |
| Non-interest-bearing loans and receivables   | 45.6           | 25.6           |
| Prepaid expenses                             | 219.3          | 181.0          |
| Total other non-interest-bearing receivables | 265.0          | 206.6          |
| <b>Total</b>                                 | <b>1,055.3</b> | <b>1,027.8</b> |

A total amount of €6.1 million (€3.6 million) of trade receivables has been recognised within credit losses in the income statement. The credit risk is described in more detail in note 4.3.

Prepaid expenses mainly comprise allocations of purchases.

The fair values of current trade and loan receivables, and those of current interest-bearing receivables are estimated to equal the carrying amounts due to their short maturities.

### 3.7 Pension assets

#### Accounting policies

The Group operates both defined contribution pension plans and defined benefit pension plans. The contributions payable under defined contribution plans are recognised as expenses in the income statement for the period to which the payments relate. In defined contribution plans, the Group does not have a legal or constructive obligation to pay further contributions, in case the payment recipient is unable to pay the retirement benefits.

In defined benefit plans, the Group may incur obligations or assets after the payment of the contribution. The pension obligation represents the present value of future cash flows from the benefits payable. The present value of pension obligations has been calculated using the projected unit credit method. Pension costs are expensed during employees' service lives based on actuarial calculations. The discount rate assumed in calculating the present value of the pension obligation is the market yield of high-quality corporate bonds. Their maturity substantially corresponds to the maturity of the pension liability. The assets corresponding to the pension obligation of the retirement benefit plan are carried at fair values at the balance sheet date. Actuarial gains and losses are recognised in comprehensive income in the income statement.

The Group operates several pension plans in different operating countries. In Finland, the statutory pension provision of personnel is provided through pension insurance companies and the voluntary supplementary pension provision is mainly provided through Kesko Pension Fund. The statutory pension provision provided through pension insurance companies is a defined contribution plan. The supplementary pension provision provided through Kesko Pension Fund is a defined benefit plan.

Pension plans in foreign subsidiaries are managed in accordance with local regulations and practices, and they are defined contribution plans.



## Kesko Pension Fund

Kesko Pension Fund is a pension provider of its members providing supplementary retirement benefits to employees who are beneficiaries of the Pension Fund's department A. Department A was closed on 9 May 1998. As the conditions set out in the Fund's rules are met, beneficiaries between 60 and 65 years of age are granted an old-age pension. The amount of retirement benefit granted by the Fund is the difference between the employee's retirement benefit based on his/her pensionable salary calculated in accordance with the Fund's rules and the statutory pension. In addition to the individually calculated pensionable salary, the retirement benefit amount of each beneficiary is impacted by the duration of his/her membership of the Pension Fund. At the end of 2020, the Pension Fund had 2,269 beneficiaries, of whom 330 were active employees and 1,939 were retired employees. Kesko Group's contribution to the Pension Fund's obligation is 96.9% (96.6%). The notes present Kesko Group's interest in the Pension Fund except for the analysis of assets by category and the maturity analysis of the obligation.

In addition to its rules, the Pension Fund's operations are regulated by the Employee Benefit Funds Act, the decrees under the Act and official instructions, and the Fund's operations are controlled by the Financial Supervisory Authority. The regulations include stipulations on the calculation of pension obligation and its coverage, for example. The pension obligation shall be fully covered by the plan assets, any temporary deficit is only allowed exceptionally. In addition, the regulations include detailed stipulations on the acceptability of the covering assets and the diversification of investment risks.

Kesko Pension Fund did not charge contributions from its shareholders during this or the previous financial year. During the previous financial year, Kesko Pension Fund paid €48 million in total in return of surplus assets to Finnish Group companies. Kesko Group does not expect to pay contributions to the Pension Fund in 2021.

The defined benefit asset recognised in the balance sheet is determined as follows:

| € million  | 2020        | 2019        |
|--|-------------|-------------|
| Present value of defined benefit obligation                        | -294.4      | -284.7      |
| Fair value of plan assets  | 384.0       | 377.8       |
| <b>Net assets recognised in the balance sheet</b>                  | <b>89.6</b> | <b>93.2</b> |
| <b>Movement in the net assets recognised in the balance sheet:</b> |             |             |
| As at 1 January  | 93.2        | 148.0       |
| Income/cost recognised in the income statement                     | -5.5        | -2.9        |
| Remeasurement  | 1.0         | -4.5        |
| Return of surplus assets   | 0.0         | -48.3       |
| Contributions to plan and plan costs                               | 1.0         | 0.9         |
| <b>As at 31 December</b>   | <b>89.6</b> | <b>93.2</b> |

| € million   | Present value of defined benefit obligation | Fair value of plan assets | Total       |
|---|---|---------------------------|-------------|
| As at 1 January 2020                              | -284.7                                      | 377.8                     | 93.2        |
| Current service cost                              | -4.1  |                           | -4.1        |
| Past service cost                                 |   |                           | 0.0         |
| Gains or losses on settlement                     | -2.1  |                           | -2.1        |
| Interest cost/income                              | -2.2  | 2.9                       | 0.7         |
|   | <b>-8.5</b>                                 | <b>2.9</b>                | <b>-5.5</b> |
| Remeasurement                                     |   |                           |             |
| Return on plan assets                             |   | 15.9                      | 15.9        |
| Gain/loss from changes in demographic assumptions |   |                           | 0.0         |
| Gain/loss from changes in financial assumptions   | -14.9                                       |                           | -14.9       |
| Experience gains/losses                           | 0.0   |                           | 0.0         |
|   | <b>-15.0</b>                                | <b>15.9</b>               | <b>1.0</b>  |
| Contributions to plan and plan costs              |   | 1.0                       | 1.0         |
| Return of surplus assets                          |   | 0.0                       | 0.0         |
| Benefit payments                                  | 13.6  | -13.6                     | 0.0         |
| <b>As at 31 December 2020</b>                     | <b>-294.5</b>                               | <b>384.0</b>              | <b>89.6</b> |



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Plan assets were comprised as follows in 2019

| € million              | Quoted       | Unquoted     | Total        |
|------------------------|--------------|--------------|--------------|
| <b>Europe</b>          |              |              |              |
| Equity instruments     | 72.4         | 17.2         | 89.6         |
| Debt instruments       | 45.0         | 7.5          | 52.5         |
| Investment funds       | 79.5         | 13.2         | 92.7         |
| Properties             |              | 88.6         | 88.6         |
| <b>United States</b>   |              |              |              |
| Equity instruments     | 3.4          |              | 3.4          |
| Investment funds       | 38.0         |              | 38.0         |
| <b>Other countries</b> |              |              |              |
| Investment funds       | 26.0         |              | 26.0         |
| <b>Total</b>           | <b>264.2</b> | <b>126.5</b> | <b>390.7</b> |

| € million   | 2020  | 2019 |
|---|-------|------|
| Kesko Corporation shares included in fair value         | -     | -    |
| Properties leased by Kesko Group included in fair value | 117.5 | 88.6 |

Principal actuarial assumptions:

|                                   | 2020  | 2019  |
|-----------------------------------|-------|-------|
| Discount rate                     | 0.45% | 0.79% |
| Salary growth rate                | 1.80% | 1.80% |
| Inflation                         | 1.30% | 1.30% |
| Pension growth rate               | 1.60% | 1.60% |
| Average service expectancy, years | 7     | 7     |

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| € million   | Present value of defined benefit obligation | Fair value of plan assets | Total       |
|---|---|---------------------------|-------------|
| As at 1 January 2019                              | -254.2                                      | 402.2                     | 148.0       |
| Current service cost                              | -3.8  |                           | -3.8        |
| Past service cost                                 | 0.0   |                           | 0.0         |
| Gains or losses on settlement                     | -1.8  |                           | -1.8        |
| Interest cost/income                              | -5.2  | 7.8                       | 2.6         |
|   | <b>-10.7</b>                                | <b>7.8</b>                | <b>-2.9</b> |
| <b>Remeasurement</b>                              |   |                           |             |
| Return on plan assets                             |   | 28.6                      | 28.6        |
| Gain/loss from changes in demographic assumptions |   |                           | 0.0         |
| Gain/loss from changes in financial assumptions   | -37.7                                       |                           | -37.7       |
| Experience gains/losses                           | 4.6   |                           | 4.6         |
|   | <b>-33.1</b>                                | <b>28.6</b>               | <b>-4.5</b> |
| Contributions to plan and plan costs              |   | 0.9                       | 0.9         |
| Return of surplus assets                          |   | -48.3                     | -48.3       |
| Benefit payments                                  | 13.4  | -13.4                     | 0.0         |
| <b>As at 31 December 2019</b>                     | <b>-284.7</b>                               | <b>377.8</b>              | <b>93.2</b> |

Plan assets were comprised as follows in 2020

| € million              | Quoted       | Unquoted     | Total        |
|------------------------|--------------|--------------|--------------|
| <b>Europe</b>          |              |              |              |
| Equity instruments     |              | 27.4         | 27.4         |
| Debt instruments       | 32.0         | 13.5         | 45.5         |
| Investment funds       | 81.0         | 11.2         | 92.2         |
| Properties             |              | 117.5        | 117.5        |
| <b>United States</b>   |              |              |              |
| Equity instruments     |              | 0.0          | 0.0          |
| Investment funds       | 79.8         |              | 79.8         |
| <b>Other countries</b> |              |              |              |
| Investment funds       | 34.4         |              | 34.4         |
| <b>Total</b>           | <b>227.2</b> | <b>169.6</b> | <b>396.8</b> |

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## Weighted average duration of pension obligations and expected maturity analysis of undiscounted pension obligations

|   | 2020         | 2019         |
|---|--------------|--------------|
| Weighted average duration of pension obligations, years                   | 15           | 15           |
| Expected maturity analysis of undiscounted pension obligations, € million |              |              |
| Less than 1 year  | 14.1         | 14.1         |
| Between 1–10 years  | 109.1        | 110.3        |
| Between 10–20 years   | 92.2         | 93.8         |
| Between 20–30 years   | 58.7         | 59.6         |
| Over 30 years   | 43.9         | 45.6         |
| <b>Total</b>  | <b>318.0</b> | <b>323.5</b> |

## Risks related to pension plan

### Asset related risks

The Pension Fund's investment assets comprise properties, equity index funds, private equity funds, unlisted shares and both long-term and short-term money market investments. The Pension Fund's investment policy defines the investment restrictions pertaining to classes of assets and the allowed investees. The investment plan, annually confirmed by the Pension Fund board, sets the investment allocation and return targets for the year ahead. The objective of investing activity is to secure a return on the investments and their convertibility into cash, as well as ensuring appropriate diversity and diversification of investments. On an annual basis, the objective is to exceed the Pension Fund's obligation expenses and costs, so that contributions need not be charged to the members. The long-term target return on investment activity is 5.0%. The risks involved in investment activity are managed by continuously monitoring market developments and analysing the adequacy of the return and risk potential of the investments. The returns compared to chosen reference indices and the breakdown of investments are reported on a monthly basis. In 2020, the realised return on investing activity was 6.4%.

If the return on investment assets underperforms the discount rate applied to the calculation of the present value of defined pension obligation, a deficit in the plan may arise. The diversification of assets is aimed to reduce this risk in varying financial conditions. If a deficit is created in the pension plan, such that the pension obligation is not fully covered, Pension Fund members are obligated to pay contributions to the Fund in order to cover the obligation. Calculated in compliance with the IAS 19 standard, the amount of plan assets exceeded the plan obligation by €91.0 million as at 31 December 2020. Local rules concerning the Pension Fund may also create a contribution obligation in situations in which the IAS 19 obligation is fully covered. In such a case, the amount of contributions charged increases the amount of pension assets according to IAS 19.

### Obligation related risks

In addition to the general level of interest rates, the defined benefit obligation is impacted by changes in the statutory pension provision, future salary increases, index-based pension increases and changes in life expectancy. The pension promise made to the Fund's beneficiaries is tied to the amount of pensionable salary and it is a lifelong benefit. The total pension amount consists of the statutory pension and the supplementary pension provided by the Fund. Salary increases will increase the future pension amount. Changes in statutory pension provision, such as an increase in the retirement age or a reduction of pension provision, which are compensated to pensioners by the supplementary pension and, consequently, the changes would increase the defined benefit obligation. The amount of future pensions is adjusted annually with an index-based increase in accordance with the terms and conditions of the plan. The extension of life expectancy will result in an increase in plan obligation.

Changes in the general level of interest rates and the market yield of high-quality bonds have an impact on the present value of the defined benefit obligation. When the level of interest rates falls, the present value of the defined benefit obligation rises. Because the Pension Fund's investment assets are invested and their return targets are set for long terms, changes in the annual return on investments do not necessarily correlate in the short term with changes in the discount rate applied to the defined benefit obligation.

## Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented in the following table.

| Actuarial assumption | Change in assumption | Impact on defined benefit obligation, increase | Impact on defined benefit obligation, decrease |
|----------------------|----------------------|--|--|
| <b>2020</b>          |                      |  |  |
| Discount rate        | 0.50%                | -7.19%   | 8.15%  |
| Salary growth rate   | 0.50%                | 1.12%  | -1.07%   |
| Pension growth rate  | 0.50%                | 6.60%  | -6.00%   |
| <b>2019</b>          |                      |  |  |
| Discount rate        | 0.50%                | -7.04%   | 7.96%  |
| Salary growth rate   | 0.50%                | 1.15%  | -1.10%   |
| Pension growth rate  | 0.50%                | 6.40%  | -5.80%   |

The impacts of sensitivity analysis have been calculated so that the impact of a change in the assumption is calculated while assuming that all other assumptions are constant. In practice, this is unlikely to occur, and changes in some of the assumptions may correlate with each other. The sensitivity of the defined benefit obligation has been calculated using the same method as when calculating the pension obligation recognised within the statement of financial position.

## 3.8 Shares in associates and joint ventures

### Associates and joint ventures

Associates and joint ventures are treated as equity-accounted investments. The shares in associates and joint ventures are not quoted on the market. Associates and joint ventures are listed in Note 5.1. Related party information is presented in Note 5.3.

### Significant joint ventures

The Group has a significant joint venture, UAB Kesko Senukai Lithuania. Kesko Senukai Group engages in building and home improvement trade in Lithuania, Estonia, Latvia and Belarus. The Group's parent company, UAB Kesko Senukai Lithuania, is a limited liability company registered in Lithuania. Kesko Group has a 50.0% holding in Kesko Senukai Group.

UAB KS Holding is a limited liability company registered in Lithuania that engages in real estate development and real estate rental. Its operations are closely related to the operations of Kesko Senukai Group. The real estate companies owned by KS Holding in Lithuania, Latvia and Estonia rent and build store properties primarily for the use of Kesko Senukai Group. Kesko Group's holding in KS Holding Group is 50.0%.

Kesko Senukai and KS Holding were consolidated as a subsidiary in the consolidated financial statements up until 30 June 2020; as of 1 July 2020, they have been consolidated as joint ventures. Due to the change in classification, from 1 July 2020 onwards the companies are consolidated as joint ventures on one line "Share of result of joint ventures" before operating profit in Kesko's consolidated income statement. The reclassification had a positive impact of €127.7 million on the balance sheet value of associates and joint ventures. The change in consolidation methods, the grounds for the change and the financial impacts have been detailed in Note 3.1. Kesko Senukai's subsidiary consolidation in the 2019 financial year is presented in Note 5.1.

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### Significant associates

Mercada Oy is a limited liability company registered in Finland, which operates in real estate investment. Mercada owns, manages and develops retail sites mainly used by Kesko Group in Finland and Sweden. Kesko Corporation's holding in Mercada is 33.3%. Mercada's three shareholders have equal stakes in the company.

| Summary of financials of a significant associate, € million       | 2020  | 2019  |
|---|-------|-------|
| Current assets  | 13.0  | 8.1   |
| Non-current assets  | 554.1 | 586.8 |
| Current liabilities   | 17.1  | 17.6  |
| Non-current liabilities   | 521.2 | 547.7 |
| Equity attributable to equity holders of the parent               | 28.7  | 29.6  |
| Non-controlling interests   | -     | -     |
| Net sales   | 47.9  | 50.1  |
| Net profit for the year   | -0.9  | 0.7   |
| Parent company owners' share of comprehensive income for the year | -0.6  | 0.4   |
| Comprehensive income for the year, total                          | -0.6  | 0.4   |

| Reconciliation for balance sheet value of an associate, € million | 2020 | 2019 |
|---|------|------|
| Net assets of the associate                                       | 28.7 | 29.6 |
| Group interest in net assets                                      | 9.6  | 9.9  |
| Balance sheet value of the associate                              | 9.6  | 9.9  |

### Other associates

| Summary of financials of other associates, € million                                  | 2020 | 2019 |
|---|------|------|
| Group share of profit for the year  | 12.3 | 44.5 |
| Group share of comprehensive income for the year                                      | 12.3 | 44.5 |
| Balance sheet value of associates in the consolidated statement of financial position | 56.8 | 47.8 |

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| Summary of financials of significant joint ventures, € million | 2020  |
|--|-------|
| Current assets   | 342.5 |
| Non-current assets   | 418.3 |
| Current liabilities  | 227.7 |
| Non-current liabilities  | 321.7 |

The above-mentioned balance sheet items contain the following items:

|  |       |
|--|-------|
| Cash and cash equivalents                | 77.0  |
| Current interest-bearing liabilities     | 49.7  |
| Non-current interest-bearing liabilities | 321.6 |

|  | 1.7-31.12.2020 | 1.1-31.12.2020 |
|--|----------------|----------------|
| Net sales  | 494.4          | 921.7          |
| Net profit attributable to owners of the parent  | 23.7           | 30.7           |
| Group share of profit for the year   | 11.8           | -              |
| Fair value allocation of inventories   | -4.4           | -              |
| Share consolidated as a joint venture in consolidated financial statements in 1.7-31.12.2020 | 7.5            | -              |

The above-mentioned income statement items contain the following items:

|   |       |       |
|---|-------|-------|
| Depreciation, amortisation and impairment | -21.3 | -42.2 |
| Interest income                           | 0.1   | 0.2   |
| Interest expense                          | -7.3  | -14.8 |
| Income tax                                | -5.3  | -6.6  |

Dividends received from Kesko Senukai during the financial year

-2.5

| Reconciliation for balance sheet value of joint ventures, € million | 2020  |
|---|-------|
| Net assets of joint ventures  | 211.4 |
| Minority interest in net assets                                     | 26.7  |
| Group interest in net assets  | 92.3  |
| Goodwill  | 17.7  |
| Fair value allocations  | 22.7  |
| Balance sheet value of joint ventures                               | 132.7 |

The table depicts the associates Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy, which sell services to Kesko and retail companies of K-retailers, as well as business property companies that have leased their properties for use by Kesko Group.

The associate Valluga-Sijoitus Oy was dissolved during the financial year. In the dissolution, Kesko Corporation received shares in Vähittäiskaupan Takaus Oy and minor liquid assets as share in the distribution. The dissolution of Valluga-Sijoitus Oy resulted in a €11.6 million profit in the consolidated income statement. The dissolution had a positive impact of €13.4 million on the balance sheet value of associates and joint ventures.

Kruunuvooren Satama Oy became a wholly-owned subsidiary of Kesko Corporation in May 2019, when Kesko Corporation, Kesko Pension Fund and Ilmarinen Mutual Pension Insurance Company dissolved their joint ownership of Kruunuvooren Satama Oy. In November 2019, Hehku Kauppa Oy became a wholly-owned subsidiary of Kesko Corporation, when Kesko Corporation acquired Oriola Corporation's 50% stake in the company.

### Mutual real estate companies

Associates that are mutual real estate companies are consolidated in the consolidated financial statements in proportion to ownership. The figures in the table below are the Group's share of real estate companies' assets and liabilities and net profit, included in the consolidated statement of financial position and income statement. Mutual real estate companies have been treated as common functions in proportion to ownership.

| € million               | 2020 | 2019 |
|-------------------------|------|------|
| Non-current assets      | 28.9 | 30.8 |
| Current assets          | 0.5  | 0.6  |
| Non-current liabilities | 0.2  | 1.6  |
| Current liabilities     | 8.0  | 5.1  |
| Net assets              | 21.2 | 24.8 |
| Income                  | 2.4  | 2.9  |
| Costs                   | 3.5  | 3.6  |
| Net profit for the year | -1.2 | -0.7 |

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### 3.9 Provisions

#### Accounting policies

A provision is recognised when the Group has a present legal or constructive obligation as the result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and that a reliable estimate can be made of the amount of the obligation. Provision amounts are reviewed on each balance sheet date and adjusted to reflect the current best estimate. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised. The most significant part of the Group's provisions relates to warranties given to products sold by the Group.

A warranty provision is recognised when a product covered by warranty provisions is sold. The provision amount is based on historical experience about the level of warranty expenses.

| € million                           | Warranty provisions | Other provisions | Total |
|-------------------------------------|---------------------|------------------|-------|
| Provisions as at 1 Jan. 2020        | 19.0                | 17.0             | 36.1  |
| Foreign exchange effects            | 0.0                 | 0.0              | 0.0   |
| Additional provisions               | 11.7                | 12.1             | 23.9  |
| Unused amounts reversed             | -4.1                | -1.5             | -5.5  |
| Amounts charged against provision   | -8.7                | -7.8             | -16.6 |
| Changes in the Group structure      | -0.1                | 0.1              | 0.1   |
| Provisions as at 31 Dec. 2020       | 17.9                | 20.0             | 37.9  |
| <b>Analysis of total provisions</b> |                     |                  |       |
| Non-current                         | 8.5                 | 11.8             | 20.3  |
| Current                             | 9.4                 | 8.2              | 17.7  |

The biggest items in other provisions are costs related to care plans of vehicles and machines sold by Group companies, real estate costs for empty store sites, and restructuring costs. The average duration for care plans is 3-4 years.



Notes to the consolidated financial statements

## 4. CAPITAL STRUCTURE AND FINANCIAL RISKS

|  |     |
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## 4.1 Capital management

Kesko Group's objectives in capital management include target rates set for the Group's solvency and liquidity. The Group's capital structure (equity-to-debt ratio) is managed at Group level. The targets for the Group's solvency and liquidity are set with the purpose of securing the Group's liquidity in all market situations, enabling the implementation of Group strategy, and increasing shareholder value. The targets have been set for the performance indicator 'interest-bearing net debt/EBITDA'. Some of the Group's interest-bearing liabilities include covenants, whose terms and conditions have been taken into account in the above target rate. The Group does not have a credit rating from any external credit rating institution.

Target levels for Kesko Group's performance indicators are approved by the Board of Directors of Kesko Corporation. As part of the Group's medium-term financial targets, on 1 December 2020, the Board approved the target level of <math>\leq 2.5</math> for interest-bearing net debt/EBITDA. As before, the indicator is calculated as interest-bearing net debt/EBITDA excluding the impact of IFRS 16. The actual interest-bearing net debt/EBITDA on 31 December 2020 was 0.4 (0.9).

| € million  | 2020         | 2019         |
|--|--------------|--------------|
| Interest-bearing liabilities and lease liabilities in the consolidated statement of financial position | 2,616.3      | 3,037.3      |
| - Lease liabilities  | 2,025.0      | 2,422.2      |
| - Current financial assets at fair value through profit or loss  | 119.8        | 10.1         |
| - Current financial assets at amortised cost   | 31.7         | 34.5         |
| - Cash and cash equivalents  | 154.5        | 124.4        |
| <b>Interest-bearing net debt excluding lease liabilities</b>   | <b>285.3</b> | <b>446.1</b> |
| Operating profit   | 600.2        | 446.3        |
| + depreciation, amortisation and impairment  | 170.2        | 160.9        |
| + depreciation and impairment charges for right-of-use-assets  | 325.8        | 325.0        |
| - lease payments for right-of-use-assets   | 408.0        | 424.6        |
| <b>EBITDA excluding the impact of IFRS 16</b>  | <b>688.2</b> | <b>507.7</b> |
| <b>Interest bearing net debt/EBITDA excluding the impact of IFRS 16</b>                                | <b>0.4</b>   | <b>0.9</b>   |

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## 4.2 Shareholders' equity

### Accounting policies

The Group classifies the instruments it has issued either in equity or in financial liabilities based on their nature. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Expenses related to the issuance or acquisition of equity instruments are presented as an allowance for equity. If Kesko Corporation acquires equity instruments of its own, their cost is deducted from equity.

The dividend proposed by the Board of Directors to the General Meeting has not been deducted from equity. Instead, dividends are recognised on the basis of the resolution by the General Meeting.

The number of shares in Kesko Corporation increased during the financial year following the resolution of the 28 April 2020 Annual General Meeting to conduct a share issue without payment (share split). In the share issue without payment, new shares were issued without payment to the shareholders in proportion to their existing holdings, so that three (3) new A shares were issued for each A share held, and three (3) new B shares for each B share held. At the end of December 2020, the total number of shares in Kesko Corporation was 400,079,008, of which 126,948,028, or 31.7%, were A shares and 273,130,980 or 68.3%, were B shares. All issued shares have been paid in full. The maximum number of A shares is 250 million and the maximum number of B shares is 360 million, and the maximum number of total shares 610 million. Each A share carries ten (10) votes and each B share one (1) vote. The total number of votes attached to all shares was 1,542,611,260. At the end of December 2020, Kesko Corporation's share capital totalled €197,282,584.



### Change in share numbers and equity reserves

| Share capital                    | Number of shares     |                     |  | Total                | Share capital<br>€ million | Reserve of invested<br>non-restricted equity<br>€ million | Share premium<br>€ million | Total € million |
|----------------------------------|----------------------|---------------------|--|----------------------|----------------------------|---|----------------------------|-----------------|
|                                  | A                    | B                   |  |                      |                            |   |                            |                 |
| 1 January 2019                   | 31,737,007           | 67,281,346*         |  | 99,018,353*          | 197.3                      | 22.8  | 197.8                      | 417.8           |
| Transfer of treasury shares      |                      | 70,036              |  | 70,036               |                            |   |                            |                 |
| 31 December 2019                 | 31,737,007           | 67,351,382*         |  | 99,088,389*          | 197.3                      | 22.8  | 197.8                      | 417.8           |
| Number of shares after the split | 126,948,028          | 269,405,528         |  | 396,353,556          |                            |   |                            |                 |
| Transfer of treasury shares      |                      | 385,590             |  | 385,590              |                            |   |                            |                 |
| <b>31 December 2020</b>          | <b>126,948,028</b>   | <b>269,791,118*</b> |  | <b>396,739,146*</b>  | <b>197.3</b>               | <b>22.8</b>   | <b>197.8</b>               | <b>417.8</b>    |
| <b>Number of votes</b>           | <b>1,269,480,280</b> | <b>269,791,118</b>  |  | <b>1,539,271,398</b> |                            |   |                            |                 |

\* Excluding treasury shares, which totalled 3,339,862 (3,725,452) at the end of the financial year.

### Treasury shares

Authorised by the General Meeting, the Board acquired a total of 500,000 of the Company's own B shares during the 2018 financial year. The Board also acquired a total of 1,200,000 of the Company's own B shares during the financial years 2011 and 2014. The shares are held by the Company as treasury shares and the Company's Board is entitled to transfer them. The acquisition cost of the B shares held by the Company and acquired during the 2018 financial year was €24.4 million, and the acquisition cost of the shares acquired during the 2011 and 2014 financial years was €23.5 million. These costs have been deducted from retained earnings in equity. Information on share-based payments has been given in note 5.4.

|  | pcs              |
|--|------------------|
| <b>B shares held by the Company as at 31 Dec. 2019</b> | <b>3,725,452</b> |
| Transfer, share-based compensation plan                | -389,282         |
| Returned during the period                             | 3,692            |
| <b>B shares held by the Company as at 31 Dec. 2020</b> | <b>3,339,862</b> |

### Dividends

After the balance sheet date, the Board of Directors proposed the distribution of a dividend of €0.75 per share. The dividend distributed for the profit for 2019 was €2.52 per share, or €0.63 per share with the post-split number of shares.

### Equity and reserves

Equity consists of share capital, share premium, reserve of invested non-restricted equity, other reserves, revaluation reserve, currency translation differences and retained earnings net of treasury shares.

### Share premium

The amount exceeding the par value of share received by the Company in connection with share subscriptions was recorded in the share premium in cases where options had been granted under the old Limited Liability Companies Act (29 Sept. 1978/734). As at the end of the financial year, the share premium was €197.8 million.



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## Reserve of invested non-restricted equity

The reserve of invested non-restricted equity, €22.8 million, includes the other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

## Other reserves

Other reserves, a total of €244.3 million, have mainly been created and increased as a result of resolutions by the General Meeting. Other reserves mainly comprise contingency reserves to a total amount of €242.3 million at the end of the financial year.

## Currency translation differences

Currency translation differences arise from the translation of foreign operations' financial statements. Exchange differences arising from monetary items that form a part of a net investment in a foreign operation or exchange differences from loans designated as hedges for foreign net investments and regarded as effective, are also included in currency translation differences. The change in currency translation differences is stated within comprehensive income.

## Revaluation reserve

The revaluation reserve includes the effective portion of the change in the fair value of derivatives for which cash flow hedge accounting is applied. Cash flow hedges include electricity derivatives. The change in the reserve is stated within comprehensive income. The result of cash flow hedging has been presented in note 4.3 Financial risks.

## 4.3 Financial risks

With respect to financial risk management, the Group observes a uniform treasury policy that has been approved by the Company's Board of Directors. Compliance with this policy and developments in the Group's financial situation are monitored by the Board's Audit Committee. The Group Treasury is centrally responsible for obtaining financial resources for the Group, for liquidity management, relations with providers of finance, and the management of financial risks. In the main, the Group's financial resources have been obtained through the parent company, and the Group Treasury arranges financial resources for subsidiaries in their functional currencies. For subsidiaries with significant external ownership, the Group has not guaranteed financial liabilities in excess of its ownership interest.

### Foreign exchange risks

Kesko Group conducts business operations in seven countries, in addition to which it makes purchases from numerous countries. In consequence, the Group is exposed to various foreign exchange risks arising from net investments in foreign operations (translation risks) and from assets, liabilities and forecast transactions (transaction risks) denominated in foreign currencies.

The Group companies' financial resources are arranged in their functional currencies. The parent company bears the ensuing foreign exchange risk and hedges the risk exposure using derivatives or borrowings denominated in the relevant foreign currencies.

### Translation risks

The Group is exposed to foreign currency translation risks relating to net investments in subsidiaries outside the euro zone held on the balance sheet. This balance sheet exposure has not been hedged. The hedge can be designated if equity is repatriated, or if a currency

is expected to be exposed to a significant devaluation risk. The most significant translation exposures are the Norwegian krone and the Swedish krona. The exposure does not include the non-controlling interest in equity. Relative to the Group's volume of operations and the balance sheet total, the foreign currency translation risk is low.

| Group's translation exposure as at 31 Dec. 2020<br>€ million | NOK   | SEK   | PLN  |
|--|-------|-------|------|
| Net investment   | 305.1 | 242.2 | 43.9 |
| Group's translation exposure as at 31 Dec. 2019<br>€ million | NOK   | SEK   | BYN  |
| Net investment   | 194.1 | 195.6 | 10.4 |

The following table shows how a 10% change in the Group companies' functional currencies would affect the Group's equity.

| Sensitivity analysis, impact on equity<br>as at 31 Dec. 2020<br>€ million | NOK   | SEK   | PLN  |
|---|-------|-------|------|
| Change +10%   | -27.7 | -22.0 | -4.0 |
| Change -10%   | 33.9  | 26.9  | 4.9  |

| Sensitivity analysis, impact on equity<br>as at 31 Dec. 2019<br>€ million | NOK   | SEK   | BYN  |
|---|-------|-------|------|
| Change +10%   | -17.6 | -17.8 | -0.9 |
| Change -10%   | 21.6  | 21.7  | 1.2  |

## Transaction risks

International purchasing activities and foreign currency denominated financial resources arranged by the parent to subsidiaries expose the Group to transaction risks relating to several currencies. The currency-specific transaction risk exposure comprises foreign currency denominated receivables and liabilities in the balance sheet, forecast foreign currency cash flows, and foreign subsidiaries' liabilities and receivables with respect to the parent. The risk is commercially managed by, for example, transferring exchange rate changes to selling prices, or by replacing suppliers. The remaining exposures are hedged using foreign currency derivatives. The subsidiaries report their foreign exchange exposures to the Group Treasury on a monthly basis.

In the main, the subsidiaries hedge their risk exposures with the Group Treasury, which in turn hedges risk exposures using market transactions within the limits confirmed for each currency. Intra-Group derivative contracts are allocated to the segments in segment reporting.

As a rule, the Group does not apply hedge accounting in accordance with IFRS 9 to hedge the transaction risk relating to purchases and sales. In initial measurement, derivative instruments are recognised at fair value and subsequently in the financial statements, they are remeasured at fair value. The change in fair value of foreign currency derivatives used for hedging purchases and sales is recognised in other operating income or expenses.

Insofar as the Group applies hedge accounting to hedge purchases, the valuation of derivatives is recognised in the revaluation reserve of equity. When a derivative matures, it is treated similarly to the hedged item.

Hedge accounting is applied to some USD-denominated purchases. The foreign currency risk of these items is €18.7 million, and the related hedges total €14.5 million. The impact of the open exposure on equity would be €+0.4 million/€-0.5 million with a +/-10% exchange rate change. These figures are not included in the table below.

| Group's transaction exposure<br>as at 31 Dec. 2020<br>€ million | Group's transaction exposure<br>as at 31 Dec. 2020<br>€ million |       |       |       |
|---|---|-------|-------|-------|
|   | USD   | SEK   | NOK   | PLN   |
| Group's transaction risk  | -3.1  | 51.9  | 78.6  | 18.6  |
| Hedging derivatives   | 29.3  | -35.9 | -60.2 | -11.0 |
| Open exposure   | 26.2  | 16.0  | 18.4  | 7.6   |

| Group's transaction exposure<br>as at 31 Dec. 2019<br>€ million | Group's transaction exposure<br>as at 31 Dec. 2019<br>€ million |       |       |       |      |
|---|---|-------|-------|-------|------|
|   | USD   | SEK   | NOK   | PLN   | BYN  |
| Group's transaction risk  | -7.8  | 66.3  | 64.1  | 22.0  | 23.1 |
| Hedging derivatives   | 28.9  | -50.3 | -55.8 | -12.9 | -    |
| Open exposure   | 21.1  | 16.0  | 8.3   | 9.1   | 23.1 |

The Group monitors the transaction risk exposure in respect of existing balances and forecast cash flows. The table above depicts transaction exposure excluding future cash flows. It does not depict the Group's actual foreign exchange risk after hedging. When forecast amounts are included in the transaction exposure, the most significant difference to the table is in the USD exposures. As at 31 December 2020, the exposure with respect to USD was €-15.9 million.

A sensitivity analysis of the transaction exposure shows the impact on profit or loss of a +/-10% exchange rate change in intra-Group receivables and liabilities denominated in foreign currencies and foreign currency derivatives and borrowings used for hedging.

| Sensitivity analysis, impact on<br>pre-tax profit as at 31 Dec. 2020<br>€ million | Sensitivity analysis, impact on<br>pre-tax profit as at 31 Dec. 2020<br>€ million |      |      |      |      |
|---|---|------|------|------|------|
|   | USD   | SEK  | NOK  | PLN  | BYN  |
| Change +10%   | -2.4  | -1.5 | -1.7 | -0.7 | -2.1 |
| Change -10%   | 2.9   | 1.8  | 2.0  | 0.8  | 2.6  |

| Sensitivity analysis, impact on<br>pre-tax profit as at 31 Dec. 2019<br>€ million | Sensitivity analysis, impact on<br>pre-tax profit as at 31 Dec. 2019<br>€ million |      |      |      |      |
|---|---|------|------|------|------|
|   | USD   | SEK  | NOK  | PLN  | BYN  |
| Change +10%   | -1.9  | -1.5 | -0.8 | -0.8 | -2.1 |
| Change -10%   | 2.4   | 1.8  | 0.9  | 1.0  | 2.6  |

## Liquidity risk

Liquidity risk management aims to maintain sufficient liquid assets and credit facilities in order to ensure the ongoing availability of sufficient financial resources for the Group's operating activities.

Liquid assets comprise cash and cash equivalents in the balance sheet, financial assets at amortised cost, and current financial assets at fair value through profit or loss. Changes in these balance sheet items are presented in the consolidated statement of cash flows under change in cash and cash equivalents for cash and cash equivalents, and under change in short-term money market investments in cash flow from financing activities for other items.

The Group's liquid assets have mainly been invested in the debt instruments of major Finnish companies, in certificates of deposit and deposits with banks operating in Kesko's market area, in bonds of selected companies and in corporate bond funds. The return on these investments in 2020 was -0.1% (2.5%) and the duration 0.6 years at the end of the financial year. The maximum credit risk is the fair value of these investments on the balance sheet at the balance sheet date.

The Group had liquid assets of €306.0 million (€169.0 million) on 31 December 2020. Interest-bearing liabilities on 31 December 2020 totalled €2,616.3 million (€3,037.3 million) of which lease liabilities accounted for €2,025.0 million (€2,422.2 million). Interest-bearing net debt totalled €2,310.3 million (€2,868.4 million), and interest-bearing net debt excluding lease liabilities totalled €285.3 million (€446.1 million).

| € million  | 31 Dec. 2020 |           |           |         | 31 Dec. 2019 |           |           |         |
|--|--------------|-----------|-----------|---------|--------------|-----------|-----------|---------|
|  | < 1 years    | 1-5 years | > 5 years | Total   | < 1 years    | 1-5 years | > 5 years | Total   |
| <b>Maturities of financial liabilities and related finance costs</b> |              |           |           |         |              |           |           |         |
| <b>Borrowings from financial institutions</b>                        | 1.8          | 300.2     | 0.1       | 302.1   | 8.3          | 327.4     | 0.2       | 335.8   |
| finance costs  | 2.1          | 4.2       | 0.0       | 6.3     | 3.3          | 6.3       | 0.0       | 9.6     |
| <b>Pension loans</b>   | 28.4         | 88.7      | 20.4      | 137.5   | 22.7         | 98.7      | 38.8      | 160.1   |
| finance costs  | 1.8          | 3.6       | 0.5       | 5.8     | 2.0          | 4.8       | 0.9       | 7.8     |
| <b>Lease liabilities</b>   | 312.7        | 1,005.1   | 707.2     | 2,025.0 | 383.3        | 1,097.3   | 941.6     | 2,422.2 |
| finance costs  | 68.0         | 168.4     | 68.7      | 305.1   | 84.7         | 215.9     | 100.8     | 401.3   |
| <b>Payables to K-retailers</b>                                       | 123.0        |           |           | 123.0   | 98.0         |           |           | 98.0    |
| finance costs  |              |           |           |         |              |           |           |         |
| <b>Other interest-bearing liabilities</b>                            | 29.4         | 0.0       | 0.0       | 29.4    | 12.8         | 9.0       | 0.0       | 21.8    |
| finance costs  | 0.0          |           |           | 0.0     | 0.4          | 0.7       |           | 1.1     |
| <b>Non-current non-interest-bearing liabilities</b>                  | 0.8          | 5.4       | 23.3      | 29.5    | 1.0          | 3.6       | 25.2      | 29.8    |
| <b>Current non-interest-bearing liabilities</b>                      |              |           |           |         |              |           |           |         |
| Trade payables   | 1,091.3      |           |           | 1,091.3 | 1,029.9      |           |           | 1,029.9 |
| Accrued expenses   | 405.1        |           |           | 405.1   | 387.6        |           |           | 387.6   |
| <b>Other non-interest-bearing liabilities</b>                        | 185.3        |           |           | 185.3   | 173.3        |           |           | 173.3   |

Financial liabilities in the balance sheet include €14.9 million (€6.8 million) in items related to derivatives, of which €8.7 million will mature within the next 12 months. Lease liabilities are presented in note 4.6.

| € million                        | 31 Dec. 2020 |           |           | 31 Dec. 2019 |           |           | Total |
|----------------------------------|--------------|-----------|-----------|--------------|-----------|-----------|-------|
|                                  | < 1 years    | 1-5 years | > 5 years | < 1 years    | 1-5 years | > 5 years |       |
| <b>Cash flows of derivatives</b> |              |           |           |              |           |           |       |
| <b>Payables</b>                  |              |           |           |              |           |           |       |
| Foreign currency derivatives     | 207.8        |           |           | 153.8        |           |           | 153.8 |
| Interest rate derivatives        | 1.7          | 4.3       | 0.6       | 1.2          | 3.7       | 0.9       | 5.7   |
| Electricity derivatives          | 1.0          | 2.0       |           | 0.0          | 0.1       | 0.0       | 0.1   |
| <b>Receivables</b>               |              |           |           |              |           |           |       |
| Foreign currency derivatives     | 202.2        |           |           | 151.1        |           |           | 151.1 |
| Interest rate derivatives        | 0.1          | 0.2       |           | 0.1          | 0.3       |           | 0.4   |
| Electricity derivatives          | 0.1          | 1.4       |           | 0.6          | 0.2       |           | 0.9   |

Payables to K-retailers consist of two types of interest-bearing liabilities by Kesko to K-retailers: retailers' prepayments to Kesko and Kesko's chain rebate liabilities to retailers.

During the 2019 financial year, Kesko made financing agreements totalling €700 million, where the interest margin will increase or decrease depending on Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down €300 million during the financial year 2019, and has the possibility to draw down more later on with a separate credit decision by the banks. Kesko also agreed on a Revolving Credit Facility of €100 million linked to the same sustainability targets, which was not in use on 31 December 2020.

At the balance sheet date, the total equivalent of undrawn committed long-term credit facilities was €300 million (€300 million). According to the terms and conditions of loan agreements, at change of control, the lenders have the right to terminate the credit facility and loan amounts possibly drawn. According to the terms and conditions of the loan facility, the change of ownership to retailers or an association of retailers does not constitute a change of control. In addition, the Group's uncommitted financial resources available contained commercial paper programmes denominated in euros totalling an equivalent of €506 million (€506 million).

### Interest rate risk on borrowings and sensitivity analysis

Changes in the interest rate level have an impact on the Group's interest expense. The policy for hedging interest rate risk is aimed at balancing the effects of changes in the interest rate level on profit or loss for different financial periods.

The interest rate risk is centrally managed by the Group Treasury, which adjusts the duration by using interest rate derivative contracts. The target duration is three years, which is allowed to vary between one and a half and four years. The actual duration during the financial year was 2.0 (2.1) years on average.

The sensitivity analysis for changes in interest rate level in respect of commercial paper liabilities realised during the financial year has used average balance values. At the balance sheet date of 31 December 2020, the effect of variable rate borrowings on the pre-tax profit would have been €-/+0.3 million (€-/+1.1 million), if the interest rate level had risen or fallen by 1 percentage point.

Pension loans, €137.5 million in aggregate, have fixed rates, and their effective interest cost was 1.3%. Other borrowings from financial institutions have variable interest rates. At the end of the financial year, the average rate of these borrowings, payables to retailers, and other interest-bearing liabilities was 0.7%.

## Supply chain financing scheme

The Group has established a supply chain financing scheme with three banks. Trade payables in the consolidated statement of financial position on 31 December 2020 totalled €1,091.3 million, of which €180.9 million were liabilities related to open purchase accounts covered by the schemes. In supply chain financing, the supplier utilises the buyer's credit rating when selling its receivables to a financing institution. Once the buyer approves the purchase accounts, the bank pays them to the supplier without a right of recourse, meaning the supplier has quick access to the cash flows related to trade receivables. The Group does not pay commission to the banks for the supply chain financing, and the payment terms do not materially deviate from the payment terms applied with suppliers. Open purchase accounts covered by the scheme are presented under trade payables on the Group balance sheet. The impact of these trade payables can be seen in cash flow from operating activities as change in working capital.

## Financial assets and liabilities recognised at fair value

The following table analyses financial instruments carried at fair value by valuation method.

| Fair value hierarchy of financial assets and liabilities<br>€ million | Fair value as at 31 Dec. 2020 |             |              |
|---|-------------------------------|-------------|--------------|
|   | Level 1                       | Level 2     | Level 3      |
| <b>Financial assets at fair value through profit or loss</b>          |                               |             | <b>Total</b> |
| Money market funds  | 119.8                         |             | 119.8        |
| Private equity funds and other shares and interests                   |                               | 22.7        | 22.7         |
| <b>Total</b>  | <b>119.8</b>                  | <b>22.7</b> | <b>142.5</b> |
| <b>Derivative financial instruments at fair value</b>                 |                               |             |              |
| Derivative financial assets   | 2.0                           |             | 2.0          |
| Derivative financial liabilities                                      | 14.9                          |             | 14.9         |

| Fair value hierarchy of financial assets and liabilities<br>€ million | Fair value as at 31 Dec. 2019 |             |              |
|---|-------------------------------|-------------|--------------|
|   | Level 1                       | Level 2     | Level 3      |
| <b>Financial assets at fair value through profit or loss</b>          |                               |             | <b>Total</b> |
| Money market funds  |                               | 10.1        | 10.1         |
| Private equity funds and other shares and interests                   |                               |             | 20.6         |
| <b>Total</b>  | <b>10.1</b>                   | <b>20.6</b> | <b>30.6</b>  |
| <b>Derivative financial instruments at fair value</b>                 |                               |             |              |
| Derivative financial assets   | 1.3                           |             | 1.3          |
| Derivative financial liabilities                                      | 6.8                           |             | 6.8          |

Level 1 instruments are traded in active markets and their fair values are directly based on quoted market prices. The fair values of level 2 instruments are derived from market data. The fair value of level 3 instruments is not based on observable market data (inputs not observable).

| Changes in level 3 instruments<br>€ million                                  | 2020  | 2019        |
|--|---|-------------|
|  | Private equity funds and other shares and interests as at 1 January | 20.6        |
| Purchases  | 0.1   | 0.3         |
| Refunds received   | -   | -0.6        |
| Gains and losses through profit or loss                                      | -0.1  | -1.0        |
| Changes in fair values   | 2.1   | 1.1         |
| <b>Private equity funds and other shares and interests as at 31 December</b> | <b>22.7</b>   | <b>20.6</b> |

Level 3 includes private equity funds and other shares and interests. These investments have been classified as financial assets through profit or loss. Level 3 financial assets are measured based on computations received from the companies. An income of €2.1 million has been recorded on these investments for the financial year 2020.

## Current interest-bearing receivables and sensitivity analysis

The objective is to invest liquidity consisting of financial assets in the money markets using efficient combinations of return and risk. At regular intervals, the Group's management approves the investment instruments and limits for each counterparty among those analysed by the Group Treasury. The risks and actual returns on investments are monitored regularly.

| Financial assets at amortised cost<br>€ million | 2020        | 2019        |
|---|-------------|-------------|
| Carrying amount as at 1 January                 | 34.5        | 59.1        |
| Changes   | -2.8        | -24.6       |
| <b>Carrying amount as at 31 December</b>        | <b>31.7</b> | <b>34.5</b> |

The financial assets at amortised costs include investments in commercial papers, certificates of deposits and other interest rate instruments.

In the sensitivity analysis of floating rate receivables, average annual balances of invested assets have been used. The receivables include customer financing receivables, other interest-bearing receivables, and within investments money market funds. The sensitivity of money market funds has been determined based on duration. If the interest rate level had changed by +/-1 percentage point, the effect of these items on the pre-tax profit would have been €+/-1.4 million (€+/-1.1 million).

## Maturity of non-current receivables

| Maturity analysis of non-current receivables<br>as at 31 Dec. 2020<br>€ million | 2022       | 2023       | 2024       | 2025       | 2026–       | Total       |
|---|------------|------------|------------|------------|-------------|-------------|
| Non-interest-bearing non-current receivables                                    | 1.2        | 0.6        | 0.2        | 0.0        | 0.2         | 2.2         |
| Loans and receivables from associates<br>and joint ventures                     | 3.4        | 3.4        | 3.4        | 3.4        | 58.0        | 71.5        |
| Other non-current receivables   | 0.0        | 0.0        | -          | -          | -           | 0.1         |
| <b>Total</b>  | <b>4.6</b> | <b>4.0</b> | <b>3.5</b> | <b>3.4</b> | <b>58.2</b> | <b>73.8</b> |

The carrying amount of non-interest-bearing non-current receivables equals their fair value.

## Maturity analysis of non-current receivables as at 31 Dec. 2019 € million

|   | 2021       | 2022       | 2023       | 2024       | 2025–       | Total       |
|---|------------|------------|------------|------------|-------------|-------------|
| Non-interest-bearing non-current receivables                | 0.5        | 0.2        | 0.1        | 0.1        | 0.5         | 1.3         |
| Loans and receivables from associates<br>and joint ventures |            |            |            |            | 57.5        | 57.5        |
| Other non-current receivables                               | 0.2        | 0.0        | 0.0        | 0.0        | 0.2         | 0.4         |
| <b>Total</b>  | <b>0.7</b> | <b>0.2</b> | <b>0.1</b> | <b>0.1</b> | <b>58.1</b> | <b>59.3</b> |

## Credit and counterparty risk

Business entities are responsible for managing the credit risk associated with amounts due from customers. Due to the Covid-19 pandemic, the Group's credit policy was tightened in March 2020 by specifying the terms and conditions of credit sale and collateral requirements and by tightening the decision-making authorisations for credit facilities. Efficiency was raised in credit control to identify customers with risk and to ensure that credit decisions are based on up-to-date information on a customer's solvency and any changes in solvency. The amount of credit losses remained moderate despite the pandemic. Increased economic uncertainty has been acknowledged in the measurement of trade receivables by increasing the amount of credit losses recognised. The Group's trade receivables are from a large number of individual customers, and balance sheet receivables do not contain significant risk concentrations. In Finland, the main part of the Group's business activities is carried out in cooperation with retailers. According to retailer agreements, retailers shall arrange overdraft facilities to be held as collateral for their trade payables by the relevant Kesko subsidiary. The seasonality of businesses impacts the amount of trade receivables in the consolidated statement of financial position.

According to the IFRS 9 impairment model, impairments must be recognised on the basis of expected credit losses. The Group has adopted the standard's simplified approach for recognising impairment of trade receivables using the provision matrix. For the impairment model, the Group has classified Group companies into risk categories on the basis of their business model and realised historical credit losses. In addition, impairment is recognised, if there is other evidence of a debtor's insolvency, bankruptcy or liquidation. As for other financial assets, the change in impairment model has not had a material impact on

the consolidated financial statements. The ageing analysis of trade receivables as at 31 December is presented in the following table.

| Ageing analysis of trade receivables<br>€ million | 2020         | 2019         |
|---|--------------|--------------|
| Trade receivables fully performing                | 721.7        | 712.1        |
| 1-7 days past due trade receivables               | 22.3         | 31.4         |
| 8-30 days past due trade receivables              | 13.6         | 30.4         |
| 31-60 days past due trade receivables             | 4.4          | 8.9          |
| over 60 days past due trade receivables           | 14.5         | 21.8         |
| <b>Total</b>                                      | <b>776.5</b> | <b>804.7</b> |

Within trade receivables, €350.2 million (€317.2 million) were from chain retailers. The collateral for chain retailer receivables is an overdraft facility granted by a Kesko associate, Vähittäiskaupan Takaus Oy, with the maximum always limited to the realisable value of the countersecurity from the K-retailer's company and its entrepreneur to Vähittäiskaupan Takaus Oy. At the end of the financial year, the aggregate value of countersecurities was €309.6 million (€247.4 million). In addition, the collateral for receivables includes other collaterals, such as business mortgages and other pledged assets.

Trade receivables include an impairment charge to a total of €21.5 million (€23.7 million). The aggregate amount of credit losses and impairments recognised in the profit for the financial year was €6.1 million (€3.6 million).

The amount of receivables with renegotiated terms totalled €1.2 million (€1.2 million).

### Financial credit risk

Financial instruments involve the risk of non-performance by counterparties. Credit risk is managed with agreements with financially sound Finnish and foreign banks, financial institutes and brokers, within the counterparty risks limits set in the treasury policy. Financial assets are also invested in money market funds and the bonds, commercial papers and certificates of deposit issued by conservatively selected companies and banks. Due to the

Covid-19 pandemic, target-specific limits in line with the Group's investment policy were reduced to a minimum. The limits are reviewed regularly depending on the market situation.

### Commodity risks and their sensitivity analysis

The Group uses electricity derivatives for the purpose of balancing out energy costs. The electricity price risk is assessed for five-year periods. The changes in the fair values of derivatives hedging the price of electricity supplied during the financial year are recognised within adjustments to purchases. Hedge accounting is applied to contracts hedging future purchases. In hedge accounting, the Group applies hedging to the electricity system price in compliance with IFRS 9. The effective portion of the change in the value of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under Revaluation of cash flow hedge.

### Result of cash flow hedging

As a result of hedge accounting applied to electricity, an amount of €2.7 million (€0.7 million) was removed from equity and included in the income statement as purchase cost adjustment, and €-5.1 million (€-0.8 million) was recognised in equity, respectively. Their combined effect on the revaluation reserve for the year was €-7.8 million (€-1.5 million) before accounting for deferred tax.

As at the balance sheet date, a total quantity of 922,338 MWH (495,424 MWH) of electricity had been purchased with electricity derivatives and 744,744 MWH (559,027 MWH) under fixed price purchase agreements. The 1-12 month hedging level was 83% (76%), the 13-24 month level was 73% (62%), the 25-36 month level was 70% (43%), and the 37-48 month level was 35% (18%).

The sensitivity analysis of electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity derivatives changed by +/-20% from the balance sheet date 31 December 2020, it would contribute €-/+0.7 million (€-/+1.1 million) to the 2021 income statement and €-/+3.5 million (€-/+2.2 million) to equity. The impact has been calculated before taxes.

## Derivatives

|  | 31 Dec. 2020                              | 31 Dec. 2020                              | 31 Dec. 2019                              | 31 Dec. 2019                              |
|--|---|---|---|---|
|  | Positive fair value (balance sheet value) | Negative fair value (balance sheet value) | Positive fair value (balance sheet value) | Negative fair value (balance sheet value) |
| Fair values of derivative contracts<br>€ million                       |   |   |   |   |
| Interest rate derivatives  | 0.0                                       | -5.8                                      | 0.2                                       | -3.8                                      |
| Foreign currency derivatives   | 0.5                                       | -6.1                                      | 0.2                                       | -2.9                                      |
| Electricity derivatives  | 1.5                                       | -3.0                                      | 0.9                                       | -0.1                                      |
| <b>Notional principal amounts of derivative contracts</b><br>€ million |   |   |   |   |
| Interest rate derivatives  |   | 420.0                                     |   | 340.0                                     |
| Foreign currency derivatives   |   | 206.2                                     |   | 154.4                                     |
| Electricity derivatives  |   | 20.4                                      |   | 15.7                                      |

The fair values of derivatives are presented as gross amounts. Kesko has entered into netting arrangements under ISDA contracts with all counterparties engaged in transactions with derivatives. All of these contracts provide for mutual posting of collateral. The threshold level for collateral posting had not been exceeded at the balance sheet date. Analysed by counterparty, derivative financial liabilities could be set off in a total of €0.5 million.

The maximum credit risk from derivatives is the fair value of the balance sheet at the reporting date.

## 4.4 Finance income and costs

| € million, continuing operations   | 2020         | 2019         |
|--|--------------|--------------|
| <b>Interest income and other finance income</b>  |              |              |
| Interest income on financial assets at amortised cost  | 0.2          | 0.8          |
| Interest income on loans and receivables   | 8.8          | 10.2         |
| Interest income on financial assets at fair value through profit or loss   | 0.0          | -1.0         |
| Gains on disposal of financial assets at amortised cost  | -            | 0.6          |
| Gains on disposal of financial assets at fair value through profit or loss   | 2.1          | 2.7          |
| Other finance income   | 0.7          | 0.8          |
| <b>Total interest income and other finance income</b>  | <b>11.7</b>  | <b>14.0</b>  |
| <b>Interest expense and other finance costs</b>  |              |              |
| Interest expense on financial liabilities at amortised cost  | -6.4         | -6.0         |
| Losses on disposal of financial assets at amortised cost   | -0.1         | 0.0          |
| Losses on disposal of financial assets at fair value through profit or loss  | -0.3         | -            |
| Other finance costs  | -3.8         | -3.2         |
| <b>Total interest expense and other finance costs</b>  | <b>-10.5</b> | <b>-9.1</b>  |
| <b>Interest expense for lease liabilities</b>  | <b>-83.3</b> | <b>-95.4</b> |
| <b>Exchange differences</b>  |              |              |
| Exchange differences and changes in fair values of derivatives, borrowings denominated in foreign currencies not qualifying for hedge accounting, and cash at bank | -4.7         | -0.8         |
| Total exchange differences   | -4.7         | -0.8         |
| <b>Total finance income and costs</b>  | <b>-86.8</b> | <b>-91.4</b> |



## 4.5 Financial assets and liabilities by category

### Accounting policies

#### Financial assets

The Group classifies financial assets into three groups in accordance with IFRS 9. Financial assets are classified either as instruments measured at amortised cost, or as instruments measured at fair value through profit or loss or in other comprehensive income, depending on the business model targets and cash flows based on agreements.

Regular way purchases or sales of financial assets are recognised on settlement date.

Financial assets are classified as non-current, if they have a maturity of more than 12 months after the balance sheet date. If financial assets are expected to be settled within 12 months, they are classified as current.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred from the Group, and when the risks and rewards of ownership have been transferred from the Group.

Financial assets at amortised cost and financial assets at fair value are only invested in counterparties deemed creditworthy. The impairment model for expected credit losses in line with the standard requires credit losses to be recognised with a forward-looking approach. As for other financial assets, lacking historical credit losses, counterparty risk is monitored actively and credit losses are recognised if risk is observed.

#### Financial assets at amortised cost

Financial assets at amortised cost consist of assets that are to be held to maturity and whose cash flows consist solely of payments of principal and interest. Financial assets at amortised cost also include trade receivables and other receivables.

#### Financial assets at fair value

Financial assets at fair value in other comprehensive income comprise derivatives that meet the hedge accounting criteria. Financial assets that do not meet the criteria of the other groups are classified as financial assets measured at fair value through profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks as well as liquid funds measured at amortised cost which are invested in instruments with maturities of less than three months from acquisition. The cash and cash equivalents in the consolidated balance sheet also include amounts relating to the retail operations of the group companies, used as cash floats in stores, or amounts being transferred to the respective companies.

#### Financial liabilities

Financial liabilities have initially been recognised at fair value, net of transaction costs. In the financial statements, financial liabilities are measured at amortised cost using the effective interest rate method. Arrangement fees paid on the establishment of loan facilities and financial liabilities are amortised over the period of the facility to which it relates. Financial liabilities having maturities of more than 12 months after the balance sheet date are classified as non-current liabilities. Those maturing within 12 months after the balance sheet date are classified as current liabilities.

#### Derivative financial instruments and hedge accounting

When derivative contracts are entered into, they are recognised at fair value and in the financial statements, they are re-measured at their fair value. The recognition of changes in the fair value of derivatives depends on whether the derivative instrument qualifies for hedge accounting or not and, if so, on the hedged item. When entered into, derivative



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contracts are treated either as fair value hedges of receivables or liabilities, or in the case of interest rate risk and electricity price risk, as cash flow hedges, as hedges of net investments in a foreign entity, or as derivative contracts that do not meet the hedge accounting criteria. If the hedge accounting criteria are not met, the results of instruments hedging a commercial foreign exchange risk are recognised in profit or loss within other operating income or expenses. Concerning derivatives hedging financial transactions, the amount to be recognised in the income statement is included in financial items.

When a hedging arrangement is entered into, the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management are documented. The effectiveness of the hedge relationship is tested regularly and the effective portion is recognised, according to the nature of the hedged item, against the change in the fair value of the hedged item, in translation differences in equity, or in the revaluation reserve. The ineffective portion is recognised, according to its nature, either in financial items or other operating income and expenses.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when the contract is terminated or exercised. Any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction has occurred.

#### Measurement principles

The fair value of forward rate agreements is determined by reference to the market prices at the balance sheet date. The fair value of interest rate swaps is calculated on the basis of the present value of future cash flows, using the market prices at the balance sheet date. The fair value of foreign exchange forward contracts is determined by measuring

the forward contracts at the forward rate at the balance sheet date. Currency options are measured using the counterparty's price quotation, but the Group also verifies the price by applying the Black-Scholes method. Electricity derivatives are measured at fair value using the market quotations at the balance sheet date.

#### Hedging a net investment in foreign operations

During the financial year, the Group has not hedged net investments in foreign operations. If a hedge is initiated, the Group applies hedge accounting in accordance with IFRS 9 to hedge foreign currency net investments in foreign operations. Foreign exchange forward contracts or foreign currency borrowings are used as hedging instruments. Spot price changes in foreign exchange forward contracts are recognised in translation differences under equity, and disclosed in other comprehensive income. The premiums of forward contracts are recognised as income under financial items. The exchange difference of foreign currency borrowings is recognised in translation differences under equity. When a foreign operation is partially or wholly disposed of or wound up, cumulative gains or losses from the hedging instruments are recognised in profit or loss.

#### Embedded derivatives

The Group has prepared method descriptions for identifying embedded derivatives and applies fair value measurement to them. In Kesko Group, embedded derivatives can be included in binding commercial contracts denominated in a currency which is not the functional currency of either party and not commonly used in the economic environment in which the transaction takes place. The fair value of embedded derivatives is determined using the market prices at the measurement date and the change in fair value is recognised in the income statement.



As at 31 December 2020

| Balance, € million                                    | Financial assets/<br>liabilities at fair value<br>through profit or loss | Financial assets/liabilities<br>at amortised cost | Measured at fair value in<br>comprehensive income | Carrying amounts of<br>assets/liabilities<br>as per balance sheet | Fair value     |
|---|--|---|---|---|----------------|
| <b>Non-current financial assets</b>                   |  |   |   |   |                |
| Financial assets at fair value through profit or loss | 22.7   |   |   | 22.7  | 22.7           |
| Non-current receivables                               |  | 73.8  |   | 73.8  | 73.8           |
| Non-current receivables contain derivatives           |  |   | 1.4   |   |                |
| <b>Current financial assets</b>                       |  |   |   |   |                |
| Trade and other receivables                           |  | 1,053.7   |   | 1,053.7   | 1,053.7        |
| Other receivables contain derivatives                 | 0.5  |   | 0.1   |   |                |
| Financial assets at fair value through profit or loss | 119.8  |   |   | 119.8   | 119.8          |
| Financial assets at amortised cost                    |  | 31.7  |   | 31.7  | 31.7           |
| Cash and cash equivalents                             |  | 154.5   |   | 154.5   | 154.5          |
| <b>Total financial assets</b>                         | <b>142.5</b>   | <b>1,313.7</b>                                    |   | <b>1,456.2</b>  | <b>1,456.2</b> |

| Balance, € million   | Financial assets/<br>liabilities at fair value<br>through profit or loss | Financial assets/liabilities<br>at amortised cost | Measured at fair value in<br>comprehensive income | Carrying amounts of<br>assets/liabilities<br>as per balance sheet | Fair value     |
|--|--|---|---|---|----------------|
| <b>Non-current financial liabilities</b>   |  |   |   |   |                |
| Non-current interest-bearing liabilities   |  | 408.7   |   | 408.7   | 410.3          |
| Non-current lease liabilities  |  | 1,712.3   |   | 1,712.3   | 1,712.3        |
| Non-current non-interest-bearing liabilities                                       |  | 29.5  |   | 29.5  | 29.5           |
| Non-current non-interest-bearing liabilities contain derivatives                   |  |   | 1.9   |   |                |
| <b>Current financial liabilities</b>   |  |   |   |   |                |
| Current interest-bearing liabilities   |  | 182.6   |   | 182.6   | 182.6          |
| Current lease liabilities  |  | 312.7   |   | 312.7   | 312.7          |
| Trade payables   |  | 1,091.3   |   | 1,091.3   | 1,091.3        |
| Other non-interest-bearing liabilities and accrued liabilities                     |  | 623.2   |   | 623.2   | 623.2          |
| Other non-interest-bearing liabilities and accrued liabilities contain derivatives | 12.0   |   | 1.1   |   |                |
| <b>Total financial liabilities</b>   |  | <b>4,360.3</b>                                    |   | <b>4,360.3</b>  | <b>4,361.9</b> |

As at 31 December 2019

| Balance, € million                                    | Financial assets/<br>liabilities at fair value<br>through profit or loss | Financial assets/liabilities<br>at amortised cost | Measured at fair value in<br>comprehensive income | Carrying amounts of<br>assets/liabilities<br>as per balance sheet | Fair value     |
|---|--|---|---|---|----------------|
| <b>Non-current financial assets</b>                   |  |   |   |   |                |
| Financial assets at fair value through profit or loss | 20.6   |   |   | 20.6  | 20.6           |
| Non-current receivables                               |  | 59.9  |   | 59.9  | 59.9           |
| Non-current receivables contain derivatives           |  |   |   |   |                |
| <b>Current financial assets</b>                       |  |   |   |   |                |
| Trade and other receivables                           | 0.4  | 1,013.5   | 0.7   | 1,013.5   | 1,013.5        |
| Other receivables contain derivatives                 |  |   |   |   |                |
| Financial assets at fair value through profit or loss | 10.1   |   |   | 10.1  | 10.1           |
| Financial assets at amortised cost                    |  | 34.5  |   | 34.5  | 34.5           |
| Cash and cash equivalents                             |  | 124.4   |   | 124.4   | 124.4          |
| <b>Total financial assets</b>                         | <b>30.6</b>  | <b>1,232.3</b>                                    |   | <b>1,263.0</b>  | <b>1,263.0</b> |

| Balance, € million   | Financial assets/<br>liabilities at fair value<br>through profit or loss | Financial assets/liabilities<br>at amortised cost | Measured at fair value in<br>comprehensive income | Carrying amounts of<br>assets/liabilities<br>as per balance sheet | Fair value     |
|--|--|---|---|---|----------------|
| <b>Non-current financial liabilities</b>   |  |   |   |   |                |
| Non-current interest-bearing liabilities   |  | 477.3   |   | 477.3   | 480.0          |
| Non-current lease liabilities  |  | 2,039.0   |   | 2,039.0   | 2,039.0        |
| Non-current non-interest-bearing liabilities                                       |  | 29.8  |   | 29.8  | 29.8           |
| <b>Current financial liabilities</b>   |  |   |   |   |                |
| Current interest-bearing liabilities   |  | 137.8   |   | 137.8   | 137.8          |
| Current lease liabilities  |  | 383.2   |   | 383.2   | 383.2          |
| Trade payables   |  | 1,029.9   |   | 1,029.9   | 1,029.9        |
| Other non-interest-bearing liabilities and accrued liabilities                     |  | 560.9   |   | 560.9   | 560.9          |
| Other non-interest-bearing liabilities and accrued liabilities contain derivatives |  |   |   |   |                |
| <b>Total financial liabilities</b>   | <b>6.7</b>   | <b>4,657.9</b>                                    | <b>0.1</b>  | <b>4,657.9</b>  | <b>4,660.6</b> |

Non-current receivables from associates and joint ventures contain the shareholder loan granted to Mercada Oy and the financing loans granted to UAB Kesko Senukai.

Prepaid expenses and accrued expenses do not include income tax assets of €14.4 million (€14.4 million) or income tax liabilities of €35.2 million (€11.8 million). Prepayments received of €32.8 million (€34.6 million) are not categorised as financial liabilities and are not included in the table above.

The fair values of borrowings have been calculated based on the present value of future cash flows using the 0.0%–1.7% market rates of interest of the balance sheet date. The fair value of current interest-bearing liabilities has been estimated to approximately equal their balance sheet value. The maturity structure of non-current borrowings has been presented in note 4.3.



## 4.6 Leases

### Accounting policies

IFRS 16 Leases is only applied to the leases of properties, machinery and equipment. Kesko Group leases properties, machinery and equipment for use in its business operations in all of its operating countries. For most of these leases, assets and liabilities corresponding to the present value of future lease payments are recognised in the balance sheet at the commencement of the lease. The Group adopted IFRS 16 using a full retrospective method, and the impact on the date of transition 1 January 2018 has been calculated as if the standard had always been in effect. The change in right-of-use assets from leases recognised in the balance sheet is presented in Note 3.4 and cash flows related to leases in Note 2.9.

The Group determines at inception of a contract whether the contract is, or contains, a lease. A contract is deemed a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability corresponding to the present value of the lease's future lease payments are recognised in the consolidated statement of financial position at the commencement date of the lease.

The lease term is the period during which the lease is non-cancellable. The lease term shall include periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised, and periods covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

When calculating the present value of future lease payments, the interest rate implicit in the lease is primarily used, if available. An interest rate implicit in the lease is not available for all leases. In such cases, the incremental borrowing rate is used, which comprises the reference rate, credit spread for the incremental borrowing, and a potential country and currency risk premium. The interest expenses for lease liabilities are recognised in financial items in the income statement. The Group applies the exemptions for leases with a term of less than 12 months and assets of low value included in IFRS 16, according to which such leases are not included in the balance sheet. Lease payments for short-term leases and low-value assets are recognised as expenses on a straight-line basis over the lease term.

At the commencement date of the lease, the measurement of the lease liability includes fixed lease payments, variable lease payments that depend on an index or a rate, potential residual value guarantees, and the price of a purchase option if it is reasonably certain the option will be exercised. Payments of penalties for terminating the lease are also included in the measurement of the lease liability if the lease term reflects the option to terminate the lease.

The lease liability is remeasured at the effective date of lease modification, and the consequent change is recognised as an adjustment to the right-of-use asset. If the reduction in lease liability exceeds the right-of-use asset, the difference is recognised in profit or loss. Lease liabilities must be remeasured using a revised discount rate when there is a change in the lease term, the assessment of whether an option to extend or terminate the lease is exercised, or the lease payment amount, and when there is a change in the assessment of whether an option to purchase the underlying asset is exercised.

The right-of-use asset is remeasured with corresponding remeasurement of lease liability. The lessee depreciates the right-of-use asset from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. More information on right-of-use assets is provided in note 3.4.

In reporting for the lessor, leases are divided into operating leases and finance lease agreements. Leases where the risks and rewards incidental to ownership are transferred to the lessee are classified as finance lease agreements. At the commencement date of the lease, the lessor records in the balance sheet a finance lease receivable that corresponds to the net investment in the lease. Lease income for operating leases is recognised in the income statement on a straight-line basis over the lease term.

In sale and leaseback transactions, the parties assess whether the transfer of the asset satisfies the requirements of IFRS 15 for a sale. If the transfer is accounted for as a sale, the right-of-use asset recognised in the balance sheet will be measured by the portion of the carrying amount of the original asset that corresponds to the value of the right

to use that remains with the seller. Only the portion of the sales proceeds of the asset corresponding to the rights transferred to the buyer is presented as sales gain or loss. If the consideration for the sale of the asset or payments for the lease do not equal the fair value, the difference is recognised as an adjustment to the asset's sales proceeds. Any below-market terms are accounted for as a prepayment of lease payments, and any above-market terms are accounted for as financial liability. If the requirements for a sale are not satisfied, the Group will continue to recognise the transferred asset in its balance sheet, and will present the transfer proceeds as financial liability.

### Group as a lessee

The Group leases for business purposes facilities required for retail and for logistics operations serving retail. The leases are mostly fixed term and in line with local market practices. Some of the leases for the properties contain extension options. The Group also leases for business purposes machinery and equipment such as vehicles, logistics machinery and equipment, and equipment for recycling waste at stores and logistics operations. The Group has classified office machinery and equipment as low-value assets, and lease payments for them are recognised as annual expenses in the income statement.

### Lease expenditure

| € million                               | 2020        | 2019         |
|---|-------------|--------------|
| Lease expenditure for short-term leases | -3.5        | -8.5         |
| Lease expenditure for low-value assets  | -4.4        | -4.4         |
| Variable lease expenditure              | -0.3        | -0.0         |
| <b>Total, continuing operations</b>     | <b>-8.2</b> | <b>-12.9</b> |

Right-of-use assets related to leases are presented in note 3.4.

Cash flows from lease liabilities are detailed in note 2.9, and the maturity of lease liabilities and related finance costs is detailed in note 4.3.

### Lease liabilities

| € million  | 2020 | 2019  |
|--|------|-------|
| Lease liabilities for leases not recognised in the balance sheet | 96.7 | 101.6 |

Lease liabilities for leases not recognised in the balance sheet include the nominal amount of liability for leases that will enter into force in the future.

### Group as a lessor

Kesko leases premises to entrepreneurs other than K-retailers to ensure that the combination of services at a store site supports Kesko's overall profit generation. Such premises typically include so-called store entrance shops at large retail outlets. The business premises owned or rented by Kesko and used by K-retailers to conduct chain operations are provided to the retailers under chain agreements, and are not treated as leases. The treatment of income based on chain agreements is detailed in Note 2.1.

### Lease income

| € million                           | 2020        | 2019        |
|-------------------------------------|-------------|-------------|
| Lease income for operating leases   | 16.9        | 17.0        |
| Lease income for subleases          | 24.5        | 26.8        |
| <b>Total, continuing operations</b> | <b>41.5</b> | <b>43.8</b> |

### 4.7 Contingent liabilities

| € million                                    | 2020  | 2019  |
|--|-------|-------|
| Collateral given for own commitments         |       |       |
| Pledges                                      | 9.0   | 152.3 |
| Mortgages                                    | 213.1 | 212.1 |
| Guarantees                                   | 25.0  | 16.2  |
| Other commitments and contingent liabilities | 64.8  | 57.5  |
| Collateral given for others                  |       |       |
| Guarantees                                   | -     | 3.2   |
| Other commitments and contingent liabilities | -     | 23.5  |

The guarantees given do not include guarantees related to the items presented within liabilities in the consolidated statement of financial position or as a lease liability in note 4.6.

Guarantee maturities are €3.5 million in 2021 and €21.6 million in 2022–2025.

Lease liabilities for leases not recognised in the balance sheet are presented in note 4.6.



## Notes to the consolidated financial statements

### 5. OTHER

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## 5.1 Group composition

### Group composition

Kesko Group has 92 (118) subsidiaries. The Group has the majority of voting rights in all companies. Consolidation principles are described in Note 1.5. Kesko Senukai was consolidated as a subsidiary in the consolidated financial statements up until 30 June 2020; as of 1 July 2020, it has been consolidated as a joint venture. The change in consolidation method, the grounds for the change and the financial impacts have been detailed in Note 3.1.

In addition, the Group has partly owned mutual real estate companies. The Group's subsidiaries, equity-accounted investments and mutual real estate companies consolidated using the proportionate method are listed in note 5.2.

Information about the Group composition as at the balance sheet date:

| Toimiala                     | Country of incorporation                                    | Most significant subsidiaries                           | Number of wholly-owned subsidiaries 2020 | Number of wholly-owned subsidiaries 2019 | Number of partly-owned subsidiaries 2020 | Number of partly-owned subsidiaries 2019 |
|------------------------------|---|---|--|--|--|--|
| Grocery trade                | Finland   | K-Market Oy   | 29                                       | 28                                       | 7  | 7  |
| Building and technical trade | Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland | Onninen Group, Byggnakker Group, Kesko AB, K-Bygg Group | 47                                       | 47                                       | -  | 26                                       |
| Car trade                    | Finland   | K-Auto Oy   | 8  | 8  | -  | -  |
| Others                       | Finland   |   | 1  | 2  | -  | -  |

## Material non-controlling interest 31.12.2019

There is a material non-controlling interest in Kesko Group company Kesko Senukai Group, which was consolidated as a subsidiary in the consolidated financial statements up until 30 June 2020. Kesko Group's holding in Kesko Senukai Group's parent UAB Kesko Senukai Lithuania is 50.0%. The company is domiciled in Vilnius, Lithuania. Kesko Senukai Group operates in Lithuania, Estonia, Latvia and Belarus. The share of non-controlling interests of the net profit of Kesko Senukai Group was €8.5 million in 2019 and in equity, the share was €105.7 million in 2019.

## Summarised financial information on subsidiary with material non-controlling interest

| € million   | Kesko Senukai Group 2019 |
|---|--------------------------|
| Current assets  | 285.0                    |
| Non-current assets  | 390.7                    |
| Current liabilities   | 184.0                    |
| Non-current liabilities   | 309.3                    |
| Net sales   | 860.1                    |
| Net profit/loss   | 17.3                     |
| Parent company owners' share of net profit/loss                         | 16.8                     |
| Non-controlling interests' share of net profit/loss                     | 0.5                      |
| Comprehensive income for the period                                     | 19.3                     |
| Parent company owners' share of comprehensive income for the period     | 17.8                     |
| Non-controlling interests' share of comprehensive income for the period | 1.6                      |
| Dividends paid to non-controlling interests                             | -0.4                     |
| Net cash generated from operating activities                            | 41.9                     |
| Net cash used in investing activities                                   | -12.2                    |
| Net cash used in financing activities                                   | -39.7                    |

The amounts above are before intra-Group eliminations.

## 5.2 Subsidiaries, associates, joint ventures and proportionately consolidated mutual real estate companies

### Subsidiaries

| Owned by the parent                         | Domicile          | Group's ownership interest, % | Parent's ownership interest, % |
|---|-------------------|-------------------------------|--------------------------------|
| Ankkuri-Energia Oy                          | Helsinki          | 100.00                        | 100.00                         |
| Asunto Oy Kirkkonummen Västeruddintie 33    | Kirkkonummi       | 100.00                        | 100.00                         |
| Barker-Littoinen Oy                         | Espoo             | 100.00                        | 100.00                         |
| Byggmakker Handel AS                        | Opppegård, Norway | 100.00                        | 100.00                         |
| Fiesta Real Estate AS                       | Tallinn, Estonia  | 100.00                        | 100.00                         |
| Henku Kauppa Oy                             | Espoo             | 100.00                        | 100.00                         |
| Intersport Finland Oy                       | Helsinki          | 100.00                        | 100.00                         |
| Kalatuisku E. Eriksson Oy                   | Helsinki          | 100.00                        | 100.00                         |
| K Auto Oy                                   | Helsinki          | 100.00                        | 100.00                         |
| Kenkäkesko Oy                               | Helsinki          | 100.00                        | 100.00                         |
| Keskinäinen Kiinteistö Oy Maimin Kankirauta | Helsinki          | 100.00                        | 100.00                         |
| Keskinäinen Kiinteistö Oy Voisalmentie 9    |                   |                               |                                |
| Lappeenranta                                |                   |                               |                                |
| Kesko AB                                    | Helsinki          | 100.00                        | 100.00                         |
| Kesko Export Oy                             | Stockholm, Sweden | 100.00                        | 100.00                         |
| Kesko Food Russia Holding Oy                | Helsinki          | 100.00                        | 100.00                         |
| Kesko Real Estate Latvia SIA                | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Helsingin Itäkeskus           | Riga, Latvia      | 100.00                        | 100.00                         |
| Kiinteistö Oy Hiukkavaaran Kauppa           | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Hämeenlinnan Visamäentie 16   | Oulu              | 100.00                        | 100.00                         |
| Kiinteistö Oy Järvenpään Helsingintie 41    | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Kiimingin Liiketalo 1         | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Kittilän Valtatie 31-33       | Oulu              | 100.00                        | 100.00                         |
| Kiinteistö Oy Koimisosentie 3               | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Lappeenrannan Oksasenkatu 4   | Kuopio            | 100.00                        | 100.00                         |
| Kiinteistö Oy Lappeenrannan Rakunaparkki    | Helsinki          | 100.00                        | 100.00                         |
| Kiinteistö Oy Liike-Jaako                   | Lappeenranta      | 56.50                         | 56.50                          |
| Kiinteistö Oy Pontsonkulma                  | Rovaniemi         | 67.88                         | 67.88                          |
|   | Helsinki          | 94.6                          | 94.6                           |



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| Owned by the parent                          | Domicile            | Group's ownership interest, % | Parent's ownership interest, % |
|--|---------------------|-------------------------------|--------------------------------|
| Kiinteistö Oy Palkaneen Liikesekus           | Palkane             | 100.00                        | 100.00                         |
| Kiinteistö Oy Riistaveden Keskustie 15       | Helsinki            | 79.50                         | 79.50                          |
| Kiinteistö Oy Sarviniitynkatu 4              | Kerava              | 100.00                        | 100.00                         |
| Kiinteistö Oy Sunan Hallitalo                | Helsinki            | 100.00                        | 100.00                         |
| Kiinteistö Oy Tarkkailikka                   | Oulu                | 100.00                        | 100.00                         |
| Kiinteistö Oy Voisaimen Liiketalo            | Helsinki            | 100.00                        | 100.00                         |
| Kliintcenter Ab                              | Mariehamn           | 100.00                        | 100.00                         |
| K-Market Oy                                  | Helsinki            | 100.00                        | 100.00                         |
| Koneko Oy                                    | Helsinki            | 100.00                        | 100.00                         |
| Koskelan Ostokeskus Oy                       | Oulu                | 58.64                         | 29.32                          |
| K-Rauta Holding Finland Kaukajärvi Oy        | Helsinki            | 100.00                        | 100.00                         |
| Liiketalo Oy Kaijonkeskus                    | Oulu                | 100.00                        | 100.00                         |
| Mežciems Real Estate SIA                     | Riga, Latvia        | 100.00                        | 100.00                         |
| Onninen Oy                                   | Helsinki            | 100.00                        | 100.00                         |
| Rake Elendom AS                              | Opppegård, Norway   | 100.00                        | 100.00                         |
| Reinin Liha Oy                               | Helsinki            | 100.00                        | 100.00                         |
| Tampereen Länsikeskus Oy                     | Tampere             | 100.00                        | 100.00                         |
| Vaajakosken Liikesekus Oy                    | Jyväskylä           | 100.00                        | 100.00                         |
| Owned by other Group companies               |                     |                               |                                |
| Arn Elendom AS                               | Vefsn, Norway       | 100.00                        | 100.00                         |
| Oy Autocarrera Ab                            | Helsinki            | 100.00                        | 100.00                         |
| Autocarrera Autotalot Oy                     | Helsinki            | 100.00                        | 100.00                         |
| Bygg & Interiör i Katrineholm AB             | Katrineholm, Sweden | 100.00                        | 100.00                         |
| Bygg & Interiör i Flen AB                    | Flen, Sweden        | 100.00                        | 100.00                         |
| Bygg & Interiör i Vingåker AB                | Vingåker, Sweden    | 100.00                        | 100.00                         |
| Byggmakker Mosjøen AS                        | Vefsn, Norway       | 100.00                        | 100.00                         |
| Byggmakker Nord AS                           | Steinkjer, Norway   | 100.00                        | 100.00                         |
| Byggmakker Sør AS                            | Gjøvik, Norway      | 100.00                        | 100.00                         |
| Carlsen Fritze Handel AS                     | Sandefjord, Norway  | 100.00                        | 100.00                         |
| Fresks Försäljning AB                        | Östersund, Sweden   | 100.00                        | 100.00                         |
| Hasti-Ari AS                                 | Opppegård, Norway   | 100.00                        | 100.00                         |
| K Auto Leasing Oy                            | Helsinki            | 100.00                        | 100.00                         |
| K Bygg Östergyllen AB                        | Linköping, Sweden   | 100.00                        | 100.00                         |
| K Caara Oy                                   | Helsinki            | 100.00                        | 100.00                         |
| Kesko Onninen International Trading Co., Ltd | Shanghai, China     | 100.00                        | 100.00                         |
| K rauta SIA                                  | Riga, Latvia        | 100.00                        | 100.00                         |
| Kestra Kiinteistöpalvelut Oy                 | Helsinki            | 100.00                        | 100.00                         |
| Kiinteistö Oy Kokkolan Kaanaanmaantie 2-4    | Kokkola             | 64.78                         | 64.78                          |
| Kiinteistö Oy Piispansilta                   | Espoo               | 100.00                        | 100.00                         |
| Kiinteistö Oy Vantaan Kiitoradantie 2        | Vantaa              | 100.00                        | 100.00                         |
| Kiinteistö Oy Vantaan Simonsampo             | Vantaa              | 100.00                        | 100.00                         |
| Kiinteistö Oy Visuveden Liiketalo            | Ruovesi             | 100.00                        | 100.00                         |
| KR Fastigheter i Järfälla AB                 | Sollentuna, Sweden  | 100.00                        | 100.00                         |
| KR Fastigheter i Linköping AB                | Sollentuna, Sweden  | 100.00                        | 100.00                         |
| KR Fastigheter i Täby AB                     | Sollentuna, Sweden  | 100.00                        | 100.00                         |
| K-rauta Fastigheter i Malmö AB               | Sollentuna, Sweden  | 100.00                        | 100.00                         |
| K-Rauta Holding Finland Oy                   | Helsinki            | 100.00                        | 100.00                         |
| Mar-ks & Infra i Sverige AB                  | Täby, Sweden        | 100.00                        | 100.00                         |
| Olavin Autokiinteistö Oy                     | Espoo               | 100.00                        | 100.00                         |
| Onninen AS                                   | Skedsmo, Norway     | 100.00                        | 100.00                         |
| Onninen AS                                   | Tallinn, Estonia    | 100.00                        | 100.00                         |
| Onninen LLP                                  | Aktau, Kazakhstan   | 100.00                        | 100.00                         |



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| Owned by other Group companies  | Domicile              | Group's ownership interest, % | Parent's ownership interest, % |
|---------------------------------|-----------------------|-------------------------------|--------------------------------|
| Onninen Russia Holding Oy       | Helsinki              | 100.00                        |                                |
| Onninen SIA                     | Riga, Latvia          | 100.00                        |                                |
| Onninen Sp. z o.o.              | Warsaw, Poland        | 100.00                        |                                |
| Onninen UAB                     | Vilnius, Lithuania    | 100.00                        |                                |
| Oskar Harju AB                  | Örnsködsvik, Sweden   | 100.00                        |                                |
| Peltosaaren Liikekeskus Oy      | Riihimäki             | 59.67                         |                                |
| Profelco Oy                     | Vantaa                | 100.00                        |                                |
| Rake Bergen AS                  | Oppegård, Norway      | 100.00                        |                                |
| Sørbo AS                        | Skedsmokorset, Norway | 100.00                        |                                |
| Tau & Jørpeland Eiendom         | Jørpeland, Norway     | 100.00                        |                                |
| TM Christensen VVS Detailjer AS | Oslo, Norway          | 100.00                        |                                |
| Trøgstadveien 13 AS             | Oppegård, Norway      | 100.00                        |                                |
| Urban Strålin Byggarvor AB      | Ulricehamn, Sweden    | 100.00                        |                                |
| Övik Låsteknik AB               | Örnsködsvik, Sweden   | 100.00                        |                                |

**Associates and joint ventures**  
Associates and joint ventures are consolidated using the equity method.

| Owned by the parent                   | Domicile         | Group's ownership interest, % | Parent's ownership interest, % |
|---------------------------------------|------------------|-------------------------------|--------------------------------|
| Graain Liikekeskus Oy                 | Mikkeli          | 50.00                         | 50.00                          |
| Kesko Senukai Lithuania UAB           | Vilna, Lithuania | 50.00                         | 50.00                          |
| Kiinteistö Oy Itäaukio                | Lahti            | 26.20                         | 26.20                          |
| Kiinteistö Oy Janakkalan Linnetuuli   | Janakkala        | 29.86                         | 29.86                          |
| Kiinteistö Oy Joensuu Kaupunginportti | Joensuu          | 22.77                         | 22.77                          |
| Mercada Oy                            | Helsinki         | 33.33                         | 33.33                          |
| Vähiitäisikaupan Takaus Oy            | Helsinki         | 44.49                         | 44.49                          |
| Vähiitäisikaupan Tiilipaiveli VTP Oy  | Helsinki         | 30.00                         | 30.00                          |

| Owned by other Group companies     | Domicile           | Group's ownership interest, % | Parent's ownership interest, % |
|------------------------------------|--------------------|-------------------------------|--------------------------------|
| 1A Grupa SIA                       | Riga, Latvia       | 25.50                         | 25.50                          |
| 1A-EE Oü                           | Tallinn, Estonia   | 25.50                         | 25.50                          |
| 1A.LT                              | Vilnius, Lithuania | 25.50                         | 25.50                          |
| Daugavpils project 1 SIA           | Daugavpils, Latvia | 50.01                         | 50.01                          |
| Delta turmas UAB                   | Vilnius, Lithuania | 50.01                         | 50.01                          |
| Fintorus Oy                        | Lappeenranta       | 21.40                         | 21.40                          |
| Inovatyvus prekybos sprendimai UAB | Vilnius, Lithuania | 25.51                         | 25.51                          |
| Kesko Senukai Digital UAB          | Vilna, Lietuva     | 25.50                         | 25.50                          |
| Kesko Senukai Estonia AS           | Tallinn, Estonia   | 50.00                         | 50.00                          |
| Kesko Senukai Latvia AS            | Riga, Latvia       | 50.00                         | 50.00                          |
| KS Holding UAB                     | Vilnius, Lithuania | 50.01                         | 50.01                          |
| Ksenukai Digital Oü                | Tallinn, Estonia   | 25.50                         | 25.50                          |
| MD Galerija Azur SIA               | Riga, Latvia       | 50.01                         | 50.01                          |
| Mobilukss SIA                      | Riga, Latvia       | 25.50                         | 25.50                          |
| Nomine UAB                         | Vilnius, Lithuania | 50.01                         | 50.01                          |
| OMA OOO                            | Minsk, Belarus     | 25.00                         | 25.00                          |
| Penktoji Projekto Bendrovė UAB     | Vilnius, Lithuania | 25.50                         | 25.50                          |
| Proffseinteret AS                  | Ringerike, Norway  | 34.11                         | 34.11                          |
| Punane Project Oü                  | Tallinn, Estonia   | 50.01                         | 50.01                          |
| Romos Holdings UAB                 | Kaunas, Lithuania  | 25.00                         | 25.00                          |
| Senukai UAB                        | Kaunas, Lithuania  | 49.61                         | 49.61                          |
| Senuku Tirdzniecibas Centrs SIA    | Riga, Latvia       | 25.50                         | 25.50                          |
| SPC Holding UAB                    | Kaunas, Lithuania  | 50.00                         | 50.00                          |

## Proportionately consolidated mutual real estate companies

| Owned by the parent and others          | Domicile     | Group's ownership interest, % | Parent's ownership interest, % |
|---|--------------|-------------------------------|--------------------------------|
| Asunto Oy Harjutie                      | Espoo        | 46.22                         | 46.22                          |
| Asunto Oy Kajaanin Louhikatu 2          | Kajaani      | 42.96                         | 42.96                          |
| Asunto Oy Soukan Itäinentorni           | Espoo        | 46.60                         | 46.60                          |
| Asunto-Oy Punkalaitumen Pankkitalo      | Punkalaidun  | 33.82                         |                                |
| Itäkeskuksen Pysäköintitalo Oy          | Helsinki     | 36.16                         | 36.16                          |
| Kiinteistö Oy Lahden Lynytkatu 1        | Lahti        | 50.00                         | 50.00                          |
| Kiinteistö Oy Lukonmäen Palvelukeskus   | Tampere      | 34.54                         |                                |
| Kiinteistö Oy Ulvilan Hansa             | Ulvila       | 42.41                         | 42.41                          |
| Kiinteistö Oy Vantaanportin Liikekeskus | Vantaa       | 27.81                         | 27.81                          |
| Lapin Tehdästalo Oy                     | Tampere      | 21.24                         | 21.24                          |
| Munkkivuoren Ostoskeskus Oy             | Helsinki     | 30.65                         | 30.65                          |
| Raksilan Paikoitus Oy                   | Oulu         | 33.33                         | 33.33                          |
| Talo Oy Kalevanpuisto                   | Kuopio       | 47.60                         | 47.60                          |
| Voisalmen Ostoskeskus Oy                | Lappeenranta | 50.00                         |                                |

## 5.3 Related party transactions

The Group's related parties include its management (the Board of Directors, President and CEO and the Group Management Board) and the companies controlled by them, their family members and companies controlled by the family members, the Group's subsidiaries, associates and joint ventures, and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in a separate note (note 5.2).

The related party transactions disclosed consist of such transactions carried out with related parties that are not eliminated in the consolidated financial statements.

Some members of the Kesko Board are K-retailers. The Group companies sell goods and services to companies controlled by them. Goods and services have been sold to and purchased from related parties on normal market terms and conditions and at market prices.

Kesko reports Kesko Senukai Group, which is part of Kesko's building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture accounted for using the equity method as of 1 July 2020. The change in consolidation method has been detailed in Note 3.1. Transactions involving Kesko Senukai Group companies have been reported as related party transactions as of 1 July 2020.

The associated company consolidated using the equity method, Mercada Oy, owns properties which have been leased for use by the Group. Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy sell their services to Kesko's and K-retailers' retail companies. The other associates mainly comprise business property companies which have leased their properties for use by Kesko Group. Associates that operate as mutual real estate companies have been consolidated in the financial statements in proportion to their ownership interests. During the financial year 2019, Kruunuvooren Satama Oy and Hehku Kauppa Oy became whollyowned subsidiaries of the Group. Before, they were joint ventures. Transactions between these companies and the Group are presented in the table up until the point the companies became wholly-owned subsidiaries of the Group.

Kesko Pension Fund is a stand-alone legal entity which manages the majority of the pension assets related to the voluntary pensions of the Group's employees in Finland. At the end

of 2020 or 2019, the pension assets did not include Kesko Corporation shares. Properties owned by Pension Fund have been leased to Kesko Group.

During the financial years 2020 and 2019, Kesko Group did not pay contributions to Pension Fund.

The following transactions were carried out with related parties:

| Income statement       | Associates and joint ventures |      | Board and management |      | Pension Fund |      |
|------------------------|-------------------------------|------|----------------------|------|--------------|------|
|                        | 2020                          | 2019 | 2020                 | 2019 | 2020         | 2019 |
| € million              |                               |      |                      |      |              |      |
| Sales of goods         | 7.1                           | 6.2  | 95.0                 | 85.0 |              |      |
| Sales of services      | 6.0                           | 4.9  | 0.8                  | 0.7  | 0.2          | 0.2  |
| Purchases of goods     | -1.1                          | -1.3 | -7.1                 | -6.7 |              |      |
| Purchases of services  | -0.1                          | 0.0  | 0.0                  | 0.0  | -0.4         | 0.0  |
| Other operating income | 0.6                           | 1.4  | 17.0                 | 14.8 |              |      |
| Other operating costs  | -3.8                          | -3.2 | -0.8                 | -0.8 | -0.2         | -0.1 |
| Finance income         | 6.6                           | 5.6  |                      |      |              |      |

At the balance sheet date, receivables arisen from Kesko's sales to companies controlled by the Board members were €6.8 million (€7.4 million). The receivables are collateralised by a commercial credit granted by Vähittäiskaupan Takaus Oy, a Kesko associate, with the maximum amount always limited to the maximum realisable value of the countersecurity from the K-retailer company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the countersecurity was valued at €8.8 million (€6.5 million).

Non-current receivables from associates and joint ventures contain the shareholder loan granted to Mercada Oy and the financing loans granted to UAB Kesko Senukai and UAB KS Holding. Current receivables contain €11.5 million of the current portion of these loans. Other current liabilities include, for example, chain rebate payables to companies controlled by the Kesko Board members. Chain rebates are paid retrospectively based on criteria related to the amount of actual annual purchases and the quality of operations.

During the financial year, Kesko Corporation sold the entire capital stock of one real estate company and 6,600 shares in Vähittäiskaupan Takaus Oy to Kesko Pension Fund. The combined transaction price totalled €6.5 million, based on the fair value of the asset items sold. During the 2019 financial year, Kesko Corporation sold 7,000 shares in Vähittäiskaupan Takaus Oy to Kesko Pension Fund for €4.6 million.

During the financial year 2019, Kesko Pension Fund paid in total €48 million in return of surplus assets to Finnish Group companies.

During the financial year 2019, Kruunuvooren Satama Oy's dividend payments and repayments of capital to Kesko Corporation totalled €44 million before the company became a subsidiary of Kesko Corporation. The associate Valluga-Sijoitus Oy paid €39 million in dividends to Kesko Corporation. Dividends paid by the joint venture and associate are eliminated in the Group's income statement and are not included in the table above. Dividends received have been reported in the Group's cash flow from operating activities.

| Balance sheet           | Associates and joint ventures |      | Board and management |      | Pension Fund |      |
|-------------------------|-------------------------------|------|----------------------|------|--------------|------|
|                         | 2020                          | 2019 | 2020                 | 2019 | 2020         | 2019 |
| € million               |                               |      |                      |      |              |      |
| Current receivables     | 13.4                          | 1.9  | 6.8                  | 7.4  | 0.2          |      |
| Non-current receivables | 71.5                          | 57.7 |                      |      |              |      |
| Current liabilities     | 4.1                           | 4.3  | 2.4                  | 2.5  | 13.5         | 7.0  |
| Non-current liabilities | 0.1                           |      | 0.1                  |      |              |      |

| Items related to leases | Associates and joint ventures |       | Board and management |      | Pension Fund |      |
|-------------------------|-------------------------------|-------|----------------------|------|--------------|------|
|                         | 2020                          | 2019  | 2020                 | 2019 | 2020         | 2019 |
| € million               |                               |       |                      |      |              |      |
| Cash flow from leases   | -35.5                         | -43.0 | -5.5                 | -3.7 | -7.8         | -6.3 |
| Lease liabilities       | 268.8                         | 298.5 | 23.4                 | 27.6 | 55.1         | 43.6 |

## Management's employee benefits

The top management comprises the Board of Directors and the Group Management Board. The compensation paid to them for their employee services consists of the following items:

| <b>Monetary salaries, fees, fringe benefits and share-based compensation</b> |                       | <b>2020</b>    | <b>2019</b>    |
|--|-----------------------|----------------|----------------|
| €1,000   |                       |                |                |
| Mikko Helander   | President and CEO     | 2,997.4        | 2,633.1        |
| Group Management Board   | other members         | 5,443.7        | 4,885.1        |
| Esa Kiiskinen  | Board Chairman        | 118.0          | 109.0          |
| Toni Pokela  | Board member          | 53.5           | 49.5           |
| Matti Kyytsönen  | Board member          | 59.0           | 55.5           |
| Matti Naumanen   | Board member          | 53.5           | 50.0           |
| Jannica Fagerholm  | Board member          | 74.0           | 72.0           |
| Peter Fagermås   | Board Deputy Chairman | 70.5           | 67.0           |
| Piia Karhu   | Board member          | 56.5           | 53.5           |
| <b>Total</b>   |                       | <b>8,926.1</b> | <b>7,974.7</b> |

Approximately 30% of the annual fees for Board members was paid in shares in the Company and the remaining fee amount was paid in cash. 8,158 Kesko Corporation B shares were granted to members of Board of Directors in 2020.

## Retirement benefits

The statutory pension provision for the President and CEO and other members of the Group Management Board is provided through a pension insurance company. Three Group Management Board members are provided with a supplementary pension based on a defined benefit plan in line with the rules of Kesko Pension Fund and personal service contracts. Four Group Management Board members are provided with a defined contribution supplementary pension. President and CEO Mikko Helander's old-age pension age is 63 and the amount of his old-age pension is 60% of his pensionable earnings for the final 10 years in accordance with the Employees' Pensions Act (TyEL). The pension is based on a defined benefit plan. The cost of the supplementary pension for the period, calculated on an accrual basis, was €1.2

million (€1.1 million) and the related pension asset in the balance sheet was €1.7 million (€1.0 million). The pension cost of the President and CEO's statutory pension provision was €0.3 million (€0.3 million).

## Share awards

During the 2020 reporting period, members of the Group Management Board were granted 77,922 shares based on the 2020 PSP 2018-2022 plan, while the maximum number of shares to be granted was 123,000. The number of shares represents gross earnings, from which withholding tax is deducted. During the 2019 reporting period, 61,219 shares were granted based on the 2017 PSP Plan. The number of shares represents gross earnings, from which withholding tax is deducted.

## Termination benefits

If the service contract of the President and CEO or some other Group Management Board member is terminated by the Company, he/she is entitled to a monetary salary and fringe benefits for the period of notice and a separate non-recurring termination compensation determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination compensation is not part of the executive's salary and it is not included in the determination of the salary for the period of notice, termination compensation or, in case of retirement, pensionable salary. If an executive resigns, he/she is only entitled to a salary for the period of notice and fringe benefits. When a service relationship terminates due to retirement, the executive is paid a pension based on his/her service contract without other compensations.

## Shareholdings

On 31 December 2020, the President and CEO held 269,844 Kesko Corporation B shares, which represented 0.07% of the total number of shares and 0.02% of votes carried by all shares of the Company. As at 31 December 2020, the Group Management Board, including the President and CEO, held 324 Kesko Corporation A shares and 774,528 Kesko Corporation B shares, which represented 0.19% of the total number of shares and 0.05% of votes carried by all shares of the Company.

## 5.4 Share-based compensation

### Accounting policies

The costs relating to share-based payments are recorded in the income statement and the corresponding liability for share-based payments settled in cash is recognised in the balance sheet. The liability in the balance sheet is measured at fair value at each balance sheet date. For equity-settled share-based payment transactions, an increase corresponding to the expensed amount is recorded in equity.

The Company's Board of Directors has granted a share-based compensation plan to management under which an award consisting of B series shares and an amount in cash is paid upon fulfilling the plan's terms. The fair value of the award paid in shares is the value of the share at the grant date and it is recognised as an expense on a straight-line basis over the vesting and commitment period of the plan. The expensed amount is based on the Group's estimate of the amount of award payable in shares at the end of the vesting period. The effects of non-market conditions are not included in the fair value of the awards. Instead, they are accounted for in the assumptions of the number of shares expected to vest at the end of the vesting period. A cash component is paid to cover the taxes and tax-like charges incurred under the award. The cash component is recognised as an expense during the vesting period. Changes in estimates are recorded in the income statement.

Following the change in IFRS 2 Share-based Payment, effective as of 1 January 2018, the Group has reclassified the cash-settled portions of its share-based compensation schemes as equity-settled share-based payments. As a result of the change, such cash-settled share-based payments for which the employer shall deduct, on behalf of the employee, from the share award such number of shares which covers taxes and tax-like charges paid in cash, shall be classified in their entirety as equity-settled share-based payments. The change concerns the following share plans: the 2017 PSP, the 2017 Bridge Plan, and the 2017 RSP, as well as share plans initiated after 1 January 2018.

### Share-based commitment and incentive scheme

Kesko's long-term share-based commitment and incentive scheme consists of four share-based compensation plans, under which the Board can annually decide on the initiation of new share plans. The primary plan, the Performance Share Plan (PSP), consists of annually commencing individual share plans, each with a two-year performance period and a two-year commitment period following the potential payment of a share award, during which the shares must not be pledged or transferred, but the other rights attached to the shares remain in force. If a person's employment or service relationship terminates prior to the expiry of a commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. Kesko Group's tax free sales (%), Kesko Group's comparable return on capital employed (ROCE, %) and the absolute total shareholder return (TSR, %) of a Kesko B share are the performance criteria for the PSPs initiated between 2017-2020. The recipient of the shares is free to use them once the commitment period of the share plan ends, provided that the person is still employed by Kesko Group. The number of shares granted based on the share-based compensation plan represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Kesko Corporation's Board decides annually whether to initiate a new plan.

The PSP was complemented with a new Key Personnel Share Plan (KPSP) decided upon by the Board in 2020. The KPSP is targeted at specific key persons at Kesko. The KPSP has a one-year performance period followed by a two-year commitment period. The performance criteria for the plan comprise indicators related to Kesko's profitability and the profitability, growth and capital efficiency of the participant's area of responsibility, and Kesko's share performance. The shares are paid to the recipients after the commitment period. This number of shares represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares.

The one-off transitional Bridge Plan for 2017 had a one-year performance period (1 Jan. 2017 – 31 Dec. 2017) followed by a three-year commitment period (1 Jan. 2018 – 10 Feb. 2021).



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Apart from that, the rules of the plan are the same as for the PSP. The Bridge Plan aimed at covering the transitional phase from Kesko's previous long-term commitment and incentive scheme, which was based on one-year performance periods, to the new commitment and incentive scheme adopted in 2017 with two-year performance periods. RSP (Restricted Share Pool) is a secondary share plan for special situations, to be decided upon separately. The plan consists of annually commencing individual share plans that each have a three-year commitment period, after which the potentially promised share awards for an individual plan will be paid to the participants, provided that their employment or service relationship with Kesko Group continues until the payment of the awards.

The 2014-2016 share-based compensation scheme had three one-year performance periods: calendar years 2014, 2015 and 2016. A commitment period of three calendar years following each performance period was attached to the shares granted, during which the shares could not be pledged or transferred, but the other rights attached to the shares remained in force.

If a person's employment or service relationship was terminated prior to the expiry of a commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In the 2014-2016 plans, in addition to the shares granted, a cash component at maximum equal to the value of the shares was paid to cover the taxes and tax-like charges incurred under the award.

The purpose of the share-based compensation schemes is to promote Kesko's business and increase the Company's value by aligning the objectives of the shareholders and executives. The schemes also aim to commit the grantees to Kesko Group and give them the opportunity to receive Company shares upon fulfilling the objectives set in the share-based compensation plan.

The assumptions used in accounting for the share-based compensation plan are presented in the following tables.

| Share award grant dates and fair values:<br>PSP, KPSP and RSP | 2020 PSP   | 2020 KPSP  | 2020 RSP  | 2019 PSP   | 2019 RSP  |
|---|------------|------------|-----------|------------|-----------|
| Grant dates   | 4.2.2020   | 4.2.2020   | 4.2.2020  | 20.3.2019  | 20.3.2019 |
| Grant date fair value of share award, €                       | 14.85      | 14.85      | 14.85     | 13.11      | 13.11     |
| Share price at grant date, €                                  | 15.48      | 15.48      | 15.48     | 13.70      | 13.70     |
| <b>Share-based compensation plan duration</b>                 |            |            |           |            |           |
| Performance period start date                                 | 1.1.2020   | 1.1.2020   | -         | 1.1.2019   | -         |
| Performance period end date                                   | 31.12.2021 | 31.12.2020 | -         | 31.12.2020 | -         |
| Commitment period start date                                  | 1.1.2022   | 1.1.2021   | 1.1.2020  | 1.1.2021   | 1.1.2019  |
| Commitment period end date                                    | 10.2.2024  | 15.3.2023  | 15.3.2023 | 10.2.2023  | 15.3.2022 |

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**Share award grant dates and fair values:  
PSP, RSP and Bridge plan**

|   | 2018 PSP   | 2018 RSP  | 2017 PSP   | 2017 RSP  | 2017 Bridge plan |
|---|------------|-----------|------------|-----------|------------------|
| Grant dates                                   | 20.3.2018  | 20.3.2018 | 1.2.2017   | 1.2.2017  | 1.2.2017         |
| Grant date fair value of share award, €       | 11.62      | 11.62     | 11.17      | 11.17     | 11.17            |
| Share price at grant date, €                  | 12.17      | 12.17     | 11.67      | 11.67     | 11.67            |
| <b>Share-based compensation plan duration</b> |            |           |            |           |                  |
| Performance period start date                 | 1.1.2018   | -         | 1.1.2017   | -         | 1.1.2017         |
| Performance period end date                   | 31.12.2019 | -         | 31.12.2018 | -         | 31.12.2017       |
| Commitment period start date                  | 1.1.2020   | 1.1.2018  | 1.1.2019   | 1.1.2017  | 1.1.2018         |
| Commitment period end date                    | 10.2.2022  | 15.3.2021 | 10.2.2021  | 15.3.2020 | 10.2.2021        |

**Assumptions applied in determining the fair value of share award:  
PSP, KPSP, RSP, Bridge plan\***

|  | Performance period 2020-2021 PSP and RSP | Performance period 2020 KPSP | Performance period 2019-2020 PSP and RSP | Performance period 2018-2019 PSP and RSP | Performance period 2017-2018 PSP | Performance period 2017 Bridge plan |
|--|--|------------------------------|--|--|----------------------------------|-------------------------------------|
| Number of share awards granted, maximum, pcs**                                     | 850,350                                  | 257,900                      | 1,236,600                                | 1,331,600                                | 1,301,200                        | 1,301,200                           |
| Changes in the number of shares granted, pcs                                       | -21,200                                  | -4,700                       | -113,600                                 | -54,092                                  | -248,800                         | -106,400                            |
| Actual amount of share award, pcs  | 54                                       | 92                           | 120                                      | 380,488                                  | 285,728                          | 262,608                             |
| Number of plan participants at end of financial year                               | 21,04                                    | 21,04                        | 15,77                                    | 11,78                                    | 11,31                            | 125                                 |
| Share price at balance sheet date, €   | 63.3                                     | 96.7                         | 63.6                                     | 63.4                                     | 43.4                             | 46.7                                |
| Assumed fulfilment of performance criteria, %                                      | 2.5                                      | 2.5                          | 2.5                                      | 2.5                                      | 2.5                              | 2.5                                 |
| Estimated number of share awards returned prior to the end of commitment period, % |  |                              |  |  |                                  |                                     |

\* The Annual General Meeting of Kesko Corporation on 28 April 2020 decided on a share issue without payment in which three (3) new A shares were issued for each existing A share, and three (3) new B shares each existing B share. The share numbers and prices are presented with the post-split (share issue without payment) number of shares. Share numbers for the pre-2020 plans have been adjusted to correspond to the post-split number of shares.

\*\* Gross number of shares from which the applicable withholding tax is deducted and the remaining net amount is paid in shares.

| Share award grant dates, fair values and assumptions applied in determining the fair value of share award: 2016 share-based payments plan | Vesting period 2016 |
|---|---------------------|
| Grant dates   | 3.2.2016            |
| Grant date fair value of share award, €*  | 8.11                |
| Share price at grant date, €*   | 8.74                |
| <b>Share-based compensation plan duration</b>   |                     |
| Vesting period start date   | 1.1.2016            |
| Vesting period end date   | 31.12.2016          |
| Commitment period end date  | 31.12.2019          |
| Number of share awards granted, maximum, pcs*   | 1,052,000           |
| Changes in the number of shares granted, pcs*   | -39,200             |
| Actual amount of share award, pcs*  | 771,288             |
| Number of plan participants at end of financial year  | 131                 |
| Share price at balance sheet date, €*   | 11.87               |
| Assumed fulfilment of vesting criteria, %   | 56.7                |
| Estimated number of share awards returned prior to the end of commitment period, %  | 5.0                 |

\* The share numbers and prices are presented with the post-split (share issue without payment carried out on 28 April 2020) number of shares.

The impact of the above share-based compensation plans on the Group's profit for 2020 was €-9.5 million (€-7.0 million).

As at 31 December 2020, the amount to be recognised as expense for the financial years 2021–2023 is estimated at a total of €-10.4 million. The actual amount may differ from the estimate.

## 5.5 Legal disputes and possible legal proceedings

Group companies act as plaintiffs, defendants or parties to certain legal proceedings, disputes or investigations related to the Group's business operations. Although according to Keskko's management's estimate, the outcome of pending disputes and legal and authority proceedings is unlikely to have any material impact on the Group's financial position, the outcome of disputes and legal and authority proceedings is difficult to predict.

Investigation by the Finnish Competition and Consumer Authority regarding Onninen Oy – The Finnish Competition and Consumer Authority has a pending investigation concerning a suspected infringement of competition rules by Onninen Oy. Onninen Oy was informed of the investigation in 2015. Keskko acquired the entire capital stock of Onninen Oy on 1 June 2016. The investigation and the potential related risks are addressed in the acquisition terms and conditions.

Legal proceedings concerning UAB Kesko Senukai Lithuania – Kesko is party to two legal proceedings concerning the shareholder agreement of Kesko's joint venture UAB Kesko Senukai Lithuania and the disagreements concerning the management and development of the company and its subsidiary. The other parties to these legal proceedings include the minority shareholders of UAB Kesko Senukai Lithuania.

## 5.6 Events after the balance sheet date

No significant events after the balance sheet date.



# PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

## Parent company's income statement

| €   | 1 Jan.–31 Dec. 2020     | 1 Jan.–31 Dec. 2019     |
|---|-------------------------|-------------------------|
| <b>Net sales</b>                              | <b>6,082,401,524.72</b> | <b>5,775,844,550.19</b> |
| Other operating income                        | 801,970,996.90          | 726,873,282.24          |
| Materials and services                        | -5,427,027,023.60       | -5,134,495,774.80       |
| Change in inventory                           | 12,037,712.37           | 4,067,102.84            |
| Employee benefit expenses                     | -346,675,475.05         | -298,785,601.32         |
| Depreciation, amortisation and impairment     | -95,788,132.83          | -91,263,907.43          |
| Other operating expenses                      | -716,240,161.88         | -688,829,297.79         |
| <b>Operating profit</b>                       | <b>310,679,440.62</b>   | <b>293,410,353.93</b>   |
| Finance income and costs                      | 2,815,406.38            | 119,779,773.09          |
| <b>Profit before appropriations and taxes</b> | <b>313,494,847.00</b>   | <b>413,190,127.02</b>   |
| Appropriations                                |                         |                         |
| Change in depreciation reserve                | -6,562,563.46           | -4,117,086.35           |
| Group contribution                            | -16,959,349.26          | 31,342,249.81           |
| <b>Profit before taxes</b>                    | <b>289,972,934.28</b>   | <b>440,415,290.48</b>   |
| Income taxes                                  | -55,679,529.16          | -46,538,073.71          |
| <b>Profit for the financial year</b>          | <b>234,293,405.12</b>   | <b>393,877,216.77</b>   |



Parent company's balance sheet

| €  | 31 Dec. 2020            | 31 Dec. 2019            |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>                            |                         |                         |
| <b>NON-CURRENT ASSETS</b>                |                         |                         |
| <b>INTANGIBLE ASSETS</b>                 |                         |                         |
| Intangible rights                        | 4,603,727.43            | 5,955,939.06            |
| Other intangible assets                  | 170,920,751.14          | 157,959,763.45          |
| Prepayments                              | 11,928,843.06           | 13,717,562.03           |
|  | 187,453,321.63          | 177,633,264.54          |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>     |                         |                         |
| Land and waters                          |                         |                         |
| Owned                                    | 208,806,109.85          | 174,933,985.21          |
| Leasehold interests and connection fees  | 2,211,652.42            | 2,202,637.74            |
| Buildings                                |                         |                         |
| Owned                                    | 439,134,460.45          | 354,398,749.73          |
| Machinery and equipment                  | 88,490,328.81           | 91,300,872.26           |
| Other tangible assets                    | 6,128,727.98            | 6,376,255.89            |
| Prepayments and construction in progress | 10,459,602.85           | 20,844,597.14           |
|  | 755,230,882.36          | 650,057,097.97          |
| <b>INVESTMENTS</b>                       |                         |                         |
| Investments in subsidiaries              | 1,087,168,327.86        | 1,028,450,981.49        |
| Investments in associates                | 111,025,938.95          | 36,383,054.61           |
| Other investments                        | 18,580,026.52           | 18,508,819.82           |
|  | 1,216,774,293.33        | 1,083,342,855.92        |
| <b>CURRENT ASSETS</b>                    |                         |                         |
| <b>INVENTORIES</b>                       |                         |                         |
| Finished products/goods                  | 256,583,563.54          | 244,545,904.24          |
|  | 256,583,563.54          | 244,545,904.24          |
| <b>RECEIVABLES</b>                       |                         |                         |
| Long-term                                |                         |                         |
| Receivables from subsidiaries            | 124,207,994.34          | 310,453,860.52          |
| Receivables from associates              | 71,502,199.58           | 57,594,199.58           |
| Other receivables                        | 8,192,666.63            | 6,892,666.62            |
|  | 203,902,860.55          | 374,940,726.72          |
| Short-term                               |                         |                         |
| Trade receivables                        | 357,582,841.05          | 355,726,614.66          |
| Receivables from subsidiaries            | 497,767,542.55          | 560,544,582.68          |
| Receivables from associates              | 4,938,308.22            | 1,539,823.31            |
| Loan receivables                         | 133,095.97              | -                       |
| Other receivables                        | 19,545,572.22           | 5,940,967.57            |
| Prepayments and accrued income           | 89,245,140.20           | 84,046,309.95           |
|  | 969,212,500.21          | 1,007,798,298.17        |
| <b>INVESTMENTS</b>                       |                         |                         |
| Other investments                        | 114,158,274.36          | 16,777,819.41           |
| <b>CASH AND CASH EQUIVALENTS</b>         | 136,613,110.09          | 58,133,140.52           |
| <b>TOTAL ASSETS</b>                      | <b>3,839,928,806.07</b> | <b>3,613,229,107.49</b> |



| €   | 31 Dec. 2020            | 31 Dec. 2019            |
|---|-------------------------|-------------------------|
| <b>EQUITY AND LIABILITIES</b>             |                         |                         |
| <b>CAPITAL AND RESERVES</b>               |                         |                         |
| Share capital                             | 197,282,584.00          | 197,282,584.00          |
| Share premium                             | 197,498,010.90          | 197,498,010.90          |
| Reserve of invested non-restricted equity | 22,753,307.40           | 22,753,307.40           |
| Other reserves                            | 243,415,795.55          | 243,415,795.55          |
| Retained earnings                         | 935,833,358.02          | 786,980,069.48          |
| Profit for the financial year             | 234,293,405.12          | 393,877,216.77          |
|   | 1,831,076,460.99        | 1,841,806,984.10        |
| <b>APPROPRIATIONS</b>                     |                         |                         |
| Depreciation reserve                      | 139,946,004.30          | 117,206,574.66          |
| <b>PROVISIONS</b>                         |                         |                         |
| Other provisions                          | 2,364,199.37            | 5,050,441.54            |
| <b>LIABILITIES</b>                        |                         |                         |
| Non-current                               |                         |                         |
| Loans from financial institutes           | 300,000,000.00          | 300,000,000.00          |
| Pension loans                             | 109,041,000.00          | 137,465,000.00          |
| Other creditors                           | 7,625,996.00            | 6,405,992.00            |
|   | 416,666,996.00          | 443,870,992.00          |
| Current                                   |                         |                         |
| Pension loans                             | 28,424,000.00           | 22,680,000.00           |
| Advances received                         | 19,960,149.87           | 16,871,347.76           |
| Trade payables                            | 627,726,576.50          | 552,318,045.53          |
| Payables to subsidiaries                  | 304,017,086.16          | 224,164,957.75          |
| Payables to associates                    | 4,143,483.40            | 4,310,376.72            |
| Other payables                            | 225,646,770.59          | 169,031,420.71          |
| Accruals and deferred income              | 239,957,078.89          | 215,917,966.72          |
|   | 1,449,875,145.41        | 1,205,294,115.19        |
| <b>TOTAL LIABILITIES</b>                  | <b>3,839,928,806.07</b> | <b>3,613,229,107.49</b> |



## Parent company's cash flow statement

| €  | 1 Jan.-31 Dec. 2020    | 1 Jan.-31 Dec. 2019    |
|--|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                                |                        |                        |
| Profit before appropriations   | 313,494,847.00         | 413,190,127.02         |
| Adjustments  |                        |                        |
| Depreciation according to plan   | 95,788,132.83          | 91,263,907.43          |
| Finance income and costs   | -2,815,406.38          | -119,779,773.09        |
| Other adjustments  | -16,972,259.98         | -19,695,899.51         |
|  | <b>389,495,313.47</b>  | <b>364,978,361.85</b>  |
| <b>Change in working capital</b>   |                        |                        |
| Current non-interest-bearing receivables, increase (-)/decrease (+)        | -8,896,516.50          | 240,375,874.77         |
| Inventories increase (-)/decrease (+)                                      | -12,037,659.30         | -4,067,102.84          |
| Current non-interest-bearing liabilities, increase (+)/decrease (-)        | 130,315,518.00         | -190,853,266.60        |
|  | 109,381,342.20         | 45,455,505.33          |
| Interests paid and other finance costs                                     | -18,814,688.27         | -24,330,213.74         |
| Interests received   | 14,230,494.16          | 21,624,990.73          |
| Dividends received   | 15,651,093.31          | 134,819,314.46         |
| Income tax paid  | -39,359,524.45         | -69,602,708.60         |
|  | -28,292,625.25         | 62,511,382.85          |
| <b>Net cash generated from operating activities</b>                        | <b>470,584,030.42</b>  | <b>477,945,250.03</b>  |
| <b>Cash flows from investing activities</b>                                |                        |                        |
| Purchases of property, plant, equipment and intangible assets              | -125,938,686.88        | -234,019,028.95        |
| Acquisitions of subsidiaries   | -145,706,898.89        | -145,117,483.68        |
| Sales of subsidiaries, net of cash   | 768,900.84             | -                      |
| Acquisitions of associates   | -517,085.27            | -                      |
| Proceeds from equity accounted investments                                 | 5,703,974.06           | 4,641,237.84           |
| Proceeds from disposal of property, plant, equipment and intangible assets | 1,963,066.20           | 6,379,050.36           |
| Long-term receivables, increase (-)/decrease (+)                           | 168,275,515.71         | -61,194,718.73         |
| <b>Net cash used in investing activities</b>                               | <b>-95,451,214.23</b>  | <b>-429,310,943.16</b> |
| <b>Cash flows from financing activities</b>                                |                        |                        |
| Interest-bearing liabilities, increase (+)/decrease (-)                    | 86,223,942.62          | 94,574,493.04          |
| Short-term interest-bearing receivables, increase (-)/decrease (+)         | -16,164,893.57         | -138,626,259.43        |
| Short-term money market investments, increase (-)/decrease (+)             | -94,931,147.26         | 94,336,148.04          |
| Dividends paid   | -249,942,576.94        | -231,868,024.83        |
| Group contributions received and paid                                      | -16,959,349.26         | 31,342,249.81          |
| Other items  | -3,128,677.85          | -6,709,600.98          |
| <b>Net cash used in financing activities</b>                               | <b>-294,902,702.26</b> | <b>-156,950,994.35</b> |
| <b>Change in cash and cash equivalents</b>                                 | <b>80,230,113.93</b>   | <b>-113,316,687.48</b> |
| <b>Cash and cash equivalents as at 1 Jan.</b>                              | <b>60,131,031.63</b>   | <b>86,300,962.53</b>   |
| Cash and cash equivalents transferred in connection with dissolution       | 747,155.61             | 87,146,756.58          |
| <b>Cash and cash equivalents as at 31 Dec.</b>                             | <b>141,108,301.17</b>  | <b>60,131,031.63</b>   |

## Notes to the parent company's financial statements

### Note 1. Principles used for preparing the financial statements

Kesko Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS).

#### Non-current assets

##### Intangible assets

Intangible assets are stated in the balance sheet at cost less depreciation according to plan and possible amortisations.

##### Depreciation plan

|                               |            |
|-------------------------------|------------|
| Other capitalised expenditure | 5–10 years |
| IT software and licences      | 3–5 years  |

##### Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less depreciation according to plan and possible amortisations.

##### Depreciation plan

Depreciation according to plan is calculated on a straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives.

The most common estimated useful lives are:

|                         |                             |
|-------------------------|-----------------------------|
| Buildings               | 10–33 years                 |
| Fixtures and fittings   | 8 years                     |
| Machinery and equipment | 25% reducing balance method |
| Transportation fleet    | 5 years                     |
| IT equipment            | 3–8 years                   |
| Other tangible assets   | 5–14 years                  |

Land and connection fees have not been depreciated. The total of depreciation according to plan and the change in depreciation reserve comply with the Finnish Business Tax Act. The change in depreciation reserve has been treated as appropriations.

#### Valuation of inventories

Inventories are stated, using the moving-average cost method, at lower of direct purchase cost, replacement cost and probable selling price.

#### Valuation of financial assets

Marketable securities have been valued at the lower of cost and net realisable value.

#### Foreign currency items

Foreign currency transactions have been recorded in euros using the rate of exchange at the date of transaction. Foreign currency receivables and payables have been translated into euros using the rate of exchange at the balance sheet date. If a receivable or a payable is tied to a fixed rate of exchange, it has been used for translation. Exchange rate differences have been recognised in profit or loss.

#### Derivative contracts

##### Interest rate derivatives

Interest rate derivatives are used to modify the durations of borrowings. The target duration is three years and it is allowed to vary between one and a half and four years. Cash flows arising from interest rate derivatives are recognised during the financial year as interest income or expenses, according to the maturity date. In the financial statements, outstanding interest rate forward contracts, interest rate future contracts, interest rate option contracts and interest rate swap contracts are stated at fair value, but unrealised revaluation is not stated as income. Any valuation losses are included in interest expenses.

##### Foreign currency derivatives

Foreign currency derivatives are used for hedging against translation and transaction risks. Foreign currency derivatives are used for hedging against commercial foreign exchange

risk. Foreign exchange forward contracts are valued using the forward exchange rate of the balance sheet date. The exchange differences arising from outstanding derivative contracts are reported in financial items and adjustment items of sales and purchases. If a derivative has been used for hedging a foreign-currency-denominated asset, the change in value has been recognised against that of the asset item. The premiums of option contracts are included in the balance sheet accruals until they expire, or if a value change at the balance sheet date so requires, recognition in profit or loss.

### Commodity derivatives

Ankkuri-Energia Oy, a Kesko Corporation subsidiary, uses electricity derivatives to balance the energy costs of the Group and its retailers. Kesko Corporation is an external counterparty in electricity derivatives with a bank, and enters into corresponding internal hedge with Ankkuri-Energia Oy. At no stage does Kesko Corporation have derivative positions, and thus there are no effects on profit or loss. The electricity price risk is reviewed on a 5-year time span. With respect to derivatives hedging the price of electricity supplied during the financial year, change in fair value is recognised at Kesko under finance income and cost. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

### Pension plans

Personnel's statutory pension provision is organised through pension insurance companies and the voluntary supplementary pension provision is mainly organised through Kesko Pension Fund. Pension costs are recognised as expense in the income statement.

### Provisions

Provisions stated in the balance sheet include items committed to under agreements or otherwise but not yet realised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group's business operations, as well as losses resulting from renting the premises to third parties, are included in provisions.

### Income tax

Income tax includes the income tax payments for the period calculated based on the profit for the period, and taxes payable for prior periods, or tax refunds. Deferred taxes are not included in the parent company's income statement and balance sheet.

## Notes to the income statement

### Note 2. Net sales by division

| € million                           | 2020           | 2019           |
|-------------------------------------|----------------|----------------|
| Grocery trade                       | 5,119.1        | 4,847.5        |
| Building and home improvement trade | 963.2          | 903.0          |
| Others                              | 0.1            | 25.3           |
| <b>Total</b>                        | <b>6,082.4</b> | <b>5,775.8</b> |

### Note 3. Material and services

| € million             | 2020            | 2019            |
|-----------------------|-----------------|-----------------|
| Material and services | -5,329.1        | -5,039.9        |
| Change in inventory   | 12.0            | 4.1             |
| External services     | -97.9           | -94.6           |
| <b>Total</b>          | <b>-5,415.0</b> | <b>-5,130.4</b> |

### Note 4. Other operating income

| € million                                | 2020         | 2019         |
|--|--------------|--------------|
| Gains on sales of real estate and shares | 5.7          | 7.0          |
| Rent income                              | 89.8         | 84.6         |
| Fees for services                        | 517.5        | 469.8        |
| Profits from mergers                     | 32.0         | 13.6         |
| Others                                   | 157.0        | 151.9        |
| <b>Total</b>                             | <b>802.0</b> | <b>726.9</b> |

## Note 5. Employee benefit expenses

| € million                   | 2020          | 2019          |
|-----------------------------|---------------|---------------|
| Salaries and fees           | -292.8        | -284.7        |
| Social security costs       |               |               |
| Pension costs               | -44.2         | -4.7          |
| Other social security costs | -9.7          | -9.4          |
| <b>Total</b>                | <b>-346.7</b> | <b>-298.8</b> |

In the comparison period Kesko's pension costs include a €45.3 million return of surplus assets by Kesko Pension Fund.

The average number of personnel at Kesko Corporation was 7,271 (7,224) people.

## Salaries and fees to the management

| € million                         | 2020       | 2019       |
|-----------------------------------|------------|------------|
| Managing Director                 | 3.0        | 2.6        |
| Members of the Board of Directors | 0.5        | 0.5        |
| <b>Total</b>                      | <b>3.5</b> | <b>3.1</b> |

An analysis of the management's salaries and fees is included in the notes to the consolidated financial statements.

## Note 6. Depreciation, amortisation and impairment

| € million                      | 2020         | 2019         |
|--------------------------------|--------------|--------------|
| Depreciation according to plan | -93.6        | -88.7        |
| Impairment, non-current assets | -2.2         | -2.6         |
| <b>Total</b>                   | <b>-95.8</b> | <b>-91.3</b> |

## Note 7. Other operating expenses

| € million                                  | 2020          | 2019          |
|--|---------------|---------------|
| Rent expenses                              | -334.4        | -338.3        |
| Marketing expenses                         | -147.7        | -138.4        |
| Maintenance of real estate and store sites | -85.2         | -81.0         |
| Losses on disposals of non-current assets  | -             | -1.0          |
| Telecommunication expenses                 | -70.5         | -73.2         |
| Losses from mergers                        | -23.3         | 0.0           |
| Other operating expenses                   | -55.1         | -57.0         |
| <b>Total</b>                               | <b>-716.2</b> | <b>-688.8</b> |

## Auditors' fees

| € million        | 2020       | 2019       |
|------------------|------------|------------|
| Audit            | 0.4        | 0.3        |
| Tax consultation | 0.0        | 0.0        |
| Other services   | 0.0        | 0.5        |
| <b>Total</b>     | <b>0.4</b> | <b>0.8</b> |

The Annual General Meeting on 28 April 2020 elected Deloitte Oy as Kesko Corporation's Auditor. In 2019, Kesko's Auditor was PricewaterhouseCoopers Oy.

## Note 8. Finance income and costs

| € million  | 2020         | 2019         |
|--|--------------|--------------|
| <b>Income from long-term investments</b>   |              |              |
| Dividend income from subsidiaries  | 13.1         | 51.4         |
| Dividend income from associates  | -            | 83.4         |
| Dividend income from others  | 2.6          | 0.0          |
| Gains on disposal of shares  | 0.0          | 0.2          |
| Gains on sales of investments  | 0.0          | 0.9          |
| <b>Income from long-term investments, total</b>  | <b>15.7</b>  | <b>135.9</b> |
| <b>Other interest and finance income</b>   |              |              |
| From subsidiaries  | 7.6          | 10.7         |
| From others  | 23.3         | 14.2         |
| <b>Interest and finance income, total</b>  | <b>31.0</b>  | <b>25.0</b>  |
| <b>Impairment of investments held as non-current assets</b>                                  |              |              |
| Impairment of shares   | -3.2         | -0.1         |
| Changes in fair value  | 0.0          | 0.4          |
| <b>Impairment and changes in fair value of investments held as non-current assets, total</b> | <b>-3.3</b>  | <b>0.3</b>   |
| <b>Interest and other finance costs</b>  |              |              |
| To subsidiaries  | -12.4        | -18.3        |
| To others  | -28.2        | -23.1        |
| <b>Interest and finance costs, total</b>   | <b>-40.6</b> | <b>-41.4</b> |
| <b>Total</b>   | <b>2.8</b>   | <b>119.8</b> |

## Note 9. Appropriations

| € million  | 2020         | 2019        |
|--|--------------|-------------|
| Difference between depreciation according to plan and depreciation in taxation | -6.6         | -4.1        |
| Group contributions received   | 28.0         | 46.8        |
| Group contributions paid   | -45.0        | -15.4       |
| <b>Total</b>   | <b>-23.5</b> | <b>27.2</b> |

An increased 50% depreciation on machinery and equipment and similar fixed assets acquired during the 2020 financial year has been made in compliance with the Finnish Business Tax Act.

## Note 10. Changes in provisions

| € million     | 2020        | 2019        |
|---------------|-------------|-------------|
| Other changes | -2.7        | -0.2        |
| <b>Total</b>  | <b>-2.7</b> | <b>-0.2</b> |

## Note 11. Income taxes

| € million                           | 2020         | 2019         |
|-------------------------------------|--------------|--------------|
| Income taxes on group contributions | 3.4          | -6.3         |
| Income taxes on ordinary activities | -55.3        | -40.2        |
| Taxes for prior years               | -3.7         | -0.1         |
| <b>Total</b>                        | <b>-55.7</b> | <b>-46.5</b> |

## Note 12. Deferred taxes

Deferred tax assets and liabilities have not been recorded on the balance sheet. The deferred tax liability on accumulated appropriations is €28.0 million. The amount of other deferred tax liabilities or assets is not material.

## Notes to the balance sheet

### Note 13. Intangible assets

| € million   | 2020       | 2019       |
|---|------------|------------|
| <b>Intangible rights</b>                              |            |            |
| Acquisition cost as at 1 Jan.                         | 15.3       | 25.8       |
| Increases   | 0.2        | 1.3        |
| Decreases   | -1.8       | -11.7      |
| Transfers between items                               | 1.7        | 0.0        |
| Acquisition cost as at 31 Dec.                        | 15.4       | 15.3       |
| Accumulated depreciation as at 1 Jan.                 | -9.3       | -17.6      |
| Accumulated depreciation on decreases and transfers   | 1.8        | 11.7       |
| Depreciation and amortisations for the financial year | -3.3       | -3.4       |
| Accumulated depreciation as at 31 Dec.                | -10.8      | -9.3       |
| <b>Book value as at 31 Dec.</b>                       | <b>4.6</b> | <b>6.0</b> |

### Other intangible assets

|   |              |              |
|---|--------------|--------------|
| Acquisition cost as at 1 Jan.                         | 295.3        | 296.6        |
| Increases   | 41.3         | 48.5         |
| Decreases   | -9.7         | -60.1        |
| Transfers between items                               | 15.9         | 10.3         |
| Acquisition cost as at 31 Dec.                        | 342.8        | 295.3        |
| Accumulated depreciation as at 1 Jan.                 | -137.3       | -158.1       |
| Accumulated depreciation on decreases and transfers   | 7.1          | 60.1         |
| Depreciation and amortisations for the financial year | -41.6        | -39.4        |
| Accumulated depreciation as at 31 Dec.                | -171.9       | -137.3       |
| <b>Book value as at 31 Dec.</b>                       | <b>170.9</b> | <b>158.0</b> |

| € million                       | 2020        | 2019        |
|---------------------------------|-------------|-------------|
| <b>Prepayments</b>              |             |             |
| Acquisition costs as at 1 Jan.  | 13.7        | 13.0        |
| Increases                       | 6.3         | 9.1         |
| Decreases                       | -0.1        | -1.6        |
| Transfers between items         | -8.0        | -6.8        |
| Acquisition costs as at 31 Dec. | 11.9        | 13.7        |
| <b>Book value as at 31 Dec.</b> | <b>11.9</b> | <b>13.7</b> |

## Note 14. Property, plant and equipment

| € million   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Land and waters, owned</b>                       |              |              |
| Acquisition cost as at 1 Jan.                       | 174.9        | 172.2        |
| Increases   | 1.6          | 3.6          |
| Transferred in mergers                              | 28.3         | 0.0          |
| Decreases   | -            | -1.3         |
| Transfers between items                             | 4.0          | 0.4          |
| Acquisition cost as at 31 Dec.                      | 208.8        | 174.9        |
| <b>Book value as at 31 Dec.</b>                     | <b>208.8</b> | <b>174.9</b> |
| <b>Land and waters, leasehold interests</b>         |              |              |
| Acquisition cost as at 1 Jan.                       | 2.2          | 1.9          |
| Increases   | -            | 0.2          |
| Transfers between items                             | -            | 0.1          |
| Acquisition cost as at 31 Dec.                      | 2.2          | 2.2          |
| <b>Book value as at 31 Dec.</b>                     | <b>2.2</b>   | <b>2.2</b>   |
| <b>Buildings</b>                                    |              |              |
| Acquisition cost as at 1 Jan.                       | 613.7        | 584.0        |
| Increases   | 20.8         | 18.9         |
| Transferred in mergers                              | 136.9        | 0.0          |
| Decreases   | -14.5        | 0.0          |
| Transfers between items                             | 0.8          | 10.8         |
| Acquisition cost as at 31 Dec.                      | 757.6        | 613.7        |
| Accumulated depreciation as at 1 Jan.               | -259.3       | -239.4       |
| Transferred in mergers                              | -52.8        | 0.0          |
| Accumulated depreciation on decreases and transfers | 14.3         | 0.0          |
| Depreciation for the financial year                 | -20.7        | -19.9        |
| Accumulated depreciation as at 31 Dec.              | -318.5       | -259.3       |
| <b>Book value as at 31 Dec.</b>                     | <b>439.1</b> | <b>354.4</b> |
| <b>Machinery and equipment</b>                      |              |              |
| Acquisition cost as at 1 Jan.                       | 287.9        | 279.4        |
| Increases   | 22.2         | 39.6         |
| Decreases   | -12.6        | -32.8        |
| Transfers between items                             | 2.3          | 1.7          |
| Acquisition cost as at 31 Dec.                      | 299.8        | 287.9        |
| Accumulated depreciation as at 1 Jan.               | -196.5       | -202.1       |
| Accumulated depreciation on decreases and transfers | 12.0         | 32.7         |
| Depreciation for the financial year                 | -26.8        | -27.2        |
| Accumulated depreciation as at 31 Dec.              | -211.3       | -196.5       |
| <b>Book value as at 31 Dec.</b>                     | <b>88.5</b>  | <b>91.3</b>  |
| <b>Other tangible assets</b>                        |              |              |
| Acquisition cost as at 1 Jan.                       | 19.4         | 19.0         |
| Increases   | 0.9          | 0.3          |
| Transferred in mergers                              | 0.0          | 0.0          |
| Decreases   | 0.0          | 0.0          |
| Transfers between items                             | 0.1          | 0.1          |
| Acquisition cost as at 31 Dec.                      | 20.5         | 19.4         |
| Accumulated depreciation as at 1 Jan.               | -13.0        | -11.7        |
| Transferred in mergers                              | 0.0          | 0.0          |
| Accumulated depreciation on decreases and transfers | 0.0          | 0.1          |
| Depreciation for the financial year                 | -1.3         | -1.4         |
| Accumulated depreciation as at 31 Dec.              | -14.3        | -13.0        |
| <b>Book value as at 31 Dec.</b>                     | <b>6.1</b>   | <b>6.4</b>   |
| <b>Prepayments and construction in progress</b>     |              |              |
| Acquisition cost as at 1 Jan.                       | 20.8         | 24.8         |
| Increases   | 8.5          | 12.8         |
| Decreases   | -2.2         | 0.0          |
| Transfers between items                             | -16.7        | -16.7        |
| Acquisition cost as at 31 Dec.                      | 10.5         | 20.8         |
| <b>Book value as at 31 Dec.</b>                     | <b>10.5</b>  | <b>20.8</b>  |

## Note 15. Investments

| € million                            | 2020           | 2019           |
|--------------------------------------|----------------|----------------|
| <b>Investments in subsidiaries</b>   |                |                |
| Acquisition cost as at 1 Jan.        | 1,116.0        | 1,069.0        |
| Increases                            | 169.0          | 171.0          |
| Transferred in mergers               | 1.9            | 0.0            |
| Decreases                            | -66.7          | -180.7         |
| Transfers between items              | -42.3          | 56.6           |
| Acquisition cost as at 31 Dec.       | 1,177.9        | 1,116.0        |
| Impairment as at 1 Jan.              | -87.5          | -180.5         |
| Accumulated impairments on decreases | -              | 103.9          |
| Accumulated impairments on transfers | -              | -10.8          |
| Impairment for the period            | -3.2           | -0.1           |
| Impairment as at 31 Dec.             | -90.7          | -87.5          |
| <b>Book value as at 31 Dec.</b>      | <b>1,087.2</b> | <b>1,028.5</b> |
| <b>Investments in associates</b>     |                |                |
| Acquisition cost as at 1 Jan.        | 36.4           | 82.2           |
| Increases                            | 32.9           | -              |
| Decreases                            | -0.5           | -0.1           |
| Transfers between items              | 42.3           | -45.7          |
| <b>Book value as at 31 Dec.</b>      | <b>111.0</b>   | <b>36.4</b>    |
| <b>Other investments</b>             |                |                |
| Acquisition cost as at 1 Jan.        | 18.5           | 13.8           |
| Increases                            | 0.1            | 5.6            |
| Transferred in mergers               | 0.0            | -1.0           |
| Transfers between items              | -              | 0.1            |
| Acquisition cost as at 31 Dec.       | 18.6           | 18.5           |
| <b>Book value as at 31 Dec.</b>      | <b>18.6</b>    | <b>18.5</b>    |

An analysis of Kesko Corporation's ownership interests in other companies as at 31 December 2020 is presented in the notes to the consolidated financial statements.

## Note 16. Receivables

| € million   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Receivables from subsidiaries</b>                  |              |              |
| <b>Long-term</b>                                      |              |              |
| Loan receivables                                      | 124.2        | 310.5        |
| <b>Long-term, total</b>                               | <b>124.2</b> | <b>310.5</b> |
| <b>Short-term</b>                                     |              |              |
| Trade receivables                                     | 14.6         | 42.7         |
| Loan receivables                                      | 456.3        | 496.5        |
| Prepayments and accrued income                        | 26.9         | 21.3         |
| <b>Short-term, total</b>                              | <b>497.8</b> | <b>560.5</b> |
| <b>Total</b>  | <b>622.0</b> | <b>871.0</b> |
| <b>Receivables from associates and joint ventures</b> |              |              |
| <b>€ million</b>                                      | <b>2020</b>  | <b>2019</b>  |
| <b>Long-term</b>                                      |              |              |
| Loan receivables                                      | 71.5         | 57.5         |
| Other receivables                                     | 0.0          | 0.1          |
| <b>Long-term, total</b>                               | <b>71.5</b>  | <b>57.6</b>  |
| Short-term receivables                                | 4.9          | 1.5          |
| <b>Total</b>  | <b>76.4</b>  | <b>59.1</b>  |

Kesko Corporation has advanced a long-term loan to its associated company, Mercada Oy, in the amount of €56.0 million and to its joint venture, UAB Kesko Senukai, in the amount of €13.9 million.

## CORPORATE GOVERNANCE

| Non-restricted equity                     | 2020           | 2019           |
|---|----------------|----------------|
| Contingency fund                          | 243.4          | 243.4          |
| Reserve of invested non-restricted equity | 22.8           | 22.8           |
| Retained earnings                         | 1,170.1        | 1,180.9        |
| <b>Total</b>                              | <b>1,436.3</b> | <b>1,447.0</b> |

| Calculation of distributable profits | 2020           | 2019           |
|--------------------------------------|----------------|----------------|
| Other reserves                       | 266.2          | 266.2          |
| Retained earnings                    | 935.8          | 787.0          |
| Profit for the year                  | 234.3          | 393.9          |
| <b>Total</b>                         | <b>1,436.3</b> | <b>1,447.0</b> |

On 31 December 2020, Keskko's distributable assets totalled €1,436,295,866.09.

| Breakdown of parent company shares | Pcs                |
|------------------------------------|--------------------|
| A shares                           | 126,948,028        |
| B shares                           | 273,130,980        |
| <b>Total</b>                       | <b>400,079,008</b> |

| Notes attached to shares | Number of votes |
|--------------------------|-----------------|
| A share                  | 10              |
| B share                  | 1               |

The number of shares in Keskko Corporation increased during the financial year following the resolution of the 28 April 2020 Annual General Meeting to conduct a share issue without payment (share split). In the share issue without payment, new shares were issued without payment to the shareholders in proportion to their existing holdings, so that three (3) new A shares were issued for each A share held, and three (3) new B shares for each B share held. At the end of December 2020, the total number of shares in Keskko Corporation was 400,079,008, of which 126,948,028, or 31.7%, were A shares and 273,130,980 or 68.3%, were B shares. All issued shares have been paid in full. The maximum number of A shares is 250 million and the maximum number of B shares is 360 million, and the maximum number of total shares 610 million.

## FINANCIAL REVIEW

| Prepayments and accrued income | 2020        | 2019        |
|--------------------------------|-------------|-------------|
| € million                      |             |             |
| Taxes                          | -           | 11.6        |
| Fees for services              | 11.6        | 5.9         |
| Employee benefit expenses      | 6.9         | 6.7         |
| Purchases                      | 32.3        | 30.6        |
| Others                         | 38.4        | 29.2        |
| <b>Total</b>                   | <b>89.2</b> | <b>84.0</b> |

## Note 17. Shareholders' equity

|                                       | Share capital | Share premium | Contingency fund | Reserve of invested non-restricted equity | Retained earnings | Total equity   |
|---------------------------------------|---------------|---------------|------------------|---|-------------------|----------------|
| € million                             |               |               |                  |   |                   |                |
| Balance as at 1 January 2019          | 197.3         | 197.5         | 243.4            | 22.8                                      | 1,015.3           | 1,676.2        |
| Dividends                             |               |               |                  | -231.9                                    | -231.9            | -231.9         |
| Treasury shares                       |               |               |                  |   | 3.9               | 3.9            |
| Transfer to donations                 |               |               |                  |   | -0.3              | -0.3           |
| Profit for the year                   |               |               |                  |   | 393.9             | 393.9          |
| Balance as at 31 December 2019        | 197.3         | 197.5         | 243.4            | 22.8                                      | 1,180.9           | 1,841.8        |
| Dividends                             |               |               |                  |   | -249.9            | -249.9         |
| Treasury shares                       |               |               |                  |   | 5.2               | 5.2            |
| Transfer to donations                 |               |               |                  |   | -0.3              | -0.3           |
| Profit for the year                   |               |               |                  |   | 234.3             | 234.3          |
| <b>Balance as at 31 December 2020</b> | <b>197.3</b>  | <b>197.5</b>  | <b>243.4</b>     | <b>22.8</b>                               | <b>1,170.1</b>    | <b>1,831.1</b> |

| Restricted equity | 2020         | 2019         |
|-------------------|--------------|--------------|
| Share capital     | 197.3        | 197.3        |
| Share premium     | 197.5        | 197.5        |
| <b>Total</b>      | <b>394.8</b> | <b>394.8</b> |

## KESKO'S YEAR 2020 | FINANCIAL REVIEW



## Board's authorisations to acquire and issue own shares

Authorised by the General Meeting, the Board acquired a total of 500,000 of the Company's own B shares during the 2018 financial year. The Board also acquired a total of 1,200,000 of the Company's own B shares during the financial years 2011 and 2014. The shares are held by the Company as treasury shares and the Board is entitled to transfer them. The Board has an authorisation, granted by the Annual General Meeting of 28 April 2020 and valid until 30 June 2021, to issue a maximum of 40,000,000 B shares.

## Treasury shares

On 5 May 2020, Keskko Corporation transferred a total of 8,158 of its own B shares (KESKOB) held by the Company as treasury shares to the members of Keskko's Board of Directors. The transfer was based on the resolution made by the Annual General Meeting on 28 April 2020 to pay a portion of the Board members' annual fees in Keskko B shares.

|  | Shares           |
|--|------------------|
| <b>Own B shares held by the Company as at 31 Dec. 2019</b> | <b>3,725,452</b> |
| Transferred, share-based compensation scheme               | -581,124         |
| Transferred, Board of Directors                            | -8,158           |
| Returned during the financial year                         | 3,692            |
| <b>Own B shares held by the Company as at 31 Dec. 2020</b> | <b>3,339,862</b> |

## Note 18. Provisions

| € million             | 2020       | 2019       |
|-----------------------|------------|------------|
| Provisions for leases | 1.1        | 2.4        |
| Other provisions      | 1.2        | 2.6        |
| <b>Total</b>          | <b>2.4</b> | <b>5.1</b> |

## Note 19. Non-current liabilities

During the 2019 financial year, Keskko made financing agreements totalling €700 million, where the interest margin will increase or decrease depending on Keskko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. During the financial year 2019 Keskko drew down €300 million, and has the

possibility to draw down more later on with a separate credit decision by the banks. Keskko also agreed on a Revolving Credit Facility of €100 million linked to the same sustainability targets, which was not in use on 31 December 2020.

## Note 20. Current liabilities

| € million                          | 2020         | 2019         |
|------------------------------------|--------------|--------------|
| <b>Liabilities to subsidiaries</b> |              |              |
| Trade payables                     | 1.4          | 10.3         |
| Other payables                     | 27.0         | 5.6          |
| Accruals and deferred income       | 275.6        | 208.3        |
| <b>Total</b>                       | <b>304.0</b> | <b>224.2</b> |
| <b>Liabilities to associates</b>   |              |              |
| Trade payables                     | 0.0          | 0.0          |
| Accruals and deferred income       | 0.0          | 0.0          |
| Other payables                     | 4.1          | 4.3          |
| <b>Total</b>                       | <b>4.1</b>   | <b>4.3</b>   |

|   | 2020         | 2019         |
|---|--------------|--------------|
| <b>Accruals and deferred income</b>         | <b>101.6</b> | <b>91.7</b>  |
| Employee benefit expenses                   | 33.7         | 32.1         |
| Accruals and deferred income from purchases | 5.3          | -            |
| Taxes                                       | 0.4          | 0.8          |
| Transaction prices                          | 34.7         | 3.2          |
| Fees for services                           | 64.3         | 88.1         |
| Others                                      | 240.0        | 215.9        |
| <b>Total</b>                                | <b>240.0</b> | <b>215.9</b> |

## Note 21. Non-interest-bearing liabilities

| € million           | 2020           | 2019         |
|---------------------|----------------|--------------|
| Current liabilities | 1,019.9        | 888.8        |
| <b>Total</b>        | <b>1,019.9</b> | <b>888.8</b> |

## Note 22. Guarantees, liability engagements and other liabilities

| € million                    | 2020  | 2019  |
|------------------------------|-------|-------|
| <b>Real estate mortgages</b> |       |       |
| For own debt                 | 193.0 | 192.1 |
| For subsidiaries             | 0.8   | 0.8   |

|                       |     |     |
|-----------------------|-----|-----|
| <b>Pledged shares</b> | 9.0 | 9.0 |
|-----------------------|-----|-----|

|                   |      |     |
|-------------------|------|-----|
| <b>Guarantees</b> |      |     |
| For own debt      | 0.4  | 1.0 |
| For subsidiaries  | 33.1 | 8.0 |

|  |      |      |
|--|------|------|
| <b>Other liabilities and liability engagements</b> |      |      |
| For own debt                                       | 35.8 | 32.3 |

|   |     |     |
|---|-----|-----|
| <b>Rent liabilities on machinery and fixtures</b> |     |     |
| Falling due within a year                         | 7.2 | 7.9 |
| Falling due later                                 | 7.7 | 9.8 |

|  |         |         |
|--|---------|---------|
| <b>Rent liabilities on real estate</b> |         |         |
| Falling due within a year              | 275.5   | 293.4   |
| Falling due later                      | 1,530.0 | 1,742.8 |

### Foreign currency risks

The result of the Company's operating activities is affected by the amount of working capital financing granted by the Company to its foreign subsidiaries and in part also, in its capacity as the Group's parent company, the subsidiaries' hedgings against their parent.

The foreign currency exposure is hedged using foreign currency derivatives in accordance with the confirmed foreign currency risk policy. The fair value of foreign currency derivatives is calculated by measuring them based on quoted market prices at the balance sheet date.

The measurement of derivatives is based on direct market data, in other words, they are classified at level 2. The maximum credit risk of these derivatives corresponds to their fair value at the balance sheet date.

The results of derivatives are recognised in financial items.

| Company's transaction exposure as at 31 Dec. 2020<br>€ million | USD         | SEK         | NOK         | PLN        |
|--|-------------|-------------|-------------|------------|
| Transaction risk   | -28.2       | 54.5        | 80.3        | 19.2       |
| Hedging derivatives  | 43.8        | -35.9       | -60.2       | -11.0      |
| <b>Exposure</b>  | <b>15.6</b> | <b>18.7</b> | <b>20.1</b> | <b>8.3</b> |

| Company's transaction exposure as at 31 Dec. 2019<br>€ million | USD        | SEK         | NOK         | PLN         |
|--|------------|-------------|-------------|-------------|
| Transaction risk   | -22.6      | 66.4        | 65.8        | 22.9        |
| Hedging derivatives  | 25.8       | -50.3       | -55.8       | -12.9       |
| <b>Exposure</b>  | <b>3.2</b> | <b>16.1</b> | <b>10.0</b> | <b>10.0</b> |

The sensitivity analysis of transaction exposure shows the profit impact of a +/-10% exchange rate change on the Company's foreign currency denominated acquisitions and hedging foreign currency derivatives.

| Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2020<br>€ million | USD  | SEK  | NOK  | PLN  |
|--|------|------|------|------|
| Change +10%  | -1.4 | -1.7 | -1.8 | -0.8 |
| Change -10%  | 1.7  | 2.1  | 2.2  | 0.9  |

| Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2019<br>€ million | USD  | SEK  | NOK  | PLN  |
|--|------|------|------|------|
| Change +10%  | -0.3 | -1.5 | -0.9 | -0.9 |
| Change -10%  | 0.3  | 1.8  | 1.1  | 1.1  |



## Derivatives

|   | 31 Dec. 2020                              | 31 Dec. 2020                              | 31 Dec. 2019                              | 31 Dec. 2019                              |
|---|---|---|---|---|
|   | Positive fair value (balance sheet value) | Negative fair value (balance sheet value) | Positive fair value (balance sheet value) | Negative fair value (balance sheet value) |
| Fair values of derivative contracts € million | 0.9                                       | -6.1                                      | 0.3                                       | -2.9                                      |
| Currency derivatives                          | 0.9                                       | -6.1                                      | 0.3                                       | -2.9                                      |
| <b>Interest rate derivatives</b>              | <b>0.0</b>                                | <b>-5.8</b>                               | <b>0.2</b>                                | <b>-3.8</b>                               |

|  | 31 Dec. 2020 Notional amount | 31 Dec. 2019 Notional amount |
|--|------------------------------|------------------------------|
| Notional amounts of derivative contracts € million | 217.9                        | 157.3                        |
| Currency derivatives                               | 217.9                        | 157.3                        |
| Interest rate derivatives                          | 420.0                        | 340.0                        |

All currency derivatives mature in 2021. Interest rate derivatives mature in 2022, 2024, 2026 and 2027.

|   | 2020 | Fair value | 2019 | Fair value |
|---|------|------------|------|------------|
| Liabilities arising from derivative instruments |      |            |      |            |

|                           | 2020 | Fair value | 2019 | Fair value |
|---------------------------|------|------------|------|------------|
| Interest rate derivatives |      |            |      |            |
| Interest rate swaps       | 420  | -5.8       | 340  | -3.6       |

|                              | 2020 | Fair value | 2019 | Fair value |
|------------------------------|------|------------|------|------------|
| Foreign currency derivatives |      |            |      |            |
| Forward and future contracts | 218  | -5.2       | 157  | -2.6       |
| Outside the Group            | 206  | -5.6       | 151  | -2.7       |
| Inside the Group             | 12   | 0.4        | 7    | 0.1        |
| Currency swaps               |      |            |      |            |

|                         | 2020 | Fair value | 2019 | Fair value |
|-------------------------|------|------------|------|------------|
| Commodity derivatives   |      |            |      |            |
| Electricity derivatives | 41   | 0.0        | 31   | 0.0        |
| Outside the Group       | 20   | -1.5       | 16   | 0.8        |
| Inside the Group        | 20   | 1.5        | 16   | -0.8       |

## Note 23. Cash and cash equivalents within the statement of cash flows

| € million                           | 2020         | 2019        |
|-------------------------------------|--------------|-------------|
| Available-for-sale financial assets | 4.5          | 2.0         |
| Cash and cash equivalents           | 136.6        | 58.1        |
| <b>Total</b>                        | <b>141.1</b> | <b>60.1</b> |

In the statement of cash flows, cash and cash equivalents includes those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of less than three months from acquisition.

## Note 24. Related parties

Kesko Corporation's related parties include the company's management (the Board of Directors, President and CEO and the Group Management Board) and the companies controlled by them, their family members and companies controlled by the family members, the Group's subsidiaries, associates and joint ventures, and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in a separate note (note 5.2).

Some members of the Kesko Board are K-retailers. Kesko Corporation sells goods and services to companies controlled by them. Goods and services have been sold to related parties on normal market terms and conditions and at market prices.



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# SIGNATURES

## Signatures for financial statements and report by the Board of Directors

Helsinki, 2 February 2021

Esa Kiiskinen

Peter Fagernäs

Jannica Fagerholm

Piia Karhu

Matti Naumanen

Toni Pokela

Matti Kyytsönen

Mikko Helander  
President and CEO

## The Auditor's note

Our auditor's report has been issued today.

Helsinki, 2 February 2021

Deloitte Oy  
Authorised public accountants

Jukka Vattulainen  
APA



# AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Kesko Oyj

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Kesko Oyj (business identity code 0109862-8) for the year ended 31 December, 2020. The financial statements comprise the consolidated income statement, statement of comprehensive income, financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

The non-audit services that we have provided have been disclosed in note 2.5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.



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| Key audit matter  | How our audit addressed the key audit matter  | Key audit matter   | How our audit addressed the key audit matter  |
|---|---|--|---|
| <p><b>Impairment testing of Goodwill and trademarks</b></p> <p>Refer to Note 3.3 in the consolidated financial statements of Kesko Oyj.</p> <p>Consolidated statement of financial position includes goodwill of €572.1 million (€479.0 million), of which €124.8 million relates to goodwill arising from provisional business combination accounting prepared in accordance with IFRS 3 relating to businesses acquired during 2020. In addition, Consolidated statement of financial position includes €87.7 million (€87.4 million) Trademarks.</p> <p>Goodwill is subject to management's annual impairment test. As a result of management's goodwill impairment test, no impairment was identified.</p> <p>Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate.</p> <p>Note 3.3 in the Consolidated financial statements describes key assumptions used by management and sensitivity analysis for the impairment tests approved by the Board.</p> <p>This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.</p> | <p>As part of our audit procedures we have assessed the impairment testing calculations prepared by management and approved by the board, and assessed key controls over impairment testing for each cash generating unit.</p> <p>The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. Estimated Cash flows used in these calculations are based on three-year financial plans approved by management. The key assumptions used for the plans are total market growth and profitability trends, changes in store network, product and service selection, pricing and movements in operating costs.</p> <p>We have assessed the key assumptions used by management in the Goodwill impairment tests:</p> <ul style="list-style-type: none"> <li>• comparing the growth and profitability estimates to historical performance.</li> <li>• comparing the estimates with the latest approved budgets and strategic plans.</li> <li>• comparing applied discount rates to external sources.</li> <li>• testing the mathematical accuracy of the impairment calculations</li> </ul> <p>We have also assessed the related disclosure information.</p> | <p><b>Revenue recognition</b></p> <p>Refer to accounting policies for the consolidated financial statements and note 2.1.</p> <p>Consolidated Net Sales of Kesko Oyj amounted to €10,669.2 million (€10,720.3 million). Kesko operates in grocery trade, building and technical trade, and car trade through wide sales- and retail network.</p> <p>Consolidated net sales comprise the sale of goods, services and energy from contracts with customers. The contribution of the sales of services and energy to total net sales is not significant. The Group sells products to retailers and other retail dealers and engages in own retailing.</p> <p>Due to the volume of transactions and due to the significance of related IT-systems for the revenue process, we identified as a specific risk of error and fraud in respect of revenue recognition, as follows:</p> <ul style="list-style-type: none"> <li>- Improper revenue recognition relating to manual journal entries for exceptional sales transactions.</li> </ul> <p>Revenue recognition due to its significance require specific attention both from the accounting and the auditing perspective.</p> | <p>We have evaluated the IT systems used for recognizing revenue by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue transactions, assessed the design of key controls and tested the operating effectiveness of those controls.</p> <p>We have analyzed the revenue transactions recorded to net sales to identify entries originating from automated processes and entries from manual journals, and to focus our audit procedures.</p> <p>Our audit procedures to ensure appropriateness of revenue recognition for sales transaction population recorded to net sales have consisted among others, performing comprehensive data analytics based substantive audit procedures together with sample based test of details.</p> <p>We have made a focused risk assessment for addressing fraud risk relating to revenue recognition, and identified manual journal entries by applying data analytics. Based on the risk assessment for fraud, we have focused our substantive audit procedures for the transactions identified to ensure the appropriateness and accuracy. We have assessed the basis and appropriateness for significant credit entries and the appropriateness of exceptional entries, and assessed the appropriateness of applied management judgment.</p> |
|   |   |  | <p>We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.</p>   |

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## Responsibilities of the Board of Directors and the President and CEO for the financial statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We have been acting as KESCO's auditor a total period of uninterrupted engagement of 1 year since 2020.

### Other information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our report thereon. We have obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### Other Statements

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of profit shown in balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability from the financial period audited by us.

Helsinki, 2 February 2021

### Deloitte Oy

Audit Firm

Jukka Vattulainen

Authorised Public Accountant (KHT)



**Skattedirektoratet**

|                               |                   |               |
|-------------------------------|-------------------|---------------|
| Saksbehandler                 | Deres dato        | Vår dato      |
| Jeanette Munkvold<br>Skovholt | 23.05.2018        | 11.06.2018    |
| Telefon                       | Deres referanse   | Vår referanse |
| 90076012                      | Espen Ingvoldstad | 2018/700520   |

BYGGMAKKER HANDEL AS  
Postboks 117  
2021 SKEDSMOKORSET

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Byggmakker Handel AS, org.nr. 980 656 616**

Vi viser til deres brev av 23. mai 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Byggmakker Handel AS.

Skattedirektoratet gir på bakgrunn av en konkret vurdering Byggmakker Handel AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

**Bakgrunn**

Fra søknaden gjengis:

*Byggmakker Handel driver kjedevirksomhet innen byggevarehandel og kundene består utelukkende av selvstendige selskaper som driver ett eller flere av de 65 utsalgstedene som inngår i Byggmakker kjeden (...)*

*(...) Kekso Oyj eier 100% av aksjene i Byggmakker Handel AS. Kekso Oyj er registrert i Finland og forretningsspråket i konsernet er engelsk. Styret i Byggmakker Handel AS består av tre aksjonærvalgte medlemmer, inklusive styreformannen, og to ansatte representanter. De tre aksjonærvalgte styremedlemmene er alle finske, og styremøtene foregår på engelsk.*

*Den primære målgruppen for årsregnskapet og årsberetningen til Byggmakker Handel AS har ikke norsk som morsmål.*

En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

**Skattedirektoratets vurdering**

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om

|                        |  |             |
|------------------------|--|-------------|
| Postadresse            | Besøksadresse:   | Sentralbord |
| Postboks 9200 Grønland | Se <a href="http://www.skatteetaten.no">www.skatteetaten.no</a>          | 800 80 000  |
| 0134 Oslo              | Org.nr: 996250318  | Telefaks    |
|                        | E-post:  | 22 17 08 60 |
|                        | <a href="mailto:skatteetaten.no/sendepost">skatteetaten.no/sendepost</a> |             |



regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er heleid av et utenlandsk selskap. Eierkretsen er begrenset. Forretningsspråket i konsernet er engelsk. Videre er det vektlagt at flere av styremedlemmene er utenlandske.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Jeanette Munkvold Skovholt

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*