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# Årsredovisning

för

# Bygg & Interiör i Katrineholm Aktiebolag

556308-1289

Räkenskapsåret

2020-09-01 - 2021-12-31

## Fastställelseintyg

Undertecknad styrelseledamot i Bygg & Interiör i Katrineholm Aktiebolag intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 2022-06-30. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Katrineholm 2022-06-30

Daniel Burström

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# Årsredovisning

för

# Bygg & Interiör i Katrineholm Aktiebolag

556308-1289

Räkenskapsåret

2020-09-01 - 2021-12-31

ank=20220712-20220713083612

Styrelsen för Bygg & Interiör i Katrineholm Aktiebolag avger följande årsredovisning för räkenskapsåret 2020-09-01 - 2021-12-31.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i hela kronor (kr). Uppgifter inom parentes avser föregående år.

# Förvaltningsberättelse

## Information om verksamheten

Bygg & Interiör i Katrineholm Aktiebolag bedrev fram till maj 2021 handel med byggmaterial, järnvaror och färg. Den 3 maj 2021 överläts verksamheten till K Bygg Östergyllen AB, org. nr. 556944-2527. Bolagets verksamhet upphörde därmed och bolaget har avregistrerats som arbetsgivare och för moms.

Företaget har sitt säte i Katrineholm.

## Väsentliga händelser under räkenskapsåret

Den 1 september 2020 förvärvades samtliga aktier i bolaget av Fresks Försäljning AB, org. nr. 556087-7325. På grund av att bolagets nya moderbolag har räkenskapsår från 1 januari till 31 december förlängdes bolagets räkenskapsår till att omfatta perioden 1 september 2020 till 31 december 2021. Den 3 maj 2021 såldes verksamheten i bolaget genom en inkråmsöverlåtelse till Fresks Försäljning AB:s dotterbolag K Bygg Östergyllen AB, org. nr. 556944-2527. Verksamhet har därför endast bedrivits under 8 månader i det aktuella räkenskapsåret. Det förkortade verksamhetsperioden förklarar minskningen i nettoomsättning och rörelsens kostnader jämfört med föregående år. Köpeskillingen för verksamhetsöverlåtelsen är orsaken till ökningen i övriga rörelseintäkter.

Vid räkenskapsårets slut utgjordes bolagets tillgångar av aktier i de två dotterbolagen Bygg & Interiör i Flen AB, org. nr. 556553-4681, och Bygg & Interiör i Vingåker AB, org. nr. 556069-1965, samt kassa och banktillgodohavanden. Bolaget skulder bestod av beräknad skatt för räkenskapsåret. Även dotterbolagens verksamheter överläts till K Bygg Östergyllen AB i maj 2021.

## Väsentliga händelser efter räkenskapsårets slut

Inga sådana väsentliga händelser som påverkar bedömningen av årsredovisningen har inträffat efter räkenskapsårets utgång.

## Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Styrelsen planerar att likvidera bolaget.

## Hållbarhetsupplysningar

Bolaget upprättar enligt 7 kap. 31 § ÅRL inte någon lagstadgad Hållbarhetsrapport. Koncernens moderbolag Kesko Oyj, org. nr. FI0109862-8, upprättar Hållbarhetsrapport för hela koncernen. Rapporten för 2021 finns på Keskos hemsida www.kesko.fi.

## Ägarförhållanden

Bolaget är ett helägt dotterbolag till Fresks Försäljning AB, org. nr. 556087-7325. Moderbolag i den största koncern som bolaget ingår i är Kesko Oyj med säte i Finland, org. nr. FI0109862-8.

Koncernredovisning upprättas av Kesko Oyj och rapporten för 2021 finns tillgänglig på Keskos hemsida www.kesko.fi.

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| **Flerårsöversikt** (Tkr) | **2020/21** (16 mån) | **2019/20** | **2018/19** | **2017/18** |
|---|---|---|---|---|
| Nettoomsättning | 56 530 | 73 942 | 76 047 | 80 682 |
| Resultat efter finansiella poster | 24 622 | 7 731 | 5 472 | 7 961 |
| Balansomslutning | 44 759 | 32 208 | 37 216 | 38 410 |
| Soliditet (%) | 86 | 60 | 48 | 42 |

## Förändring av eget kapital

| | **Aktie-kapital** | **Reserv-fond** | **Balanserat resultat** | **Årets resultat** | **Totalt** |
|---|---|---|---|---|---|
| Belopp vid årets ingång | 1 000 000 | 200 000 | 3 907 999 | 5 888 548 | **10 996 547** |
| Disposition enligt beslut av årets årsstämma: | | | | | |
| Balanseras i ny räkning | | | 5 888 548 | -5 888 548 | **0** |
| Årets resultat | | | | 27 484 653 | **27 484 653** |
| **Belopp vid årets utgång** | **1 000 000** | **200 000** | **9 796 547** | **27 484 653** | **38 481 200** |

## Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

| | |
|---|---|
| balanserad vinst | 9 796 547 |
| årets vinst | 27 484 653 |
| | **37 281 200** |
| | |
| disponeras så att | |
| i ny räkning överföres | 37 281 200 |
| | **37 281 200** |

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning samt kassaflödesanalys med noter.

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# Resultaträkning

| | Not | 2020-09-01 -2021-12-31 (16 mån) | 2019-09-01 -2020-08-31 |
|---|---|---|---|
| Nettoomsättning | | 56 529 590 | 73 941 895 |
| Kostnad sålda varor | | -44 772 016 | -51 608 456 |
| **Bruttoresultat** | | **11 757 574** | **22 333 439** |
| | | | |
| **Rörelsens kostnader** | | | |
| Administrationskostnader | | -6 189 612 | -3 747 213 |
| Försäljningskostnader | | -9 722 212 | -13 085 800 |
| Övriga rörelseintäkter | | 28 778 985 | 368 355 |
| | | **12 867 161** | **-16 464 658** |
| | | | |
| **Rörelseresultat** | 2 | **24 624 735** | **5 868 781** |
| | | | |
| **Resultat från finansiella poster** | | | |
| Resultat från andelar i koncernföretag | 3 | 0 | 2 000 000 |
| Övriga ränteintäkter och liknande resultatposter | | 1 310 | 133 |
| Räntekostnader och liknande resultatposter | 4 | -4 100 | -138 070 |
| | | **-2 790** | **1 862 063** |
| | | | |
| **Resultat efter finansiella poster** | | **24 621 945** | **7 730 844** |
| | | | |
| Bokslutsdispositioner | 5 | 10 425 000 | -695 000 |
| **Resultat före skatt** | | **35 046 945** | **7 035 844** |
| | | | |
| Skatt på årets resultat | 6 | -7 562 292 | -1 147 296 |
| **Årets resultat** | | **27 484 653** | **5 888 548** |

# Balansräkning

| | Not | 2021-12-31 | 2020-08-31 |
|---|---|---|---|
| **TILLGÅNGAR** | | | |
| **Anläggningstillgångar** | | | |
| ***Materiella anläggningstillgångar*** | | | |
| Inventarier, verktyg och installationer | 7 | 0 | 1 541 045 |
| | | **0** | **1 541 045** |
| ***Finansiella anläggningstillgångar*** | | | |
| Andelar i koncernföretag | 8 | 2 900 000 | 2 900 000 |
| Andra långfristiga värdepappersinnehav | 9 | 0 | 96 593 |
| Andra långfristiga fordringar | 10 | 0 | 332 433 |
| | | **2 900 000** | **3 329 026** |
| **Summa anläggningstillgångar** | | **2 900 000** | **4 870 071** |
| **Omsättningstillgångar** | | | |
| ***Varulager m m*** | | | |
| Färdiga varor och handelsvaror | | 0 | 10 822 062 |
| | | **0** | **10 822 062** |
| ***Kortfristiga fordringar*** | | | |
| Kundfordringar | | 0 | 10 595 597 |
| Fordringar hos koncernföretag | | 40 711 338 | 1 806 483 |
| Aktuella skattefordringar | | 0 | 94 271 |
| Övriga fordringar | | 0 | 90 391 |
| Förutbetalda kostnader och upplupna intäkter | | 0 | 1 884 102 |
| | | **40 711 338** | **14 470 844** |
| ***Kassa och bank*** | | 1 147 288 | 2 045 458 |
| **Summa omsättningstillgångar** | | **41 858 626** | **27 338 364** |
| **SUMMA TILLGÅNGAR** | | **44 758 626** | **32 208 435** |

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# Balansräkning

| | Not | 2021-12-31 | 2020-08-31 |
|---|---|---|---|
| **EGET KAPITAL OCH SKULDER** | | | |
| **Eget kapital** | 21 | | |
| ***Bundet eget kapital*** | | | |
| Aktiekapital | | 1 000 000 | 1 000 000 |
| Reservfond | | 200 000 | 200 000 |
| | | **1 200 000** | **1 200 000** |
| ***Fritt eget kapital*** | | | |
| Balanserad vinst eller förlust | | 9 796 547 | 3 907 999 |
| Årets resultat | | 27 484 653 | 5 888 548 |
| | | **37 281 200** | **9 796 547** |
| **Summa eget kapital** | | **38 481 200** | **10 996 547** |
| **Obeskattade reserver** | 11 | 0 | 10 425 000 |
| **Avsättningar** | 12 | | |
| Övriga avsättningar | | 0 | 332 433 |
| **Summa avsättningar** | | **0** | **332 433** |
| **Kortfristiga skulder** | 13 | | |
| Skulder till kreditinstitut | | 0 | 261 976 |
| Förskott från kunder | | 0 | 98 835 |
| Leverantörsskulder | | 0 | 6 470 772 |
| Skulder till koncernföretag | | 0 | 13 417 |
| Aktuella skatteskulder | | 6 277 426 | 0 |
| Övriga skulder | | 0 | 1 679 621 |
| Upplupna kostnader och förutbetalda intäkter | | 0 | 1 929 834 |
| **Summa kortfristiga skulder** | | **6 277 426** | **10 454 455** |
| **SUMMA EGET KAPITAL OCH SKULDER** | | **44 758 626** | **32 208 435** |

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# Kassaflödesanalys

| | Not | 2020-09-01 -2021-12-31 (16 mån) | 2019-09-01 -2020-08-31 |
|---|---|---|---|
| **Den löpande verksamheten** | | | |
| Resultat efter finansiella poster | 14 | 24 621 945 | 7 730 844 |
| Justeringar för poster som inte ingår i kassaflödet | 15 | -47 153 | 498 564 |
| Betald skatt | | -1 190 595 | -1 232 346 |
| **Kassaflöde från den löpande verksamheten före förändring av rörelsekapital** | | **23 384 197** | **6 997 062** |
| | | | |
| **Kassaflöde från förändring av rörelsekapitalet** | | | |
| Förändring av varulager och pågående arbete | | 10 822 062 | 975 923 |
| Förändring av kortfristiga fordringar | | -26 334 765 | -1 647 086 |
| Förändring av kortfristiga skulder | | -10 454 455 | -172 484 |
| **Kassaflöde från den löpande verksamheten** | | **-2 582 961** | **6 153 415** |
| | | | |
| **Investeringsverksamheten** | | | |
| Investeringar i materiella anläggningstillgångar | | 0 | -307 271 |
| Försäljning av materiella anläggningstillgångar | | 1 255 765 | 320 000 |
| Investeringar i finansiella anläggningstillgångar | | 0 | -584 496 |
| Försäljning av finansiella anläggningstillgångar | | 429 026 | 1 800 000 |
| **Kassaflöde från investeringsverksamheten** | | **1 684 791** | **1 228 233** |
| | | | |
| **Finansieringsverksamheten** | | | |
| Amortering av lån | | 0 | -6 502 964 |
| Utbetald utdelning | | 0 | -5 000 000 |
| **Kassaflöde från finansieringsverksamheten** | | **0** | **-11 502 964** |
| | | | |
| **Årets kassaflöde** | | **-898 170** | **-4 121 316** |
| | | | |
| **Likvida medel vid årets början** | 16 | | |
| Likvida medel vid årets början | | 2 045 458 | 6 166 774 |
| **Likvida medel vid årets slut** | | **1 147 288** | **2 045 458** |

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# Noter

## Not 1 Redovisnings- och värderingsprinciper

### Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Redovisningsprinciperna är oförändrade jämfört med föregående år.

### Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

### Redovisningsprinciper för enskilda balansposter
### Anläggningstillgångar
Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde. Följande avskrivningsprocent tillämpas:

***Materiella anläggningstillgångar***

| | |
|---|---|
| Inventarier, verktyg och installationer | 10-20% |

### Låneutgifter
De låneutgifter som uppkommer då företaget lånar kapital kostnadsförs i resultaträkningen i den period de uppstår.

### Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

***Andelar i dotterföretag***
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

***Andra långfristiga värdepappersinnehav***
Placeringar i värdepapper som är anskaffade med avsikt att innehas långsiktigt har redovisats till sina anskaffningsvärden. Varje balansdag görs bedömning om eventuellt nedskrivningsbehov.

***Kundfordringar/kortfristiga fordringar***
Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

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***Låneskulder och leverantörsskulder***
Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

## Leasingavtal
Företaget redovisar samtliga leasingavtal, såväl finansiella som operationella, som operationella leasingavtal. Operationella leasingavtal redovisas som en kostnad linjärt över leasingperioden.

## Varulager
Varulager har värderats till 97 % av det samlade anskaffningsvärdet vilket understiger varulagrets nettoförsäljningsvärde på balansdagen. Med nettoförsäljningsvärde avses varornas beräknade försäljningspris minskat med försäljningskostnader. Den valda värderingsmetoden innebär att eventuell inkurans i varulagret har beaktats.

## Inkomstskatter
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

***Aktuell skatt***
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

## Avsättningar
Som avsättning har redovisats förpliktelser gentemot tredje man som är hänförliga till räkenskapsåret eller tidigare räkenskapsår och som på balansdagen antingen är säkra eller sannolika till sin förekomst men oviss till belopp eller till den tidpunkt då de ska infrias.

## Ersättningar till anställda
Ersättningar till anställda avser alla former av ersättningar som företaget lämnar till de anställda. Kortfristiga ersättningar utgörs av bland annat löner, betald semester, betald frånvaro, bonus och ersättning efter avslutad anställning (pension). Kortfristiga ersättningar redovisas som kostnad och en skuld då det finns en legal eller informell förpliktelse att betala ut en ersättning till följd av en tidigare händelse och en tillförlitlig uppskattning av beloppet kan göras.

## Offentliga bidrag
Offentliga bidrag redovisas som intäkt då den framtida prestationen som krävs för att erhålla bidraget utförts. I de fall bidraget erhålls innan prestationen utförts, redovisas bidraget som skuld i balansräkningen. Offentliga bidrag värderas till det verkliga värdet av vad som erhållits eller kommer att erhållas.

## Koncernförhållanden
Företaget är moderföretag men med hänvisning till undantagsreglerna i årsredovisningslagen 7 kap 2§ upprättas ingen egen koncernredovisning. Det överordnade moderföretaget Kesko Oyj, organisationsnummer FI0109862-8 med säte i Helsingfors, Finland upprättar koncernredovisning.

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**Kassaflödesanalys**
Kassaflödesanalysen upprättas enligt indirekt metod. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- eller utbetalningar.

Som likvida medel klassificerar företaget, förutom kassamedel, disponibla tillgodohavanden hos banker och andra kreditinstitut samt kortfristiga likvida placeringar som är noterade på en marknadsplats och har en kortare löptid än tre månader från anskaffningstidpunkten. Förändringar i spärrade medel redovisas i investeringsverksamheten.

**Nyckeltalsdefinitioner**
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning
Företagets samlade tillgångar

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

**Uppskattningar och bedömningar**
Upprättandet av bokslut och tillämpning av redovisningsprinciper, baseras ofta på ledningens bedömningar, uppskattningar och antaganden som anses vara rimliga vid den tidpunkt då bedömningen görs. Uppskattningar och bedömningar är baserade på historiska erfarenheter och ett antal andra faktorer, som under rådande omständigheter anses vara rimliga. Resultatet av dessa används för att bedöma de redovisade värdena på tillgångar och skulder, som inte annars framgår tydligt från andra källor. Det verkliga utfallet kan avvika från dessa uppskattningar och bedömningar. Uppskattningar och antaganden ses över regelbundet.

Inga väsentliga källor till osäkerhet i uppskattningar och antaganden på balansdagen bedöms kunna innebära en betydande risk för en väsentlig justering av redovisade värden för tillgångar och skulder under nästa räkenskapsår.

## Not 2 Medelantalet anställda

| | 2020-09-01 -2021-12-31 | 2019-09-01 -2020-08-31 |
|---|---|---|
| Medelantalet anställda | 13 | 29 |

## Not 3 Resultat från andelar i koncernföretag

| | 2020-09-01 -2021-12-31 | 2019-09-01 -2020-08-31 |
|---|---|---|
| Erhållna utdelningar | 0 | 2 000 000 |
| | **0** | **2 000 000** |

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## Not 4 Räntekostnader och liknande resultatposter

| | 2020-09-01 -2021-12-31 | 2019-09-01 -2020-08-31 |
|---|---|---|
| Räntekostnader till koncernföretag | 0 | 62 367 |
| Övriga räntekostnader | 4 100 | 75 703 |
| | **4 100** | **138 070** |

## Not 5 Bokslutsdispositioner

| | 2020-09-01 -2021-12-31 | 2019-09-01 -2020-08-31 |
|---|---|---|
| Avsättning till periodiseringsfonder | 0 | -1 787 000 |
| Återföring av periodiseringsfonder | 9 207 000 | 1 470 000 |
| Förändring av överavskrivningar | 1 218 000 | -378 000 |
| | **10 425 000** | **-695 000** |

## Not 6 Aktuell och uppskjuten skatt

| | 2020-09-01 -2021-12-31 | 2019-09-01 -2020-08-31 |
|---|---|---|
| **Skatt på årets resultat** | | |
| Aktuell skatt | -7 562 292 | -1 147 296 |
| **Totalt redovisad skatt** | **-7 562 292** | **-1 147 296** |

## Not 7 Inventarier, verktyg och installationer

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Ingående anskaffningsvärden | 8 175 781 | 8 134 386 |
| Inköp | | 307 271 |
| Försäljningar/utrangeringar | -1 255 765 | -265 876 |
| **Utgående ackumulerade anskaffningsvärden** | **6 920 016** | **8 175 781** |
| | | |
| Ingående avskrivningar | -6 634 736 | -6 166 544 |
| Årets avskrivningar | -285 280 | -468 192 |
| **Utgående ackumulerade avskrivningar** | **-6 920 016** | **-6 634 736** |
| | | |
| **Utgående redovisat värde** | **0** | **1 541 045** |

Avskrivningar fördelade per funktion

| | | |
|---|---|---|
| Försäljningskostnader | -213 960 | -351 144 |
| Administrationskostnader | - 71 320 | -117 048 |
| Summa avskrivningar | - 285 280 | -468 192 |

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## Not 8 Andelar i koncernföretag

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Ingående anskaffningsvärden | 2 900 000 | 2 900 000 |
| **Utgående ackumulerade anskaffningsvärden** | **2 900 000** | **2 900 000** |
| **Utgående redovisat värde** | **2 900 000** | **2 900 000** |

## Not 9 Andra långfristiga värdepappersinnehav

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Ingående anskaffningsvärden | 96 593 | 96 593 |
| Försäljningar | -96 593 | |
| **Utgående ackumulerade anskaffningsvärden** | **0** | **96 593** |
| **Utgående redovisat värde** | **0** | **96 593** |

## Not 10 Andra långfristiga fordringar

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Ingående anskaffningsvärden | 332 433 | 247 937 |
| Tillkommande fordringar | | 84 496 |
| Avgående fordringar | -332 433 | |
| **Utgående ackumulerade anskaffningsvärden** | **0** | **332 433** |
| **Utgående redovisat värde** | **0** | **332 433** |

## Not 11 Obeskattade reserver

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Ackumulerade överavskrivningar | 0 | 1 218 000 |
| Periodiseringsfond 2019 | 0 | 1 300 000 |
| Periodiseringsfond inkomstår 2015 | 0 | 1 230 000 |
| Periodiseringsfond inkomstår 2016 | 0 | 1 690 000 |
| Periodiseringsfond inkomstår 2017 | 0 | 1 700 000 |
| Periodiseringsfond inkomstår 2019 | 0 | 1 500 000 |
| Periodiseringsfond inkomstår 2020 | 0 | 1 787 000 |
| | **0** | **10 425 000** |

## Not 12 Avsättningar

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| **Övriga avsättningar** | | |
| Belopp vid årets ingång | 332 433 | 247 937 |
| Årets avsättningar | | 84 496 |
| Under året ianspråktagna belopp | -332 433 | |
| | **0** | **332 433** |

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## Not 13 Skulder som avser flera poster

Företagets banklån om 0 (261 976) kronor redovisas under följande poster i balansräkningen.

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| **Kortfristiga skulder** | | |
| Övriga skulder till kreditinstitut | 0 | 261 976 |
| | **0** | **261 976** |

## Not 14 Räntor och utdelningar

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Erhållen ränta | 1 310 | 133 |
| Erhållen utdelning | 0 | 2 000 000 |
| Erlagd ränta | -4 100 | -138 070 |
| | **-2 790** | **1 862 063** |

## Not 15 Justering för poster som inte ingår i kassaflödet

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Avskrivningar | 285 280 | 468 192 |
| Vinst vid försäljning av anläggningstillgångar | 0 | -54 124 |
| Förändring av avsättningar | -332 433 | 84 496 |
| | **-47 153** | **498 564** |

## Not 16 Likvida medel

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| **Likvida medel** | | |
| Banktillgodohavanden | 1 147 288 | 2 045 458 |
| *Tillgodohavanden på koncernkonto* | 40 711 338 | 0 |
| | **41 858 626** | **2 045 458** |

## Not 17 Uppgifter om moderföretag

Bolaget är ett helägt dotterbolag till Fresks Försäljning AB, org. nr. 556087-7325. Moderbolag i den största koncern som bolaget ingår i är Kesko Oyj med säte i Finland, org. nr. FI0109862-8. Koncernredovisning upprättas av Kesko Oyj och rapporten för 2021 finns tillgänglig på Keskos hemsida www.kesko.fi.

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## Not 18 Ställda säkerheter

| | 2021-12-31 | 2020-08-31 |
|---|---|---|
| Tillgångar med äganderättsförbehåll | 0 | 982 400 |
| Andra ställda säkerheter | 0 | 332 433 |
| | **0** | **1 314 833** |

## Not 19 Eventualförpliktelser

Bolaget har inga eventualförpliktelser.

## Not 20 Väsentliga händelser efter räkenskapsårets slut

Inga sådana väsentliga händelser som påverkar bedömningen av årsredovisningen har inträffat efter räkenskapsårets utgång.

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## Not 21 Disposition av vinst eller förlust

| | 2021-12-31 |
|---|---|
| **Förslag till vinstdisposition** | |
| Styrelsen föreslår att till förfogande stående vinstmedel: | |
| balanserad vinst | 9 796 547 |
| årets vinst | 27 484 653 |
| | **37 281 200** |
| disponeras så att | |
| i ny räkning överföres | 37 281 200 |
| | **37 281 200** |

Katrineholm 2022-06-28

Endre Espeseth
Ordförande

Daniel Burström

Erik Öhlin

Vår revisionsberättelse har lämnats 30 juni 2022.

Deloitte AB

Lars Magnusson
Auktoriserad revisor

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Deloitte.

# REVISIONSBERÄTTELSE

**Till bolagsstämman i Bygg & Interiör i Katrineholm Aktiebolag**
**organisationsnummer 556308-1289**

## Rapport om årsredovisningen

*Uttalanden*

Vi har utfört en revision av årsredovisningen för Bygg & Interiör i Katrineholm Aktiebolag för räkenskapsåret 2020-09-01 - 2021-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Bygg & Interiör i Katrineholm Aktiebolags finansiella ställning per den 31 december 2021 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

*Grund för uttalanden*

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Bygg & Interiör i Katrineholm Aktiebolag enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

*Övriga upplysningar*

Revisionen av årsredovisningen för räkenskapsåret 2019-09-01 - 2020-08-31 har utförts av en annan revisor som lämnat en revisionsberättelse daterad 5 februari 2021 med omodifierade uttalanden i Rapport om årsredovisningen.

*Styrelsens ansvar*

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

*Revisorns ansvar*

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller fel och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller på fel, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på fel, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på

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upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.

- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

## Rapport om andra krav enligt lagar och andra författningar

*Uttalanden*

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Bygg & Interiör i Katrineholm Aktiebolag för räkenskapsåret 2020-09-01 - 2021-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

*Grund för uttalanden*

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till moderbolaget enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

*Styrelsens ansvar*

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

*Revisorns ansvar*

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Östersund den 30 juni 2022

Deloitte AB

Lars Magnusson
Auktoriserad revisor

2022101302372

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# FINANCIAL REVIEW

KESKO ANNUAL REPORT **2021**

# FINANCIAL REVIEW


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# THE REPORT BY THE BOARD OF DIRECTORS

KESKO ANNUAL REPORT **2021**

# REPORT BY THE BOARD OF DIRECTORS

Kesko has operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland, with some 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 48% of Kesko's net sales in 2021. At the end of 2021, Kesko had some 1,100 independent K-retailer entrepreneurs as partners. Kesko also engages in its own retailing, which accounted for some 16% of net sales. B2B trade is a significant and growing part of Kesko's business operations, and it accounted for some 36% of Kesko's net sales.

Outside Finland, Kesko mainly engages in its own retailing and B2B trade. Net sales for international operations totalled €2,016 million, and accounted for 17.8% of Kesko's total net sales.

Together, Kesko and K-retailers form K Group, whose retail sales (preliminary) totalled some €15 billion (0% VAT) in 2021.

## Operating environment

Identified megatrends impacting K Group's operations include changes related to utilising digital solutions and new technologies, the growing importance of sustainability and climate change, globalisation, and population change. Customer and consumer trends emphasise the growth in online sales, growing customer knowledge and power, change in consumer trends, and individual customer behaviour. Key opportunities and risks in the operating environment are related to the development of the economic operating environment, competition, digital services and cyber threats, demographic changes and the availability of skilled personnel, climate change, and sustainable purchasing and human rights. Risks have been described in more detail in the Significant risks and uncertainties section of this Board of Directors' Report.

## Outlook and guidance for 2022

Kesko Group's outlook is given for the year 2022, in comparison with the year 2021.

Kesko estimates that its comparable operating profit in 2022 will be in the range of €680-800 million. In 2021, Kesko's comparable operating profit totalled €775.5 million.

Overall, the outlook for Kesko's business in 2022 is positive.

Net sales for the grocery trade division are expected to remain at a good level also in 2022. As the pandemic eases, food sales are expected to partly shift from B2C trade to foodservice wholesale. Food price inflation is estimated to support sales growth.

Outlook for the building and technical trade division is also positive. We expect sales to stay at a good level in B2B trade, which now accounts for 75% of the division's sales. Demand in B2C trade is expected to normalise. Price inflation is expected to support growth, but prolonged price inflation would lead to lower construction volumes.

In the car trade division, predictions regarding new car sales are made more difficult by uncertainties related to component supply chains. Delivery issues related to the availability of semiconductors will continue to hinder the car trade division's business also in 2022.

The progress of the pandemic will continue to have an 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 2022. In addition to the Covid-19 pandemic, assessments for outlook and predictions for demand are made more difficult by uncertainties related to overall economic development, inflation, geopolitics, and the availability of goods.

## Important events

### Positive profit warning on 14 October 2021

Kesko raised its profit guidance for 2021 on 14 October 2021. Kesko estimated that its comparable operating profit in 2021 would be in the range of €740-800 million. Before, the company estimated that the comparable operating profit would be in the range of €650-750 million. The guidance upgrade was based on better-than-anticipated sales growth and profit development especially in the building and technical trade division, and the division's more positive outlook for the remainder of the year. In 2020, Kesko's illustrative comparable operating profit totalled €554 million. (Stock exchange release 14.10.2021)

### Positive profit warning on 14 June 2021

Kesko issued a positive profit warning based in particular on stronger-than-anticipated development in building and technical trade, and raised its profit guidance for 2021. Kesko estimated that its comparable operating profit in 2021 would be in the range of €650-750 million. Before, the company estimated that its comparable operating profit would be in the range of €570-670 million. (Stock exchange release 14.6.2021)

### Updated strategy and new financial targets

The Board of Directors of Kesko Corporation confirmed an updated version of the company's strategy and new medium-term financial targets for the company. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). As for financial position, the Group continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16. (Stock exchange release 27.5.2021)

### Positive profit warning on 15 April 2021

Kesko raised its guidance for its comparable operating profit in 2021, estimating that its comparable operating profit in 2021 would be in the range of €570-670 million. Before, the company estimated that the comparable operating profit would be in the range of €520-620 million. The guidance upgrade was based on better-than-anticipated sales development in all divisions and a more positive outlook for the remainder of the year. The illustrative comparable operating profit in 2020 was €554 million. (Stock exchange release 15.4.2021)

# Financial performance

## Net sales and profit 2021

| 1-12/2021 | Net sales, € million | Change % | Change, comparable, % | Operating profit, comparable € million | Change, € million | Change, illustrative comparison figures, € million* |
|---|---|---|---|---|---|---|
| Grocery trade | 5,909.0 | +3.1 | +3.1 | 442.9 | +67.8 | +67.8 |
| Building and technical trade excl. speciality goods trade | 4,164.0 | +21.6 | +14.3 | 275.4 | +106.0 | +106.0 |
| Speciality goods trade | 223.7 | +4.0 | +23.8 | 21.2 | +13.8 | +13.8 |
| Kesko Senukai | - | - | - | 21.5 | -3.7 | +10.5 |
| Building and technical trade total | 4,387.7 | +7.9 | +14.7 | 318.0 | +116.1 | +130.3 |
| Car trade | 1,028.3 | +15.2 | +15.2 | 52.2 | +28.8 | +28.8 |
| Common functions and eliminations | -24.8 | +15.9 | +17.7 | -37.7 | -5.0 | -5.0 |
| **Total** | **11,300.2** | **+5.9** | **+8.2** | **775.5** | **+207.7** | **+221.9** |

* Change to illustrative Group comparison figures is presented alongside the reported performance indicators 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.

Group net sales increased by 8.2% in comparable terms. Net sales grew in comparable terms by 6.9% in Finland and by 16.0% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of Kesko Senukai and acquisitions and divestments completed. The Group's reported net sales grew by 5.9%.

In the grocery trade division, sales to K Group's grocery store chains grew, as did the net sales of K-Citymarket's home and speciality goods (non-food) trade and Kespro.

In the building and technical trade division, net sales grew in comparable terms in all operating countries. Net sales grew in comparable terms in building and home improvement trade, Onninen's technical trade, and speciality goods trade. Reported net sales for the building and technical trade division increased by 7.9%. Reported net sales were negatively impacted by the change in the consolidation method of Kesko Senukai, and positively impacted by the acquisitions carried out in 2020 and 2021 and the strengthening of the Swedish krona and the Norwegian krone against the euro.

In the car trade division, net sales were positively impacted by an increase in the demand for brands imported by Kesko and growth in market share.

The Group's comparable operating profit totalled €775.5 million, an increase of €207.7 million. In addition to net sales growth, profitability improved thanks to better sales margin development and improved cost efficiency. In the grocery trade division, profitability improved for the grocery store chains, Kespro, and K-Citymarket's home and speciality goods (non-food) trade, impacted by sales growth and improved cost ratio. In the building and technical trade division, there was marked growth in both net sales and comparable operating profit. Comparable operating profit grew in both building and home improvement trade and Onninen's technical trade in all operating countries. Kesko Senukai had a €21.5 million impact on the Group's comparable operating profit (€25.3 million, consolidated as a subsidiary in 1-6/2020 and as a joint venture in 7-12/2020). Kesko Senukai has been consolidated as a joint venture from 1 July 2020 onwards. In the car trade division, comparable operating profit grew thanks to growth in sales and sales margin and cost adjustment measures.

| Items affecting comparability, € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Comparable operating profit** | **775.5** | **567.8** |
| Items affecting comparability | | |
| +gains on disposal | +1.4 | +9.8 |
| -losses on disposal | -0.0 | -0.2 |
| -impairment charges | -5.4 | - |
| +/-structural arrangements | +3.7 | +22.8 |
| **Total items affecting comparability** | **-0.3** | **+32.4** |
| **Operating profit** | **775.2** | **600.2** |

The most significant items affecting comparability were the €0.9 million sales gains from grocery trade properties, the €6.5 million sales gain on real estate in the building and technical trade division, included in the share of result of joint ventures, and the €6.1 million costs and impairment charges related to the restructuring of the car trade division. The most significant items affecting comparability in the comparison period 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 the Kookenkä chains in leisure trade.

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 information, 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 | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Net sales, € million | 11,300.2 | 10 242.6 |
| Operating profit, comparable, € million | 775.5 | 553.6 |
| Operating margin, comparable, % | 6.9 | 5.4 |
| Operating profit, € million | 775.2 | 540.0 |

K Group's (Kesko and the chain stores) retail and B2B sales (0% VAT) amounted to €15,213.1 million, up by 8.8% compared to the previous year. During the 12-month period that ended in December, the number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.4 million, with 3.3 million customers using their K-Plussa card.

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

| Net finance costs, income tax and earnings per share | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Net finance costs, € million | -68.2 | -86.8 |
| Interests on lease liabilities, € million | -71.3 | -83.3 |
| Profit before tax, comparable, € million | 710.4 | 481.9 |
| Profit before tax, € million | 712.9 | 527.6 |
| Income tax, € million | -141.1 | -92.3 |
| Earnings per share, comparable, € | 1.43 | 0.97 |
| Earnings per share, € | 1.44 | 1.09 |
| Equity per share, € | 6.37 | 5.52 |

The development of the Group's net finance costs was impacted by the decrease in interest expenses for lease liabilities. The decline in lease liabilities was impacted by the change in Kesko Senukai's consolidation method as of 1 July 2020. In the comparison period, net finance costs were increased by foreign exchange differences and a change in the fair value of interest rate derivatives. Of the foreign exchange differences in the comparison period, €-2.8 million was due to exchange rate losses on euro-denominated loan financing of Kesko Senukai's Belarussian subsidiary OMA, and €-1.7 million due to the weakening of the Norwegian krone, the Swedish krona and the Polish zloty. The share of result of associates amounted to €5.9 million (€14.3 million), or €2.0 million (€1.5 million) in comparable terms.

In the comparison period, 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.

The Group's comparable profit before tax grew thanks to operating profit growth and reduction in net finance costs compared to the year before. The Group's effective tax rate was 19.8% (17.5%). The Group's effective tax rate was lowered by the combined share of result of associates and joint ventures of €33.9 million. In the comparison period, the most significant items having a decreasing impact on the Group's effective tax rate were 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 earnings per share and comparable earnings per share grew compared to the year before.

## Cash flow and financial position

| Cash flow, € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Cash flow from operating activities | 1,152.0 | 1,152.4 |
| Cash flow from investing activities | -292.3 | -421.3 |
| Cash flow from financing activities | -834.4 | -600.0 |

| Financial position | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Liquid assets, € million | 387.7 | 306.0 |
| Interest-bearing liabilities, € million | 2,295.1 | 2,616.3 |
| Lease liabilities, € million | 1,928.6 | 2,025.0 |
| Interest-bearing net debt excl. lease liabilities, € million | -21.3 | 285.3 |
| Interest-bearing net debt/EBITDA, excl. IFRS 16 impact, rolling 12 months | 0.0 | 0.4 |
| Gearing, % | 75.4 | 105.5 |
| Equity ratio, % | 36.6 | 33.1 |

The Group's cash flow from operating activities totalled €1,152.0 million (€1,152.4 million). Growth in EBITDA and a €38.6 million return of surplus assets paid by Kesko Pension Fund had a positive impact on the cash flow, while higher taxes of €83.2 million paid compared to the year before had a negative impact. In the comparison period, Kesko Senukai had a positive impact of €86.5 million on cash flow from operating activities.

The Group's cash flow from investing activities totalled €-292.3 million (€-421.3 million). Cash flow from investing activities included €55.9 million in investments of Group liquid assets in money market funds, which are reported under other financial assets in the consolidated statement of financial position. In the comparison period, the cash flow from investing activities 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.

## Capital expenditure

| Capital expenditure, € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Group, total** | **276.6** | **398.4** |
| Store sites | 129.0 | 125.8 |
| Acquisitions | 13.8 | 159.1 |
| IT | 42.2 | 25.6 |
| Other investments | 91.6 | 87.9 |

Capital expenditure in store sites increased by €3.2 million compared to the year before. In the comparison period, capital expenditure in store sites was increased by the acquisition of the property of K-Citymarket in Järvenpää.

Acquisitions comprise Byggarnas Partner i Sverige AB in Sweden. In the comparison period, acquisitions comprised Mark & Infra i Sverige AB (MIAB) and Bygg & Interiör in Sweden and Carlsen Fritzøe Handel and Flokkmann in Norway.

# 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.

## Grocery trade

| | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Net sales, € million | 5,909.0 | 5,732.0 |
| Operating profit, comparable, € million | 442.9 | 375.2 |
| Operating margin, comparable, % | 7.5 | 6.5 |
| Return on capital employed, comparable, % | 20.6 | 16.9 |
| Capital expenditure, € million | 122.8 | 125.4 |
| Personnel, average | 6,126 | 6,197 |

| Net sales, € million | 1-12/2021 | 1-12/2020 | Change, % | Change, %, comparable |
|---|---|---|---|---|
| Sales to K-food stores | | | | |
| K-Citymarket, food | 1,318.6 | 1,291.7 | +2.1 | +2.1 |
| K-Supermarket | 1,557.4 | 1,549.6 | +0.5 | +0.5 |
| K-Market | 1,457.2 | 1,434.9 | +1.6 | +1.6 |
| K-Citymarket, non-food | 618.6 | 585.5 | +5.7 | +5.7 |
| Kespro | 862.7 | 784.1 | +10.0 | +10.0 |
| Others and eliminations | 94.5 | 86.1 | +9.8 | +9.8 |
| **Total** | **5,909.0** | **5,732.0** | **+3.1** | **+3.1** |

Net sales for the grocery trade division amounted to €5,909.0 million (€5,732.0 million), an increase of 3.1%. Sales to K Group grocery store chains grew by 1.3%. Net sales for K-Citymarket's home and speciality goods (non-food) grew by 5.7%.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.0% (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 1.6% (incl. VAT, PTY). K Group's grocery sales grew by 2.4% (incl. VAT). K Group's sales grew in all chains. Online sales of groceries grew by 14.2%, and accounted for approximately 3.2% of K Group's grocery sales (incl. VAT). Net sales for Kespro's foodservice business grew by 10.0%. The total market for the foodservice business is estimated to have grown by 6.8% (PTY).

Comparable operating profit for the grocery trade division totalled €442.9 million (€375.2 million), up by €67.8 million. Profitability improved for the grocery store chains, Kespro and K-Citymarket's home and speciality goods (non-food) trade, impacted by sales growth and improved cost ratio. Operating profit for the grocery trade division totalled €443.9 million (€373.7 million). Items affecting comparability totalled €0.9 million (€-1.5 million).

Capital expenditure for the grocery trade division totalled €122.8 million (€125.4 million), of which €101.2 million (€109.7 million) was in store sites. Capital expenditure for the comparison period was increased by the acquisition of the property of K-Citymarket in Järvenpää.

## 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 building and technical trade in segment information. Due to the change in consolidation method, in 2020 the Group changed the internal reporting to its chief operating decision maker, i.e. the Group Management Board. Consequently, Kesko Senukai has been reported in the income statement figures for the building and technical trade segment information for 1-12/2020 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 up until 30 June 2020. Such a change has not been made to internally reported balance sheet figures or personnel numbers.

| | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Net sales, € million** | **4,387.7** | **3,639.5** |
| Building and technical trade excl. speciality goods trade | 4,164.0 | 3,424.3 |
| Building & home improvement trade | 2,292.3 | 1,845.8 |
| Onninen | 1,930.3 | 1,625.5 |
| Speciality goods trade | 223.7 | 215.2 |
| **Operating profit, comparable, € million** | **318.0** | **187.7** |
| Building and technical trade excl. speciality goods trade | 275.4 | 169.4 |
| Building & home improvement trade | 154.2 | 99.5 |
| Onninen | 122.3 | 70.7 |
| Speciality goods trade | 21.2 | 7.4 |
| Kesko Senukai | 21.5 | 11.0 |
| **Operating margin, comparable, %** | **7.2** | **5.2** |
| Building and technical trade excl. speciality goods trade | 6.6 | 4.9 |
| Building & home improvement trade | 6.7 | 5.4 |
| Onninen | 6.3 | 4.4 |
| Speciality goods trade | 9.5 | 3.4 |

| | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Return on capital employed, comparable, % | 19.0 | 11.2 |
| Capital expenditure, € million | 43.1 | 186.3 |
| Personnel, average | 5,977 | 9,308 |

| Net sales, € million | 1-12/2021 | 1-12/2020 | Change, % | Change, %, comparable |
|---|---|---|---|---|
| Building and home improvement trade, Finland | 1,078.5 | 971.6 | +11.0 | +11.9 |
| K-Rauta, Sweden | 200.6 | 186.1 | +7.8 | +4.3 |
| K-Bygg, Sweden | 294.6 | 228.4 | +28.9 | +17.0 |
| Byggmakker and Carlsen Fritzøe, Norway | 721.0 | 463.0 | +55.7 | +10.2 |
| **Building and home improvement trade, total** | **2,292.3** | **1,845.8** | **+24.2** | **+11.4** |
| Onninen, Finland | 1,121.0 | 985.2 | +13.8 | +13.8 |
| Onninen and MIAB, Sweden | 118.7 | 101.5 | +16.9 | +8.3 |
| Onninen, Norway | 296.1 | 227.6 | +30.1 | +23.3 |
| Onninen, Baltics | 94.8 | 80.1 | +18.4 | +18.4 |
| Onninen, Poland | 303.3 | 234.1 | +29.5 | +33.1 |
| **Onninen, total** | **1,930.3** | **1,625.5** | **+18.7** | **+17.8** |
| **Building and technical trade excl. speciality goods trade total** | **4,164.0** | **3,424.3** | **+21.6** | **+14.3** |
| Leisure trade, Finland | 223.7 | 192.4 | +16.3 | +23.8 |
| Machinery trade | - | 22.8 | - | - |
| **Speciality goods trade total** | **223.7** | **215.2** | **+4.0** | **+23.8** |
| **Total** | **4,387.7** | **3,639.5** | **+20.6** | **+14.7** |

Net sales for the building and technical trade division increased by 20.6%, or by 14.7% in comparable terms. Net sales grew in comparable terms in all operating countries. In euro-terms, net sales were positively impacted by the acquisitions completed in 2020 and 2021 and the strengthening of the Swedish krona and Norwegian krone against the euro. The weakening of the Polish zloty against the euro diminished net sales development in Poland in euro terms.

In Finland, net sales for the building and technical trade division totalled €2,371.4 million (€2,102.7 million), up by 12.8%. In comparable terms, net sales in Finland increased by 13.8%. Net sales from international operations totalled €2,016.4 million (€1,536.8 million), up by 31.2%. In comparable terms, net sales from international operations grew by 16.0%.

Net sales for building and home improvement trade and Onninen grew in all operating countries. In the speciality goods leisure trade, net sales increased clearly.

Comparable operating profit for the building and technical trade division totalled €318.0 million (€187.7 million), up by €130.3 million on the comparison year. There was marked growth in both net sales and comparable operating profit. Comparable operating profit for building and home improvement trade grew by €54.8 million, growing in Finland, Sweden and Norway. Carlsen Fritzøe, acquired in September 2020, accounted for €30.1 million (€7.5 million) of the comparable operating profit. Onninen's profitability improved in all operating countries. Comparable operating profit grew clearly in leisure trade in speciality goods trade.

Comparable operating profit for the building and technical trade division totalled €180.7 million (€126.5 million) in Finland, €30.5 million (€15.4 million) in Sweden, and €70.4 million (€29.5 million) in Norway.

Operating profit for the building and technical trade division totalled €323.1 million (€177.7 million). Items affecting comparability totalled €5.0 million (€-10.0 million). The most significant item affecting comparability was the €6.5 million sales gain on real estate included in the share of result of joint ventures. The most significant items affecting comparability in the comparison period were the €10.4 million costs related to the discontinuation of The Athlete's Foot and the Kookenkä chains in 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.

Capital expenditure for the building and technical trade division totalled €43.1 million (€186.3 million). Capital expenditure for the comparison period included €159.1 million in acquisitions.

Kesko has reported 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 following table shows Kesko Senukai's financials for the reporting period and comparison periods and the share of result of joint ventures consolidated in Kesko's consolidated financial statements as of 1 July 2020 and reported in segment information and the illustrative comparison figures as of 1 January 2020.

| Kesko Senukai financials, € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Net sales | 1,091.4 | 921.7 |
| Operating profit | 80.2 | 59.3 |
| Operating profit, comparable | 66.3 | 59.3 |
| Net profit for the period | 56.0 | 30.7 |
| Net profit for the period, comparable | 42.9 | 30.7 |
| Kesko Group's share of result of joint ventures | 28.0 | 11.0 |
| Kesko Group's share of result of joint ventures, comparable | 21.5 | 11.0 |

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Assets | 856.6 | 760.8 |
| Liabilities | 570.8 | 549.4 |
| Equity | 285.6 | 211.4 |

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

## Car trade

| | 1-12/2021 | 1-12/2020 |
|---|---|---|
| Net sales, € million | 1,028.3 | 892.6 |
| Operating profit, comparable, € million | 52.2 | 23.4 |
| Operating margin, comparable, % | 5.1 | 2.6 |
| Return on capital employed, comparable, % | 14.0 | 6.3 |
| Capital expenditure, € million | 71.2 | 64.7 |
| Personnel, average | 1,225 | 1,283 |

| Net sales, € million | 1-12/2021 | 1-12/2020 | Change, % | Change, %, comparable |
|---|---|---|---|---|
| Car trade | 1,028.3 | 892.6 | +15.2 | +15.2 |

Net sales for the car trade division increased by 15.2%, positively impacted by an increase in the demand for brands imported by Kesko and growth in market share.

The combined market performance of first registrations of passenger cars and vans was 1.3%. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade was 17.3% (16.9%).

Comparable operating profit for the car trade division totalled €52.2 million (€23.4 million). The division's comparable operating profit grew by €28.8 million, thanks to growth in sales and sales margins and cost savings. Operating profit for the car trade division totalled €46.2 million (€23.3 million). Items affecting comparability consisted of €6.1 million expenses and impairment charges related to division restructuring (€-0.1 million).

Capital expenditure for the car trade division totalled €71.2 million (€64.7 million).

## Changes in Group composition

Kesko acquired Byggarnas Partner, a company that serves professional builders in Sweden. The acquisition further strengthens Kesko's position in the Swedish building and home improvement trade market, especially in the Stockholm area. (Investor news release 23.7.2021)

Kesko Group's structure in Norway was simplified by merging Byggmakker Sør AS and Byggmakker Nord AS with their parent company Byggmakker Handel AS. The merger does not affect Byggmakker's operations in Norway.

## Main objectives and results achieved in sustainability

Kesko's operations create value and generate economic benefits for various stakeholders in Kesko's operating countries and markets. Key stakeholders include shareholders, customers, personnel, retailers, suppliers and service providers, and the society. Kesko promotes the growth of wellbeing throughout its supply chain, also in developing countries.

The most important cash flows comprise revenue from sales of goods and services to customers and retailers, purchases from suppliers of goods and service providers, dividends paid to shareholders, salaries and wages paid to personnel, taxes, and capital expenditure. Kesko employs 17,402 people and in 2021 paid €610.6 million in wages. In 2021, income taxes paid by Kesko to Finland totalled €111.3 million, and to other countries €22.7 million. Kesko also pays real estate and property taxes, and collects, reports and remits indirect taxes, such as value added tax and excise duties. Kesko's investments have a positive financial impact on e.g. operators in the construction sector and furniture, equipment and data system providers. Kesko's capital expenditure in 2021 totalled €276.6 million. At the end of 2021, Kesko had 65,417 registered shareholders, and dividends paid for the year 2020 totalled €298 million.

### Key commitments, policies and principles

Our operations are based on Kesko's value "The customer and quality – in everything we do", and our vision and mission. Key Group-level policies that guide operations include governance policy, human resources policy, sustainability policy, risk management policy, disclosure policy, data protection policy, information security policy, and tax policy.

Kesko's operations are based on data and the processing of data in Kesko's operating environments. Ensuring data protection is a part of Kesko's compliance activity, risk management, and the K Code of Conduct. Kesko's data protection policy determines the principles, procedures and responsibilities to ensure the lawful processing of personal data and a high level of data protection at Kesko.

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

Sustainability is a core part of Kesko's strategy. We promote sustainability in the whole value chain from production to customer choices. The focus areas of our sustainability work include mitigating climate change, sustainable purchasing, and responsibility for people. We create value extensively for the whole society.

Our sustainability work is guided by Kesko's sustainability policy and sustainability strategy and the K Code of Conduct.

We employ a materiality assessment to determine the most important sustainability themes for Kesko and its stakeholders. The materiality assessment guides Kesko's sustainability and stakeholder work and actions to meet stakeholder expectations. Our most recent materiality assessment was conducted in autumn 2020, when we conducted an extensive survey and in-depth interviews to determine stakeholder views. The materiality assessment was published in January 2021. The most significant changes compared with the previous materiality assessment were the increase in the importance of climate change, sustainable products, and biodiversity. Purchasing chain responsibility and personnel responsibility remained among the most important themes.

In autumn 2021, we began extensive work to update our sustainability strategy based on the materiality assessment of autumn 2020. The updated sustainability strategy will be published in spring 2022.

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. Kesko's sustainability principles, management, objectives, processes and results are described in more detail in the Sustainability section of Kesko's Annual Report.

## Kesko in sustainability indices

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

In November 2021, Kesko was included in the Dow Jones Sustainability Index the DJSI World. Kesko received the industry best overall scores, for example, in the areas of climate-related targets, eco-efficiency, emissions, packaging commitment, human rights assessment and codes of conduct. Kesko has previously been included in the DJSI World from 2003 to 2014, and again from 2017 to 2020.

In the MSCI ESG Ratings, Kesko received the highest AAA grade (scale of AAA-CCC) in 2021. MSCI ESG Research gives MSCI ESG sustainability ratings to listed and certain private companies on a rating scale of AAA to CCC. The ratings are based on industry-specific ESG risks and how well corporations are managing them compared to their peers.

Kesko made the best A list in CDP's international climate change questionnaire for the second year in a row in 2021.

Kesko ranked 69th on the Global 100 list of the Most Sustainable Corporations in the World in 2022 (87th in 2021). Kesko is the only company in the world to have been on the Global 100 list every year since it was established in 2005.

## EU Taxonomy

Kesko's reporting on EU Taxonomy complies with Regulation (EU) 2020/852 of the European Parliament and of the Council (18 June 2020). The EU Taxonomy is a classification system for sustainable financing, designed to help companies and investors assess whether an economic activity can be considered environmentally sustainable. The Taxonomy defines a set of criteria for a business activity that enables assessing to what extent the company's activities support the attainment of environmental and climate objectives.

Companies that are required to publish non-financial information under the Non-Financial Reporting Directive (NFRD), shall from 2021 onwards disclose information on how and to what extent their activities can be deemed environmentally sustainable in the manner referred to in the EU Taxonomy based on six environmental objectives. Preliminary criteria were published in 2021 for the first two of the six objectives, 'climate change mitigation' and 'climate change adaptation'. The other four environmental objectives are 'sustainable use and protection of water and marine resources', 'transition to a circular economy', 'pollution prevention and control', and 'protection and restoration of biodiversity and ecosystems'. The criteria for these four objectives will be published later. Regulation concerning the Taxonomy is currently being developed, and it is expected to be further complemented and interpreted.

The reporting requirements defined in the EU Taxonomy are applied for 2021 by identifying Taxonomy-eligible activities. Of these, the key performance indicators, which are the proportion of Taxonomy-eligible activities of the company's net sales (turnover), capital expenditure (CapEx), and operating expenditure (OpEx) as defined in the Taxonomy, are disclosed. So far, the Taxonomy has been complemented by a delegated act that details technical screening criteria to specify economic activities deemed to contribute substantially to climate change mitigation and climate change adaptation and deemed material for reducing greenhouse gas emissions and for climate resilience. These economic activities are 'forestry', 'environmental protection and restoration activities', 'manufacturing', 'energy', 'water supply, sewerage, waste management and remediation', 'transport', 'construction and real estate activities', 'information and communication' and 'professional, scientific and technical activities'.

Currently, the Taxonomy does not specifically mention activities that are typical of the trading sector, meaning that trading sector companies report on the aforementioned activities within Taxonomy scope if they engage in them. The biggest climate impacts in the sector come from emissions from own operations as well as emissions from the value chain of products. In the value chain, emissions come from the lifecycle emissions of products and services sold, including the primary production of raw materials and ingredients, manufacture of products, packaging, transport and product use. Emissions from Kesko's own operations are related to the electricity and heat consumed in properties, and fuel consumption in transports. Emissions from our own operations are estimated to account for some 1% of the total emissions of the value chain. Kesko's direct environmental impacts and emissions reduction targets and actions are described in more detail later in the section "Climate and environment".

## Taxonomy-eligible activities

In accordance with the Taxonomy regulation, Kesko reports Taxonomy-eligible activities for the year 2021, disclosing the proportion of Group activities that are referred to in the Taxonomy. For 2022, the Group will also report Taxonomy-aligned activities, which refer to the proportion of Group activities that meet all six environmental objectives of the classification system.

The primary economic activities from which Kesko Group recognises revenue are the sales of goods and services to customers and retailers. The sale of goods is not included within the Taxonomy scope. Services, such as transport services and digital services, are mostly related to products sold. Certain income for the Group, such as those from fees paid by retailers in relation to chain operations and lease income, are reported under Other operating income in the consolidated income statement. The inclusion of a Taxonomy-eligible activity in the three KPIs reported is primarily tied to recognition of revenue, which is why in Taxonomy-compliant reporting, the proportion of Taxonomy-eligible activities of all Kesko Group activities is minor.

In accordance with the Taxonomy regulation, the proportion of Group net sales, capital expenditure, and operating expenditure derived from activities referred to in the Taxonomy are reported as Taxonomy-eligible activities. In Kesko, we have identified the following activities whose Taxonomy eligibility we have analysed: owning, using and leasing properties, logistics transports, and leasing operations in car trade. As a result of our analysis, we have identified the leasing operations in car trade and certain transport services provided by Kesko's logistics as Taxonomy-eligible activities. In Kesko's financial reporting, activities related to owning, using and leasing properties are not revenue generating activities, and are therefore not included in the calculation of the reported KPIs.

### Turnover

The numerator covers revenue derived from the Taxonomy activities 6.5. Transport by motorbikes, passenger cars and light commercial vehicles and 6.6. Freight transport services by road. This entails the car leasing business and logistics transports. The denominator is the net sales in Kesko Group's income statement.

### Capital expenditure

The numerator covers the capital expenditure for the Taxonomy activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles, namely the capital expenditure for car leasing operations. The denominator covers the aggregate sum of Kesko Group's investments in tangible and intangible assets and additions to the right-of-use assets recognised in the balance sheet based on lease agreements.

### Operating expenditure

The numerator covers the operating expenditure for the Taxonomy activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles, related to car leasing operations. These are the direct costs for lease cars in accordance with the denominator established in the calculation of the indicator, relating to car servicing and necessary to ensure the continued and effective functioning of the cars. The denominator covers Kesko Group's direct non-capitalised costs that relate to research and development, building renovation measures, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or a third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The following table depicts the relative proportion of Taxonomy-eligible activities of all Group activities for the three Taxonomy KPIs.

| EU Taxonomy KPIs | Net sales | Capital expenditure (CapEx) | Operating expenditure (OpEx) |
|---|---|---|---|
| Taxonomy-eligible activities | 0.4% | 6.5% | 1.2% |
| Taxonomy non-eligible activities | 99.6% | 93.5% | 98.8% |
| Total, € million | 11,300 | 539 | 88 |

At this stage, the EU Taxonomy focuses on economic activities estimated to be material for reducing greenhouse gas emissions and building climate resilience. Kesko's primary business operations are not currently included within the Taxonomy scope. Sustainability is a central part of Kesko's strategy. We promote sustainability in the whole value chain from production to customer choices. Our ambitious emissions reduction targets extend to the whole value chain and are science-based. We provide regular reporting on progress made with the targets, and independent organisations regularly assess whether the targets are ambitious enough and the results achieved sufficient.

## Climate and environment

Kesko's sustainability policy guides the climate and environmental actions of Kesko Group and K Group stores in all operating countries.

Kesko's most significant direct environmental impacts are emissions from the production of electricity and heat energy consumed by properties, emissions from transports, and waste produced in warehousing operations and the stores. The biggest indirect impacts are related to the primary production and manufacture, use, and disposal of products sold. Kesko's grocery trade plays a significant role in reducing food waste together with the food supply chain, from primary production to customers.

Kesko is committed to the Paris Climate Agreement objective of mitigating climate change. In 2017, Kesko was the first company in Finland to set targets approved by the Science Based Targets Initiative (SBTi) for emissions from its own operations and supply chain. In autumn 2021, SBTi approved Kesko's new tighter science-based emissions reduction targets with which Kesko commits to the target of limiting global warming to 1.5 degrees Celsius.

K Group aims to become carbon neutral by 2025. Kesko will seek to systematically reduce emissions to reach zero emissions from its own operations by 2030. From 2025 onwards, we will offset the remaining emissions from our own operations.

In addition to emissions from our own operations, the biggest climate impact comes from emissions from the value chain of products. Indirect Scope 3 emissions come from the

lifecycle emissions of products and services sold, including the primary production of raw materials, manufacture of products, packaging, transport, and product use. Our objective is to have science-based reduction targets set for two-thirds of our direct supplier emissions by 2025. To meet the target, we challenge some 200 of our biggest suppliers (measured in purchases) that account for two-thirds of our purchases in euro terms. Kesko takes part in the CDP Supply Chain programme and challenges the suppliers to reduce their emissions and report their climate targets and actions via CDP's Climate Change questionnaire.

All Kesko divisions have the opportunity – and as large operators, the responsibility – to offer customers solutions that help them reduce their climate impact, as living, food, and transportation are the biggest sources of greenhouse gas emissions in private consumption. We guide customers towards more sustainable choices by, for example, offering them a service that enables them to track e.g. the carbon footprint and nutritional values of their grocery purchases.

K Group is moving towards carbon neutrality by increasing the use of electricity and heat produced with renewable energy, improving energy efficiency, and switching to biofuels in transports in Finland. Kesko participates in the Energy Efficiency Agreement for 2017-2025 for the trading sector in Finland, and has committed to reducing its energy consumption by at least 79 GWh, equalling 7.5% of the energy consumption in 2015. This target was already achieved in 2021: K Group now saves over 80 GWh of energy per year compared to 2015, which corresponds to the annual consumption of some 100 K-Supermarket stores. One of the most important ways to increase efficiency in energy consumption is the heat recycling system developed for our grocery stores, which can reduce heat consumption by as much as 95%, making the store almost carbon neutral in terms of energy. Our objective is to have the 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 2021, the electricity purchased by Kesko was produced using hydropower, bioenergy, and wind power. Electricity is also produced using our own solar power plants. At the end of 2021, there were a total of 44 solar power plants at K Group stores and other properties, with a combined electricity generation capacity of approximately 7.7 GWh.

Emissions from logistics, self-generated heating, and electricity purchases in operating countries outside Finland decreased. Winter 2020-2021 was colder in Northern Europe than the previous winter, which increased the need for district heating energy. As a result, total emissions in Q4/2020–Q3/2021 increased slightly compared to Q4/2019-Q3/2020.

## Climate-related opportunities and risks

Kesko has begun examining climate change-related risks and opportunities in accordance with the TCFD framework. In 2022, the objective is to deepen our risk assessment by assessing climate change-related risks in grocery trade based on selected scenarios. The impacts of climate change are twofold:

- Impacts on Kesko related to increasing regulation and extreme weather phenomena.
- Impacts of Kesko's operations on the climate related to the lifecycle impact of products and services sold and Kesko's energy solutions and emissions.

### Opportunities

In addition to emissions from own operations, the biggest climate impact in the trading sector comes from emissions from the value chain of products. In addition to our own operations, we extend emissions reduction targets to the whole value chain. We are increasing the purchase of renewable energy as well as our own energy production, and improving energy efficiency.

All Kesko divisions can offer customers solutions that help them reduce their climate impact, as living, food and transportation are the biggest sources of greenhouse gases in private consumption.

### Risks

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 can impact product availability and cause disturbances in logistics and the store site network. In addition, rising average temperatures

and changes in rainfall will impact the growing conditions of certain products and their availability in the long term.

## Human rights and sustainable 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 Corporate Responsibility Management Team, and the most recent review took place in 2019.

In accordance with its 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.

The sustainability and transparency of purchasing chains is one of the focus areas of Kesko's sustainability work.

According to Group guidelines, K Code of Conduct contract clauses must 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 2021, Kesko had 10 such policies.

In its purchasing chains, Kesko pays special attention to human rights issues and working conditions in high-risk countries. Kesko utilises international social responsibility assessment systems for supplier audits in high-risk countries, primarily amfori BSCI auditing. Kesko is a member of amfori and participates in the amfori Business Social Compliance Initiative (amfori BSCI). Kesko's principle in high-risk countries is to collaborate only with suppliers that are already included in 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.

In 2021, Kesko joined the International Accord for Health and Safety in the Textile and Garment Industry to promote occupational health and safety in textile factories in Bangladesh. Kesko is a member of the Center for Child Rights and Business, an organisation that promotes children's rights in China.

In an effort to improve the transparency of its supply chains, Kesko hosts the 'Tracing our products' website at kesko.fi/producttracing. Focus is especially on own brand products where the sustainable production of ingredients or raw materials is challenging and where K Group uses its own sustainability policies to guide purchasing. In 2021, a section detailing the purchasing chain of a T-shirt in Kesko's mywear range and the sourcing of more sustainable cotton was added to the website.

## 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 promises. Product labelling complies with legislative requirements and recommendations from authorities. All food product operations have a self-control system 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 are required to have international certifications that assure product safety. The standards approved by Kesko's grocery trade include: BRC, IFS, FSSC 22000 and GlobalGAP. The laboratory of the Quality and Product Development unit monitors the safety and quality of 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.

## Financing linked to sustainability targets

During the 2021 financial year, Kesko prematurely repaid a €300 million loan whose interest margin accounted for Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down a new €150 million bilateral loan whose interest margin also accounts for the same sustainability criteria as the repaid loan.

## Personnel

| Personnel | 1–12/2021 | 1–12/2020 |
|---|---|---|
| **Average number of personnel converted into full-time employees** | **14,232** | **17,629** |

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Personnel at the end of the reporting period** | | |
| Finland | 12,442 | 12,647 |
| Other countries | 4,960 | 5,003 |
| Total | 17,402 | 17,650 |

The change in the consolidation method of Kesko Senukai as of 1 July 2020 had an impact on the number of Group employees outside Finland. The impact is reflected on the average number of personnel in 1-12/2020 compared to 1-12/2021.

Since the beginning of the Covid-19 pandemic, ensuring the safety of personnel and customers has been a key priority for K Group. As the pandemic has endured, our focus has been in particular on ensuring the health and safety of personnel in logistics and stores, while also employing all means to offer safe shopping for customers.

In 2021, Kesko continued to manage the special circumstances caused by the pandemic. Kesko was able to fully utilise its personnel in their assigned duties, with no significant temporary lay-offs or changes in role. Sickness absences did not increase to an extent that would have required extensive special arrangements.

Professional and committed personnel forms the foundation for our operations. Kesko's HR management is guided by its human resources policy, the K Code of Conduct, and common operating principles. Kesko respects internationally recognised human rights and complies with the ILO fundamental principles. Kesko's human resources policy is based on the company's mission, vision, strategy, value and responsible operating and management principles. The purpose of the human resources policy is to ensure that skilled and committed employees who are familiar with both their personal goals and Kesko's direction forms a foundation for the achievement of good and sustainable financial results.

To ensure the execution of Kesko's strategy, the Group employs performance and competence management models. The performance management process comprises target setting, continuous performance management, and performance evaluation. Remuneration supports strategy execution and performance (pay for performance). Competence management comprises strategic competencies and identifying competence development and development measures at various organisational levels. Personnel recruitments are based on strategy and need, an approved resourcing plan, and identified change projects. In recruitments, we are committed to equality, non-discrimination and selection based on factors that predict success at a position.

In 2021, we measured employee experience at Group-level via means of personnel survey, pulse surveys, and special occupational health reviews. Surveys and measurements form the basis for plans for development measures and targeting of actions at various organisational levels. Pre-emptive management of personnel wellbeing and working ability is used to ensure that personnel members are able to work and function, sickness absences are under control, and occupational accidents and premature retirement due to disability can be prevented.

In accordance with its 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 preparing our sustainability strategy, we utilise the previously launched programme to build a more diverse and inclusive K Group. Our objectives include, for example, offering more work to representatives of linguistic minorities and supporting people with partial work ability in their work. A diverse work community and inclusive culture are built on the behaviour, attitudes and choices of everyone at Kesko.

## Compliance

Kesko Group implements the K Compliance operating model confirmed by Kesko's Board to ensure compliance in Kesko's operations. To strengthen the K Compliance operating model, a Group-level Compliance & Ethics function was established in 2021. The Compliance & Ethics function manages measures in accordance with the K Compliance operating model at Group-level, and reports to the Audit Committee of Kesko's Board.

The K Code of Conduct, which applies to all personnel and business partners, is the foundation and core of the K Compliance operating model. A development project to ensure compliance with the K Code of Conduct was launched in 2021, which led to increased awareness of the K Code of Conduct, and the guidelines were integrated as part of other business and support processes.

Kesko's Group-level compliance programme is based on ensuring the responsibility and compliance of operations through the use of the K Compliance operating model and establishing the necessary K Compliance programmes on the basis of risk. The programmes are related to key pieces of legislation and other requirements the breach of which could result in significant negative consequences, such as human rights violations or serious financial or reputational risks. Kesko's K Compliance programme themes in 2021 were data protection, competition law, consumer protection, and anti-corruption and anti-bribery. Objectives have been established for each programme, and progress is reported to the Board's Audit Committee every six months.

A steering model in line with the K Compliance operating model was fully implemented in 2021. Emphases in compliance operations are steered by the identification of key compliance risks with regard to Kesko's strategy and business. The Compliance & Ethics function, risk management, and the businesses regularly map and prioritise risks. Based on risk area prioritisation, Kesko's President and CEO confirms the necessary compliance programmes on the basis of the proposal by the Governance, Risk and Compliance (GRC) steering group. The Audit Committee monitors the scope and efficiency of Kesko's K Compliance operating model, and as of 2021, also the development of the maturity of Kesko's compliance programme.

## Prevention of corruption and bribery

The prevention of corruption and bribery is one of the focus areas of Kesko's compliance operations. The main guidelines for the K Compliance programme focused on anti-corruption and anti-bribery are provided in the K Code of Conduct, which is complemented by more detailed instructions as necessary. The K Code of Conduct is a means to ensure that everyone at Kesko has the same understanding of the principles and practices that guide their daily work. The K Code of Conduct has been published in nine languages and the principles regarding anti-corruption and anti-bribery are the same for all Kesko employees in all operating countries. The K Code of Conduct offers Kesko employees and business partners guidance on the demands of responsible operations. All Kesko Group personnel members are asked annually to confirm their commitment to compliance with the K Code of Conduct.

Kesko's zero tolerance towards bribery and corruption is described in the K Code of Conduct sections "We do not offer or accept bribes", "We comply with the Kesko policies on hospitality and gifts", and "We avoid conflicts of interest". In 2021, contents of the guidelines were included in the training organised for new Kesko employees. In total, 78 new employees took part in the training. During 2021, 2,855 Kesko employees carried out the K Code of Conduct online training, in addition to which 1,304 Kesko employees carried out a K Code of Conduct online revision course. Both online courses include training on the prevention of corruption and bribery.

Kesko's Compliance & Ethics function, Legal Affairs unit, and K Code of Conduct ambassadors representing various country organisations and units provide personnel support in questions related to the application of the K Code of Conduct. The K Code of Conduct

ambassador network was expanded in 2021, and the ambassadors received training to ensure uniform communication on the subject.

SpeakUp is a confidential reporting channel for Kesko employees and business partners, meant for reporting crime and malpractice suspicions when, for one reason or another, the information cannot be passed directly to Kesko's persons in charge. The channel can also be used to report suspected breaches of securities market regulations. In 2021, the Compliance & Ethics function assumed responsibility for investigating reports submitted through the channel. The Board's Audit Committee began to monitor the timeframe within which the cases are processed, using new KPIs.

## Main targets and results achieved

**Climate and environment**

| Target | Method | Result in 2021 |
|---|---|---|
| Reducing the climate and environmental impact of Kesko's operations | Kesko has committed to the Energy Efficiency Agreement for the trading sector in Finland and to employing measures to reduce its annual energy consumption by 7.5% between 2017 and 2025. | Energy consumption in properties managed by Kesko in all operating countries (Q4/2020–Q3/2021) 949 (934) GWh. |
| | All electricity purchased by Kesko for K-stores and other Kesko properties in Finland is produced with renewable energy.<br>Kesko has built solar power plants at K Group stores and properties. | Renewable electricity purchases 540 (560) GWh; number of own solar power plants 44 (42); electricity production in Finland 7.7 (9.3) 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 (Q4/2020–Q3/2021) 92,931 (90,260) $tCO_2e$. |
| Having science-based reduction targets set for two-thirds of our direct supplier emissions by 2025 | Using the CDP Supply Chain programme to invite our suppliers to cut their emissions and report them to CDP. | We invited 182 of our biggest suppliers to reduce their emissions and report them to CDP. Of the invited suppliers, 64.8% accepted the challenge and reported their emission reduction targets to CDP. |

**Sustainable purchasing**

| Target | Method | Result in 2021 |
|---|---|---|
| The social responsibility of the production of our own direct imports from high-risk countries has been assured | Valid social responsibility audits and certifications for suppliers in high-risk countries. | 670 (613) suppliers in high-risk countries had valid social responsibility audits and certifications. |

Product safety

| Target | Method | Result in 2021 |
|---|---|---|
| Products are safe for users and meet quality promises | The manufacturers of Kesko's own brands of food products have international certifications to assure product safety. | 534 (517) 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. | Product samples analysed by the Quality and Product Development unit laboratory and test kitchen 8,393 (6,440). |
| | If a fault is detected in the quality of a product on the market, a recall is made. | Product recalls: 214 (165), of which 50 (42) K Group's own brand products; public recalls of own brand products (cases where a fault in the product could endanger consumer health) 5 (6) |

Personnel

| Target | Method | Result in 2021 |
|---|---|---|
| Kesko has the professional and committed personnel required to implement its strategy | Employees agree upon their personal objectives together with their managers in accordance with the performance management process. | Objectives have been set for approximately 88% (84%) of the target group. |
| | Personnel satisfaction and commitment are measured in personnel surveys conducted every other year. The K Voices survey was conducted in 2021. K Voices is complemented by pulse surveys conducted when necessary. | Personnel commitment in 2021 was 79% (2019: 76%). Of the personnel, 78% (2019: 76%) would recommend K Group as an employer. |
| | Active early identification and intervention are applied to sickness absences to promote personnel wellbeing and working capacity. | Sickness absences 4.8% (5.1%), premature retirement due to disability 23 (23). |

Compliance

| Target | Method | Result in 2021 |
|---|---|---|
| Compliance with the K Code of Conduct in all operations. | All Kesko employees and business partners must commit to the K Code of Conduct. All personnel members are invited to confirm their commitment to the K Code of Conduct every year. "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. | Some 82% of personnel submitted their annual commitment. |
| | The Board's Audit Committee monitors responses to and investigations into reports sent via Kesko's SpeakUp channel.<br>KPI 1: All cases opened and confirmation of receipt sent to the reporting person within 7 days.<br>KPI 2: 90% of cases investigated within eight weeks, all reporting persons provided with feedback within 3 months from the receipt of the original report. | Reports received via the SpeakUp channel in 2021: 34 (31)<br>Meeting target timeframes:<br>- KPI 1: 94%<br>- KPI 2: 93%, feedback provided to all reporting persons within the target timeframe. |

## Key events during the financial year

Riikka Joukio, M.Sc. (Tech.), eMBA, was appointed Executive Vice President in charge of sustainability and public affairs, and a member of Kesko's Group Management Board. Joukio assumed her position on 12 April 2021. (Stock exchange release 11.1.2021)

On 19 March 2021, Kesko published its 2020 Annual Report in Finnish and in English. The report contains the 2020 financial statements, Report by the Board of Directors, Corporate Governance Statement, and Remuneration Report for Governing Bodies, as well sections on Kesko's direction and sustainability. (Stock exchange release 19.3.2021)

Matti Virtanen, M.Sc. (Tech.), was appointed as President of Kesko's car trade division and a member of Group Management Board as of 9 April 2021. (Stock exchange release 9.4.2021)

The Board of Directors of Kesko Corporation and the company's President and CEO Mikko Helander agreed to amend Helander's managing director's contract so that Helander will continue to act as President and CEO for the time being. According to the previous contract, Helander would have retired in June 2023 when he turns 63. Helander has acted as the President and CEO of Kesko since 2015. (Stock exchange release 12.4.2021)

Kesko Corporation's Annual General Meeting was held on Monday 12 April 2021. The meeting was held at Kesko Corporation's K-Kampus headquarters without any shareholders or their representatives present. To limit the spread of the Covid-19 pandemic, Kesko's Board of Directors decided to have exceptional meeting procedures based on the temporary legislative act 677/2020 in place. Read more in the section: Resolutions of the 2021 Annual General Meeting and decisions of the Board's organisational meeting. (Stock exchange releases 15.3.2021 and 12.4.2021)

Positive profit warning: Kesko raised its guidance for its comparable operating profit in 2021, estimating that its comparable operating profit in 2021 would be in the range of €570-670 million. Before, the company estimated that the comparable operating profit would be in the range of €520-620 million. The guidance upgrade was based on better-than-anticipated sales development in all divisions and a more positive outlook for the remainder of the year. The illustrative comparable operating profit in 2020 was €554 million. (Stock exchange release 15.4.2021)

The Board of Directors of Kesko Corporation confirmed an updated version of the company's strategy and new medium-term financial targets for the company. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). As for financial position, the Group continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16. (Stock exchange release 27.5.2021)

Kesko issued a positive profit warning based in particular on stronger-than-anticipated development in building and technical trade, and raised its profit guidance for 2021. Kesko estimated that its comparable operating profit in 2021 would be in the range of €650-750 million. Before, the company estimated that its comparable operating profit would be in the range of €570-670 million. (Stock exchange release 14.6.2021)

Kesko acquired Byggarnas Partner, a company that serves professional builders in Sweden. The acquisition further strengthens Kesko's position in the Swedish building and home improvement trade market, especially in the Stockholm area. (Investor news release 23.7.2021)

Kesko Corporation issued a positive profit warning and provided preliminary information on its third-quarter net sales and comparable operating profit. Kesko estimated that its comparable operating profit in 2021 would be in the range of €740-800 million. Before, the company estimated that the comparable operating profit would be in the range of €650-750 million. The guidance upgrade was based on better-than-anticipated sales growth and profit development especially in the building and technical trade division, and the division's more positive outlook for the remainder of the year. (Stock exchange release 14.10.2021)

K Group will be investing tens of millions of euros in upcoming years in automating the collection of online grocery orders. The objective is to improve customer experience further while ensuring more efficient processes and an even stronger market-leading position in online grocery. The first partially-automated collection system in a grocery store in Finland will be located in K-Citymarket Ruoholahti. The store's central location in Helsinki translates into large customer volumes for online grocery that make utilising automation sensible. The system is expected to be ready in H1/2022. (Investor news release 22.6.2021, press release 25.10.2021)

Kesko will acquire Kungälvs Trävaruaktiebolag, a company that serves professional builders in Sweden. The acquisition will strengthen Kesko's position in the Swedish building and home improvement market in the Gothenburg region. (Investor news release 8.12.2021)

## Events after the financial year

There were no material events after the financial year.

## Resolutions of the 2021 Annual General Meeting and decisions of the Board's organisational meeting

The Annual General Meeting of Kesko Corporation on 12 April 2021 adopted the financial statements for 2020. The Annual General Meeting resolved to distribute a dividend of €0.75 per share on shares held outside the company. The dividend was paid in two instalments. The record date of the first dividend instalment of €0.38/share was 14 April 2021 and the pay date 21 April 2021. The record date of the second dividend instalment of €0.37/share was 1 October 2021 and the pay date 8 October 2021.

The Annual General Meeting discharged the Board members and the Managing Director from liability for the financial year 2020, and approved the Remuneration Report for Governing Bodies for 2020. The resolution concerning the Remuneration Report is advisory in nature.

The Annual General Meeting resolved the following regarding Board members' fees and the basis for reimbursement of their expenses in 2021-2022:

- Board Chair, an annual fee of €102,000
- Board Deputy Chair, an annual fee of €63,000
- Board member, an annual fee of €47,500
- Board member who is the Audit Committee Chair, an annual fee of €63,000
- A meeting fee of €600/meeting for a Board meeting and its Committee's meeting. A meeting fee of €1,200/Board meeting for the Board Chair. However, a meeting fee of €1,200/Committee meeting is to be paid to a Committee Chair who is not the Chair or Deputy Chair of the Board. The meeting fees are to be paid in cash.
- Daily allowances and the reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko.

The aforementioned annual fees will be made in Kesko Corporation's B shares and in cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining amount will be paid in cash. The company will acquire the shares or transfer shares held by the company as treasury shares in the name and on behalf of the Board members. The company is responsible for the costs arising from the acquisition of the shares. The shares were to be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2021. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

The Annual General Meeting resolved that the number of Board members be seven for the three-year term of office provided in the company's Articles of Association, ending at the close of the 2024 Annual General Meeting. The Annual General Meeting re-elected Esa Kiiskinen, Peter Fagernäs, Jannica Fagerholm, Piia Karhu and Toni Pokela as members of the company's Board of Directors, and elected Jussi Perälä and Timo Ritakallio as new members of the Board. In its organisational meeting held after the Annual General Meeting, the Board of Directors of Kesko Corporation elected Esa Kiiskinen as its Chair and Peter Fagernäs as its Deputy Chair. The Board elected Jannica Fagerholm as Chair, Timo Ritakallio as Deputy

Chair, and Piia Karhu as a member of the Audit Committee, and Esa Kiiskinen as Chair, Peter Fagernäs as Deputy Chair, and Timo Ritakallio as a member of the Remuneration Committee.

The Annual General Meeting resolved that the Auditor's fee and the reimbursement 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 Auditor, with APA Jukka Vattulainen as the auditor with principal responsibility.

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 2022.

The Annual General Meeting resolved 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 2022, and to decide on the donation recipients, purposes of use, and other terms and conditions of the donations.

## Information contained in the notes to the financial statements

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

Financial risks are presented in note 4.3 and information on financial instruments measured at fair value is disclosed in note 4.5.

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

The objective of risk management is to support Kesko in achieving targets and implementing strategy. Risk management in Kesko Group is an essential part of internal control and guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the purpose and principles of Kesko Group's risk management, as well as the related steering model and responsibilities. In the management of financial risks, the Group's treasury policy, approved by Kesko's Board of Directors, is observed. The management of business operations and common functions are responsible for the execution of risk management. Strategic risks at Kesko Group are identified and assessed as part of the strategy process. Risks related to climate change are assessed applying the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In assessing climate risks, the Group utilises selected scenarios for the future that enable identifying and assessing transitional and physical risks and opportunities significant for the strategy. The likelihood and impact of strategic risks is assessed not only for the strategy period but also in the medium term (3-5 years) and long term (over 5 years). Operational and financial risks related to achieving strategic targets are assessed in the short term (1-2 years), using damage scenarios, simulation and stress testing. The purpose of risk management is to ensure 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.

Kesko's risk appetite is driven by strategy, vision, values, risk tolerance and risk bearing capacity. Risk tolerance and risk bearing capacity are assessed and tested at regular intervals based on selected key financial figures and indicators and loss scenarios. Kesko's risk appetite is divided into three categories depending on the risk assessed. Risk appetite is considered low in cases where it does not involve significant financial or business opportunities (e.g. risks related to personnel and customer safety). Risk appetite is considered moderate with risks where the Group is able to optimise the cost-efficiency of risk management (e.g. property risk and business disruption risks). High risk appetite is limited to risks that also involve significant opportunities. Risk appetite is also materially impacted by the likelihood of realisation and related financial impacts.

The Group's 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 Audit Committee reporting. 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.

## Significant risks and uncertainties

### Impact of prolonged inflation and rising interest rates on costs and consumer behaviour (growing short-term and medium-term risk)

The rise in energy and raw material prices is reflected in rising production chain costs, impacting the purchase costs and prices of products. If prolonged, inflation will result in rising overall cost levels and wages. Rising interest rates would impact consumer purchasing power and consumer behaviour, thus leading to even tighter price competition.

### The Covid-19 pandemic (short-term risk)

The continuation of the Covid-19 pandemic and changes in infection rates continue to pose risks on business continuity, personnel health, and global supply chains. 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. The pandemic will also result in further disruptions in global supply chains, creating challenges for product availability and delivery times. Significant changes in the prices of some product categories pose challenges for inventory management and product pricing.

### Cybercrime (short-term risk)

Growing professional cybercrime has increased the risk on business continuity and loss of critical information. Targets of cyber-attacks may include, for example, data systems critical for business continuity, or personal data. Cyber-attacks may result in disruptions in sales, loss of customer trust, or fines imposed by authorities.

### Employee retention and availability (growing medium-term and long-term risk)

The implementation of strategies and the achievement of targets require competent and motivated personnel. The Covid-19 pandemic has made the workforce more mobile and lowered the threshold of changing jobs. Challenges related to the availability of skilled personnel in logistics and retail are also more pronounced.

### Climate change (growing medium-term and long-term risk)

The medium-term and long-term risks for Kesko caused by climate change are assessed based on selected scenarios, and are mainly 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 in the whole supply chain.

### Geopolitical risk (growing short-term and medium-term risk)

Heightened tensions in European security and tightening of military and economic rivalry between superpowers could have a significant impact on the global economy and business environment.

### Product safety (short-term risk)

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.

### Legislation and agreements (growing medium-term risk)

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, as well as loss of trust and reputation. The EU General Data Protection Regulation has placed more importance on the need to protect personal data.

## Store sites and properties (medium-term and long-term risk)

In terms of 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 plots. 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.

## Responsible operating practices and reputation management (growing medium-term and long-term risk)

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.

## Reporting to market (short-term risk)

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 loss of investor and other stakeholder trust and in possible sanctions. Significant business arrangements, tight disclosure schedules and the dependency on information systems pose challenges for the accuracy of financial information.

## Risks of damage (short-term risk)

Accidents, natural phenomena and epidemics can cause significant damage to people, property or business. In addition, risks of damage may cause unpreventable business interruptions.

# Proposal for profit distribution

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 7 April 2022 that a dividend of €1.06 per share be paid for the year 2021 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 four instalments.

The first instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 11 April 2022. The Board proposes that the dividend instalment pay date be 20 April 2022.

The second instalment of €0.26 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 22 June 2022. The Board proposes that the dividend instalment pay date be 29 June 2022.

The third instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 13 September 2022. The Board proposes that the dividend instalment pay date be 20 September 2022.

The fourth instalment of €0.26 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 13 December 2022. The Board proposes that the dividend instalment pay date be 20 December 2022. The Board proposes it be authorised to decide, if necessary, on new dividend payment record dates and pay dates for the second, third and/or fourth instalments, 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 2022, a total of 397,110,344 shares were held outside the company, and the corresponding total amount of dividends was €420,936,964.64.

The distributable assets of Kesko Corporation total €1,502,200,136.91, of which profit for the financial year is €354,650,052.25.

## Annual General Meeting

The Board of Directors decided that the Annual General Meeting will be held on 7 April 2022 at 1.00 pm (EET).

## Shares and securities markets

At the end of December 2021, 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. On 31 December 2021, Kesko Corporation held 2,968,664 of its own B shares as treasury shares.

These treasury shares accounted for 1.09% of the total number of B shares, 0.74% of the total number of shares, and 0.19% 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 2021, Kesko Corporation's share capital was €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €20.00 at the end of 2020, and €27.15 at the end of 2021, representing an increase of 35.75%. Correspondingly, the price of a B share was €21.04 at the end of 2020, and €29.34 at the end of 2021, representing an increase of 39.45%. In 2021, the highest A share price was €34.20 and the lowest €19.82. The highest B share price was €37.72 and the lowest €20.70. The Nasdaq Helsinki All-Share index (OMX Helsinki) was up by 18.3% and the weighted OMX Helsinki Cap index by 21.4% in 2021. The Retail Sector Index was up by 23.8%.

At the end of 2021, the market capitalisation of the A shares was €3,447 million. The market capitalisation of the B shares was €7,927 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €11,373 million, an increase of €3,158 million from the end of 2020.

In 2021, a total of 8.4 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €226.0 million. Meanwhile, 165.2 million B shares were traded, with an exchange value of €4,579.6 million. Nasdaq Helsinki accounted for over 95% of the trading on Kesko's A and B shares in 2021. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of 2021, the number of registered shareholders was 65,417. This is the highest figure in the company's history, and represents an increase of 8,285 shareholders compared to the end of 2020. At the end of December, foreign ownership of all shares was 40.27%, and foreign ownership of B shares 57.89%.

## Share performance and turnover

| | | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Share price as at 31 Dec.** | | | | |
| A share* | € | 14.70 | 20.00 | 27.15 |
| B share* | € | 15.77 | 21.04 | 29.34 |
| Average share price | | | | |
| A share* | € | 12.31 | 16.62 | 26.73 |
| B share* | € | 13.57 | 17.72 | 27.73 |
| Market capitalisation as at 31 Dec., A share | € million | 1,866.1 | 2,539.0 | 3,446.6 |
| Market capitalisation as at 31 Dec., B share | € million | 4,248.5 | 5,676.4 | 7,926.6 |
| **Turnover** | | | | |
| A share | Million pcs | 7 | 11** | 8** |
| B share | Million pcs | 46 | 249** | 165** |
| Relative turnover rate | | | | |
| A share | % | 21.1 | 8.2 | 6.8 |
| B share | % | 67.5 | 91.2 | 58.6 |
| Diluted average number of shares* | Thousand pcs | 396,296 | 396,661 | 397,033 |

* Kesko Corporations 's 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.

** Calculated with post-split number of shares

# Analysis of shareholding

## Analysis of shareholding by shareholder type as at 31 Dec. 2021

| All shares | Number of shares, pcs | Percentage of all shares, % |
|---|---|---|
| Nominee-registered and non-Finnish holders | 161,107,664 | 40.27 |
| Non-financial corporations and housing corporations | 91,138,288 | 22.78 |
| Households | 91,097,405 | 22.77 |
| General government* | 27,451,093 | 6.86 |
| Non-profit institutions serving households** | 19,746,439 | 4.94 |
| Financial and insurance corporations | 9,538,119 | 2.38 |
| **Total** | **400,079,008** | **100.00** |

| A shares | Number of shares, pcs | Percentage of A shares, % | Percentage of all shares, % |
|---|---|---|---|
| Non-financial corporations and housing corporations | 73,817,563 | 58.15 | 18.45 |
| Households | 22,454,136 | 17.69 | 5.61 |
| General government* | 15,147,476 | 11.93 | 3.79 |
| Non-profit institutions serving households** | 10,402,895 | 8.19 | 2.60 |
| Nominee-registered and non-Finnish holders | 2,987,002 | 2.35 | 0.75 |
| Financial and insurance corporations | 2,138,956 | 1.68 | 0.53 |
| **Total** | **126,948,028** | **100.00** | **31.73** |

| B shares | Number of shares, pcs | Percentage of B shares, % | Percentage of all shares, % |
|---|---|---|---|
| Nominee-registered and non-Finnish holders | 158,120,662 | 57.89 | 39.52 |
| Households | 68,643,269 | 25.13 | 17.16 |
| Non-financial corporations and housing corporations | 17,320,725 | 6.34 | 4.33 |
| General government* | 12,303,617 | 4.50 | 3.08 |
| Non-profit institutions serving households** | 9,343,544 | 3.42 | 2.34 |
| Financial and insurance corporations | 7,399,163 | 2.71 | 1.85 |
| **Total** | **273,130,980** | **100.00** | **68.27** |

* 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. 2021

| All shares Number of shares | Number of shareholders, pcs | Percentage of shareholders, % | Share total, pcs | Percentage of shares, % |
|---|---|---|---|---|
| 1–100 | 24,689 | 37.74 | 916,558 | 0.23 |
| 101–500 | 17,082 | 26.11 | 4,617,280 | 1.15 |
| 501–1,000 | 7,076 | 10.82 | 5,321,123 | 1.33 |
| 1,001–5,000 | 11,615 | 17.76 | 27,642,159 | 6.91 |
| 5,001–10,000 | 2,381 | 3.64 | 16,918,697 | 4.23 |
| 10,001–50,000 | 2,141 | 3.27 | 43,767,733 | 10.94 |
| 50,001–100,000 | 228 | 0.35 | 16,055,248 | 4.01 |
| 100,001–500,000 | 165 | 0.25 | 32,646,669 | 8.16 |
| 500,001– | 40 | 0.06 | 252,193,541 | 63.04 |
| **Total** | **65,417** | **100.00** | **400,079,008** | **100.00** |

| A shares Number of shares | Number of shareholders, pcs | Percentage of A shareholders, % | A share total, pcs | Percentage of A shares, % |
|---|---|---|---|---|
| 1–100 | 8,822 | 50.06 | 290,149 | 0.23 |
| 101–500 | 3,591 | 20.38 | 939,449 | 0.74 |
| 501–1,000 | 1,150 | 6.53 | 866,485 | 0.68 |
| 1,001–5,000 | 2,240 | 12.71 | 6,183,433 | 4.87 |
| 5,001–10,000 | 695 | 3.94 | 4,999,649 | 3.94 |
| 10,001–50,000 | 886 | 5.03 | 18,445,076 | 14.53 |
| 50,001–100,000 | 123 | 0.70 | 8,747,320 | 6.89 |
| 100,001–500,000 | 101 | 0.57 | 19,150,383 | 15.09 |
| 500,001– | 15 | 0.09 | 67,326,084 | 53.03 |
| **Total** | **17,623** | **100.00** | **126,948,028** | **100.00** |

| B shares Number of shares | Number of shareholders, pcs | Percentage of B shareholders, % | B share total, pcs | Percentage of B shares, % |
|---|---|---|---|---|
| 1–100 | 17,449 | 33.76 | 678,169 | 0.25 |
| 101–500 | 14,547 | 28.14 | 3,985,823 | 1.46 |
| 501–1,000 | 6,330 | 12.25 | 4,766,805 | 1.75 |
| 1,001–5,000 | 10,015 | 19.38 | 22,977,113 | 8.41 |
| 5,001–10,000 | 1,842 | 3.56 | 13,030,767 | 4.77 |
| 10,001–50,000 | 1,305 | 2.52 | 25,478,336 | 9.33 |
| 50,001–100,000 | 109 | 0.21 | 7,443,342 | 2.73 |
| 100,001–500,000 | 72 | 0.14 | 14,401,873 | 5.27 |
| 500,001– | 20 | 0.04 | 180,368,752 | 66.04 |
| **Total** | **51,689** | **100.00** | **273,130,980** | **100.00** |

## 10 largest shareholders by number of shares held as at 31 Dec. 2021

| | | Number of shares, pcs | Percentage of shares, % | Number of votes | Percentage of votes, % |
|---|---|---|---|---|---|
| 1. | K-Retailers' Association | 20,195,001 | 5.05 | 201,950,010 | 13.09 |
| 2. | Ilmarinen Mutual Pension Insurance Company | 15,100,984 | 3.77 | 151,009,840 | 9.79 |
| 3. | Vähittäiskaupan Takaus Oy | 13,195,008 | 3.30 | 131,950,080 | 8.55 |
| 4. | Foundation for Vocational Training in the Retail Trade | 5,162,935 | 1.29 | 51,629,350 | 3.35 |
| 5. | Varma Mutual Pension Insurance Company | 4,573,944 | 1.14 | 4,573,944 | 0.30 |
| 6. | Elo Mutual Pension Insurance Company | 4,139,428 | 1.03 | 4,515,628 | 0.29 |
| 7. | K-Food Retailers' Club | 2,282,169 | 0.57 | 22,821,690 | 1.48 |
| 8. | Heimo Välinen Oy | 2,280,000 | 0.57 | 22,800,000 | 1.48 |
| 9. | The State Pension Fund | 2,210,000 | 0.55 | 2,210,000 | 0.14 |
| 10. | Food Paradise Oy | 2,064,164 | 0.52 | 20,641,640 | 1.34 |

Does not contain shares held by Kesko Corporation, amounting to 2,968,664 on 31 Dec. 2021.

## 10 largest shareholders by number of votes as at 31 Dec. 2021

| | | Number of shares, pcs | Percentage of shares, % | Number of votes | Percentage of votes, % |
|---|---|---|---|---|---|
| 1. | K-Retailers' Association | 20,195,001 | 5.05 | 201,950,010 | 13.09 |
| 2. | Ilmarinen Mutual Pension Insurance Company | 15,100,984 | 3.77 | 151,009,840 | 9.79 |
| 3. | Vähittäiskaupan Takaus Oy | 13,195,008 | 3.30 | 131,950,080 | 8.55 |
| 4. | Foundation for Vocational Training in the Retail Trade | 5,162,935 | 1.29 | 51,629,350 | 3.35 |
| 5. | K-Food Retailers' Club | 2,282,169 | 0.57 | 22,821,690 | 1.48 |
| 6. | Heimo Välinen Oy | 2,280,000 | 0.57 | 22,800,000 | 1.48 |
| 7. | Food Paradise Oy | 2,064,164 | 0.52 | 20,641,640 | 1.34 |
| 8. | OP-Finland mutual fund | 1,103,162 | 0.28 | 10,799,672 | 0.70 |
| 9. | T.A.T. Invest Oy | 792,080 | 0.20 | 7,726,400 | 0.50 |
| 10. | Pokela Oy Iso Omena | 757,600 | 0.19 | 7,576,000 | 0.49 |

## Management's shareholdings

At the end of December 2021, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 1,360,800 Kesko Corporation A shares and 459,578 Kesko Corporation B shares, i.e. a total of 1,820,378 shares, which represents 0.46% of the total number of shares and 0.91 % of votes carried by all shares of the Company.

At 31 December 2021, the President and CEO held 5,000 Kesko Corporation A shares and 324,260 B shares, which represented 0.08% of the total number of shares and 0.02% of votes carried by all shares of the Company. At 31 December 2021, the Group Management Board including the President and CEO held 5,324 Kesko Corporation A shares and 884,508 Kesko Corporation B shares, which represented 0.22% of the total number of shares and 0.06% of votes carried by all shares of the Company.

## Board authorisations

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 2021, Kesko Corporation transferred 378,476 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. 12,100 B shares were returned to the company without consideration based on the same terms and conditions. Kesko issued related stock exchange releases on 19.3.2021, 25.3.2021, 29.4.2021 and 9.2.2021, 17.9.2021 and 2.11.2021. Kesko issued a stock exchange release on 3 February 2021 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 4,822 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 29 April 2021.

Kesko's Annual General Meeting of 12 April 2021 authorised the Board to decide on the issuance 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 2022. The authorisation was communicated in a stock exchange release on 12 April 2021.

# Group's key performance indicators

| | | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Income statement** | | | | |
| Net sales | € million | 10,720.3 | 10,669.2 | 11,300.2 |
| Change in net sales | % | 3.3 | -0.5 | 5.9 |
| Change in net sales, comparable | % | 1.4 | 3.6 | 8.2 |
| | | | | |
| Operating profit, comparable | € million | 461.6 | 567.8 | 775.5 |
| Operating profit as percentage of net sales, comparable | % | 4.3 | 5.3 | 6.9 |
| | | | | |
| Operating profit | € million | 447.8 | 600.2 | 775.2 |
| Operating profit as percentage of net sales | % | 4.2 | 5.6 | 6.9 |
| | | | | |
| Profit for the year (incl. non-controlling interests) | € million | 333.6 | 435.3 | 571.8 |
| Profit for the year as percentage of net sales | % | 3.1 | 4.1 | 5.1 |
| | | | | |
| **Profitability** | | | | |
| Return on equity, group | % | 16.6 | 20.1 | 24.2 |
| Return on equity, comparable, group | % | 15.1 | 17.8 | 24.1 |
| Return on capital employed | % | 9.3 | 12.7 | 17.2 |
| Return on capital employed, comparable | % | 9.6 | 12.0 | 17.2 |
| | | | | |
| **Funding and financial position** | | | | |
| Interest-bearing net debt, group | € million | 2,868.4 | 2,310.3 | 1,907.3 |
| Interest-bearing net debt excluding lease liabilities | € million | 446.1 | 285.3 | -21.3 |
| Gearing, group | % | 134.0 | 105.5 | 75.4 |
| Equity ratio, group | % | 31.2 | 33.1 | 36.6 |
| Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, group | | 0.9 | 0.4 | 0.0 |
| | | | | |
| **Other performance indicators** | | | | |
| Capital expenditure | € million | 686.1 | 398.4 | 276.6 |
| Capital expenditure as percentage of net sales | % | 6.4 | 3.7 | 2.4 |

| | | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Cash flow from operating activities | € million | 893.1 | 1,152.4 | 1,152.0 |
| Cash flow from investing activities | € million | -620.3 | -421.3 | -292.3 |
| Cash flow from operating activities, discontinued operations | € million | 3.5 | - | - |
| Cash flow from investing activities, discontinued operations | € million | 3.5 | - | - |
| | | | | |
| Personnel, average for the period, group total | | 20,852 | 17,629 | 14,232 |
| Personnel, as at 31 Dec., group total | | 25,168 | 17,650 | 17,402 |

| | | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Share performance indicators** | | | | |
| Earnings/share, basic and diluted** | | | | |
| Continuing operations | € | 0.83 | 1.09 | 1.44 |
| Discontinued operations | € | 0.03 | - | - |
| Group total | € | 0.86 | 1.09 | 1.44 |
| Earnings/share, comparable, basic** | | 0.74 | 0.97 | 1.43 |
| Equity/share** | € | 5.11 | 5.52 | 6.37 |
| Dividend/share* | € | 0.63 | 0.75 | 1.06 |
| Payout ratio | % | 74.8 | 69.8 | 74.3 |
| Payout ratio, comparable | % | 80.3 | 77.4 | 74.7 |
| Cash flow from operating activities/share, adjusted, group total** | € | 2.26 | 2.91 | 2.90 |
| Cash flow from operating activities/share, adjusted, continuing operations** | € | 2.25 | 2.91 | 2.90 |
| Price/earnings ratio (P/E), A share, adjusted | | 17.44 | 18.62 | 19.04 |
| Price/earnings ratio (P/E), B share, adjusted | | 18.71 | 19.59 | 20.57 |
| Effective dividend yield, A share | % | 4.3 | 3.8 | 3.9 |
| Effective dividend yield, B share | % | 4.0 | 3.6 | 3.6 |

* Proposal to the General Meeting
**Kesko Corporations 's 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.

# Calculation of performance indicators

Kesko uses alternative performance measures to reflect business performance and profitability. The alternative performance measures 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, % | (Profit/loss before tax – Income tax) x 100 / Shareholders' equity, average of the beginning and end of the financial year |
| Return on equity, comparable, % | (Profit/loss adjusted for items affecting comparability before tax – Income tax adjusted for the tax effect of the items affecting comparability) x 100 / Shareholders' equity, average of the beginning and end of the financial year |
| Return on capital employed, % | Operating profit x 100 / (Non-current assets + Inventories + Receivables + Other current assets - Non-interest-bearing liabilities) on average for 12 months |
| Return on capital employed, comparable, % | Comparable operating profit x 100 / (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 |

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## Funding, capital expenditure and financial position

| | |
|---|---|
| Equity ratio, % | Shareholders' equity x 100 / (Balance sheet total – Advances received) |
| Gearing, % | Interest-bearing net debt x 100 / Shareholders' equity |
| Interest-bearing net debt | Interest-bearing liabilities + Lease liabilities – Other current financial assets – Cash and cash equivalents |
| Interest-bearing net debt excluding lease liabilities | Interest-bearing net debt – Lease Liabilities |
| Capital expenditure | Performance indicator includes investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares. Additions of right-of-use assets for leases in the consolidated statement of financial position are not capital expenditure. Redemption of a leased property (right-of-use asset) is reported as capital expenditure. |
| Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16 | Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16 |

## Share performance indicators

| | |
|---|---|
| Earnings/share, diluted | Net profit/loss - Share of non-controlling interests of net profit/loss / Average number of shares adjusted for the dilutive effect |
| Earnings/share, basic | Net profit/loss – Share of non-controlling interests of net profit/loss / Average number of shares |
| 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 / Average number of shares |
| Equity/share | Equity attributable to equity holders of the parent / Basic number of shares at the balance sheet date |
| Payout ratio, % | (Dividend/share) x 100 / (Earnings/share) |
| Price/earnings ratio (P/E) | Share price at balance sheet date / (Earnings/share) |
| Effective dividend yield, % | (Dividend/share) x 100 / 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 / Average number of shares |
| Yield of A share and B share | Change in share price + Annual dividend yield |

## Reconciliation of alternative performance measures to IFRS financial statements

| € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Items affecting comparability** | | |
| Gains on disposal | 1.4 | 9.8 |
| Losses on disposal | 0.0 | -0.2 |
| Impairment charges | -5.4 | - |
| Structural arrangements | 3.7 | 22.8 |
| **Items in operating profit affecting comparability** | **-0.3** | **32.4** |
| Items in financial items affecting comparability | 2.9 | 13.4 |
| Items in income taxes affecting comparability | 1.0 | 4.1 |
| **Total items affecting comparability** | **3.5** | **49.9** |
| | | |
| **Items in EBITDA affecting comparability** | **4.7** | **39.1** |
| | | |
| **Operating profit, comparable** | | |
| Operating profit | 775.2 | 600.2 |
| Net of | | |
| Items in operating profit affecting comparability | -0.3 | 32.4 |
| **Operating profit, comparable** | **775.5** | **567.8** |
| | | |
| **EBITDA** | | |
| Operating profit | 775.2 | 600.2 |
| Plus | | |
| Depreciation and impairment charges | 176.8 | 170.2 |
| Depreciation and impairment charges for right-of-use assets | 310.3 | 325.8 |
| **EBITDA** | **1,262.2** | **1,096.2** |
| | | |
| **EBITDA, comparable** | | |
| EBITDA | 1,262.2 | 1,096.2 |
| Net of | | |
| Items in EBITDA affecting comparability | 4.7 | 39.1 |
| **EBITDA, comparable** | **1,257.6** | **1,057.1** |

| € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Profit before tax, comparable** | | |
| Profit before tax | 712.9 | 527.6 |
| Net of | | |
| Items in operating profit affecting comparability | -0.3 | 32.4 |
| Items in financial items affecting comparability | 2.9 | 13.4 |
| **Profit before tax, comparable** | **710.4** | **481.9** |
| | | |
| **Net profit, comparable** | | |
| Comparable profit before tax | 710.4 | 481.9 |
| Net of | | |
| Income tax | 141.1 | 92.3 |
| Items in income taxes affecting comparability | 1.0 | 4.1 |
| **Net profit, comparable** | **568.2** | **385.5** |
| | | |
| **Net profit attributable to owners of the parent, comparable** | | |
| Net profit, comparable | 568.2 | 385.5 |
| Net profit attributable to non-controlling interests | - | 2.0 |
| **Net profit attributable to owners of the parent, comparable** | **568.2** | **383.5** |
| | | |
| **Earnings/share, comparable, €** | | |
| Net profit attributable to owners of the parent, comparable | 568.2 | 383.5 |
| Average number of shares, basic, 1,000 pcs | 397,033 | 396,661 |
| **Earnings/share, comparable, €** | **1.43** | **0.97** |
| | | |
| **Return on capital employed, %** | | |
| Operating profit | 775.2 | 600.2 |
| Capital employed, average | 4,508.9 | 4,718.5 |
| **Return on capital employed, %** | **17.2** | **12.7** |
| | | |
| **Return on capital employed, comparable, %** | | |
| Operating profit, comparable | 775.5 | 567.8 |
| Capital employed, average | 4,508.9 | 4,718.5 |
| **Return on capital employed, comparable, %** | **17.2** | **12.0** |

| € million | 1-12/2021 | 1-12/2020 |
|---|---|---|
| **Group** | | |
| Return on equity, % | | |
| Net profit | 571.8 | 435.3 |
| Equity, average | 2,359.4 | 2,165.0 |
| **Return on equity, %** | **24.2** | **20.1** |
| | | |
| **Return on equity, comparable, %** | | |
| Net profit, comparable | 568.2 | 385.5 |
| Equity, average | 2,359.4 | 2,165.0 |
| **Return on equity, comparable, %** | **24.1** | **17.8** |
| | | |
| **Equity ratio, %** | | |
| Shareholders' equity | 2,529.5 | 2,189.3 |
| Total assets | 6,966.0 | 6,641.9 |
| Advances received | 46.2 | 32.8 |
| **Equity ratio, %** | **36.6** | **33.1** |

# FINANCIAL STATEMENTS

KESKO ANNUAL REPORT **2021**

# CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

## Consolidated income statement

| € million | Note | 1 Jan.–31 Dec. 2021 | % | 1 Jan.–31 Dec. 2020 | % |
|---|---|---|---|---|---|
| **Net sales** | 2.1 | **11,300.2** | 100.0 | **10,669.2** | 100.0 |
| Material and services | 2.3 | -9,695.3 | -85.8 | -9,148.3 | -85.7 |
| Change in inventory | | 43.1 | 0.4 | -6.9 | -0.1 |
| Other operating income | 2.4 | 957.3 | 8.5 | 930.9 | 8.7 |
| Employee benefit expenses | 2.5 | -764.0 | -6.8 | -750.7 | -7.0 |
| Depreciation, amortisation and impairment charges | 3.2 3.3 | -176.8 | -1.6 | -170.2 | -1.6 |
| Depreciation, amortisation and impairment charges for right-of-use assets | 3.4 | -310.3 | -2.7 | -325.8 | -3.1 |
| Other operating expenses | 2.5 | -607.2 | -5.4 | -605.5 | -5.7 |
| Share of result of joint ventures | | 28.0 | 0.2 | 7.5 | 0.1 |
| **Operating profit** | | **775.2** | 6.9 | **600.2** | 5.6 |
| Interest income and other finance income | 4.4 | 12.5 | 0.1 | 12.4 | 0.1 |
| Interest expense and other finance costs | 4.4 | -8.6 | -0.1 | -11.2 | -0.1 |
| Interest expense for lease liabilities | 4.4 | -71.3 | -0.6 | -83.3 | -0.8 |
| Foreign exchange differences | 4.4 | -0.8 | 0.0 | -4.7 | 0.0 |
| Total finance income and costs | 4.4 | -68.2 | -0.6 | -86.8 | -0.8 |
| Share of result of associates | | 5.9 | 0.1 | 14.3 | 0.1 |
| **Profit before tax** | | **712.9** | 6.3 | **527.6** | 4.9 |
| Income tax | 2.7 | -141.1 | -1.2 | -92.3 | -0.9 |
| **Net profit for the year** | | **571.8** | **5.1** | **435.3** | **4.1** |
| | | | | | |
| | | | | | |
| **Net profit for the year attributable to** | | | | | |
| Owners of the parent | | 571.8 | | 433.4 | |
| Non-controlling interests | | - | | 2.0 | |
| | | | | | |
| **Earnings per share for net profit attributable to owners of the parent** | | | | | |
| Basic and diluted, Group total, € | 2.8 | 1.44 | | 1.09 | |

# Consolidated statement of comprehensive income

| € million | Note | 1 Jan.–31 Dec. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|---|
| **Net profit for the year** | | **571.8** | **435.3** |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Actuarial gains and losses | 2.10 3.7 | 40.0 | 0.8 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Currency translation differences related to a foreign operation | 2.10 | 9.8 | -2.8 |
| Share of other comprehensive income of associates and joint ventures | 2.10 | -0.5 | - |
| Cash flow hedge revaluation | 2.10 | 11.1 | -2.7 |
| Others | 2.10 | | -0.3 |
| **Total comprehensive income for the year, net of tax** | | **60.4** | **-4.9** |
| **Total comprehensive income for the year** | | **632.1** | **430.5** |
| | | | |
| **Comprehensive income for the year attributable to** | | | |
| Owners of the parent | | 632.1 | 432.6 |
| Non-controlling interests | | - | -2.2 |

# Consolidated statement of financial position

| € million | Note | 31 Dec. 2021 | % | 31 Dec. 2020 | % |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3.2 | 1,537.6 | | 1,450.8 | |
| Goodwill | 3.3 | 588.8 | | 572.1 | |
| Intangible assets | 3.3 | 190.1 | | 205.2 | |
| Right-of-use assets | 3.4 | 1,735.0 | | 1,819.0 | |
| Shares in associates and joint ventures | 3.8 5.2 | 234.6 | | 199.1 | |
| Other investments | 4.3 4.5 | 15.5 | | 22.7 | |
| Non-current receivables | 4.3 4.5 | 72.6 | | 73.8 | |
| Deferred tax assets | 2.7 | 1.1 | | 1.5 | |
| Pension assets | 3.7 | 94.7 | | 89.6 | |
| **Total non-current assets** | | **4,470.1** | **64.2** | **4,433.8** | **66.8** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 3.5 | 894.3 | | 836.9 | |
| Interest-bearing receivables | 3.6 4.5 | 4.1 | | 12.3 | |
| Trade receivables | 3.6 4.3 4.5 | 909.2 | | 776.5 | |
| Income tax assets | 3.6 | 0.1 | | 1.6 | |
| Other non-interest-bearing receivables | 3.6 4.5 | 299.9 | | 265.0 | |
| Other financial assets | 2.9 4.3 4.5 | 107.9 | | 51.7 | |
| Cash and cash equivalents | 2.9 | 279.8 | | 254.3 | |
| **Total current assets** | | **2,495.4** | **35.8** | **2,198.2** | **33.1** |
| Non-current assets classified as held for sale | | 0.5 | 0.0 | 9.9 | 0.1 |
| **Total assets** | | **6,966.0** | **100.0** | **6,641.9** | **100.0** |

| € million | Note | 31 Dec. 2021 | % | 31 Dec. 2020 | % |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| Share capital | 4.2 | 197.3 | | 197.3 | |
| Share premium | 4.2 | 197.8 | | 197.8 | |
| Other reserves | 4.2 | 266.9 | | 266.8 | |
| Currency translation differences | 4.2 | -10.2 | | -20.0 | |
| Revaluation reserve | 4.2 | 9.1 | | -2.0 | |
| Retained earnings | | 1,868.6 | | 1,549.3 | |
| **Total equity** | | **2,529.5** | **36.3** | **2,189.3** | **33.0** |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Interest-bearing non-current liabilities | 4.3 4.5 4.6 | 206.4 | | 408.7 | |
| Lease liabilities | 4.5 4.6 | 1,610.7 | | 1,712.3 | |
| Non-interest-bearing non-current liabilities | 4.3 4.5 | 24.8 | | 29.5 | |
| Deferred tax liabilities | 2.7 | 37.9 | | 16.4 | |
| Pension obligations | | 0.4 | | 0.4 | |
| Provisions | 3.9 | 15.4 | | 20.3 | |
| **Total non-current liabilities** | | **1,895.6** | **27.2** | **2,187.7** | **32.9** |
| | | | | | |
| **Current liabilities** | | | | | |
| Current interest-bearing liabilities | 4.3 4.5 4.6 | 160.1 | | 182.6 | |
| Lease liabilities | 4.5 4.6 | 317.9 | | 312.7 | |
| Trade payables | 4.3 4.5 | 1,332.6 | | 1,091.3 | |
| Other non-interest-bearing liabilities | 4.3 4.5 | 232.3 | | 218.1 | |
| Income tax liabilities | 4.5 | 28.9 | | 35.2 | |
| Accrued liabilities | 4.3 4.5 | 454.8 | | 405.1 | |
| Provisions | 3.9 | 14.3 | | 17.7 | |
| **Total current liabilities** | | **2,540.9** | **36.5** | **2,262.6** | **34.1** |
| Liabilities related to available-for-sale non-current assets | | – | – | 2.3 | 0.0 |
| **Total liabilities** | | **4,436.5** | **63.7** | **4,452.6** | **67.0** |
| **Total equity and liabilities** | | **6,966.0** | **100.0** | **6,641.9** | **100.0** |

# Consolidated statement of cash flows

| € million | Note | 1 Jan.–31 Dec. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 712.9 | 527.6 |
| Adjustments | | | |
| Depreciation according to plan | | 171.4 | 170.2 |
| Depreciation and impairment for right-of-use assets | | 310.3 | 325.8 |
| Finance income and costs | | -3.1 | 3.5 |
| Interest expense for lease liabilities | | 71.3 | 83.3 |
| Other adjustments | 2.9 | 9.0 | -54.3 |
| | | 558.8 | 528.6 |
| Change in working capital | | | |
| Current non-interest-bearing receivables, increase (-)/ decrease (+) | | -146.8 | -64.3 |
| Inventories, increase (-)/decrease (+) | | -53.2 | 5.5 |
| Current non-interest-bearing liabilities, increase (+)/ decrease (-) | | 283.7 | 287.9 |
| | | 83.7 | 229.1 |
| | | | |
| Interest paid and other finance costs | | -7.0 | -7.7 |
| Interest paid on lease liabilities | | -71.3 | -83.3 |
| Interest received | | 10.5 | 9.1 |
| Dividends received | | 1.6 | 0.7 |
| Dividends received from associated companies and joint ventures | | | 2.5 |
| Income taxes paid | | -137.2 | -54.0 |
| **Net cash flows from operating activities, total** | | **1,152.0** | **1,152.4** |

| € million | Note | 1 Jan.–31 Dec. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for acquisition of subsidiary shares, net of cash acquired | 3.1 | -13.2 | -155.7 |
| Payments for investments consolidated using the equity method | 2.9 | -0.1 | - |
| Payments for property, plant, equipment and intangible assets | 2.9 | -239.4 | -203.9 |
| Proceeds from sale of subsidiaries and businesses, net of cash deducted | | 2.8 | 19.6 |
| Impact of change in Kesko Senukai's consolidation method | 3.1 | - | -92.7 |
| Proceeds from equity accounted investments | | - | 5.7 |
| Proceeds from sale of property, plant, equipment and intangible assets | | 13.3 | 10.6 |
| Proceeds from sale of other investments | | 0.1 | 0.1 |
| Loan receivables and other financial assets, increase (-)/decrease (+) | | -55.9 | -4.9 |
| **Net cash flows from investing activities, total** | | **-292.3** | **-421.3** |
| | | | |
| **Cash flows from financing activities** | | | |
| Interest-bearing liabilities, increase (+)/decrease (-) | 2.9 | -223.4 | 18.9 |
| Repayments for lease liabilities | 2.9 | -323.2 | -363.3 |
| Interest-bearing receivables, increase (-)/decrease (+) | 2.9 | 10.7 | -0.9 |
| Dividends paid | | -297.8 | -249.9 |
| Other items | | -0.7 | -4.7 |
| **Net cash flows from financing activities, total** | | **-834.4** | **-600.0** |
| | | | |
| **Change in cash and cash equivalents** | | **25.2** | **131.2** |
| | | | |
| Cash and cash equivalents as at 1 January | 2.9 | **254.3** | 124.4 |
| Currency translation difference adjustment and change in value | | 0.2 | -1.2 |
| **Cash and cash equivalents assets as at 31 December** | 2.9 | **279.8** | **254.3** |

# Consolidated statement of changes in equity

| € million | Share capital | Reserves | Currency translation differences | Revaluation reserve | Treasury shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | **197.3** | **464.7** | **-20.0** | **-2.0** | **-31.4** | **1,580.7** | **2,189.3** |
| Share-based payments | | | | | 1.1 | | 1.1 |
| Dividends | | | | | | -297.8 | -297.8 |
| Other changes | | 0.0 | | | | 4.7 | 4.7 |
| Transactions with owners, total | | 0.0 | | | 1.1 | -293.1 | -291.9 |
| **Comprehensive income** | | | | | | | |
| Net profit for the year | | | | | | 571.8 | 571.8 |
| Actuarial gains/losses | | | | | | 40.0 | 40.0 |
| Currency translation differences related to a foreign operation | | | 9.8 | | | | 9.8 |
| Share of other comprehensive income of associates and joint ventures | | | | | | -0.5 | -0.5 |
| Cash flow hedge revaluation | | | | 11.1 | | | 11.1 |
| Total comprehensive income for the year, net of tax | | | 9.8 | 11.1 | | 39.5 | 60.4 |
| Total comprehensive income for the period | | | 9.8 | 11.1 | | 611.2 | 632.1 |
| **Balance as at 31 December 2021** | **197.3** | **464.7** | **-10.2** | **9.1** | **-30.3** | **1,898.9** | **2,529.5** |

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **€ million** | **Share capital** | **Reserves** | **Currency translation differences** | **Revaluation reserve** | **Treasury shares** | **Retained earnings** | **Non-controlling interest** | **Total equity** |
| **Balance as at 1 January 2020** | **197.3** | **464.8** | **-21.3** | **0.6** | **-35.4** | **1,419.8** | **115.0** | **2,140.8** |
| Share-based payments | | | | | 4.0 | | | 4.0 |
| Dividends | | | | | | -249.9 | | -249.9 |
| Increase in share capital | | | | | | | 1.2 | 1.2 |
| Disposal of subsidiaries | | 0.0 | | | | -21.2 | -4.1 | -25.4 |
| Change in Kesko Senukai's consolidation method | | -0.1 | | | | | -109.9 | -110.0 |
| Other changes | | | | | | -1.9 | | -1.9 |
| Transactions with owners, total | | -0.2 | | | 4.0 | -273.0 | -112.8 | -382.0 |
| **Comprehensive income** | | | | | | | | |
| Net profit for the year | | | | | | 433.4 | 2.0 | 435.3 |
| Actuarial gains/losses | | | | | | 0.8 | | 0.8 |
| Currency translation differences related to a foreign operation | | | 1.3 | | | 0.1 | -4.1 | -2.8 |
| Cash flow hedge revaluation | | | | -2.7 | | | | -2.7 |
| Other items | | | | | | -0.3 | | -0.3 |
| Total comprehensive income for the year, net of tax | | | 1.3 | -2.7 | | 0.6 | -4.1 | -4.9 |
| Total comprehensive income for the period | | | 1.3 | -2.7 | | 434.0 | -2.2 | 430.5 |
| **Balance as at 31 December 2020** | **197.3** | **464.7** | **-20.0** | **-2.0** | **-31.4** | **1,580.7** | **0.0** | **2,189.3** |

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

IN THIS SECTION


| | | |
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| 1.8 | Change in accounting policy | 50 |


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

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**.

Kesko's Board of Directors has approved these financial statements for disclosure on 2 February 2022.

Kesko is issuing an XHTML financial review complying with the ESEF requirements 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 2021. 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. The Group has applied new and amended standards that became effective in the financial year that began on 1 January 2021. The improvements and amendments to existing standards did not have an impact on the consolidated financial statements. 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 3.4.

## 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 3.4).

## 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.

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 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.

## 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 2021 and 2020 financial years.

## 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

Annual improvements or amendments to existing standards that become effective for annual periods beginning on or after 1 January 2022 are not estimated to have a material impact on the consolidated financial statements.

## 1.8 Change in accounting policy

The classification of cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows has been changed. Some of the assets previously reported in the consolidated statement of financial position under current assets on line "Financial assets at fair value through profit or loss" are now classified in the consolidated statement of financial position and the consolidated statement of cash flows on line "Cash and cash equivalents". On 31 December 2020, the reclassified assets totalled €99.9 million. The cash and cash equivalents subject to reclassification are investments in money market funds with an investment horizon of less than three months. The Group makes short-term investments with extra liquidity in money market funds as an alternative to bank deposits. The risk profile of these fund investments is very low, and in terms of liquidity and return, they correspond to bank deposits. Assets reclassified as cash and cash equivalents belong to level 2 on the hierarchy of financial assets at fair value presented in the table in Note 4.5.

Following the reclassification, presentation of those financial assets at fair value through profit or loss that are not classified as cash and cash equivalents in the new classification was changed in the consolidated statements of cash flows so that the changes in those financial instruments are presented under cash flows from investing activities instead of cash flows from financing activities.

The balance sheet lines "Financial assets at fair value through profit or loss" and "Financial assets at amortised cost", previously reported under current assets, have also been combined on the balance sheet line "Other financial assets." The reclassification has been made to the consolidated statement of financial position and the consolidated statement of cash flows for the comparison periods. The management sees that the reclassification enables better and more meaningful information and corresponds to operational liquidity management.

### Effect of reclassification of cash and cash equivalents

€ million

| **Consolidated statements of financial position** | **31 Dec. 2021** | **31 Dec. 2020** |
|---|---|---|
| Cash and cash equivalents, reported | 279.8 | 154.5 |
| Effect of reclassification | - | +99.9 |
| **Cash and cash equivalents, reclassified** | **279.8** | **254.3** |

| **Consolidated statement of cash flows** | **1 Jan.–31 Dec. 2021** | **1 Jan.–31 Dec. 2020** |
|---|---|---|
| Net cash used in investing activities, reported | -292.3 | -413.7 |
| Effect of reclassification | - | -7.6 |
| **Net cash used in investing activities, reclassified** | **-292.3** | **-421.3** |
| Net cash used in financing activities, reported | -834.4 | -707.5 |
| Effect of reclassification | - | +107.5 |
| **Net cash used in financing activities, reclassified** | **-834.4** | **-600.0** |

Notes to the consolidated financial statements

# 2. FINANCIAL RESULTS

IN THIS SECTION


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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. More detailed information on other operating income is presented in Note 2.4.

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 in the comparison period segment information for the building and technical trade. Due to the consolidation change, the Group changed internal reporting to its chief operating decision maker, the Group Management Board, so that Kesko Senukai was reported in the 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 for internally reported balance sheet figures.

The Group Management Board uses alternative performance measures 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 48% (49%) of the Group's net sales in 2021. B2B trade accounted for 36% (33%) of the Group's net

sales in 2021. Kesko's own retailing accounted for 16% (18%) of the Group's net sales. The management views that these categories depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

### 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 a 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 chain 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 (Norway). The building and home improvement stores serve both consumers and professional builders. Onninen provides HEPAC and electrical products and services to B2B customers in the Baltic Sea area and Scandinavia, and has around 130 places of business in Finland, Sweden, Norway, Poland and the Baltic countries.

Speciality goods trade is included in the building and technical trade division, and comprises leisure trade in Finland, with the Intersport and Budget Sport chains. The operations of the Kookenkä and The Athlete's Foot shoe store chains were discontinued in 2021 as part of the strategy for leisure trade. The machinery trade operations in the Baltics were divested during the 2020 financial year.

### Car trade

Car trade comprises the business operations of new cars, used cars, services and leasing. The new cars business includes the operations for importing, marketing and retailing of Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and of Volkswagen and MAN commercial vehicles in Finland, and of SEAT and CUPRA passenger cars in the Baltics. The used car business includes the purchasing of used cars in Finland and abroad and the retailing of the cars in Finland. Service operations include repair and maintenance services, spare parts sales and accessories services in Finland. The leasing business provides car leasing services to both private and corporate customers. Services provided by the car trade division also include the K-Charge charging network for electric vehicles.

### Common functions

Common functions comprise Group support functions.

## Segment information 2021

### Profit

| € million | Grocery trade | Building and technical trade | Car trade | Common functions | Total |
|---|---|---|---|---|---|
| Division net sales | 5,909.0 | 4,387.7 | 1,028.3 | 0.0 | 11,325.1 |
| of which intersegment sales | -17.8 | -0.2 | -6.7 | -0.5 | -24.8 |
| **Net sales from external customers** | **5,891.2** | **4,388.0** | **1,021.6** | **-0.5** | **11,300.2** |
| | | | | | |
| Change in net sales in local currency excluding acquisitions and disposals, % | 3.1 | 14.7 | 15.2 | - | 8.2 |
| Change in net sales, % | 3.1 | 20.6 | 15.2 | - | 5.9 |
| | | | | | |
| Other division income | 762.9 | 171.3 | 9.7 | 17.6 | 961.5 |
| of which intersegment income | -0.1 | -1.1 | -0.1 | -2.8 | -4.2 |
| **Other operating income from external customers** | **762.7** | **170.2** | **9.6** | **14.8** | **957.3** |
| | | | | | |
| Depreciation and amortisation | -79.8 | -32.7 | -31.5 | -32.7 | -176.8 |
| Depreciation and impairment charges for right-of-use assets | -205.5 | -89.2 | -9.8 | -5.9 | -310.3 |
| Share of result of joint ventures | | 28.0 | | | 28.0 |
| **Operating profit** | **443.9** | **323.1** | **46.2** | **-38.0** | **775.2** |
| | | | | | |
| Items affecting comparability | 0.9 | 5.0 | -6.1 | -0.3 | -0.3 |
| **Comparable operating profit** | **442.9** | **318.0** | **52.2** | **-37.7** | **775.5** |
| | | | | | |
| Finance income and costs | | | | | -68.2 |
| Share of result of associates | | | | | 5.9 |
| **Profit before tax** | | | | | **712.9** |

## Assets and liabilities

| € million | Grocery trade | Building and technical trade | Car trade | Common operations | Eliminations | Total |
|---|---|---|---|---|---|---|
| Property, plant, equipment and intangible assets | 1,161.7 | 817.3 | 242.5 | 96.7 | -1.6 | 2,316.5 |
| Right-of-use assets | 1,170.3 | 440.3 | 58.4 | 66.0 | | 1,735.0 |
| Interests in associates and joint ventures and other investments | 7.7 | 168.7 | 0.0 | 74.4 | -0.6 | 250.1 |
| Pension assets | 19.8 | 4.5 | | 70.4 | | 94.7 |
| Inventories | 225.4 | 525.5 | 143.4 | | | 894.3 |
| Trade receivables | 349.7 | 524.2 | 35.2 | 2.8 | -2.6 | 909.2 |
| Other non-interest-bearing receivables | 78.4 | 187.7 | 23.3 | 30.6 | -15.8 | 304.2 |
| Interest-bearing receivables | 0.6 | | | 71.9 | | 72.5 |
| Non-current assets classified as held for sale | | | | 0.5 | | 0.5 |
| **Assets included in capital employed** | **3,013.7** | **2,668.2** | **502.6** | **413.2** | **-20.6** | **6,577.1** |
| | | | | | | |
| **Unallocated items** | | | | | | |
| Deferred tax assets | | | | | | 1.1 |
| Other financial assets | | | | | | 107.9 |
| Cash and cash equivalents | | | | | | 279.8 |
| **Total assets** | **3,013.7** | **2,668.2** | **502.6** | **413.2** | **-20.6** | **6,966.0** |

| € million | Grocery trade | Building and technical trade | Car trade | Common operations | Eliminations | Total |
|---|---|---|---|---|---|---|
| Trade payables | 569.1 | 716.6 | 25.0 | 23.3 | -1.4 | 1,332.6 |
| Other non-interest-bearing liabilities | 283.7 | 306.4 | 95.6 | 49.0 | -17.0 | 717.7 |
| Provisions | 0.9 | 1.0 | 27.9 | 0.0 | | 29.8 |
| **Liabilities included in capital employed** | **853.7** | **1,024.0** | **148.5** | **72.3** | **-18.4** | **2,080.0** |
| | | | | | | |
| **Unallocated items** | | | | | | |
| Interest-bearing liabilities | | | | | | 366.5 |
| Lease liabilities | | | | | | 1,928.6 |
| Other non-interest-bearing liabilities | | | | | | 23.5 |
| Deferred tax liabilities | | | | | | 37.9 |
| **Total liabilities** | **853.7** | **1,024.0** | **148.5** | **72.3** | **-18.4** | **4,436.5** |
| | | | | | | |
| **Total capital employed as at 31 December** | **2,160.0** | **1,644.2** | **354.2** | **340.9** | **-2.2** | **4,497.1** |
| **Average capital employed** | **2,145.6** | **1,673.5** | **374.4** | **317.5** | **-2.1** | **4,508.9** |
| | | | | | | |
| **Return on capital employed, %, comparable** | **20.6** | **19.0** | **14.0** | | | **17.2** |
| | | | | | | |
| **Number of personnel as at 31 December** | **8,303** | **6,940** | **1,164** | **995** | | **17,402** |
| **Average number of personnel** | **6,126** | **5,977** | **1,225** | **905** | | **14,232** |

## Segment information 2020

### Profit

| € 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 | 10,264.1 | 426.7 | 10,690.8 |
| of which intersegment sales | -15.3 | 0.7 | -6.7 | -0.3 | -21.6 | 0.0 | -21.6 |
| **Net sales from external customers** | **5,716.6** | **3,640.2** | **885.8** | **-0.1** | **10,242.6** | **426.6** | **10,669.2** |
| | | | | | | | |
| Other division income | 703.8 | 152.1 | 8.2 | 19.6 | 883.8 | 49.4 | 933.1 |
| of which intersegment income | -1.1 | -0.6 | 0.0 | -1.7 | -3.5 | 1.3 | -2.2 |
| **Other operating income from external customers** | **702.7** | **151.5** | **8.2** | **17.9** | **880.3** | **50.7** | **930.9** |
| | | | | | | | |
| 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 asses | -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 |
| **Operating profit** | **373.7** | **177.7** | **23.3** | **-34.8** | **540.0** | **60.2** | **600.2** |
| | | | | | | | |
| Items affecting comparability | -1.5 | -10.0 | -0.1 | -2.1 | -13.7 | | 32.4 |
| **Comparable operating profit** | **375.2** | **187.7** | **23.4** | **-32.7** | **553.6** | **14.1** | **567.8** |
| | | | | | | | |
| Finance income and costs | | | | | | | -86.8 |
| Share of result of associates | | | | | | | 14.3 |
| **Profit before tax** | | | | | | | **527.6** |

## Assets and liabilities

| € million | Grocery trade | Building and technical trade | Car trade | Common operations | Eliminations | Total |
|---|---|---|---|---|---|---|
| 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 |
| **Assets included in capital employed** | **3,005.7** | **2,441.8** | **521.7** | **402.4** | **-37.2** | **6,334.3** |
| | | | | | | |
| **Unallocated items** | | | | | | |
| Deferred tax assets | | | | | | 1.5 |
| Other financial assets | | | | | | 51.7 |
| Cash and cash equivalents | | | | | | 254.3 |
| **Total assets** | **3,005.7** | **2,441.8** | **521.7** | **402.4** | **-37.2** | **6,641.9** |

| € million | Grocery trade | Building and technical trade | Car trade | Common operations | Eliminations | Total |
|---|---|---|---|---|---|---|
| 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 |
| **Liabilities included in capital employed** | **836.1** | **768.8** | **137.0** | **86.4** | **-35.0** | **1,793.4** |
| | | | | | | |
| **Unallocated items** | | | | | | |
| Interest-bearing liabilities | | | | | | 591.3 |
| Lease liabilities | | | | | | 2,025.0 |
| Other non-interest-bearing liabilities | | | | | | 26.4 |
| Deferred tax liabilities | | | | | | 16.4 |
| **Total liabilities** | **836.1** | **768.8** | **137.0** | **86.4** | **-35.0** | **4,452.6** |
| | | | | | | |
| **Total capital employed as at 31 December** | **2,169.6** | **1,673.0** | **384.6** | **315.9** | **-2.3** | **4,540.9** |
| **Average capital employed** | **2,223.7** | **1,804.5** | **372.8** | **319.6** | **-2.2** | **4,718.5** |
| | | | | | | |
| **Return on capital employed, %, comparable** | **16.9** | **11.2** | **6.3** | | | **12.0** |
| | | | | | | |
| **Number of personnel as at 31 December** | **8,286** | **7,193** | **1,310** | **861** | | **17,650** |
| **Average number of personnel** | **6,197** | **9,308** | **1,283** | **841** | | **17,629** |

## Alternative performance measures in segment reporting

Kesko uses alternative performance measures in internal reporting of business performance and profitability to the highest operational decision-making body, i.e. the Group Management Board. The alternative performance measures 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 | 2021 | 2020 |
|---|---|---|
| Gains on disposal | 1.4 | 9.8 |
| Losses on disposal | -0.0 | -0.2 |
| Impairment | -5.4 | - |
| Structural arrangements | 3.7 | 22.8 |
| **Items in operating profit affecting comparability, total** | **-0.3** | **32.4** |

The most significant items affecting comparability were the €0.9 million sales gains from grocery trade properties, the €6.5 million sales gain on real estate in the building and technical trade division, included in the share of result of joint ventures, and the €6.1 million costs related to the restructuring of the car trade division and impairment charges.

Items related to structural arrangements are presented on the following lines in the consolidated income statement: material and services (€0.0 million), change in inventory (€0.6 million), employee benefit expenses (€-4.8 million), depreciation, amortisation and impairment charges (€-0.9 million), depreciation, amortisation and impairment charges for right-of-use assets (€1.2 million), other operating expenses (€0.9 million) and share of result of joint ventures (€6.5 million).

In 2020 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 Kookenkä and The Athlete's Foot shoe store 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).

## Reconciliation of alternative performance measures to IFRS financial statements

| € million | 2021 | 2020 |
|---|---|---|
| **Operating profit, comparable** | | |
| Operating profit | 775.2 | 600.2 |
| Net of | | |
| Items in operating profit affecting comparability | -0.3 | 32.4 |
| **Operating profit, comparable** | **775.5** | **567.8** |
| | | |
| **Return on capital employed, comparable, %** | | |
| Operating profit, comparable | 775.5 | 567.8 |
| Capital employed, average | 4,508.9 | 4,718.5 |
| **Return on capital employed, comparable, %** | **17.2** | **12.0** |

## Comparable change in net sales

| € million | 2021 | 2020 |
|---|---|---|
| **Net sales, building and technical trade** | 4,387.7 | 3,639.5* |
| Foreign exchange effects | -63.9 | |
| Effect of acquisitions and divestments | -210.1 | -53.9 |
| Change in net sales, comparable, % | 14.7 | |
| | | |
| **Net sales, Group** | 11,300.2 | 10,242.6* |
| Foreign exchange effects | -63.9 | |
| Effect of acquisitions and divestments | -210.1 | -53.9 |
| Change in net sales, comparable, % | 8.2 | |

* Net sales, illustrative

## 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

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.

| 2021<br>€ million | Finland | Other Nordic countries | Baltic countries | Others | Eliminations | Total |
|---|---|---|---|---|---|---|
| Net sales | 9,290.7 | 1,618.6 | 94.8 | 303.3 | -7.1 | 11,300.2 |
| Assets included in capital employed | 4,989.8 | 1,226.6 | 220.9 | 139.8 | | 6,577.1 |
| Average number of personnel | 10,114 | 2,980 | 316 | 822 | | 14,232 |

| 2020<br>€ million | Finland | Other Nordic countries | Baltic countries | Others | Eliminations | Segment information total | Impact of change in Kesko Senukai's consolidation method | Total |
|---|---|---|---|---|---|---|---|---|
| Net sales | 8,713.5 | 1,200.0 | 102.8 | 234.1 | -7.9 | 10,242.6 | 426.7 | 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 |

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 | 2021 | 2020 |
|---|---|---|
| Material and services | -9,488.6 | -8,959.1 |
| External services | -206.7 | -189.2 |
| **Total** | **-9,695.3** | **-9,148.3** |

## 2.4 Other operating income

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

| € million | 2021 | 2020 |
|---|---|---|
| Income from services | 753.7 | 694.9 |
| Lease income | 40.9 | 41.5 |
| Gains on disposal of property, plant, equipment and intangible assets | 1.7 | 0.9 |
| Gains on disposal of businesses | 0.6 | 55.5 |
| Realised gains on derivative contracts and changes in fair value | 7.2 | 6.6 |
| Others | 153.3 | 131.7 |
| **Total** | **957.3** | **930.9** |

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

More information on lease income is provided in Note 3.4.

## 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 | 2021 | 2020 |
|---|---|---|
| Salaries and fees | -610.6 | -613.1 |
| Social security costs | -54.6 | -50.5 |
| Pension costs | | |
| Defined benefit plans | -7.2 | -5.5 |
| Defined contribution plans | -81.9 | -72.1 |
| Share-based payment | -9.6 | -9.5 |
| **Total** | **-764.0** | **-750.7** |

Information on the defined benefit plans is presented in Note 3.7. 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.

## Average number of the Group personnel

| | 2021 | 2020 |
|---|---|---|
| Grocery trade | 6,126 | 6,197 |
| Building and technical trade | 5,977 | 9,308 |
| Car trade | 1,225 | 1,283 |
| Common functions | 905 | 841 |
| **Total, Group** | **14,232** | **17,629** |

## Other operating expenses

| € million | 2021 | 2020 |
|---|---|---|
| Marketing costs | -210.6 | -207.4 |
| Property and store site maintenance expenses | -159.2 | -159.4 |
| ICT expenses | -102.1 | -97.8 |
| Lease payments in the income statement | -7.6 | -8.2 |
| Losses on disposal of property, plant, equipment and intangible assets | -0.5 | -0.6 |
| Realised losses on derivative contracts and changes in fair value | -4.0 | -7.6 |
| Other operating expenses | -123.3 | -124.5 |
| **Total** | **-607.2** | **-605.5** |

Lease payments in the income statement consist of payments for short-term leases and payments for leases of low-value assets as well as variable lease payments. Property and store site maintenance expenses also include maintenance expenses for leased properties. More information on lease expenditure is provided in Note 3.4.

## Auditors' fees

| € million | 2021 | 2020 |
|---|---|---|
| Audit | 1.0 | 1.0 |
| Tax consultation | 0.0 | 0.0 |
| Other services | 0.1 | 0.0 |
| **Total** | **1.1** | **1.0** |

The Annual General Meeting of 28 April 2020 elected Deloitte Oy as Kesko Corporation's Auditor.

## 2.6 Foreign exchange differences recognised in operating profit

| € million | 2021 | 2020 |
|---|---|---|
| Sales | -0.1 | -0.1 |
| Other income | 7.2 | 6.6 |
| Purchases | -0.4 | -0.9 |
| Other expenses | -4.0 | -7.6 |
| **Total** | **2.8** | **-2.1** |

## 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 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 positions are assessed regularly to identify situations requiring 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 | 2021 | 2020 |
|---|---|---|
| Current tax | -134.0 | -80.8 |
| Tax for prior years | 0.0 | -3.7 |
| Deferred tax | -7.1 | -7.8 |
| **Total** | **-141.1** | **-92.3** |

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

| € million | 2021 | 2020 |
|---|---|---|
| Profit before tax | 712.9 | 527.6 |
| Tax at parent's rate 20.0% | -142.6 | -105.5 |
| Effect of foreign subsidiaries' different tax rates | -1.7 | -1.1 |
| Effect of tax-free income | 0.7 | 12.4 |
| Effect of expenses not deductible for tax purposes | -1.2 | -1.6 |
| Effect of unrecognised deferred tax assets | 0.1 | 2.6 |
| Effect of consolidation of share of result of associates and joint ventures | 6.8 | 4.4 |
| Tax for previous years | 0.0 | -3.7 |
| Adjustment and revaluation of deferred tax for previous years | -2.0 | 0.0 |
| Effect of change in tax rate | - | 0.1 |
| Others | -1.3 | 0.2 |
| **Tax charge** | **-141.1** | **-92.3** |
| **Effective tax rate** | **19.8 %** | **17.5 %** |

In 2020 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.

## Movements in deferred tax in 2021

| € million | 1 Jan. 2021 | Income statement charge | Tax charged/ credited to equity | Exchange differences | Other changes | 31 Dec. 2021 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Leases | 41.6 | -2.5 | | 0.0 | | 39.2 |
| Provisions | 7.6 | 2.0 | | 0.0 | 0.8 | 10.4 |
| Defined benefit pension plans | 0.1 | 0.0 | | | | 0.1 |
| Tax loss carry-forwards | 4.3 | -3.8 | | 0.0 | | 0.5 |
| Other temporary differences | 23.6 | -6.7 | -0.8 | 0.3 | -2.9 | 13.5 |
| Total | 77.1 | -11.0 | -0.8 | 0.4 | -2.1 | 63.7 |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| Difference between accounting depreciation and tax depreciation | 43.9 | 5.3 | | | 0.2 | 49.4 |
| Fair value allocation | 25.4 | 3.0 | | 0.5 | -0.6 | 28.4 |
| Defined benefit pension plans | 17.6 | -8.7 | 10.0 | | | 18.9 |
| Other temporary differences | 5.1 | -3.4 | 2.0 | 0.0 | | 3.7 |
| Total | 92.0 | -3.8 | 12.0 | 0.6 | -0.4 | 100.5 |
| | | | | | | |
| Net deferred tax asset (+)/ liability (-) | -14.9 | | | | | -36.8 |

## Balance sheet division of net deferred tax asset

| € million | 2021 | 2020 |
|---|---|---|
| Deferred tax assets | 1.1 | 1.5 |
| Deferred tax liabilities | 37.9 | 16.4 |
| **Total** | **-36.8** | **-14.9** |

## Movements in deferred tax in 2020

| € million | 1 Jan. 2020 | Income statement charge | Tax charged/ credited to equity | Exchange differences | Other changes | 31 Dec. 2020 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Leases | 43.0 | 0.8 | | 0.0 | -2.1 | 41.6 |
| Provisions | 7.1 | 0.2 | | 0.0 | 0.3 | 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 | 0.7 | -0.6 | -3.8 | 23.6 |
| Total | 90.0 | -7.2 | 0.7 | -0.7 | -5.7 | 77.1 |
| | | | | | | |
| **Deferred tax liabilities** | | | | | | |
| 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 | -0.1 | -1.0 | 5.1 |
| Total | 89.1 | 0.7 | 0.3 | -0.7 | 2.6 | 92.0 |
| | | | | | | |
| Net deferred tax asset | 0.8 | | | | | -14.9 |

## Tax loss carry-forwards

As at 31 December 2021, the Group had €214,9 million of unused tax losses 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 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027- | Total |
|---|---|---|---|---|---|---|---|
| | | | | 0.0 | 0.0 | 214.9 | 214.9 |

## 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 's 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.

| | 2021 | 2020 |
|---|---|---|
| **Net profit for the period attributable to equity holders of the parent, € million** | 571.8 | 433.4 |
| | | |
| **Number of shares** | | |
| Weighted average number of shares outstanding | 397,032,704 | 396,661,394 |
| Diluted weighted average number of shares outstanding | 397,032,704 | 396,661,394 |
| | | |
| **Earnings per share from net profit attributable to equity holders of the parent** | | |
| Basic and diluted, Group total, € | 1.44 | 1.09 |

## 2.9 Notes related to the statement of cash flows

### Capital expenditure and non-cash financing activities

| € million | 2021 | 2020 |
|---|---|---|
| Total acquisitions of property, plant, equipment and intangible assets | 262.6 | 222.8 |
| Total acquisitions of subsidiaries and investments in associates and other investments | 14.0 | 175.7 |
| **Total capital expenditure** | **276.6** | **398.4** |
| of which cash payments | 247.4 | 378.4 |
| Loans relating to acquired companies and cash and cash equivalents | 5.3 | 15.9 |
| Payments arising from prior period investing activities | -10.4 | -11.5 |
| Capital expenditure financed with liabilities | 34.2 | 15.7 |
| **Total** | **276.6** | **398.4** |

### Adjustments to cash flows from operating activities

| € million | 2021 | 2020 |
|---|---|---|
| Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows: | | |
| Change in provisions | -8.2 | 2.0 |
| Share of results of associates and joint ventures | -34.1 | -21.9 |
| Impairments | 5.4 | - |
| Credit losses | 2.2 | 6.1 |
| Gains on disposal of property, plant, equipment and intangible assets and business operations | -1.0 | -50.1 |
| Losses on disposal of property, plant, equipment and intangible assets and business operations | 4.5 | 0.6 |
| Share-based compensation | -10.6 | -3.4 |
| Defined benefit pensions | 44.6 | 4.8 |
| Others | 6.2 | 7.7 |
| **Total** | **9.0** | **-54.3** |

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 | 2021 | 2020 |
|---|---|---|
| Interest expense for lease liabilities | -71.3 | -83.3 |
| Repayments of lease liabilities | -323.2 | -363.3 |
| Lease payments in the income statement | -7.6 | -8.2 |
| **Total** | **-402.1** | **-454.8** |

Information on leases is presented in Note 3.4.

## Cash and cash equivalents

| € million | 2021 | 2020 |
|---|---|---|
| Financial assets at fair value through profit or loss | 50.0 | 99.9 |
| Financial assets at amortised cost (maturing in less than 3 months) | 32.0 | 4.5 |
| Cash and cash equivalents | 197.9 | 150.0 |
| **Total** | **279.8** | **254.3** |

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, and financial assets measured at fair value through profit or loss. Change in accounting policy regarding the classification of cash and cash equivalents is described in more detail in Note 1.8.

## Reconciliation of cash and debt

| € million | 2021 | 2020 |
|---|---|---|
| Financial assets at fair value through profit or loss | 50.0 | 99.9 |
| Financial assets at amortised cost (maturing in less than 3 months) | 32.0 | 4.5 |
| Cash and cash equivalents | 197.9 | 150.0 |
| Borrowings - repayable within one year (including overdraft) | -160.1 | -182.6 |
| Lease liabilities - repayable within one year | -317.9 | -312.7 |
| Borrowings - repayable after one year | -206.4 | -408.7 |
| Lease liabilities - repayable after one year | -1,610.7 | -1,712.3 |
| **Cash and debt, net** | **-2,015.2** | **-2,362.0** |

| € million | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents and financial assets at fair value through profit or loss and financial assets at amortised cost (maturing in less than 3 months) | 279.8 | 254.3 |
| Gross debt - fixed interest rates | -68.3 | -142.1 |
| Gross debt - variable interest rates | -298.2 | -449.3 |
| Lease liabilities | -1,928.6 | -2,025.0 |
| **Cash and debt, net** | **-2,015.2** | **-2,362.0** |

| | Other assets | | | Finance-related debt | | | | |
|---|---|---|---|---|---|---|---|---|
| € million | Cash and overdraft | Financial assets at fair value through profit or loss | 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 | Total |
| **Cash and debt, net as at 1 Jan. 2021** | 150.0 | 99.9 | 4.5 | -312.7 | -1,712.3 | -182.6 | -408.7 | -2,362.0 |
| Cash flows | 47.6 | -49.9 | 27.5 | 323.2 | | 22.5 | 202.4 | 573.2 |
| Acquisitions of subsidiaries | 0.0 | | | -0.6 | -0.5 | | | -1.0 |
| Net changes of lease liabilities | | | | -326.9 | 107.3 | | | -219.6 |
| Foreign exchange adjustments | 0.3 | | | -0.8 | -5.3 | 0.0 | 0.0 | -5.8 |
| **Cash and debt, net as at 31 Dec. 2021** | **197.9** | **50.0** | **32.0** | **-317.9** | **-1,610.7** | **-160.1** | **-206.4** | **-2,015.2** |

| | Other assets | | | Finance-related debt | | | | |
|---|---|---|---|---|---|---|---|---|
| € million | Cash and overdraft | Financial assets at fair value through profit or loss | 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 | Total |
| **Cash and debt, net as at 1 Jan. 2020** | 122.4 | 10.1 | 2.0 | -383.2 | -2,039.0 | -137.8 | -477.3 | -2,902.9 |
| Cash flows | 125.2 | 89.8 | 2.5 | 363.3 | | -49.2 | 33.6 | 565.1 |
| 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 |
| **Cash and debt, net as at 31 Dec. 2020** | **150.0** | **99.9** | **4.5** | **-312.7** | **-1,712.3** | **-182.6** | **-408.7** | **-2,362.0** |

## 2.10 Components of other comprehensive income

| € million | 2021 Before tax | Tax charge/ credit | After tax | 2020 Before tax | Tax charge/ credit | After tax |
|---|---|---|---|---|---|---|
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | |
| Actuarial gains and losses | 50.0 | -10.0 | 40.0 | 1.0 | -0.2 | 0.8 |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Currency translation differences relating to a foreign operation | 9.8 | | 9.8 | -2.8 | | -2.8 |
| Share of other comprehensive income of associates and joint ventures | -0.5 | | -0.5 | - | | - |
| Cash flow hedge revaluation | 13.9 | -2.8 | 11.1 | -3.3 | 0.7 | -2.7 |
| Others | - | | - | -0.3 | | -0.3 |
| **Total** | **73.2** | **-12.8** | **60.4** | **-5.3** | **0.5** | **-4.9** |

Notes to the consolidated financial statements

# 3. CAPITAL EMPLOYED

IN THIS SECTION


| | | |
|---|---|---|
| 3.1 | Business acquisitions, disposals of assets, and non-current assets classified as held for sale and related liabilities | 71 |
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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 2021

#### Byggarnas Partner i Sverige AB

Kesko's subsidiary Fresks Försäljning AB acquired the entire capital stock of Byggarnas Partner i Sverige AB, a Swedish building and home improvement trade business for professional builders, on 1 September 2021. The consideration paid was €9.7 million. The acquisition strengthens Kesko's position in the building and home improvement market especially in the Stockholm region, where Byggarnas Partner has a network of five stores.

According to the purchase price allocation concerning Byggarnas Partner i Sverige AB, the assets acquired for Kesko Group amounted to €7.9 million and the liabilities assumed to €4.5 million. The fair value of the intangible assets acquired (including customer relationships and trademark) at the date of acquisitions totalled €0.6 million. The goodwill arising from the acquisition is not tax deductible. The Group income statement includes minor acquisition-related costs from the acquisition under "Other operating expenses", presented as items affecting comparability. The impact of the acquired business to the Group's net sales and operating profit was minor.

### Acquisitions in 2020

#### Carlsen Fritzøe Handel AS and Flokkmann

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 consideration paid was €129.0 million, and the amount of cash and cash equivalents obtained was €0.1 million. 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. The €106.6 million goodwill arising from the acquisition reflects the synergies expected to be achieved in sales, purchasing, selections, logistics and operational efficiency. The Group income statement includes €1.3 million in acquisition-related costs under "Other operating expenses", presented as items affecting comparability.

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 consideration paid was €10.6 million, and the amount of cash and cash equivalents obtained was €0.8 million. The Group income statement includes minor acquisition-related costs for Flokkmann under "Other operating expenses", presented as items affecting comparability.

#### Mark & Infra i Sverige AB and 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 €22.6 million, and the amount of cash and cash equivalents obtained was €0.1 million. 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.

| € million | 2021 Byggarnas Partner i Sverige AB | 2020 Carlsen Fritzøe Handel AS and Flokkmann | 2020 Mark & Infra i Sverige AB and Bygg & Interiör |
|---|---|---|---|
| **Debt-free acquisition price** | 9.7 | 143.0 | 23.6 |
| **Fair values of assets acquired and liabilities assumed at the date of acquisition** | | | |
| Intangible assets | 0.6 | 8.8 | 1.8 |
| Property, plant, equipment, right-of-use assets and investments | 1.5 | 96.7 | 3.6 |
| Inventories | 3.1 | 23.6 | 4.1 |
| Receivables | 2.8 | 31.1 | 6.6 |
| Deferred tax asset | | 0.8 | |
| Cash and cash equivalents | | 0.9 | 0.1 |
| **Total assets** | **7.9** | **161.9** | **16.1** |
| | | | |
| Trade payables, other payables, provisions, lease liabilities | 4.3 | 129.2 | 9.4 |
| Deferred tax liability | 0.3 | 1.6 | 0.7 |
| **Total liabilities** | **4.5** | **130.8** | **10.1** |
| | | | |
| **Net assets acquired, total** | **3.4** | **31.1** | **6.0** |
| | | | |
| **Goodwill** | **6.3** | **111.9** | **17.6** |
| | | | |
| **Cash flow impact of acquisition** | | | |
| Consideration paid | -9.7 | -139.6 | -22.6 |
| Cash and cash equivalents acquired | | 0.9 | 0.1 |
| Unpaid share | | | 2.8 |
| **Cash flow impact of acquisition** | **-9.7** | **-138.7** | **-19.7** |

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

| Non-current assets held for sale and related liabilities, € million | 2021 | 2020 |
|---|---|---|
| Intangible assets | - | 0.2 |
| Property, plant and equipment | 0.5 | 1.2 |
| Inventories | - | 6.1 |
| Trade receivables | - | 1.1 |
| Other receivables | - | 1.3 |
| **Non-current assets held for sale** | **0.5** | **9.9** |
| Trade payables | - | -0.6 |
| Other liabilities | - | -1.8 |
| **Liabilities related to assets held for sale** | - | **-2.3** |

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.

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

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. The change in consolidation was made 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.

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 the IFRS 11 Joint Arrangements standard. 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. The fair value of the share of joint venture has been determined using discounted cash flow. 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.

| 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 |
| **Profit recognised in income statement for measurement at fair value** | **46.1** |

| Kesko Senukai's assets and liabilities included in the consolidated statement of financial position, € million | 30 Jun. 2020 |
|---|---|
| Assets | |
| 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 |
| Total | 431.4 |
| | |
| Inventories | 198.7 |
| Non-interest-bearing receivables | 54.5 |
| Other interest-bearing receivables | 0.6 |
| Cash and cash equivalents | 92.7 |
| Total | 346.5 |
| **Total assets** | **777.9** |
| | |
| Non-current interest-bearing liabilities | 54.8 |
| Lease liabilities | 289.7 |
| Deferred tax liabilities | 0.1 |
| Total | 344.5 |
| | |
| Current interest-bearing liabilities | 10.8 |
| Lease liabilities | 26.7 |
| Non-interest-bearing liabilities | 211.0 |
| Total | 248.5 |
| **Total liabilities** | **593.1** |
| **Net assets** | **184.9** |

## 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.

## 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.

| 2021<br>€ million | Land and waters | Buildings | Machinery and equipment | Other tangible assets | Prepayments and construction in progress | Total 2021 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Cost as at 1 January | 302.0 | 1,411.0 | 604.2 | 35.7 | 11.9 | 2,364.8 |
| Exchange differences | 0.3 | 0.2 | 0.1 | -0.2 | 0.0 | 0.4 |
| Additions | 13.3 | 59.6 | 102.3 | 3.3 | 50.4 | 229.0 |
| Acquisitions | 1.9 | 5.1 | 1.1 | | | 8.1 |
| Deductions | -0.4 | -16.6 | -65.6 | -1.3 | -0.3 | -84.3 |
| Transfers between items | 0.5 | 14.7 | 0.5 | 0.1 | -10.2 | 5.5 |
| Cost as at 31 December | 317.6 | 1,474.0 | 642.5 | 37.6 | 51.8 | 2,523.5 |
| | | | | | | |
| **Accumulated depreciation and impairment charges** | | | | | | |
| Accumulated depreciation and impairment charges as at 1 January | -5.0 | -537.1 | -350.3 | -21.7 | | -914.0 |
| Exchange differences | 0.0 | 0.1 | 0.2 | 0.1 | | 0.5 |
| Accumulated depreciation on deductions | 0.0 | 15.9 | 49.1 | 1.2 | | 66.3 |
| Accumulated depreciation on transfers | | -0.1 | 0.0 | 0.1 | | 0.0 |
| Depreciation and impairment charges for the year | -2.4 | -67.7 | -66.6 | -2.2 | | -138.8 |
| Accumulated depreciation and impairment charges as at 31 December | -7.3 | -588.9 | -367.5 | -22.3 | 0.0 | -985.9 |
| | | | | | | |
| Carrying amount as at 1 January | 297.0 | 873.9 | 253.9 | 14.0 | 11.9 | 1,450.8 |
| | | | | | | |
| **Carrying amount as at 31 December** | **310.3** | **885.1** | **275.0** | **15.3** | **51.8** | **1,537.6** |

| 2020<br>€ million | Land and waters | Buildings | Machinery and equipment | Other tangible assets | Prepayments and construction in progress | Total 2020 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| 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 | | 25.8 |
| Impact of change in Kesko Senukai's consolidation method | -13.0 | -50.1 | -73.6 | -2.6 | -1.2 | -140.6 |
| Deductions | -1.6 | -22.8 | -41.6 | -0.3 | -2.8 | -69.0 |
| 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 |
| | | | | | | |
| **Accumulated depreciation and impairment charges** | | | | | | |
| Accumulated depreciation and impairment charges as at 1 January | -5.0 | -499.0 | -358.3 | -20.5 | | -882.8 |
| Exchange differences | | 0.0 | 0.2 | -0.1 | | 0.2 |
| Impact of change in Kesko Senukai's consolidation method | | 6.3 | 45.1 | 0.8 | | 52.2 |
| Accumulated depreciation on deductions | | 20.5 | 26.3 | 0.2 | | 47.0 |
| Accumulated depreciation on transfers | | 0.0 | 0.2 | 0.0 | | 0.2 |
| Depreciation and impairment charges for the year | | -64.9 | -63.8 | -2.2 | | -130.9 |
| Accumulated depreciation and impairment charges as at 31 December | -5.0 | -537.1 | -350.3 | -21.6 | | -914.0 |
| | | | | | | |
| Carrying amount as at 1 January | 296.9 | 885.0 | 252.5 | 17.0 | 36.3 | 1,487.8 |
| | | | | | | |
| **Carrying amount as at 31 December** | **297.0** | **873.9** | **253.9** | **14.0** | **11.9** | **1,450.8** |

## 3.3 Intangible assets

### Accounting policies

#### 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.

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.

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

#### 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.

#### 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.

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.

| 2021<br>€ million | Goodwill | Trademarks | Other intangible assets | Pre-payments | Total 2021 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Cost as at 1 January | 618.3 | 95.0 | 261.6 | 11.9 | 986.8 |
| Exchange differences | 5.6 | 1.5 | 1.9 | 0.0 | 9.0 |
| Additions | 4.7 | | 16.5 | 12.1 | 33.3 |
| Acquisitions | 6.3 | 0.5 | 0.1 | | 6.9 |
| Deductions | 0.0 | | -24.8 | -0.3 | -25.1 |
| Transfers between items | | | 3.4 | -11.1 | -7.7 |
| Cost as at 31 December | 634.9 | 97.0 | 258.8 | 12.6 | 1,003.2 |
| | | | | | |
| **Accumulated amortisation and impairment charges** | | | | | |
| Accumulated amortisation and impairment charges as at 1 January | -46.2 | -7.2 | -156.0 | | -209.5 |
| Exchange differences | 0.1 | -0.3 | -1.5 | | -1.6 |
| Accumulated amortisation and impairment charges on disposals | | | 24.9 | | 24.9 |
| Amortisation and impairment charges for the year | | -1.2 | -36.8 | | -38.0 |
| Accumulated amortisation and impairment charges as at 31 December | -46.1 | -8.8 | -169.4 | | -224.3 |
| | | | | | |
| Carrying amount as at 1 January | 572.1 | 87.7 | 105.6 | 11.9 | 777.4 |
| | | | | | |
| **Carrying amount as at 31 December** | **588.8** | **88.2** | **89.3** | **12.6** | **779.0** |

| 2020<br>€ million | Goodwill | Trademarks | Other intangible assets | Pre-payments | Total 2020 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 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 |
| Impact of change in Kesko Senukai's consolidation method | -38.6 | | -16.3 | | -54.9 |
| Deductions | | | -11.3 | -0.1 | -11.4 |
| 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 |
| | | | | | |
| **Accumulated amortisation and impairment charges** | | | | | |
| 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 Kesko 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 |
| | | | | | |
| **Carrying amount as at 31 December** | **572.1** | **87.7** | **105.6** | **11.9** | **777.4** |

Other intangible assets include other non-current expenditure, of which €47.6 million (€50.0 million) are software and licence costs.

## Impairment testing for goodwill and intangible rights

Intangible assets with indefinite useful lives are tested annually for 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.

The Group has identified six cash-generating units. Cash-generating units have been identified at maximum at the level of reportable segments.

| € million | Trade-marks 2021 | Goodwill 2021 | Pre-tax discount rate 2021 | Trade-marks 2020 | Goodwill 2020 | Pre-tax discount rate 2020 |
|---|---|---|---|---|---|---|
| Grocery trade | | | | | | |
| Grocery trade, chain operations | | 76.1 | 6.1 | | 76.1 | 5.7 |
| Grocery trade, Kespro | 5.3 | 2.0 | 5.9 | 5.3 | 2.0 | 5.5 |
| Building and technical trade | | | | | | |
| Byggmakker, Norway | 24.1 | 214.9 | 7.2 | 23.7 | 201.9 | 6.8 |
| Onninen | 58.4 | 66.9 | 7.5 | 58.6 | 66.3 | 7.3 |
| K-Bygg, Sweden | 0.4 | 185.8 | 7.1 | | 182.7 | 6.7 |
| Car trade | | 43.1 | 7.2 | | 43.1 | 6.8 |
| **Total** | **88.2** | **588.8** | | **87.7** | **572.1** | |

The recoverable amount of a cash-generating unit 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 1.3-6.1% and the EBITDA ratio range 5.2-13.5%. Cash flows after the period are estimated based on a 0.5-2.0% (0.5–2.0%) 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 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.

## Impairment losses

There were no impairment charges recognised on goodwill or intangible rights in the financial years 2021 and 2020.

## 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 2021 totalled €294.6 million, and the comparable change in net sales (calculated in local currency and excluding the impact of acquisitions and divestments) was 17.0%. During the forecast period, the range for change in K-Bygg's net sales is 1.1-4,3%. The growth forecast for K-Bygg's net sales for the period following the forecast period is 2%. By the end of the forecast period, K-Bygg's EBITDA margin is expected to have grown by 0.5 percentage points from the EBITDA margin achieved in 2021. Impairment would be

recognised if the post-forecast period EBITDA margin would decrease by more than 2.6 percentage points, if the post-forecast period growth percentage would be below -0.4%, or if the pre-tax discount rate was above 9.5%. In K-Bygg's impairment test, the recoverable amount exceeded the carrying amount of the assets tested by €139.6 million (31 Dec. 2020: €81.5 million).

The impairment testing sensitivity of Byggmakker'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.

The impairment testing sensitivity of the goodwill in car trade has been reduced by the improvement in business profitability.

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 Leases

### Accounting policies

#### Group as a lessee

The Group leases properties, machinery and equipment for use in its business operations in all operating countries. At inception of a contract the Group determines whether the contract is, or contains, a lease. A contract is deemed as a lease if it gives the right to control the use of an identified asset for a specified period of time in exchange for consideration. At the commencement date of the lease, the Group recognises in its balance sheet a right-of-use asset and a lease liability, except for leases of low-value assets and for leases for which the lease term is 12 months or less, for which the Group applies the practical expedient of the standard. Lease payments for the short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. The Group separates the non-lease components, such as service components, and expenses them as they incur.

A lease liability is recognised at the commencement date of the lease and measured at the present value of the future lease payments payable during the lease term. The lease payments are discounted using the interest rate implicit in the lease, if readily available. The 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. 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 subsequently remeasured if there is a change in lease term due to reassessment of an option to continue or terminate the lease, or when there is a

change in future lease payments due to changes of an index or a rate. The amount of the remeasurement of the lease liability 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.

A right-of-use asset is measured at cost at the commencement date of the lease. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability. In addition, the cost comprises any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred to restore the asset. Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted with any remeasurement of the lease liability. The right-of-use asset is depreciated 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 use of a leased asset is discontinued or a sublease is made to the lease at a lower rate, the lease contract becomes loss-making and an impairment is recognised for the corresponding right-of-use asset.

In sale and leaseback transactions, the Group assesses 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.

## Right-of-use assets

The Group leases for its business operations facilities required for retail and for the logistics operations serving retail. The Group's lease contracts are typically fixed term and in line with local market practices. Some of the leases for the properties contain extension options. The Group also leases machinery and equipment used in its business operations, 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 an annual expense in the income statement.

| 2021<br>€ million | Land and buildings | Machinery and equipment | Total |
|---|---|---|---|
| Carrying amount as at 1 January | 1,798.1 | 20.9 | 1,819.0 |
| Additions | 256.1 | 5.0 | 261.0 |
| Acquisitions | 1.1 | 0.1 | 1.2 |
| Depreciation | -300.1 | -8.1 | -308.2 |
| Impairment charges | -1.6 | 0.0 | -1.6 |
| Deductions | -42.0 | -0.2 | -42.2 |
| Exchange differences | 5.5 | 0.2 | 5.7 |
| Carrying amount as at 31 December | 1,717.2 | 17.9 | 1,735.0 |

| 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 |

The future cash flows for leases not yet commenced and not reflected in the measurement of the lease liability but to which the Group is committed at the balance sheet date totalled €127.9 million (€96.7 million).

## Income statement amounts

| € million | 2021 | 2020 |
|---|---|---|
| **Operating profit** | | |
| Depreciation and impairment charges on right-of-use assets | -310.3 | -325.8 |
| Lease payments for short-term leases | -3.3 | -3.5 |
| Lease payments for low-value assets | -2.7 | -4.4 |
| Variable lease payments | -1.6 | -0.3 |
| **Financial expenses** | | |
| Interest expenses for lease liabilities | -71.3 | -83.3 |
| **Total** | **-389.2** | **-417.3** |

Cash flows from lease liabilities are detailed in Note 2.9, and the maturity of lease liabilities and related finance costs are detailed in Note 4.3.

## Group as a lessor

In lessor accounting leases are classified as operating leases or finance leases. The Group assesses at the commencement date of a lease whether it is classified as an operating lease or a finance lease. 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 recognises 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.

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. Kesko has store entrance shops both in its own properties and in leased properties. The entrance shops in leased properties include a sublease agreement where Kesko has the head lease. The leases for entrance shops and the subleases are classified as operating leases. 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 | 2021 | 2020 |
|---|---|---|
| Lease income for operating leases | 19.1 | 16.9 |
| Lease income for subleases | 21.7 | 24.5 |
| **Total** | **40.9** | **41.5** |

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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 | 2021 | 2020 |
|---|---|---|
| Goods | 890.5 | 835.6 |
| Prepayments | 3.8 | 1.3 |
| Total | 894.3 | 836.9 |
| | | |
| Write-down of inventories to net realisable value | 46.6 | 48.2 |

## 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 | 2021 | 2020 |
|---|---|---|
| Interest-bearing receivables | | |
| Interest-bearing loans and receivables | 4.1 | 12.3 |
| Total interest-bearing receivables | 4.1 | 12.3 |
| | | |
| Trade receivables | 909.2 | 776.5 |
| Income tax assets | 0.1 | 1.6 |
| | | |
| Other non-interest-bearing receivables | | |
| Non-interest-bearing loans and receivables | 49.0 | 45.6 |
| Prepaid expenses | 250.8 | 219.3 |
| Total other non-interest-bearing receivables | 299.9 | 265.0 |
| **Total** | **1,213.3** | **1,055.3** |

A total amount of €2.2 million (€6.1 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. New members have not been included in the Pension Fund after 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. The Pension Fund had 2,216 beneficiaries, of whom 307 were active employees and 1,909 were retired employees. Kesko Group's contribution to the Pension Fund's obligation is 96.4% (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. In 2021 Kesko Pension Fund paid €38.6 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 2022.

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

| € million | 2021 | 2020 |
|---|---|---|
| Present value of defined benefit obligation | -282.1 | -294.4 |
| Fair value of plan assets | 376.9 | 384.0 |
| **Net assets recognised in the balance sheet** | **94.7** | **89.6** |
| | | |
| **Movement in the net assets recognised in the balance sheet:** | | |
| As at 1 January | **89.6** | **93.2** |
| Income/cost recognised in the income statement | -7.2 | -5.5 |
| Remeasurement | 49.9 | 1.0 |
| Return of surplus assets | -38.6 | 0.0 |
| Contributions to plan and plan costs | 1.0 | 1.0 |
| **As at 31 December** | **94.7** | **89.6** |

| € million | Present value of defined benefit obligation | Fair value of plan assets | Total |
|---|---|---|---|
| As at 1 January 2021 | -294.5 | 384.0 | 89.6 |
| Current service cost | -4.2 | | -4.2 |
| Gains or losses on settlement | -2.8 | | -2.8 |
| Interest cost/income | -1.3 | 1.6 | 0.3 |
| Plan costs | | -0.5 | -0.5 |
| | **-8.3** | **1.1** | **-7.2** |
| **Remeasurement** | | | |
| Return on plan assets | | 42.7 | 42.7 |
| Gain/loss from changes in demographic assumptions | 0.4 | | 0.4 |
| Gain/loss from changes in financial assumptions | 12.1 | | 12.1 |
| Experience gains/losses | -5.2 | | -5.2 |
| | **7.3** | **42.7** | **49.9** |
| Contributions to plan | | 1.0 | 1.0 |
| Return of surplus assets | | -38.6 | -38.6 |
| Benefit payments | 13.3 | -13.3 | 0.0 |
| **As at 31 December 2021** | **-282.2** | **376.9** | **94.7** |

| € 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 |
| Gains or losses on settlement | -2.1 | | -2.1 |
| Interest cost/income | -2.2 | 2.9 | 0.7 |
| | **-8.5** | **2.9** | **-5.5** |
| **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 |
| | **-15.0** | **15.9** | **1.0** |
| 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 |
| **As at 31 December 2020** | **-294.5** | **384.0** | **89.6** |

Plan assets were comprised as follows in 2021

| € million | Quoted | Unquoted | Total |
|---|---|---|---|
| **Europe** | | | |
| Equity instruments | | 34.5 | 34.5 |
| Debt instruments | 42.8 | 14.4 | 57.1 |
| Investment funds | 64.9 | 10.2 | 75.1 |
| Properties | | 120.0 | 120.0 |
| **United States** | | | |
| Equity instruments | | | 0.0 |
| Investment funds | 78.1 | | 78.1 |
| **Other countries** | | | |
| Investment funds | 29.1 | | 29.1 |
| **Total** | **214.9** | **179.1** | **394.0** |

## Plan assets were comprised as follows in 2020

| € million | Unquoted | Quoted | Total |
|---|---|---|---|
| **Europe** | | | |
| 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 |
| **United States** | | | |
| Equity instruments | | | 0.0 |
| Investment funds | 79.8 | | 79.8 |
| **Other countries** | | | |
| Investment funds | 34.4 | | 34.4 |
| **Total** | **227.2** | **169.6** | **396.8** |

| € million | 2021 | 2020 |
|---|---|---|
| Kesko Corporation shares included in fair value | - | - |
| Properties leased by Kesko Group included in fair value | 120.0 | 117.5 |

## Principal actuarial assumptions:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 0.89% | 0.45% |
| Salary growth rate | 2.00% | 1.80% |
| Inflation | 1.50% | 1.30% |
| Pension growth rate | 1.80% | 1.60% |
| Average service expectancy, years | 7 | 7 |

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

| | 2021 | 2020 |
|---|---|---|
| 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 | 111,7 | 109.1 |
| Between 10–20 years | 94,6 | 92.2 |
| Between 20–30 years | 61,3 | 58.7 |
| Over 30 years | 45,2 | 43.9 |
| **Total** | **327,0** | **318.0** |

## 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 2021, the realised return on investing activity was 14.2%.

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 €95.2 million as at 31 December 2021. 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 |
|---|---|---|---|
| **2021** | | | |
| Discount rate | 0.50% | -6.89% | 7.77% |
| Salary growth rate | 0.50% | 0.99% | -0.95% |
| Pension growth rate | 0.50% | 6.40% | 5.80% |
| | | | |
| **2020** | | | |
| 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% |

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.

| Summary of financials of significant joint ventures, € million | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| Current assets | 440.4 | 342.5 |
| Non-current assets | 416.1 | 442.8 |
| Current liabilities | 270.6 | 232.9 |
| Non-current liabilities | 300.2 | 328.6 |
| | | |
| The above-mentioned balance sheet items contain the following items: | | |
| Cash and cash equivalents | 120.8 | 77.0 |
| Current interest-bearing liabilities | 44.8 | 49.7 |
| Non-current interest-bearing liabilities | 300.1 | 321.6 |

| | 1 Jan.–31 Dec. 2021 | 1 Jul.–31 Dec. 2020 |
|---|---|---|
| Net sales | 1,091.4 | 494.4 |
| Net profit attributable to owners of the parent | 55.9 | 23.7 |
| Comprehensive income for the year attributable to owners of the parent | 54.9 | 23.7 |
| | | |
| Group share of profit for the year | 28.0 | 11.8 |
| Fair value allocation of inventories | - | -4.4 |
| Share of result of the joint venture consolidated in the consolidated financial statements | 28.0 | 7.5 |
| Share of other comprehensive income of the joint venture consolidated in the consolidated financial statements | 27.5 | 7.5 |
| | | |
| The above-mentioned income statement items contain the following items: | | |
| Depreciation, amortisation and impairment | -46.1 | -21.3 |
| Interest income | 0.1 | 0.1 |
| Interest expense | -12.4 | -7.3 |
| Income tax | -7.5 | -5.3 |
| | | |
| Dividends received from Kesko Senukai during the financial year | - | -2.5 |

| Reconciliation for balance sheet value of joint ventures, € million | 2021 | 2020 |
|---|---|---|
| Net assets of joint ventures | 285.6 | 223.8 |
| Minority interest in net assets | 33.6 | 26.7 |
| Group interest in net assets | 126.0 | 98.5 |
| Goodwill | 19.2 | 19.2 |
| Fair value allocations | 15.0 | 15.0 |
| Balance sheet value of joint ventures | 160.1 | 132.7 |

## 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. 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 | 2021 | 2020 |
|---|---|---|
| Current assets | 9.9 | 13.0 |
| Non-current assets | 525.3 | 554.1 |
| Current liabilities | 181.0 | 17.1 |
| Non-current liabilities | 320.5 | 521.2 |
| Equity attributable to equity holders of the parent | 33.6 | 28.7 |
| | | |
| Net sales | 46.9 | 47.9 |
| Net profit for the year | 4.9 | -0.9 |
| Parent company owners' share of comprehensive income for the year | 5.1 | -0.6 |
| Comprehensive income for the year, total | 5.1 | -0.6 |

| Reconciliation for balance sheet value of an associate, € million | 2021 | 2020 |
|---|---|---|
| Net assets of the associate | 33.6 | 28.7 |
| Group interest in net assets | 11.2 | 9.6 |
| Balance sheet value of the associate | 11.2 | 9.9 |

## Other associates

| Summary of financials of other associates, € million | 2021 | 2020 |
|---|---|---|
| Group share of profit for the year | 1.4 | 12.3 |
| Group share of comprehensive income for the year | 1.4 | 12.3 |
| Balance sheet value of associates in the consolidated statement of financial position | 63.3 | 56.8 |

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 2020. 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.

## Mutual real estate companies

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 | 2021 | 2020 |
|---|---|---|
| Non-current assets | 29.7 | 28.9 |
| Current assets | 0.7 | 0.5 |
| | | |
| Non-current liabilities | 0.1 | 0.2 |
| Current liabilities | 7.7 | 8.0 |
| Net assets | 22.7 | 21.2 |
| | | |
| Income | 2.4 | 2.4 |
| Costs | 3.4 | 3.5 |
| Net profit for the year | -1.0 | -1.2 |

## 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. 2021 | 17.9 | 20.0 | 37.9 |
| Foreign exchange effects | 0.0 | 0.0 | 0.0 |
| Additional provisions | 8.9 | 4.8 | 13.7 |
| Unused amounts reversed | -2.9 | -3.2 | -6.1 |
| Amounts charged against provision | -7.9 | -7.8 | -15.7 |
| Changes in the Group structure | 0.0 | -0.1 | 0.0 |
| Provisions as at 31 Dec. 2021 | 16.0 | 13.8 | 29.8 |
| | | | |
| **Analysis of total provisions** | | | |
| Non-current | 7.5 | 8.0 | 15.4 |
| Current | 8.5 | 5.8 | 14.3 |

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.

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Notes to the consolidated financial statements

# 4. CAPITAL STRUCTURE AND FINANCIAL RISKS

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| 4.4 | Financial income and costs | 100 |
| 4.5 | Financial assets and liabilities by category | 101 |
| 4.6 | Other contingent liabilities | 105 |

## 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. The Board confirmed an updated version of the company's strategy and new medium-term financial targets for the company on 27 May 2021. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). As for financial position, the Group continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16.

| € million | 2021 | 2020 |
|---|---|---|
| Interest-bearing liabilities and lease liabilities in the consolidated statement of financial position | 2,295.1 | 2,616.3 |
| - Lease liabilities | 1,928.6 | 2,025.0 |
| - Other current financial assets | 107.9 | 51.7 |
| - Cash and cash equivalents | 279.8 | 254.3 |
| **Interest-bearing net debt excluding lease liabilities** | **-21.3** | **285.3** |
| | | |
| Operating profit | 775.2 | 600.2 |
| + depreciation, amortisation and impairment | 176.8 | 170.2 |
| + depreciation and impairment charges for right-of-use-assets | 310.3 | 325.8 |
| - lease payments for right-of-use-assets | 388.3 | 408.0 |
| **EBITDA excluding the impact of IFRS 16** | **873.9** | **688.2** |
| | | |
| **Interest bearing net debt/EBITDA excluding the impact of IFRS 16** | **0.0** | **0.4** |

## 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 2020 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 2021, 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 2021, Kesko Corporation's share capital totalled €197,282,584.

## Change in share numbers and equity reserves

| | Number of shares | | | | | | |
|---|---|---|---|---|---|---|---|
| **Share capital** | **A** | **B** | **Total** | **Share capital € million** | **Reserve of invested non-restricted equity € million** | **Share premium € million** | **Total € million** |
| 1 January 2020 | 31,737,007 | 67,351,382* | 99,088,389* | 197.3 | 197.8 | 267.0 | 662.1 |
| Number of shares after the split | 126,948,028 | 269,405,528 | 396,353,556 | | | | |
| Transfer of treasury shares | | 385,590 | 385,590 | | | | |
| 31 December 2020 | 126,948,028 | 269,791,118* | 396,739,146* | 197.3 | 197.8 | 266.8 | 661.9 |
| Transfer of treasury shares | | 371,198 | 371,198 | | | | |
| **31 December 2021** | **126,948,028** | **270,162,316*** | **397,110,334** | **197.3** | **197.8** | **266.9** | **662.0** |
| | | | | | | | |
| **Number of votes** | **1,269,480,280** | **270,162,316** | **1,539,642,596** | | | | |

* Excluding treasury shares, which totalled 2,968,664 (3,339,862) 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. The Board has the authorisation granted by the Annual General Meeting on 12 April 2021 to decide on the issuance of at maximum 40,000,000 B series shares. The authorisation is valid until 30 June 2022. Information on share-based payments has been given in Note 5.4.

| | pcs |
|---|---|
| **B shares held by the Company as at 31 Dec. 2020** | **3,339,862** |
| Transfer, share-based compensation plan | -383,298 |
| Returned during the period | 12,100 |
| **B shares held by the Company as at 31 Dec. 2021** | **2,968,664** |

## Dividends

After the balance sheet date, the Board of Directors proposed the distribution of a dividend of €1,06 per share. The dividend distributed for the profit for 2020 was €0,75 per share.

## 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.

### 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 €244.1 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. 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. 2021**<br>**€ million** | **NOK** | **SEK** | **PLN** |
|---|---|---|---|
| Net investment | 373.0 | 253.3 | 49.0 |

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

The following table shows how a 10% weakening or strengthening of the functional currencies of Group companies against the euro would affect the Group's equity.

| **Sensitivity analysis, impact on equity as at 31 Dec. 2021**<br>**€ million** | **NOK** | **SEK** | **PLN** |
|---|---|---|---|
| Weakening 10% | -33.9 | -23.0 | -4.5 |
| Strengthening 10% | 41.4 | 28.1 | 5.4 |

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

## 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.

**Group's transaction exposure as at 31 Dec. 2021**

| € million | USD | SEK | NOK | PLN |
|---|---|---|---|---|
| Group's transaction risk | -4.9 | 54.7 | 60.8 | 27.3 |
| Hedging derivatives | 46.8 | -58.0 | -56.6 | -26.1 |
| Open exposure | 41.9 | -3.4 | 4.3 | 1.2 |

**Group's transaction exposure as at 31 Dec. 2020**

| € 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 |

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 2021, the exposure with respect to USD was €-17.5 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 pre-tax profit as at 31 Dec. 2021**

| € million | USD | SEK | NOK | PLN |
|---|---|---|---|---|
| Change +10 % | -3.8 | 0.3 | -0.4 | -0.1 |
| Change -10 % | 4.7 | -0.4 | 0.5 | 0.1 |

**Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2020**

| € million | USD | SEK | NOK | PLN |
|---|---|---|---|---|
| Change +10 % | -2.4 | -1.5 | -1.7 | -0.7 |
| Change -10 % | 2.9 | 1.8 | 2.0 | 0.8 |

## 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 in cash flow from investing activities for other financial assets.

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 2021 was 0.6% (-0.1%) 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 €387.7 million (€306.0 million) on 31 December 2021. Interest-bearing liabilities on 31 December 2021 totalled €2,295.1 million (€2,616.3 million), of which lease liabilities accounted for €1,928.6 million (€2,025.0 million). interest-bearing net debt totalled €1,907.3 million (€2,310.3 million), and interest-bearing net debt excluding lease liabilities totalled €-21.3 million (€285.3 million)

| | 31 Dec. 2021 | | | | 31 Dec. 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ million** | **< 1 year** | **1-5 years** | **> 5 years** | **Total** | **< 1 year** | **1-5 years** | **> 5 years** | **Total** |
| **Maturities of financial liabilities and related finance costs** | | | | | | | | |
| **Borrowings from financial institutions** | **1.6** | **150.1** | **0.1** | **151.8** | **1.8** | **300.2** | **0.1** | **302.1** |
| finance costs | 0.5 | 1.0 | 0.0 | 1.5 | 2.1 | 4.2 | 0.0 | 6.3 |
| **Pension loans** | **12.0** | **44.9** | **11.5** | **68.3** | **28.4** | **88.7** | **20.4** | **137.5** |
| finance costs | 0.9 | 2.0 | 0.2 | 3.2 | 1.8 | 3.6 | 0.5 | 5.8 |
| **Lease liabilities** | **317.8** | **984.0** | **626.8** | **1,928.6** | **312.7** | **1,005.1** | **707.2** | **2,025.0** |
| finance costs | 61.7 | 146.6 | 54.7 | 263.0 | 68.0 | 168.4 | 68.7 | 305.1 |
| **Payables to K-retailers** | **120.7** | | | **120.7** | **123.0** | | | **123.0** |
| finance costs | | | | | | | | |
| **Other interest-bearing liabilities** | **25.7** | | **0.0** | **25.8** | **29.4** | **0.0** | **0.0** | **29.4** |
| finance costs | | | | | 0.0 | | | 0.0 |
| **Non-current non-interest-bearing liabilities** | **0.7** | **3.4** | **20.7** | **24.8** | **0.8** | **5.4** | **23.3** | **29.5** |
| | | | | | | | | |
| **Current non-interest-bearing liabilities** | | | | | | | | |
| **Trade payables** | **1,332.6** | | | **1,332.6** | **1,091.3** | | | **1,091.3** |
| **Accrued expenses** | **454.8** | | | **454.8** | **405.1** | | | **405.1** |
| **Other non-interest-bearing liabilities** | **186.1** | | | **186.1** | **185.3** | | | **185.3** |

Financial liabilities in the balance sheet include €3.4 million (€14.9 million) in items related to derivatives, of which €1.5 million will mature within the next 12 months.

More information on leases is presented in Note 3.4.

| | 31 Dec. 2021 | | | | 31 Dec. 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| € million | < 1 year | 1-5 years | > 5 years | Total | < 1 year | 1-5 years | > 5 years | Total |
| **Cash flows of derivatives** | | | | | | | | |
| **Payables** | | | | | | | | |
| Foreign currency derivatives | 202.6 | | | 202.6 | 207.8 | | | 207.8 |
| Interest rate derivatives | 1.5 | 3.7 | 0.1 | 5.3 | 1.7 | 4.3 | 0.6 | 6.6 |
| Electricity derivatives | 0.2 | 0.0 | | 0.2 | 1.0 | 2.0 | | 3.0 |
| | | | | | | | | |
| **Receivables** | | | | | | | | |
| Foreign currency derivatives | 203.2 | | | 203.2 | 202.2 | | | 202.2 |
| Interest rate derivatives | 0.1 | 0.2 | | 0.2 | 0.1 | 0.2 | | 0.3 |
| Electricity derivatives | 7.1 | 4.3 | | 11.5 | 0.1 | 1.4 | | 1.5 |

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 2021 financial year, Kesko prematurely repaid a €300 million loan whose interest margin accounted for Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down a new €150 million bilateral loan whose interest margin also accounts for the same sustainability criteria as the repaid loan.

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 2.1 (2.0) 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 2021, the effect of variable rate borrowings on the pre-tax profit would have been €-/+1.2 million (€-/+0.3 million), if the interest rate level had risen or fallen by 1 percentage point.

Pension loans, €68.3 million in aggregate, have fixed rates, and their effective interest cost was 1.1%. 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 arrangements

The Group has established a supply chain financing scheme with three banks. Trade payables in the consolidated statement of financial position on 31 December 2021 totalled €1,332.6 million, of which €313.1 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.

## 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 | 2021 | 2020 |
|---|---|---|
| Carrying amount as at 1 January | 31.7 | 34.5 |
| Changes | 21.0 | -2.8 |
| **Carrying amount as at 31 December** | **52.7** | **31.7** |

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 €+/-1.8 million (€+/-1.4 million).

## Maturity of non-current receivables

| Maturity analysis of non-current receivables as at 31 Dec. 2021<br>€ million | 2023 | 2024 | 2025 | 2026 | 2027– | Total |
|---|---|---|---|---|---|---|
| Non-interest-bearing non-current receivables | 2.8 | 0.6 | 0.2 | 0.0 | 0.6 | 4.2 |
| Loans and receivables from associates and joint ventures | 3.4 | 3.4 | 3.4 | 0.5 | 57.5 | 68.1 |
| Other non-current receivables | 0.0 | | | | 0.2 | 0.2 |
| **Total** | **6.2** | **4.0** | **3.6** | **0.5** | **58.3** | **72.6** |

The carrying amount of non-interest-bearing non-current receivables equals their fair value.

| Maturity analysis of non-current receivables 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 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 |
| **Total** | **4.6** | **4.0** | **3.5** | **3.4** | **58.2** | **73.8** |

## Credit and counterparty risk

Business entities are responsible for managing the credit risk associated with amounts due from customers. Terms and conditions of credit sale and collateral requirements as well as decision-making authorisations for credit facilities have been determined for managing credit risk within businesses. Credit control identifies customers with risk and ensures that credit decisions are based on up-to-date information on a customer's solvency and any changes in solvency are considered. The amount of credit losses remained moderate despite the pandemic. The economic uncertainty relating to expected credit losses has been acknowledged in the measurement of trade receivables. 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** | **2021** | **2020** |
|---|---|---|
| Trade receivables fully performing | 853.7 | 721.7 |
| 1–7 days past due trade receivables | 21.9 | 22.3 |
| 8–30 days past due trade receivables | 17.5 | 13.6 |
| 31–60 days past due trade receivables | 3.9 | 4.4 |
| over 60 days past due trade receivables | 12.2 | 14.5 |
| **Total** | **909.2** | **776.5** |

Within trade receivables, €375.8 million (€350.2 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 €352.7 million (€309.6 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 €19.6 million (€21.5 million). The aggregate amount of credit losses and impairments recognised in the profit for the financial year was €2.2 million (€6.1 million).

The amount of receivables with renegotiated terms totalled €3.4 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 value of derivatives used for 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. Hedge accounting is applied in accordance with IFRS 9 to hedge the risk component. 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 €2.5 million (€2.7 million) was removed from equity and included in the income statement as purchase cost adjustment, and €15.4 million (€-5.1 million) was recognised in equity, respectively. Their combined effect on the revaluation reserve for the year was €11.3 million (€-7.8 million) before accounting for deferred tax.

As at the balance sheet date, a total quantity of 1,001,424 MWH (922,338 MWH) of electricity had been purchased with electricity derivatives and 1,271,047 MWH (744,744

MWH) under fixed price purchase agreements. The 1–12 month hedging level was 88% (83%), the 13–24 month level was 82% (73%), the 25–36 month level was 62% (70%), the 37–48 month level was 30% (35%), and the 49-59 month level was 19%.

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 2021, it would contribute €-/+3.4 million (€-/+0.7 million) to the 2022 income statement and €-/+7.0 million (€-/+3.5 million) to equity. The impact has been calculated before taxes.

### Derivatives

| Fair values of derivative contracts € million | 31 Dec. 2021 Positive fair value (balance sheet value) | 31 Dec. 2021 Negative fair value (balance sheet value) | 31 Dec. 2020 Positive fair value (balance sheet value) | 31 Dec. 2020 Negative fair value (balance sheet value) |
|---|---|---|---|---|
| Interest rate derivatives | 0.1 | -2.2 | 0.0 | -5.8 |
| Foreign currency derivatives | 1.7 | -1.1 | 0.5 | -6.1 |
| Electricity derivatives | 11.5 | -0.2 | 1.5 | -3.0 |

| Notional principal amounts of derivative contracts € million | 31 Dec. 2021 Notional principal amount | 31 Dec. 2020 Notional principal amount |
|---|---|---|
| Interest rate derivatives | 420.0 | 420.0 |
| Foreign currency derivatives | 204.6 | 206.2 |
| Electricity derivatives | 35.2 | 20.4 |

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 €0.9 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 | 2021 | 2020 |
|---|---|---|
| **Interest income and other finance income** | | |
| Income on investments at amortised cost | 0.8 | 0.7 |
| Interest income on loans and receivables | 8.5 | 8.8 |
| Income on investments at fair value through profit or loss | 1.6 | 2.2 |
| Other finance income | 1.6 | 0.7 |
| Total interest income and other finance income | 12.5 | 12.4 |
| | | |
| **Interest expense and other finance costs** | | |
| Interest expense on financial liabilities at amortised cost | -4.8 | -6.4 |
| Losses on investments at amortised cost | 0.1 | -0.6 |
| Losses on investments at fair value through profit or loss | -4.4 | -0.4 |
| Other finance costs | 0.5 | -3.8 |
| Total interest expense and other finance costs | -8.6 | -11.2 |
| | | |
| **Interest expense for lease liabilities** | -71.3 | -83.3 |
| | | |
| **Exchange differences** | | |
| Exchange differences and changes in fair values of derivatives, borrowings denominated in foreign currencies not qualifying for hedge accounting, and cash at bank | -0.8 | -4.7 |
| Total exchange differences | -0.8 | -4.7 |
| | | |
| **Total finance income and costs** | **-68.2** | **-86.8** |

## 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.

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).

#### 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. Investments in money market funds recognised at fair value through profit or loss, for which liquidity is assessed as very good, are also classified as cash and cash equivalents. Cash and cash equivalents also include amounts relating to the retail operations of 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 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 2021

| Balance, € million | Fair value through profit or loss | Amortised cost | Fair value through other comprehensive income | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | | |
| Other investments | 15.5 | | | 15.5 | 15.5 | | | 15.5 |
| Non-current receivables | | 68.9 | | 68.9 | 68.9 | | | |
| Non-current receivables, derivatives | | | 3.6 | 3.6 | 3.6 | | 3.6 | |
| **Current financial assets** | | | | | | | | |
| Trade receivables | | 909.2 | | 909.2 | 909.2 | | | |
| Other receivables | | 294.4 | | 294.4 | 294.4 | | | |
| Other receivables, derivatives | 1.7 | | 7.9 | 9.6 | 9.6 | | 9.6 | |
| Other financial assets | 55.2 | 52.7 | | 107.9 | 108.0 | | 55.2 | |
| Cash and cash equivalents | 50.0 | 229.9 | | 279.8 | 279.8 | | 50.0 | |
| **Total financial assets** | **122.3** | **1,555.1** | **11.6** | **1,689.0** | **1,689.1** | | **118.4** | **15.5** |

| Balance, € million | Fair value through profit or loss | Amortised cost | Fair value through other comprehensive income | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | | | | |
| Non-current interest-bearing liabilities | | 206.4 | | 206.4 | 207.3 | | | |
| Non-current lease liabilities | | 1,610.7 | | 1,610.7 | 1,610.7 | | | |
| Non-current non-interest-bearing liabilities | | 24.8 | | 24.8 | 24.8 | | | |
| Non-current non-interest-bearing liabilities, derivatives | | | 0.0 | 0.0 | 0.0 | | 0.0 | |
| **Current financial liabilities** | | | | | | | | |
| Current interest-bearing liabilities | | 160.1 | | 160.1 | 160.1 | | | |
| Current lease liabilities | | 317.9 | | 317.9 | 317.9 | | | |
| Trade payables | | 1,332.6 | | 1,332.6 | 1,332.6 | | | |
| Other non-interest-bearing liabilities | | 637.5 | | 637.5 | 637.5 | | | |
| Other non-interest-bearing liabilities, derivatives | 3.2 | | 0.2 | 3.4 | 3.4 | | 3.4 | |
| **Total financial liabilities** | **3.2** | **4,290.0** | **0.2** | **4,293.4** | **4,294.4** | | **3.4** | |

As at 31 December 2020

| Balance, € million | Fair value through profit or loss | Amortised cost | Fair value through other comprehensive income | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | | |
| Other investments | 22.7 | | | 22.7 | 22.7 | | | 22.7 |
| Non-current receivables | | 72.4 | | 72.4 | 72.4 | | | |
| Non-current receivables, derivatives | | | 1.4 | 1.4 | 1.4 | | 1.4 | |
| **Current financial assets** | | | | | | | | |
| Trade receivables | | 776.5 | | 776.5 | 776.5 | | | |
| Other receivables | | 276.6 | | 276.6 | 276.6 | | | |
| Other receivables, derivatives | 0.3 | | 0.3 | 0.6 | 0.6 | | 0.6 | |
| Other financial assets | 20.0 | 31.7 | | 51.7 | 51.8 | | 20.0 | |
| Cash and cash equivalents | 99.9 | 154.5 | | 254.3 | 254.3 | | 99.9 | |
| **Total financial assets** | **142.9** | **1,311.7** | **1.7** | **1,456.2** | **1,456.3** | | **121.8** | **22.7** |

| Balance, € million | Fair value through profit or loss | Amortised cost | Fair value through other comprehensive income | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | | | | | | | | |
| 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 | | 27.6 | | 27.6 | 27.6 | | | |
| Non-current non-interest-bearing liabilities, derivatives | | | 1.9 | 1.9 | 1.9 | | 1.9 | |
| **Current financial liabilities** | | | | | | | | |
| 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 | | 577.2 | | 577.2 | 577.2 | | | |
| Other non-interest-bearing liabilities, derivatives | 10.8 | | 2.3 | 13.0 | 13.0 | | 13.0 | |
| **Total financial liabilities** | **10.8** | **4,312.4** | **4.2** | **4,327.4** | **4,328.9** | | **14.9** | |

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.

Deferred tax assets, income tax receivables, deferred tax liabilities and income tax liabilities are not classified as financial assets or financial liabilities and are not included in the table above. Prepayments received of €46.2 million (€33.0 million) are not classified as financial liabilities and are not included in other non-interest-bearing liabilities 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.

**Changes in level 3 instruments**

| **€ million** | **2021** | **2020** |
|---|---|---|
| Private equity funds and other shares and interests as at 1 January | 22.7 | 20.6 |
| Purchases | 0.2 | 0.1 |
| Refunds received | -3.1 | - |
| Gains and losses through profit or loss | -1.6 | -0.1 |
| Changes in fair value | -2.7 | 2.1 |
| **Private equity funds and other shares and interests as at 31 December** | **15.5** | **22.7** |

Level 3 includes private equity funds and other shares and interests. These investments have been classified as financial assets at fair value through profit or loss. Level 3 financial assets are measured based on computations received from the companies. A loss of €4.2 million has been recorded on these investments for the financial year 2021.

## 4.6 Contingent liabilities

| **€ million** | **2021** | **2020** |
|---|---|---|
| Collateral given for own commitments | | |
| Pledges | 9.0 | 9.0 |
| Mortgages | 179.8 | 213.0 |
| Guarantees | 62.1 | 25.0 |
| Other commitments and contingent liabilities | 57.1 | 64.8 |

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 3.4.

The guarantee maturities are €1.3 million in 2022 and €60.8 million in 2023–2026.

Leases not commenced yet but to which the Group is committed at the balance sheet date 31 December 2021 are presented in Note 3.4.

Notes to the consolidated financial statements

# 5. OTHER

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## 5.1 Group composition

### Group composition

Kesko Group had 83 (92) subsidiaries on 31 December 2021. 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:

| Division | Country of incorporation | Most significant subsidiaries | Number of wholly-owned subsidiaries 2021 | Number of wholly-owned subsidiaries 2020 | Number of partly-owned subsidiaries 2021 | Number of partly-owned subsidiaries 2020 |
|---|---|---|---|---|---|---|
| Grocery trade | Finland | K-Market Oy | 24 | 29 | 6 | 7 |
| Building and technical trade | Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland | Onninen Group, Byggmakker Group, Kesko AB, K-Bygg Group" | 44 | 47 | - | - |
| Car trade | Finland | K-Auto Oy | 8 | 8 | - | - |
| Others | Finland | | 1 | 1 | - | - |

## 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, Finland | 100.00 | 100.00 |
| Asunto Oy Kirkkonummen Västeruddintie 33 | Kirkkonummi, Finland | 100.00 | 100.00 |
| Barker-Littoinen Oy | Espoo, Finland | 100.00 | 100.00 |
| Byggmakker Handel AS | Oppegård, Norway | 100.00 | 100.00 |
| Fiesta Real Estate AS | Tallinn, Estonia | 100.00 | 100.00 |
| Hehku Kauppa Oy | Espoo, Finland | 100.00 | 100.00 |
| Intersport Finland Oy | Helsinki, Finland | 100.00 | 100.00 |
| Kalatukku E. Eriksson Oy | Helsinki, Finland | 100.00 | 100.00 |
| K Auto Oy | Helsinki, Finland | 100.00 | 100.00 |
| Kenkäkesko Oy | Helsinki, Finland | 100.00 | 100.00 |
| Keskinäinen Kiinteistö Oy Malmin Kankirauta | Helsinki, Finland | 100.00 | 100.00 |
| Keskinäinen Kiinteistö Oy Voisalmentie 9 Lappeenranta | Helsinki, Finland | 100.00 | 100.00 |
| Kesko AB | Stockholm, Sweden | 100.00 | 100.00 |
| Kesko Export Oy | Helsinki, Finland | 100.00 | 100.00 |
| Kesko Real Estate Latvia SIA | Riga, Latvia | 100.00 | 100.00 |
| Kiinteistö Oy Haminan Sibeliuskatu 27 | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Helsingin Itäkeskus | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Hiukkavaaran Kauppa | Oulu, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Kittilän Valtatie 31-33 | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Lappeenrannan Oksasenkatu 4 | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Lappeenrannan Rakuunaparkki | Lappeenranta, Finland | 56.50 | 56.50 |
| Kiinteistö Oy Liike-Jaako | Rovaniemi, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Lohjan Ojamonharjuntie 86 | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Pontsonkulma | Helsinki, Finland | 94.60 | 94.60 |
| Kiinteistö Oy Riistaveden Keskustie 15 | Helsinki, Finland | 79.50 | 79.50 |
| Kiinteistö Oy Sarviniitynkatu 4 | Kerava, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Sunan Hallitalo | Helsinki, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Tarkkaiikka | Oulu, Finland | 100.00 | 100.00 |
| Kiinteistö Oy Voisalmen Liiketalo | Helsinki, Finland | 100.00 | 100.00 |
| Klintcenter Ab | Mariehamn, Åland | 100.00 | 100.00 |
| K-Market Oy | Helsinki, Finland | 100.00 | 100.00 |
| Konekesko Oy | Helsinki, Finland | 100.00 | 100.00 |
| Koskelan Ostokeskus Oy | Oulu, Finland | 58.64 | 29.32 |
| Onninen Oy | Helsinki, Finland | 100.00 | 100.00 |
| Rake Eiendom AS | Oppegård, Norway | 100.00 | 100.00 |
| Reinin Liha Oy | Helsinki, Finland | 100.00 | 100.00 |
| Tampereen Länsikeskus Oy | Tampere, Finland | 100.00 | 100.00 |
| Vaajakosken Liikekeskus Oy | Jyväskylä, Finland | 100.00 | 100.00 |

| Owned by other Group companies | Domicile | Group's ownership interest, % | Parent's ownership interest, % |
|---|---|---|---|
| Arn Eiendom AS | Vefsn, Norway | 100.00 | |
| Oy Autocarrera Ab | Helsinki, Finland | 100.00 | |
| Autocarrera Autotalot Oy | Helsinki, Finland | 100.00 | |
| Byggarnas Partner Sverige AB | Segeltorp, Sweden | 100.00 | |
| Bygg & Interiör i Katrineholm AB | Katrineholm, Sweden | 100.00 | |
| Bygg & Interiör i Flen AB | Flen, Sweden | 100.00 | |
| Bygg & Interiör i Vingåker AB | Vingåker, Sweden | 100.00 | |
| Byggmakker CF AS | Sandefjord, Norway | 100.00 | |
| Byggmakker Mosjøen AS | Vefsn, Norway | 100.00 | |
| Fresks Försäljning AB | Östersund, Sweden | 100.00 | |
| Hasti-Ari AS | Oppegård, Norway | 100.00 | |
| K Auto Leasing Oy | Helsinki, Finland | 100.00 | |
| K Auto Retail Oy | Helsinki, Finland | 100.00 | |
| K Bygg Östergyllen AB | Linköping, Sweden | 100.00 | |
| Kesko Onninen International Trading Co., Ltd | Shanghai, China | 100.00 | |
| K rauta SIA | Riga, Latvia | 100.00 | |
| Kestra Kiinteistöpalvelut Oy | Helsinki, Finland | 100.00 | |
| Kiinteistö Oy Kokkolan Kaanaanmaantie 2-4 | Kokkola, Finland | 64.78 | |

| Owned by other Group companies | Domicile | Group's ownership interest, % | Parent's ownership interest, % |
|---|---|---|---|
| Kiinteistö Oy Piispansilta | Espoo, Finland | 100.00 | |
| Kiinteistö Oy Vantaan Kiitoradantie 2 | Vantaa, Finland | 100.00 | |
| Kiinteistö Oy Vantaan Simonsampo | Vantaa, Finland | 100.00 | |
| Kiinteistö Oy Visuveden Liiketalo | Ruovesi, Finland | 100.00 | |
| KR Fastigheter i Järfälla AB | Sollentuna, Sweden | 100.00 | |
| KR Fastigheter i Linköping AB | Sollentuna, Sweden | 100.00 | |
| KR Fastigheter i Täby AB | Sollentuna, Sweden | 100.00 | |
| K-rauta Fastigheter i Malmö AB | Sollentuna, Sweden | 100.00 | |
| K-Rauta Holding Finland Oy | Helsinki, Finland | 100.00 | |
| Mark & Infra i Sverige AB | Täby, Sweden | 100.00 | |
| Mežciems Real Estate SIA | Riga, Latvia | 100.00 | |
| Olarin Autokiinteistö Oy | Espoo, Finland | 100.00 | |
| Onninen AS | Skedsmo, Norway | 100.00 | |
| Onninen AS | Tallinn, Estonia | 100.00 | |
| Onninen LLP | Aktau, Kazakhstan | 100.00 | |
| Onninen Russia Holding Oy | Helsinki, Finland | 100.00 | |
| Onninen SIA | Riga, Latvia | 100.00 | |
| Onninen Sp. z o.o. | Warsaw, Poland | 100.00 | |
| Onninen UAB | Vilnius, Lithuania | 100.00 | |
| Peltosaaren Liikekeskus Oy | Riihimäki, Finland | 59.67 | |
| Profelco Oy | Vantaa, Finland | 100.00 | |
| Rake Bergen AS | Oppegård, Norway | 100.00 | |
| Sørbø AS | Skedsmokorset, Norway | 100.00 | |
| Tau & Jørpeland Eiendom | Jørpeland, Norway | 100.00 | |
| TM Christensen VVS Detaljer AS | Oslo, Norway | 100.00 | |
| Trøgstadveien 13 AS | Oppegård, Norway | 100.00 | |
| Övik Låsteknik AB | Örnsköldsvik, 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, % |
|---|---|---|---|
| Graanin Liikekeskus Oy | Mikkeli, Finland | 50.00 | 50.00 |
| Kesko Senukai Lithuania UAB | Vilnius, Lithuania | 50.00 | 50.00 |
| Kiinteistö Oy Itäaukio | Lahti, Finland | 26.20 | 26.20 |
| Kiinteistö Oy Janakkalan Linnatuuli | Janakkala, Finland | 29.86 | 29.86 |
| Kiinteistö Oy Joensuun Kaupunginportti | Joensuu, Finland | 22.77 | 22.77 |
| Mercada Oy | Helsinki, Finland | 33.33 | 33.33 |
| Vähittäiskaupan Takaus Oy | Helsinki, Finland | 42.84 | 42.84 |
| Vähittäiskaupan Tilipalvelu VTP Oy | Helsinki, Finland | 30.00 | 30.00 |

| | Domicile | Group's ownership interest, % | Parent's ownership interest, % |
|---|---|---|---|
| **Owned by other Group companies** | | | |
| EDISON Data AS | Oslo, Norway | 20.00 | |
| Proffsenteret AS | Ringerike, Norway | 34.11 | |
| KS Holding UAB | Vilnius, Lithuania | 50.01 | |
| **Owned by joint ventures** | | | |
| 1A Grupa SIA | Riga, Latvia | 25.50 | |
| 1A.EE Oü | Tallinn, Estonia | 25.50 | |
| 1A.LT | Vilnius, Lithuania | 25.50 | |
| Daugavpils project 1 SIA | Daugavpils, Latvia | 50.01 | |
| Delta turtas UAB | Vilnius, Lithuania | 50.01 | |
| Inovatyvus prekybos sprendimai UAB | Vilnius, Lithuania | 25.51 | |
| Kesko Senukai Digital UAB | Vilnius, Lithuania | 25.50 | |
| Kesko Senukai Estonia AS | Tallinn, Estonia | 50.00 | |
| Kesko Senukai Latvia AS | Riga, Latvia | 50.00 | |
| Ksenukai Digital Oü | Tallinn, Estonia | 25.50 | |
| Mobilukss SIA | Riga, Latvia | 25.50 | |
| Nomine UAB | Vilnius, Lithuania | 50.01 | |

| | Domicile | Group's ownership interest, % | Parent's ownership interest, % |
|---|---|---|---|
| OMA OOO | Minsk, Belarus | 25.00 | |
| Penktoji Projekto Bendrovė UAB | Vilnius, Lithuania | 25.50 | |
| Punane Project Oü | Tallinn, Estonia | 50.01 | |
| Romos Holdingas UAB | Kaunas, Lithuania | 25.00 | |
| Senukai UAB | Kaunas, Lithuania | 49.61 | |
| Senuku Tirdzniecibas Centrs SIA | Riga, Latvia | 25.50 | |
| SPC Holding UAB | Kaunas, Lithuania | 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, Finland | 46.22 | 46.22 |
| Asunto Oy Kajaanin Louhikatu 2 | Kajaani, Finland | 42.96 | 42.96 |
| Asunto Oy Soukan Itäinentorni | Espoo, Finland | 46.60 | 46.60 |
| Asunto-Oy Punkalaitumen Pankkitalo | Punkalaidun, Finland | 33.82 | |
| Itäkeskuksen Pysäköintitalo Oy | Helsinki, Finland | 36.16 | 36.16 |
| Kiinteistö Oy Lahden Lyhytkatu 1 | Lahti, Finland | 50.00 | 50.00 |
| Kiinteistö Oy Lukonmäen Palvelukeskus | Tampere, Finland | 34.54 | |
| Kiinteistö Oy Ulvilan Hansa | Ulvila, Finland | 42.41 | 42.41 |
| Kiinteistö Oy Vantaanportin Liikekeskus | Vantaa, Finland | 27.81 | 27.81 |
| Lapin Tehdastalo Oy | Tampere, Finland | 21.24 | 21.24 |
| Munkkivuoren Ostoskeskus Oy | Helsinki, Finland | 30.65 | 30.65 |
| Raksilan Paikoitus Oy | Oulu, Finland | 33.33 | 33.33 |
| Talo Oy Kalevanpuisto | Kuopio, Finland | 47.60 | 47.60 |
| Voisalmen Ostoskeskus Oy | Lappeenranta, Finland | 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, Kesko'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 using the equity method as of 1 July 2020. Transactions involving Kesko Senukai Group companies have been reported as related party transactions as of 1 July 2020, as Kesko Senukai has been reported as a joint venture.

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.

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 2021 or 2020, the pension assets did not include Kesko Corporation shares. Properties owned by Pension Fund have been leased to Kesko Group.

During the financial years 2021 and 2020, 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 | |
|---|---|---|---|---|---|---|
| € million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Sales of goods | 9.6 | 7.1 | 92.0 | 93.0 | | |
| Sales of services | 5.1 | 6.0 | 1.0 | 0.8 | 0.3 | 0.2 |
| Purchases of goods | -1.9 | -1.1 | -11.5 | -7.1 | | |
| Purchases of services | -0.1 | -0.1 | 0.0 | 0.0 | | -0.4 |
| Other operating income | 0.3 | 0.6 | 17.9 | 17.0 | 0.3 | |
| Other operating costs | -3.6 | -3.8 | -0.3 | -0.8 | 0.0 | -0.2 |
| Finance income | 6.3 | 6.6 | | | | |
| Finance expenses | -0.0 | | -0.0 | | | |

| Balance sheet | Associates and joint ventures | | Board and management | | Pension Fund | |
|---|---|---|---|---|---|---|
| € million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current receivables | 4.9 | 13.4 | 8.2 | 6.8 | 3.8 | 0.2 |
| Non-current receivables | 68.1 | 71.5 | | | | |
| Current liabilities | 4.7 | 4.1 | 2.5 | 2.4 | 13.8 | 13.5 |
| Non-current liabilities | | 0.1 | | 0.1 | | |

| Items related to leases | Associates and joint ventures | | Board and management | | Pension Fund | |
|---|---|---|---|---|---|---|
| € million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Cash flow from leases | -35.1 | -35.5 | -1.8 | -5.5 | -8.3 | -7.8 |
| Lease liabilities | 243.0 | 268.8 | | 23.4 | 48.5 | 55.1 |

At the balance sheet date, receivables arisen from Kesko's sales to companies controlled by the Board members were €8.2 million (€6.8 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 €16.0 million (€8.8 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. Current receivables contain €3.4 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 2020 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 assets sold.

During the financial year 2021, Kesko Pension Fund paid in total €38.6 million in return of surplus assets to Finnish Group companies.

## 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:

**Monetary salaries, fees, fringe benefits and share-based compensation**

| €1,000 | | 2021 | 2020 |
|---|---|---|---|
| Mikko Helander | President and CEO | 4,381.8 | 2,997.4 |
| Group Management Board | other members | 8,714.4 | 5,443.7 |
| | | | |
| Esa Kiiskinen | Board Chair | 119.9 | 118.0 |
| Jannica Fagerholm | Board member | 78.4 | 74.0 |
| Peter Fagernäs | Board Deputy Chair | 74.9 | 70.5 |
| Piia Karhu | Board member | 59.5 | 56.5 |
| Jussi Perälä | Board member (as of 12 April 2021) | 54.1 | - |
| Toni Pokela | Board member | 56.1 | 53.5 |
| Timo Ritakallio | Board member (as of 12 April 2021) | 57.7 | - |
| Matti Kyytsönen | Board member (until 12 April 2021) | 4.5 | 59.0 |
| Matti Naumanen | Board member (until 12 April 2021) | 2.0 | 53.5 |
| **Total** | | **13,603.3** | **8,926.1** |

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. The members of the Board of Directors were granted 4,822 Kesko Corporation B shares in 2021.

## 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. Five Group Management Board members are provided with a defined contribution supplementary pension. President and CEO Mikko Helander's old-age pension based on a defined benefit plan accrues until 30 June 2023. The amount of the defined benefit based old-age pension is 60% of the pensionable earnings for the final 10 years in accordance with the Employees' Pensions Act (TyEL). The President and CEO's supplementary pension will be based on a defined contribution plan as of 1 July 2023. The cost of the defined benefit supplementary pension for the period, calculated on an accrual basis, was €1.2 million (€1.2 million) and the related pension asset in the balance sheet was €3.0 million (€1.7 million). The pension cost of the President and CEO's statutory pension provision was €0.3 million (€0.3 million).

## Share awards

During the 2021 reporting period, members of the Group Management Board were granted 319,622 shares based on PSP 2019–2022, while the maximum number of shares to be granted was 446,400. The number of shares represents gross earnings, from which withholding tax is deducted. During the 2020 reporting period 311,688 shares were granted based on PSP 2018–2021. The number of shares is determined based on the number of shares after the share issue without payment (share split) following the resolution of the 28 April 2020 Annual General Meeting. 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, they are 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, they are 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 their service contract without other compensations.

## Shareholdings

At 31 December 2021, the President and CEO held 5,000 Kesko Corporation A shares and 324,260 Kesko Corporation B shares, which represented 0.08% of the total number of shares and 0.02% of votes carried by all shares of the Company. At 31 December 2021, the Group Management Board, including the President and CEO, held 5,324 Kesko Corporation A shares and 884,508 Kesko Corporation B shares, which represented 0.22% of the total number of shares and 0.06% 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). 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 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 impact of the share-based compensation plans on the Group's profit for 2021 was €-9.6 million (€-9.5 million).

As at 31 December 2021, the amount to be recognised as expense for the financial years 2022–2024 is estimated at a total of €12.4 million. The actual amount may differ from the estimate.

The assumptions used in accounting for the share-based compensation plan are presented in the following tables.

| **Share award grant dates and fair values: PSP, KPSP and RSP** | **2021 PSP** | **2021 KPSP** | **2021 RSP** | **2020 PSP** | **2020 KPSP** | **2020 RSP** |
|---|---|---|---|---|---|---|
| Grant dates | 2.2.2021 | 2.2.2021 | 2.2.2021 | 4.2.2020 | 4.2.2020 | 4.2.2020 |
| Grant date fair value of share award, € | 21.01 | 21.01 | 21.01 | 14.85 | 14.85 | 14.85 |
| Share price at grant date, € | 21.76 | 21.76 | 21.76 | 15.48 | 15.48 | 15.48 |
| **Share-based compensation plan duration** | | | | | | |
| Performance period start date | 1.1.2021 | 1.1.2021 | - | 1.1.2020 | 1.1.2020 | - |
| Performance period end date | 31.12.2022 | 31.12.2021 | - | 31.12.2021 | 31.12.2020 | - |
| Commitment period start date | 1.1.2023 | 1.1.2022 | 1.1.2021 | 1.1.2022 | 1.1.2021 | 1.1.2020 |
| Commitment period end date | 10.2.2025 | 15.3.2024 | 15.3.2024 | 10.2.2024 | 15.3.2023 | 15.3.2023 |

| Share award grant dates and fair values: PSP, RSP and Bridge plan | 2019 PSP | 2019 RSP | 2018 PSP | 2018 RSP | 2017 PSP | 2017 RSP | 2017 Bridge plan |
|---|---|---|---|---|---|---|---|
| Grant dates | 20.3.2019 | 20.3.2019 | 20.3.2018 | 20.3.2018 | 1.2.2017 | 1.2.2017 | 1.2.2017 |
| Grant date fair value of share award, € | 13.11 | 13.11 | 11.62 | 11.62 | 11.17 | 11.17 | 11.17 |
| Share price at grant date, € | 13.70 | 13.70 | 12.17 | 12.17 | 11.67 | 11.67 | 11.67 |
| **Share-based compensation plan duration** | | | | | | | |
| Performance period start date | 1.1.2019 | - | 1.1.2018 | - | 1.1.2017 | - | 1.1.2017 |
| Performance period end date | 31.12.2020 | - | 31.12.2019 | - | 31.12.2018 | - | 31.12.2017 |
| Commitment period start date | 1.1.2021 | 1.1.2019 | 1.1.2020 | 1.1.2018 | 1.1.2019 | 1.1.2017 | 1.1.2018 |
| Commitment period end date | 10.2.2023 | 15.3.2022 | 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 periods 2021-2022 PSP and RSP | Performance period 2021 KPSP | 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** | 673,305 | 221,400 | 859,850 | 274,700 | 1,255,400 | 1,347,508 | 1,301,200 | 1,301,200 |
| Changes in the number of shares granted, pcs | -52,900 | -3,900 | -100,400 | -28,500 | -135,600 | -74,000 | -248,800 | -106,400 |
| Actual amount of share award, pcs** | | | | 201,922 | 726,168 | 802,048 | 571,400 | 539,304 |
| Number of plan participants at end of financial year | 67 | 127 | 51 | 90 | 116 | 126 | 105 | 117 |
| Share price at balance sheet date, € | 29.34 | 29.34 | 21.04 | 21.04 | 15.77 | 11.78 | 11.31 | 11.31 |
| Assumed fulfilment of performance criteria, % | 80.0 | 81.7 | 80.0 | | 71.6 | 63.4 | 55.1 | 46.7 |
| Estimated number of share awards returned prior to the end of commitment period, % | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |

* 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.

## 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 Kesko'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. Kesko 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. The Finnish Competition and Consumer Authority has stated it is preparing a proposal for penalty payment. Onninen Oy has denied claims concerning a suspected infringement of competition rules.

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. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|
| **Net sales** | **6,365,811,744.96** | **6,082,401,524.72** |
| Other operating income | 834,772,868.35 | 801,970,996.90 |
| Materials and services | -5,662,809,364.87 | -5,427,027,023.60 |
| Change in inventory | 11,416,497.67 | 12,037,712.37 |
| Employee benefit expenses | -338,417,338.48 | -346,675,475.06 |
| Depreciation, amortisation and impairment | -101,597,266.27 | -95,788,132.83 |
| Other operating expenses | -730,244,803.36 | -716,240,161.88 |
| **Operating profit** | **378,932,338.00** | **310,679,440.62** |
| | | |
| Finance income and costs | 47,870,421.15 | 2,815,406.38 |
| | | |
| **Profit before appropriations and taxes** | **426,802,759.15** | **313,494,847.00** |
| | | |
| Appropriations | | |
| Change in depreciation reserve | -13,693,328.90 | -6,562,563.46 |
| Group contribution | 30,475,864.55 | -16,959,349.26 |
| **Profit before taxes** | **443,585,294.80** | **289,972,934.28** |
| | | |
| Income taxes | -88,935,242.55 | -55,679,529.16 |
| **Profit for the financial year** | **354,650,052.25** | **234,293,405.12** |

# Parent company's balance sheet

| € | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| **ASSETS** | | |
| NON-CURRENT ASSETS | | |
| INTANGIBLE ASSETS | | |
| Intangible rights | 4,062,642.96 | 4,603,727.43 |
| Other intangible assets | 172,161,408.51 | 170,920,751.14 |
| Prepayments | 12,583,008.77 | 11,928,843.06 |
| | 188,807,060.24 | 187,453,321.63 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land and waters | | |
| Owned | 224,327,993.92 | 208,806,109.85 |
| Leasehold interests and connection fees | 1,201,988.31 | 2,211,652.42 |
| Buildings | | |
| Owned | 468,798,386.05 | 439,134,460.45 |
| Machinery and equipment | 88,970,519.00 | 88,490,328.81 |
| Other tangible assets | 5,612,838.97 | 6,128,727.98 |
| Prepayments and construction in progress | 45,681,450.60 | 10,459,602.85 |
| | 834,593,176.85 | 755,230,882.36 |
| INVESTMENTS | | |
| Investments in subsidiaries | 1,052,815,045.52 | 1,087,168,327.86 |
| Investments in associates | 111,704,919.85 | 111,025,938.95 |
| Other investments | 15,219,812.62 | 18,580,026.52 |
| | 1,179,739,777.99 | 1,216,774,293.33 |
| CURRENT ASSETS | | |
| INVENTORIES | | |
| Finished products/goods | 268,000,061.21 | 256,583,563.54 |
| | 268,000,061.21 | 256,583,563.54 |

| € | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| RECEIVABLES | | |
| Long-term | | |
| Receivables from subsidiaries | 93,855,424.19 | 124,207,994.34 |
| Receivables from associates | 68,130,199.58 | 71,502,199.58 |
| Loan receivables | 195,005.00 | - |
| Other receivables | 9,142,666.59 | 8,192,666.63 |
| | 171,323,295.36 | 203,902,860.55 |
| Short-term | | |
| Trade receivables | 401,881,076.54 | 357,582,841.05 |
| Receivables from subsidiaries | 410,990,047.58 | 497,767,542.55 |
| Receivables from associates | 4,485,666.41 | 4,938,308.22 |
| Loan receivables | 160,166.01 | 133,095.97 |
| Other receivables | 15,276,301.13 | 19,545,572.22 |
| Prepayments and accrued income | 87,950,046.12 | 89,245,140.20 |
| | 920,743,303.79 | 969,212,500.21 |
| OTHER FINANCIAL ASSETS | 74,791,120.38 | 9,795,007.69 |
| CASH AND CASH EQUIVALENTS | 269,250,914.39 | 240,976,376.76 |
| **TOTAL ASSETS** | **3,907,248,710.21** | **3,839,928,806.07** |

| € | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| CAPITAL AND RESERVES | | |
| 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 | 881,380,981.71 | 935,833,358.02 |
| Profit for the financial year | 354,650,052.25 | 234,293,405.12 |
| | 1,896,980,731.81 | 1,831,076,460.99 |
| APPROPRIATIONS | | |
| Depreciation reserve | 154,204,262.19 | 139,946,004.30 |
| PROVISIONS | | |
| Other provisions | 1,993,887.54 | 2,364,199.37 |
| LIABILITIES | | |
| Non-current | | |
| Loans from financial institutes | 150,000,000.00 | 300,000,000.00 |
| Pension loans | 56,337,000.00 | 109,041,000.00 |
| Other creditors | 8,995,992.00 | 7,625,996.00 |
| | 215,332,992.00 | 416,666,996.00 |
| Current | | |
| Pension loans | 11,994,000.00 | 28,424,000.00 |
| Advances received | 20,241,848.68 | 19,960,149.87 |
| Trade payables | 706,659,113.18 | 627,726,576.50 |
| Payables to subsidiaries | 436,405,049.89 | 304,017,086.16 |
| Payables to associates | 4,656,873.54 | 4,143,483.40 |
| Other payables | 219,821,267.87 | 225,646,770.59 |
| Accruals and deferred income | 238,958,683.51 | 239,957,078.89 |
| | 1,638,736,836.67 | 1,449,875,145.41 |
| **TOTAL LIABILITIES** | **3,907,248,710.21** | **3,839,928,806.07** |

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# Parent company's cash flow statement

| € | 1 Jan.–31 Dec. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before appropriations | 426,802,759.15 | 313,494,847.00 |
| Adjustments | | |
| Depreciation according to plan | 101,597,266.27 | 95,788,132.83 |
| Finance income and costs | -47,870,421.15 | -2,815,406.38 |
| Other adjustments | 20,225,978.26 | -16,972,259.98 |
| | **500,755,582.53** | **389,495,313.47** |
| Change in working capital | | |
| Current non-interest-bearing receivables, increase (-)/decrease (+) | -32,048,396.12 | -8,896,516.50 |
| Inventories increase (-)/decrease (+) | -11,416,497.67 | -12,037,659.30 |
| Current non-interest-bearing liabilities, increase (+)/decrease (-) | 60,407,058.59 | 130,315,518.00 |
| | 16,942,164.80 | 109,381,342.20 |
| | | |
| Interests paid and other finance costs | -17,037,141.16 | -18,814,688.27 |
| Interests received | 14,340,978.85 | 14,230,494.16 |
| Dividends received | 48,186,249.20 | 15,651,093.31 |
| Income tax paid | -86,764,319.78 | -39,359,524.45 |
| | -41,274,232.89 | -28,292,625.25 |
| **Net cash generated from operating activities** | **476,423,514.44** | **470,584,030.42** |
| | | |
| **Cash flows from investing activities** | | |
| Purchases of property, plant, equipment and intangible assets | -154,426,379.56 | -125,938,686.88 |
| Acquisitions of subsidiaries | - | -145,706,898.89 |
| Sales of subsidiaries, net of cash | 2,568,130.88 | 768,900.84 |
| Acquisitions of associates | -462,592.00 | -517,085.27 |
| Proceeds from equity accounted investments | - | 5,703,974.06 |
| Proceeds from other investments | 147,500.00 | - |
| Proceeds from disposal of property, plant, equipment and intangible assets | 1,475,461.41 | 1,963,066.20 |
| Long-term receivables, increase (-)/decrease (+) | 30,219,565.19 | 168,275,515.71 |
| Other financial assets, increase (-)/decrease (+) | -64,996,112.70 | 4,984,920.62 |
| **Net cash used in investing activities** | **-185,474,426.78** | **-90,466,293.61** |

| € | 1 Jan.–31 Dec. 2021 | 1 Jan.–31 Dec. 2020 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Interest-bearing liabilities, increase (+)/decrease (-) | -48,344,652.02 | 86,223,942.62 |
| Short-term interest-bearing receivables, increase (-)/decrease (+) | 53,691,870.93 | -16,164,893.57 |
| Dividends paid | -297,833,916.52 | -249,942,576.94 |
| Group contributions received and paid | 30,475,864.55 | -16,959,349.26 |
| Other items | -619,380.19 | -3,128,677.85 |
| **Net cash used in financing activities** | **-262,630,213.25** | **-199,971,555.00** |
| | | |
| **Change in cash and cash equivalents** | **28,318,874.41** | **180,146,181.80** |
| | | |
| **Cash and cash equivalents as at 1 Jan.** | **240,976,376.76** | **60,131,031.63** |
| Cash and cash equivalents transferred in connection with dissolution | - | 747,155.61 |
| Impairment of financial assets at fair value through profit or loss | -44,336.78 | -47,992.28 |
| **Cash and cash equivalents as at 31 Dec.** | **269,250,914.39** | **240,976,376.76** |

# 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 |

Leasehold interests are depreciated during their likely lease period. 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.

### Change in accounting policy

The classification of cash and cash equivalents in Kesko Corporation's consolidated statement of financial position and consolidated statement of cash flows has been changed. Some of the assets previously reported in Kesko Corporation's consolidated statement of financial position under current assets on line "Financial assets at fair value through profit or loss" are now classified in the consolidated statement of financial position and the consolidated statement of cash flows on line "Cash and cash equivalents". On 31 December 2020, the reclassified assets totalled €99.9 million. The cash and cash equivalents subject to reclassification are investments in money market funds with an investment horizon of less than three months. The Group makes short-term investments with extra liquidity in money market funds as an alternative to bank deposits. The risk profile of these fund investments is very low, and in terms of liquidity and return, they correspond to bank deposits.

Following the reclassification, presentation of those financial assets at fair value through profit or loss that are not classified as cash and cash equivalents in the new classification was changed in the consolidated statements of cash flows so that the changes in those financial instruments are presented under cash flows from investing activities instead of cash flows from financing activities. The reclassification had a €+5.0 million impact on cash flow from investing activities and a €+ 94.9 million impact on cash flow from financing activities in the comparison period statement of cash flows.

## Notes to the income statement

### Note 2. Net sales by division

| € million | 2021 | 2020 |
|---|---|---|
| Grocery trade | 5,288.4 | 5,119.1 |
| Building and home improvement trade | 1,077.4 | 963.2 |
| Others | 0.0 | 0.1 |
| **Total** | **6,365.8** | **6,082.4** |

## Note 3. Material and services

| € million | 2021 | 2020 |
|---|---|---|
| Material and services | -5,559.5 | -5,329.1 |
| Change in inventory | 11.4 | 12.0 |
| External services | -103.3 | -97.9 |
| **Total** | **-5,651.4** | **-5,415.0** |

## Note 4. Other operating income

| € million | 2021 | 2020 |
|---|---|---|
| Gains on sales of real estate and shares | 0.4 | 5.7 |
| Rent income | 90.1 | 89.8 |
| Fees for services | 561.3 | 517.5 |
| Profits from mergers | 0.1 | 32.0 |
| Others | 182.8 | 157.0 |
| **Total** | **834.8** | **802.0** |

## Note 5. Employee benefit expenses

| € million | 2021 | 2020 |
|---|---|---|
| Salaries and fees | -312.6 | -292.8 |
| Social security costs | | |
| Pension costs | -14.8 | -44.2 |
| Other social security costs | -11.1 | -9.7 |
| **Total** | **-338.4** | **-346.7** |

The 2021 pension costs of Kesko include a €36.5 million return of surplus assets by Kesko Pension Fund.

The average number of personnel at Kesko Corporation was 7,262 (7,271) people.

### Salaries and fees to the management

| € million | 2021 | 2020 |
|---|---|---|
| Managing Director | 4.4 | 3.0 |
| Members of the Board of Directors | 0.5 | 0.5 |
| **Total** | **4.9** | **3.5** |

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 | 2021 | 2020 |
|---|---|---|
| Depreciation according to plan | -100.3 | -93.6 |
| Impairment, non-current assets | -1.3 | -2.2 |
| **Total** | **-101.6** | **-95.8** |

## Note 7. Other operating expenses

| € million | 2021 | 2020 |
|---|---|---|
| Rent expenses | -323.5 | -334.4 |
| Marketing expenses | -154.3 | -147.7 |
| Maintenance of real estate and store sites | -92.0 | -85.2 |
| Losses on disposals of non-current assets | -0.1 | - |
| ICT expenses | -72.4 | -70.5 |
| Losses from mergers | -32.9 | -23.3 |
| Other operating expenses | -55.0 | -55.1 |
| **Total** | **-730.2** | **-716.2** |

### Auditors' fees

| € million | 2021 | 2020 |
|---|---|---|
| **Tilintarkastusyhteisö Deloitte** | | |
| Audit | 0.4 | 0.4 |
| Tax consultation | 0.0 | 0.0 |
| Other services | 0.2 | 0.0 |
| **Total** | **0.6** | **0.4** |

## Note 8. Finance income and costs

| € million | 2021 | 2020 |
|---|---|---|
| **Income from long-term investments** | | |
| Dividend income from subsidiaries | 47.0 | 13.1 |
| Dividend income from others | 1.2 | 2.6 |
| Gains on disposal of shares | - | 0.0 |
| Gains on sales of investments | 1.5 | 0.0 |
| **Income from long-term investments, total** | **49.7** | **15.7** |
| **Other interest and finance income** | | |
| From subsidiaries | 6.6 | 7.6 |
| From others | 11.3 | 23.3 |
| **Interest and finance income, total** | **17.9** | **31.0** |
| **Impairment of investments held as non-current assets** | | |
| Impairment of shares | 0.1 | -3.2 |
| Changes in fair value | 0.0 | 0.0 |
| **Impairment and changes in fair value of investments held as non-current assets, total** | **0.1** | **-3.3** |
| **Interest and other finance costs** | | |
| To subsidiaries | -10.0 | -12.4 |
| To others | -9.8 | -28.2 |
| **Interest and finance costs, total** | **-19.8** | **-40.6** |
| **Total** | **47.9** | **2.8** |

## Note 9. Appropriations

| € million | 2021 | 2020 |
|---|---|---|
| Difference between depreciation according to plan and depreciation in taxation | -13.7 | -6.6 |
| Group contributions received | 43.7 | 28.0 |
| Group contributions paid | -13.2 | -45.0 |
| **Total** | **16.8** | **-23.5** |

As of the 2020 financial year, an increased 50% depreciation on machinery and equipment and similar fixed assets acquired has been made in compliance with the Finnish Business Tax Act.

## Note 10. Changes in provisions

| € million | 2021 | 2020 |
|---|---|---|
| Other changes | -0.4 | -2.7 |
| **Total** | **-0.4** | **-2.7** |

## Note 11. Income taxes

| € million | 2021 | 2020 |
|---|---|---|
| Income taxes on group contributions | -6.1 | 3.4 |
| Income taxes on ordinary activities | -82.0 | -55.3 |
| Taxes for prior years | -0.8 | -3.7 |
| **Total** | **-88.9** | **-55.7** |

## 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 €30.8 million. The amount of other deferred tax liabilities or assets is not material.

# Notes to the balance sheet

## Note 13. Intangible assets

| € million | 2021 | 2020 |
|---|---|---|
| **Intangible rights** | | |
| Acquisition cost as at 1 Jan. | 15.4 | 15.3 |
| Increases | 2.4 | 0.2 |
| Decreases | -1.5 | -1.8 |
| Transfers between items | - | 1.7 |
| Acquisition cost as at 31 Dec. | 16.3 | 15.4 |
| | | |
| Accumulated depreciation as at 1 Jan. | -10.8 | -9.3 |
| Accumulated depreciation on decreases and transfers | 1.4 | 1.8 |
| Depreciation and amortisations for the financial year | -2.9 | -3.3 |
| Accumulated depreciation as at 31 Dec. | -12.3 | -10.8 |
| **Book value as at 31 Dec.** | **4.1** | **4.6** |
| | | |
| **Other intangible assets** | | |
| Acquisition cost as at 1 Jan. | 342.8 | 295.3 |
| Increases | 30.0 | 41.3 |
| Decreases | -18.8 | -9.7 |
| Transfers between items | 15.9 | 15.9 |
| Acquisition cost as at 31 Dec. | 369.9 | 342.8 |
| | | |
| Accumulated depreciation as at 1 Jan. | -171.9 | -137.3 |
| Accumulated depreciation on decreases and transfers | 18.2 | 7.1 |
| Depreciation and amortisations for the financial year | -44.1 | -41.6 |
| Accumulated depreciation as at 31 Dec. | -197.7 | -171.9 |
| **Book value as at 31 Dec.** | **172.2** | **170.9** |

| € million | 2021 | 2020 |
|---|---|---|
| **Prepayments** | | |
| Acquisition cost as at 1 Jan. | 11.9 | 13.7 |
| Increases | 12.1 | 6.3 |
| Decreases | -0.3 | -0.1 |
| Transfers between items | -11.1 | -8.0 |
| Acquisition cost as at 31 Dec. | 12.6 | 11.9 |
| **Book value as at 31 Dec.** | **12.6** | **11.9** |

## Note 14. Property, plant and equipment

| € million | 2021 | 2020 |
|---|---|---|
| **Land and waters, owned** | | |
| Acquisition cost as at 1 Jan. | 208.8 | 174.9 |
| Increases | 11.0 | 1.6 |
| Transferred in mergers | 3.9 | 28.3 |
| Decreases | -0.1 | 0.0 |
| Transfers between items | 0.8 | 4.0 |
| Acquisition cost as at 31 Dec. | 224.3 | 208.8 |
| **Book value as at 31 Dec.** | **224.3** | **208.8** |
| | | |
| **Land and waters, leasehold interests** | | |
| Acquisition cost as at 1 Jan. | 2.3 | 2.3 |
| Decreases | -0.0 | - |
| Transfers between items | -0.6 | - |
| Acquisition cost as at 31 Dec. | 1.6 | 2.3 |
| | | |
| Accumulated depreciation as at 1 Jan. | -0.1 | -0.1 |
| Depreciation for the financial year | -0.3 | - |
| Accumulated depreciation as at 31 Dec. | -0.4 | -0.1 |
| **Book value as at 31 Dec.** | **1.2** | **2.2** |
| | | |
| **Buildings** | | |
| Acquisition cost as at 1 Jan. | 757.6 | 613.7 |
| Increases | 30.2 | 20.8 |
| Transferred in mergers | 35.0 | 136.9 |
| Decreases | -2.5 | -14.5 |
| Transfers between items | 0.7 | 0.8 |
| Acquisition cost as at 31 Dec. | 821.1 | 757.6 |
| | | |
| Accumulated depreciation as at 1 Jan. | -318.5 | -259.3 |
| Transferred in mergers | -10.2 | -52.8 |
| Accumulated depreciation on decreases and transfers | 1.7 | 14.3 |
| Depreciation for the financial year | -25.3 | -20.7 |
| Accumulated depreciation as at 31 Dec. | -352.3 | -318.5 |
| **Book value as at 31 Dec.** | **468.8** | **439.1** |

| € million | 2021 | 2020 |
|---|---|---|
| **Machinery and equipment** | | |
| Acquisition cost as at 1 Jan. | 299.8 | 287.9 |
| Increases | 25.6 | 22.2 |
| Transferred in mergers | 0.2 | - |
| Decreases | -32.5 | -12.6 |
| Transfers between items | 2.0 | 2.3 |
| Acquisition cost as at 31 Dec. | 295.1 | 299.8 |
| | | |
| Accumulated depreciation as at 1 Jan. | -211.3 | -196.5 |
| Transferred in mergers | -0.2 | - |
| Accumulated depreciation on decreases and transfers | 31.8 | 12.0 |
| Depreciation for the financial year | -26.4 | -26.8 |
| Accumulated depreciation as at 31 Dec. | -206.1 | -211.3 |
| **Book value as at 31 Dec.** | **89.0** | **88.5** |
| | | |
| **Other tangible assets** | | |
| Acquisition cost as at 1 Jan. | 20.5 | 19.4 |
| Increases | 0.6 | 0.9 |
| Transferred in mergers | 0.1 | 0.0 |
| Decreases | 0.0 | 0.0 |
| Transfers between items | 0.0 | 0.1 |
| Acquisition cost as at 31 Dec. | 21.2 | 20.5 |
| | | |
| Accumulated depreciation as at 1 Jan. | -14.3 | -13.0 |
| Transferred in mergers | -0.1 | 0.0 |
| Accumulated depreciation on decreases and transfers | 0.1 | 0.0 |
| Depreciation for the financial year | -1.3 | -1.3 |
| Accumulated depreciation as at 31 Dec. | -15.6 | -14.3 |
| **Book value as at 31 Dec.** | **5.6** | **6.1** |
| | | |
| **Prepayments and construction in progress** | | |
| Acquisition cost as at 1 Jan. | 10.5 | 20.8 |
| Increases | 41.3 | 8.5 |
| Transferred in mergers | 2.0 | - |
| Decreases | -0.5 | -2.2 |
| Transfers between items | -7.6 | -16.7 |
| Acquisition cost as at 31 Dec. | 45.7 | 10.5 |
| **Book value as at 31 Dec.** | **45.7** | **10.5** |

## Note 15. Investments

| € million | 2021 | 2020 |
|---|---|---|
| **Investments in subsidiaries** | | |
| Acquisition cost as at 1 Jan. | 1,177.9 | 1,116.0 |
| Increases | 7.5 | 169.0 |
| Transferred in mergers | 0.0 | 1.9 |
| Decreases | -104.9 | -66.7 |
| Transfers between items | 0.0 | -42.3 |
| Acquisition cost as at 31 Dec. | 1,080.5 | 1,177.9 |
| | | |
| Impairment as at 1 Jan. | -90.7 | -87.5 |
| Accumulated impairments on decreases | 63.1 | - |
| Impairment for the period | - | -3.2 |
| Impairment as at 31 Dec. | -27.7 | -90.7 |
| **Book value as at 31 Dec.** | **1,052.8** | **1,087.2** |
| | | |
| **Investments in associates** | | |
| Acquisition cost as at 1 Jan. | 111.0 | 36.4 |
| Increases | 0.5 | 32.9 |
| Decreases | - | -0.5 |
| Transfers between items | 0.2 | 42.3 |
| **Book value as at 31 Dec.** | **111.7** | **111.0** |
| | | |
| **Other investments** | | |
| Acquisition cost as at 1 Jan. | 18.6 | 18.5 |
| Increases | 0.1 | 0.1 |
| Transferred in mergers | 0.1 | - |
| Decreases | -3.3 | 0.0 |
| Transfers between items | -0.2 | - |
| Acquisition cost as at 31 Dec. | 15.2 | 18.6 |
| | | |
| **Book value as at 31 Dec.** | **15.2** | **18.6** |

An analysis of Kesko Corporation's ownership interests in other companies as at 31 December 2021 is presented in the notes to the consolidated financial statements.

## Note 16. Receivables

### Receivables from subsidiaries

| € million | 2021 | 2020 |
|---|---|---|
| **Long-term receivables** | | |
| Loan receivables | 93.9 | 124.2 |
| **Long-term receivables, total** | **93.9** | **124.2** |
| | | |
| **Short-term receivables** | | |
| Trade receivables | 9.0 | 14.6 |
| Loan receivables | 377.3 | 456.3 |
| Prepayments and accrued income | 24.7 | 26.9 |
| **Short-term receivables, total** | **411.0** | **497.8** |
| **Total** | **504.8** | **622.0** |

### Receivables from associates and joint ventures

| € million | 2021 | 2020 |
|---|---|---|
| **Long-term receivables** | | |
| Loan receivables | 68.1 | 71.5 |
| Other receivables | 0.0 | 0.0 |
| **Long-term receivables, total** | **68.1** | **71.5** |
| | | |
| **Short-term receivables** | | |
| Accrued income | 1.0 | 1.2 |
| Other receivables | 3.5 | 3.7 |
| **Short-term receivables, total** | **4.5** | **4.9** |
| **Total** | **72.6** | **76.4** |

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 €12.2 million.

### Prepayments and accrued income

| € million | 2021 | 2020 |
|---|---|---|
| Taxes | 0.0 | - |
| Fees for services | 9.6 | 11.6 |
| Employee benefit expenses | 7.6 | 6.9 |
| Purchases | 33.8 | 32.3 |
| Others | 37.0 | 38.4 |
| **Total** | **88.0** | **89.2** |

## Note 17. Shareholders' equity

| € million | Share capital | Share premium | Contingency fund | Reserve of invested non-restricted equity | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2020 | 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 |
| Balance as at 31 December 2020 | 197.3 | 197.5 | 243.4 | 22.8 | 1,170.1 | 1,831.1 |
| Dividends | | | | | -297.8 | -297.8 |
| Treasury shares | | | | | 9.1 | 9.1 |
| Transfer to donations | | | | | 0.0 | 0.0 |
| Profit for the year | | | | | 354.7 | 354.7 |
| **Balance as at 31 December 2021** | **197.3** | **197.5** | **243.4** | **22.8** | **1,236.0** | **1,897.0** |

In accordance with a new accounting policy, donations are recorded in the income statement as expenses for the 2021 financial year. Donations made totalled €0.3 million in the 2021 financial year.

| Restricted equity | 2021 | 2020 |
|---|---|---|
| Share capital | 197.3 | 197.3 |
| Share premium | 197.5 | 197.5 |
| **Total** | **394.8** | **394.8** |

| Non-restricted equity | 2021 | 2020 |
|---|---|---|
| Contingency fund | 243.4 | 243.4 |
| Reserve of invested non-restricted equity | 22.8 | 22.8 |
| Retained earnings | 1,236.0 | 1,170.1 |
| **Total** | **1,502.2** | **1,436.3** |

| Calculation of distributable profits | 2021 | 2020 |
|---|---|---|
| Other reserves | 266.2 | 266.2 |
| Retained earnings | 881.4 | 935.8 |
| Profit for the year | 354.7 | 234.3 |
| **Total** | **1,502.2** | **1,436.3** |

On 31 December 2020, Kesko's distributable assets totalled €1,502,200,136.91.

| Breakdown of parent company shares | Pcs |
|---|---|
| A shares | 126,948,028 |
| B shares | 273,130,980 |
| **Total** | **400,079,008** |

| Votes attached to shares | Number of votes |
|---|---|
| A share | 10 |
| B share | 1 |

### 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 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 shares acquired during the 2011 and 2014 financial years was €23.5 million. These costs have been deducted from retained earnings in equity. 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 29 April 2021, Kesko Corporation transferred a total of 4,822 of its own B shares (KESKOB) held by the Company as treasury shares to the members of Kesko's Board of Directors. The transfer was based on the resolution made by the Annual General Meeting on 12 April 2021 to pay a portion of the Board members' annual fees in Kesko B shares.

| | Shares |
|---|---|
| **Own B shares held by the Company as at 31 Dec. 2020** | **3,339,862** |
| Transferred, share-based compensation scheme | -378,476 |
| Transferred, Board of Directors | -4,822 |
| Returned during the financial year | 12,100 |
| **Own B shares held by the Company as at 31 Dec. 2021** | **2,968,664** |

## Note 18. Provisions

| € million | 2021 | 2020 |
|---|---|---|
| Provisions for leases | 1.5 | 1.1 |
| Other provisions | 0.5 | 1.2 |
| **Total** | **2.0** | **2.4** |

## Note 19. Non-current liabilities

During the 2021 financial year, Kesko prematurely repaid a €300 million loan whose interest margin accounted for Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits in high-risk countries. Kesko drew down a new €150 million bilateral loan whose interest margin also accounts for the same sustainability criteria as the repaid loan.

## Note 20. Current liabilities

| € million | 2021 | 2020 |
|---|---|---|
| **Liabilities to subsidiaries** | | |
| Trade payables | 1.7 | 1.4 |
| Accruals and deferred income | 6.8 | 27.0 |
| Other payables | 427.9 | 275.6 |
| **Total** | **436.4** | **304.0** |
| | | |
| **Liabilities to associates** | | |
| Trade payables | 0.0 | 0.0 |
| Accruals and deferred income | 0.0 | 0.0 |
| Other payables | 4.6 | 4.1 |
| **Total** | **4.7** | **4.1** |
| | | |
| **Accruals and deferred income** | | |
| Employee benefit expenses | 110.8 | 101.6 |
| Accruals and deferred income from purchases | 29.2 | 33.7 |
| Taxes | 7.5 | 5.3 |
| Transaction prices | 0.4 | 0.4 |
| Fees for services | 25.4 | 34.7 |
| Others | 65.7 | 64.3 |
| **Total** | **239.0** | **240.0** |

## Note 21. Non-interest-bearing liabilities

| € million | 2021 | 2020 |
|---|---|---|
| Current liabilities | 1,085.0 | 1,019.9 |
| **Total** | **1,085.0** | **1,019.9** |

## Note 22. Guarantees, liability engagements and other liabilities

| € million | 2021 | 2020 |
|---|---|---|
| **Real estate mortgages** | | |
| For own debt | 159.8 | 193.0 |
| For subsidiaries | 0.8 | 0.8 |
| | | |
| **Pledged shares** | 9.5 | 9.0 |
| | | |
| **Guarantees** | | |
| For own debt | 0.5 | 0.4 |
| For subsidiaries | 67.9 | 33.1 |
| | | |
| **Other liabilities and liability engagements** | | |
| For own debt | 34.8 | 35.8 |
| | | |
| **Rent liabilities on machinery and fixtures** | | |
| Falling due within a year | 6.9 | 7.2 |
| Falling due later | 7.1 | 7.7 |
| | | |
| **Rent liabilities on real estate** | | |
| Falling due within a year | 277.7 | 275.5 |
| Falling due later | 1,490.5 | 1,530.0 |

### 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. 2021** **€ million** | **USD** | **SEK** | **NOK** | **PLN** |
|---|---|---|---|---|
| Transaction risk | -18.4 | 43.7 | 64.1 | 26.5 |
| Hedging derivatives | 46.8 | -41.0 | -56.6 | -26.1 |
| **Exposure** | **28.4** | **2.7** | **7.5** | **0.4** |

| **Company's transaction exposure as at 31 Dec. 2020** **€ 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 |
| **Exposure** | **15.6** | **18.7** | **20.1** | **8.3** |

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. 2021** **€ million** | **USD** | **SEK** | **NOK** | **PLN** |
|---|---|---|---|---|
| Change +10% | -2.6 | -0.2 | -0.7 | 0.0 |
| Change -10% | 3.2 | 0.3 | 0.8 | 0.0 |

| **Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2020** **€ 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 |

Derivatives

| Fair values of derivative contracts € million | 31 Dec. 2021 Positive fair value (balance sheet value) | 31 Dec. 2021 Negative fair value (balance sheet value) | 31 Dec. 2020 Positive fair value (balance sheet value) | 31 Dec. 2020 Negative fair value (balance sheet value) |
|---|---|---|---|---|
| Currency derivatives | 1.8 | -1.6 | 0.9 | -6.1 |
| Interest rate derivatives | 0.1 | -2.2 | 0.0 | -5.8 |

| Notional amounts of derivative contracts € million | 31 Dec. 2021 Notional amount | 31 Dec. 2020 Notional amount |
|---|---|---|
| Currency derivatives | 227.6 | 217.9 |
| Interest rate derivatives | 420.0 | 420.0 |

All currency derivatives mature in 2022. Interest rate derivatives mature in 2022, 2024, 2026 and 2027.

| € million | 2021 | Fair value | 2020 | Fair value |
|---|---|---|---|---|
| **Liabilities arising from derivative instruments** | | | | |
| Values of underlying instruments as at 31 Dec. | | | | |
| **Interest rate derivatives** | | | | |
| Interest rate swaps | 420 | -2.1 | 420 | -5.8 |
| | | | | |
| **Foreign currency derivatives** | | | | |
| Forward and future contracts | 228 | 0.1 | 218 | -5.2 |
| Outside the Group | 205 | 0.6 | 206 | -5.6 |
| Inside the Group | 23 | -0.5 | 12 | 0.4 |
| | | | | |
| **Commodity derivatives** | | | | |
| Electricity derivatives | 70 | 0.0 | 41 | 0.0 |
| Outside the Group | 35 | 11.3 | 20 | -1.5 |
| Inside the Group | 35 | -11.3 | 20 | 1.5 |

## Note 23. Cash and cash equivalents within the statement of cash flows

| € million | 2021 | 2020 |
|---|---|---|
| Financial assets at fair value through profit or loss | 50.0 | 99.9 |
| Financial assets at amortised cost (maturing in less than 3 months) | 32.0 | 4.5 |
| Cash and cash equivalents | 187.3 | 136.6 |
| **Total** | **269.3** | **241.0** |

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 and also financial assets at fair value through profit and loss.

## 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.

# SIGNATURES

## Signatures for financial statements and report by the Board of Directors

Helsinki, 2 February 2022

Esa Kiiskinen

Peter Fagernäs

Jannica Fagerholm

Piia Karhu

Jussi Perälä

Jukka Vattulainen
APA

Toni Pokela

Timo Ritakallio

Mikko Helander
President and CEO

## The Auditor's note

Our auditor's report has been issued today.

Helsinki, 2 February 2022

Deloitte Oy
Authorised public accountants

# 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, 2021. 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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition** | |
| Refer to accounting policies for the consolidated financial statements and note 2.1.<br><br>Consolidated Net Sales of Kesko Oyj amounted to €11,300.2 million (€10,669.2 million). Kesko operates in grocery trade, building and technical trade, and car trade through wide sales- and retail network.<br><br>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.<br><br>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:<br><br>- Improper revenue recognition relating to manual journal entries for exceptional sales transactions.<br><br>- The operative effectiveness of general IT-system controls pertaining to revenue recognition.<br><br>Revenue recognition due to its significance require specific attention both from the accounting and the auditing perspective. | 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.<br><br>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 to transactions estimated as higher risk transactions.<br><br>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.<br><br>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. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment testing of Goodwill and trademarks** | |
| Refer to Note 3.3 in the consolidated financial statements of Kesko Oyj.<br><br>Consolidated statement of financial position includes goodwill of €588.8 million (€572.1 million). In addition, consolidated statement of financial position includes €88.2 million (€87.7 million) Trademarks.<br><br>Goodwill is subject to management's annual impairment test. As a result of management's goodwill impairment test, no impairment was identified.<br><br>Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate.<br><br>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. | 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.<br><br>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.<br><br>We have assessed the key assumptions used by management in the Goodwill impairment tests:<br><br>- comparing the growth and profitability estimates to historical performance.<br><br>- comparing the estimates with the latest approved budgets and strategic plans.<br><br>- comparing applied discount rates to external sources.<br><br>- testing the mathematical accuracy of the impairment calculations<br><br>We have also assessed the related disclosure information. |

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.

## 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.

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 were first appointed as auditors by the Kesko's Annual General Meeting on 28th of April 2020, and our appointment represents a total period of uninterrupted engagement of 2 years.

### 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 auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this 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 that 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 and the distribution of other unrestricted equity 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 2022

**Deloitte Oy**
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

# INDEPENDENT AUDITOR'S REPORT ON THE ESEF CONSOLIDATED FINANCIAL STATEMENTS OF KESKO OYJ

(Translation of the Finnish original)

## To the Board of Directors of Kesko Oyj

We have performed a reasonable assurance engagement on whether the iXBRL tagging of the consolidated financial statements in the ESEF consolidated financial statements (743700OX6HSVMCAHPB95-2021-12-31_FI.zip) of Kesko Oyj (0109862-8) for the financial year 1.1.-31.12.2021 has been prepared in accordance with the requirements of Article 4 of Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements in the ESEF financial statements with iXBRL tags in accordance with Article 4 of ESEF RTS, and
- ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of ESEF RTS.

### Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, profes-sional standards, and applicable legal and regulatory requirements.

### Auditor's Responsibilities

In accordance with the engagement letter, we express an opinion on whether the tagging of the consolidated financial statements in the ESEF financial statements has been prepared in all material respects in accordance with the require-ments of Article 4 of ESEF RTS. We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the consolidated financial statements in the ESEF financial statements has been pre-pared in all material respects in accordance with the requirements of Article 4 of ESEF RTS, and
- whether the ESEF financial statements are consistent with the audited financial statements.

The nature, timing and extent of the procedures selected depend on the auditor's judgment. This includes the assess-ment of risk of material departures from the requirements set out in ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the tagging of the consolidated financial statements in the ESEF financial statements (743700OX6HSVMCAHPB95-2021-12-31_FI.zip) of Kesko Oyj for the financial year 1.1.-31.12.2021 has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS.

Our audit opinion on the consolidated financial statements of Kesko Oyj for the financial year 1.1.-31.12.2021 has been expressed in our auditor's report dated 2.2.2022. In this report, we do not express an audit opinion or any other assur-ance conclusion on the consolidated financial statements.

Helsinki, 2 February, 2022

**Deloitte Oy**
Audit Firm

Jukka Vattulainen
APA

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