



KESKO'S DIRECTION

KESKO ANNUAL REPORT 2021



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Kesko’s 2021 Annual Report comprises five sections. It details the progress made in Kesko’s strategy and sustainability work and financial performance, with comprehensive performance indicators. Kesko is the first Finnish listed company to also release a Data Balance Sheet report.

KESKO’S DIRECTION



The section on Kesko’s direction describes Kesko and its divisions and the progress made in their strategy execution, as well as our financial targets, operating environment and value creation.

SUSTAINABILITY



The Sustainability section details the objectives and progress made in our sustainability work, and provides key indicators in accordance with GRI standards.

[Read more ›](#)

FINANCIAL REVIEW



The Financial Review section comprises the Report by the Board of Directors, the Group’s key performance indicators, and the financial statements and Auditor’s Report for 2021.

[Read more ›](#)

CORPORATE GOVERNANCE



The Corporate Governance section comprises Kesko’s Corporate Governance Statement, the Remuneration Report for Governing Bodies, and details on the members of Kesko’s Board of Directors and Group Management Board.

[Read more ›](#)

DATA BALANCE SHEET



The Data Balance Sheet describes Kesko’s innovative, responsible data-driven value creation for customers, businesses, and stakeholders. The focus in the report is on grocery trade.

[Read more ›](#)

KESKO'S DIRECTION

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

-  [Read more in this Annual Report](#)
-  [Read more on our website](#)

KESKO IN BRIEF

Kesko is a Finnish trading sector forerunner. We operate in the grocery trade, building and technical trade, and car trade. Our divisions and chains act in close cooperation with retailer entrepreneurs and other partners.

Kesko has around 1,800 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland*. By combining online sales and digital services with our extensive store site network, we enable a seamless customer experience in all channels.

Kesko's strategic business areas are grocery trade, building and technical trade, and car trade. These are areas where Kesko has strong expertise and market positions, and they offer good potential for profitable growth in the long term.

Kesko and K-retailers together form K Group, which is the biggest trading sector operator in Finland and one of the biggest in Northern Europe. K Group's retail sales in 2021

totalled some €15 billion. Kesko and K-retailers combined employ approximately 39,000 people and K Group employs some 45,000 people in total.

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.

Kesko's shares are listed on Nasdaq Helsinki. The company's domicile and main premises are located in Helsinki.

* Kesko Senukai, a joint venture that engages in building and home improvement trade in the Baltics and Belarus, is part of K Group.



Biggest trading sector operator in Finland, one of the biggest in Northern Europe



Profitable growth strategy, 3 divisions, 1,800 stores in 7 countries, extensive digital services



One of the most sustainable companies in the world (Global 100)



Strong financial position with good dividend capacity

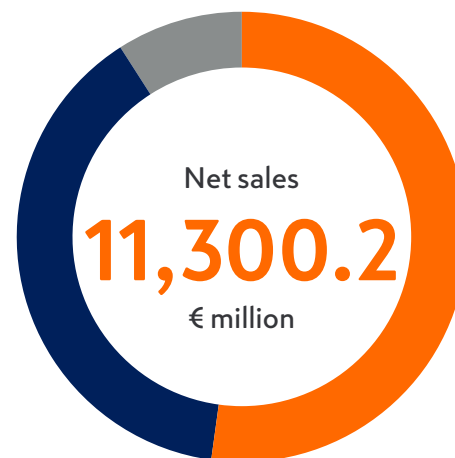


Market cap €11.4bn (31 Dec. 2021), over 65,000 shareholders

YEAR IN FIGURES

- The best result in Kesko's history.
- Net sales in January-December totalled €11,300.2 million, an increase of 8.2% in comparable terms.
- Comparable operating profit totalled €775.5 million, an increase of €207.7 million.
- In grocery trade, net sales grew by 3.1%, and comparable operating profit grew by €67.8 million. Comparable operating margin rose to 7.5%.
- In building and technical trade, net sales grew by 14.7% in comparable terms, and comparable operating profit grew by €130.3 million. Comparable operating margin rose to 7.2%.
- In car trade, net sales grew by 15.2% in comparable terms, and comparable operating profit grew by €28.8 million. Comparable operating margin rose to 5.1%.
- Kesko made the CDP 'Climate Change A list' for leading companies on environmental transparency and action globally.
- Kesko ranks as one of the most sustainable companies in the world (Global 100).
- At the end of the year, Kesko had some 65,000 shareholders.
- The Board proposes a dividend of €1.06 per share, to be paid in four instalments.

More information in the Financial Review section



- Grocery trade €5,909.0 million
- Building and technical trade €4,387.7 million
- Car trade €1,028.3 million



- Grocery trade €442.9 million
- Building and technical trade €318.0 million
- Car trade €52.2 million

	1-12/2021	1-12/2020	1-12/2019
Net sales, € million	11,300.2	10,669.2	10,720.3
Operating profit, € million*	775.5	567.8	461.6
Operating margin, %*	6.9	5.3	4.3
Earnings per share, basic, €*	1.43	0.97	0.74
Capital expenditure, € million	276.6	398.4	686.1
Comparable return on capital employed, %	17.2	12.0	9.6

*Comparable figures

EVENTS IN 2021

In 2021, we continued the determined execution of our growth strategy, focusing increasingly on the constant improvement of customer experiences, further development of digital services, and sustainability.

GROWTH AND PROFIT

Kesko posted its all-time record result in 2021. Sales grew and profitability improved in all divisions, thanks to the successful execution of our growth strategy and a favourable market.

STRATEGY

In spring 2021, Kesko's Board of Directors confirmed an updated version of the company's **strategy** and set new medium-term **financial targets**. We made the continuous improvement of customer experiences, further development of digital services, and responsibility and sustainability even more central themes in our strategy.

ONLINE GROCERY

Online grocery sales grew by 14.2% in 2021, and over 500 K Group grocery stores now offer online services. In upcoming years, we will be investing in **online grocery order collection automation**. Construction on Finland's first in-store automation-assisted collection system for online grocery orders is currently underway.

ACQUISITIONS IN LINE WITH GROWTH STRATEGY

We **announced the acquisitions** of two companies that serve professional builders in Sweden, **Byggarnas Partner** in the summer, and **Kungälv's Trävaruaktiebolag** in December.

SUSTAINABILITY

Kesko was included in the **esteemed Dow Jones Sustainability Index** the DJSI World.

We ranked as **the most sustainable grocery trade company in the world** on the 2021 Global 100 list.



In the autumn, the Science Based Targets initiative (SBTi) approved Kesko's new, more demanding **emissions reduction targets aligned with the 1.5°C goal**.

In December, **Kesko made the Climate 'A' list** in CDP's international climate change questionnaire, and we strive to encourage our whole supply chain to cut emissions.

CHANGES IN MANAGEMENT

In January, **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.

In the spring, **Matti Virtanen**, M.Sc. (Tech.) was appointed as **President of Kesko's car trade division** and a member of Kesko's Group Management Board. We are transforming our car trade division, with the aim of increasing sales and improving profitability.

It was also announced that **Mikko Helander will continue as Kesko's President and CEO** for the time being. According to a previous contract, Helander would have retired in June 2023 when he turns 63.

DIVISIONS IN BRIEF

Grocery trade



K Group is the second biggest grocery trade operator in Finland. Some 1,000 independent K-retailers ensure good customer experiences for the 1.2 million daily customers at K Group’s 1,200 grocery stores. Over 500 of the stores also offer online grocery sales. Our grocery store chains are K-Citymarket, K-Supermarket, K-Market and Neste K. We are the market leader in online grocery in Finland, and in 2021, online grocery sales via K-Ruoka grew by 14.2%. Kespro is the leading foodservice wholesale provider in Finland.

	2021	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

More about the division and key events in 2021

Building and technical trade



The building and technical trade division operates in 7 countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. In the Baltics and Belarus, building and home improvement trade operations are handled by the joint venture Kesko Senukai. The division has some 500 stores, with the chains Onninen, which serves technical wholesale customers, and K-Rauta, Byggnakker, Carlsen Fritzøe, K-Bygg and Byggarnas Partner, which serve professional builders and consumers. The division also includes sports trade with its Intersport and Budget Sport chains.

	2021	2020
Net sales, € million	4,387.7	3,639.5
Operating profit, comparable, € million	318.0	187.7
Operating margin, comparable, %	7.2	5.2
Return on capital employed, comparable, %	19.0	11.2
Capital expenditure, € million	43.1	186.3
Personnel, average	5,977	9,308

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

More about the division and key events in 2021

Car trade



Kesko imports and sells Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen Commercial Vehicles and MAN trucks in Finland, and SEAT and CUPRA in the Baltics. The market share of brands represented by K-Auto in Finland was 17.3% in 2021 (passenger cars and vans). Kesko’s own outlets and independent dealers sell new and used cars and offer servicing and aftersales services at 71 locations across Finland.

	2021	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

More about the division and key events in 2021

REVIEW BY THE PRESIDENT AND CEO

THE BEST RESULT IN KESKO'S HISTORY

Kesko posted an all-time record result in 2021. Our annual result has improved for seven consecutive years, and our quarterly result has beaten its comparison period 11 times in a row. Our sales and profit have been growing for several years now, which is strong proof that our growth strategy is working and being successfully executed.

Our net sales in 2021 grew by 8.2% in comparable terms, totalling €11,300 million. Our comparable operating profit totalled a record €776 million, representing an increase of €208 million. All three divisions – grocery trade, building and technical trade, and car trade – recorded their all-time best results. Profitability in both grocery trade and building and technical trade has risen to the level of the best European operators. Our strong transformation



Our profitability in grocery trade is among the best – if not the best – in Europe. Profitability in building and technical trade has also risen to the level of the best European operators. The strong profitability is based on the successful execution of our growth strategy.

efforts in the car trade division have also resulted in significant profit improvement. Our strong growth is based on the successful execution of our growth strategy, underpinned by a favourable market.

Our strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. Our strategic objective is to strengthen the customer experience we offer to both B2C and B2B customers in our stores and digital channels. Continuous improvement of customer experiences, further development of digital services, and corporate responsibility and sustainability are central themes for us strategically.

Customer-orientation drives everything we do

Our success is based on the strategy established in 2015 and its successful execution. Following a strategy update in 2021, we continue the execution of our successful growth strategy in all three divisions, taking targeted division-specific actions to ensure further growth in sales and profitability.

We want to maintain and strengthen our reliable K brand, and to provide even better service to our customers. In addition to a common strategy, operating as 'one unified K' means seamless cooperation with retailers and across

divisions. Customer-orientation drives everything we do. Customer trust towards K Group is good and we are among the most reputable companies in Finland.

Interest towards Kesko as an investment rose significantly among Finnish private investors in 2021. The number of shareholders grew by some 15% during the year, and we now have over 65,000 shareholders.

A record-year in food trade

Our effective strategy yielded results in the grocery trade division in 2021, where sales grew and customer satisfaction and profitability improved. The division's net sales grew by 3.1%, and its comparable operating profit rose to €443 million. Profitability for the division is among the best in the world, with a comparable operating margin of 7.5%. Net sales and sales continued to grow in both grocery stores and foodservice. Profitability was boosted by the growth in sales combined with more extensive utilisation of technology and efficient logistics. The growth strategy for the grocery trade division is based on store-specific business ideas, data and customer insight driven decision-making and strong digital capabilities, and efficient processes. The division aims to further strengthen its market-leading position in Finnish foodservice wholesale by offering the best selection and service.

It was a record-year in food trade, and net sales and profitability rose to a new level.

At the core of our strategy are store-specific business ideas built on top of our chain concepts and based on customer data. Every K Group store is different, and we use data to constantly improve customer experiences. In stores that visibly implement their store-specific business idea, customer satisfaction and sales have grown fast. We see significant potential to increase sales and profit further by supporting and encouraging K-retailers to implement store-specific business ideas throughout our network of 1,200 grocery stores.

Demand for online grocery was strong. Our retailer business model enabled us to respond to the demand by increasing online capacity further, introducing online sales to new stores, and improving our digital capabilities. At the end of the year, over 500 K Group grocery stores offered online sales services. Online grocery sales totalled some €244 million, up by 14.2%, and accounted for 3.2% of the grocery trade sales. As for customer satisfaction, the NPS for our online grocery services stood at a record 81 in December.

In foodservice, Kespro strengthened its market-leading position in wholesale. Demand for foodservice recovered in 2021, and Kespro's sales grew clearly compared to 2020. We firmly believe that the trend of eating out will continue to grow.

A record result also in building and technical trade

We also achieved a record result in the building and technical trade division, where sales and profitability improved in all business operations. The success is based on the successful execution of country-specific strategies, combined with good demand. Strong growth was driven in particular by B2B trade. Net sales in 2021 grew by 14.7% and totalled €4,388 million. The comparable operating margin for the division rose to a new level of 7.2%. The growth has been underpinned by good construction market development and high product price levels. Digital solutions and multichannel customer experiences play a significant role also in building and technical trade.

Strong continued sales growth in B2B trade was underpinned by high construction activity, and a general rise in prices also had a positive impact on the division's development. B2B trade now accounts for 75% of the division's sales. The share of international operations of the division's net sales grew in comparable terms and totalled 46%.

In Finland, K-Rauta's sales outperformed the market. The chain's market share stood at 44% and its profitability improved significantly. Onninen, which has been part of Kesko for five years, is the market leader in Finland.

In building and technical trade, we continued strategy execution with acquisitions.

Onninen's performance in 2021 was strong in all operating countries, with higher net sales and significantly improved profitability. Some 25% of Onninen's sales in Finland now come from digital channels, and post-purchase NPS is record-high.

Construction markets grew also in Sweden and Norway and demand was strong. In Sweden, we serve B2B customers with the K-Bygg chain, and technical wholesale infrastructure customers with Onninen.

The K-Rauta chain serves both B2B and B2C customers. In Norway, 2021 was a very strong year for both Onninen and Byggmakker: Onninen's net sales grew by 23.3% in comparable terms, while Byggmakker's net sales grew by 10.2% and the chain's profitability strengthened markedly.

Onninen's sales growth was strong and profitability improved significantly also in Poland, Estonia, Latvia and Lithuania.

In addition to organic growth, we continued acquisitions to execute our growth strategy: in the summer we acquired Byggarnas Partner, a company that serves professional builders in the Stockholm region in Sweden, and in December, we announced the acquisition of Kungälv's Trävaruaktiebolag, a company that serves professional builders in Sweden's Gothenburg region.

A year of significant change and profit improvement in car trade

Our transformation process in the car trade division is proceeding well and yielding results. Division net sales in 2021 grew by 15.2% and totalled €1,028 million, while profitability improved and comparable operating margin rose to 5.1%. All operations within the division – new cars, used cars, and services – were in profit. Measures conducted to restructure operations and improve their efficiency, a competitive range, and the growing demand for new and used cars resulted in growth in sales and profitability. Demand grew in particular for new all-electric cars and rechargeable hybrids. Cars represented by Kesko accounted for 33% of first registrations of all-electric cars in Finland. The global component shortage caused issues with new car deliveries. Demand for used cars also grew clearly in 2021.

We updated the car trade division's strategy during the year, focusing even more on transformation and improving customer experience. We aim to improve customer satisfaction and strengthen our profitability and market position in the whole car trade business value chain by utilising synergies as 'one unified K'. The cornerstones of our growth are our close collaboration with the Volkswagen Group and accelerating the sales of used cars and services.

Kesko's climate efforts ranked world-class

We took our first steps in sustainability work in the 1980s, focusing on energy-efficiency and the environment. One sign of our long-term commitment to sustainability is that in January 2022, Kesko was once again included in the Global 100 Most Sustainable Corporations in the World list. Kesko is the only company in the world to have made the list every year since it was first established in 2005.

Over the years, companies have assumed a bigger role in finding solutions to global sustainability challenges. Investors are also increasingly taking account of aspects related to the environment, social responsibility, and corporate governance (ESG) alongside financials when making investment decisions.

Sustainability is a core part of Kesko's strategy. We promote sustainability throughout the 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. In 2021, we made corporate

responsibility and sustainability even more central to our strategy, and tightened our climate targets further. Our objective is to become carbon neutral by 2025, with zero emissions from our own operations by 2030. Primary means to achieve zero emissions include increasing the share of electricity and heat produced with renewable energy and switching to biofuels in transports in Finland.

We encourage our suppliers, the whole supply chain, and our customers to reduce their emissions. As a trading sector company, we have a unique opportunity and a duty to enable sustainable lifestyles for our customers.

Plenty of further growth potential

Our good ability to generate profit and strong financial position enable not only investments but also good dividend capacity. Kesko's Board proposes to the Annual General Meeting a dividend of €1.06 per share.

Overall, the outlook for Kesko's business in 2022 is positive. We will continue the determined execution of our strategy, building "one unified K" and developing our customer-

oriented operating model. I see plenty of further potential to increase our sales by improving customer experiences and making our operations more efficient.

I want to thank all our customers, shareholders, employees, K-retailers and their staff, and our partners for your valuable contributions towards Kesko's and our shared success in 2021.



Mikko Helander
President and CEO



STRATEGY AND OPERATING ENVIRONMENT



KESKO ANNUAL REPORT 2021

STRATEGY AND OBJECTIVES

Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. We continue to execute the growth strategy first established in 2015 in the three divisions, taking targeted division-specific actions based on the strategy update in spring 2021, to ensure further growth in sales and profitability. We have made the continuous improvement of customer experiences, further development of digital services, and corporate responsibility and sustainability even more central themes in our strategy.

As established in 2015 and confirmed in 2021, Kesko's strategy aims for profitable growth through strong focus and transformation. The rapid changes in the trading sector present us with great opportunities.

Grocery trade, building and technical trade, and car trade are all areas in which we have good market positions, the strongest capabilities, and the best potential for long-term development. We use quality and customer experience to differentiate ourselves from the competition in both our stores and digital services.

Digitalisation and customer experience are two complementary central themes in Kesko's strategy. Kesko's key objectives in utilising digitalisation are to enable the best possible customer experience, and to increase the efficiency of our operations and consequently improve cost efficiency. Data is central to everything we do, and we

We continue our strategy execution





Anni Ronkainen
EVP, Chief Digital Officer

“ Digitalisation and customer experience are two complementary central themes in Kesko’s strategy. In many areas, Kesko can be considered a forerunner in trading sector digitalisation, but we see plenty of further untapped potential in digitalisation and data usage.”

aim to extensively create value for our customers with business processes that utilise data, analytics, AI and automation.

K-Plussa is the most extensive and versatile customer loyalty programme in Finland. The number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.4 million at the end of 2021, with 3.3 million active customers.

Operating as ‘One unified K’ is an important part of our strategy. K Group – which comprises Kesko and independent retailer entrepreneurs in Finland – operates in eight countries. The K-retailer entrepreneurs lend Kesko a significant competitive advantage, and we employ the retailer business model whenever it does so. We want to maintain and strengthen our reliable K brand, and to provide even better service to our customers. In addition to a common strategy, ‘One unified K’ means seamless cooperation with retailers and across Kesko’s divisions to achieve synergies.

In the **grocery trade division**, Kesko strives to maintain its position as the most customer-oriented and profitable grocery retailer in Finland and the market leader in online grocery. The growth strategy for the division is based on store-specific business ideas, extensive utilisation of data and strong digital capabilities, combined with efficient processes. Online grocery sales support sales in our physical stores, as the most active online customers tend to be loyal customers also for our physical stores. Our strategic investments in remodelling the stores of all our grocery chains and store-specific business ideas tailored to each location and customer base strengthen K Group’s sales and customer satisfaction. Independent K-retailers are responsible for the business ideas and ensure customer focus in the most extensive store network in Finland. Megatrends such as urbanisation, population ageing, and increasingly individual customer behaviour support strengthening neighbourhood services: with some 770 K-Market stores, K Group is the market leader in neighbourhood stores.

We also aim to further strengthen Kespro’s market-leading position in foodservice wholesale, underpinned by the popularity of eating out, which we expect to continue to grow.

In the **building and technical trade division**, Kesko will continue to strengthen its leading position in Northern Europe. The division serves professional builders and technical wholesale customers as well as consumers,



Karoliina Partanen
EVP, Communications, Branding and Stakeholder Relations

“ Acting as ‘One unified K’ is an important part of our strategy. We aim for a strong and reliable K brand and even better customer experiences. In addition to a common strategy, ‘One unified K’ means seamless cooperation with retailers and across business divisions.”

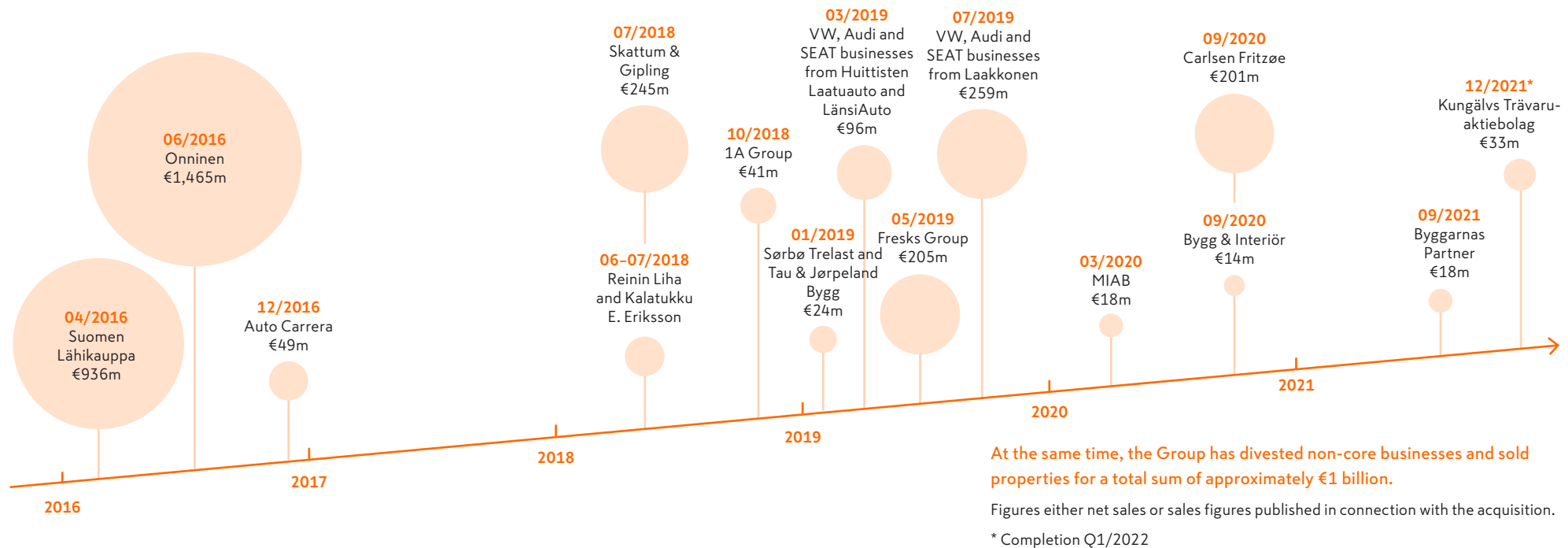
striving to offer them a seamless customer experience in physical stores and digital channels.

Each operating country has its own customer-oriented strategy. We seek synergies both within and between the operating countries, and growth both organically and through selected acquisitions as stated in the growth strategy.

B2B trade now accounts for 75% of the division's sales. Building and renovation are becoming more technical and increasingly outsourced to professionals. The need for renovation building is also growing in Northern Europe. Our recent acquisitions have further strengthened our position in the growing B2B segment. The green transition, changes in population structure, and urbanisation also support growth.

New digital services and online sales are a significant part of the customer journey and more efficient operations. For B2B customers, good digital services mean above all else an efficient order channel: 30% of Onninen's sales take place via digital channels. Meanwhile, consumers use online services to obtain information on products and services and to compare products and prices.

Acquisitions as part of Kesko's growth strategy





Riikka Joukio
EVP, Sustainability and
Public Affairs

“Climate change is the biggest long-term challenge for all people. We have a duty to reduce emissions from our own operations, and to promote emissions reductions throughout our value chain. We encourage our suppliers, the whole supply chain, and our customers to reduce their emissions.”

In the **car trade division**, Kesko aims to offer the best customer experience on the market and to strengthen its market position. The division’s growth strategy is based on a strong partnership with the world’s leading car manufacturer the Volkswagen Group, more extensive

utilisation of digitalisation, improved operational efficiency, and growing the sales of used cars and services. We aim to improve customer satisfaction and strengthen profitability and market position in all business operations.

The need to reduce traffic emissions and update the Finnish vehicle stock is expected to increase demand in car trade. The sales of electric cars and rechargeable hybrids in particular will continue to grow in upcoming years – we support the trend by offering a wide range and growing our EV charging network.

Sustainability is a central part of Kesko’s strategy.

We promote sustainability in the whole value chain from production to customer choices. We create value extensively for the whole society. The focus areas of our sustainability work include mitigating climate change, sustainable purchasing, and responsibility for people. We are committed to the Paris Climate Agreement objectives of mitigating climate change. We aim to reach carbon neutrality by 2025 and to cut emissions from our own operations and transports to zero by 2030.

In autumn 2021, we began extensive work to update our sustainability strategy. The updated strategy will be published in spring 2022, and will be based on the materiality assessment conducted at the end of 2020, in which we extensively mapped out stakeholder expectations via a survey and in-depth interviews.



FINANCIAL TARGETS

We achieved our financial targets in 2021. We constantly seek better returns on capital employed and equity through growth, increased profitability, synergies, and working capital efficiency. In addition to growth, we continue to improve cost-efficiency in all our operations to ensure competitiveness.

Our growth strategy, first established in 2015, has proven effective, and its successful execution has seen our net sales grow and profitability improve significantly. This has also translated into considerable growth in Kesko's shareholder value. We will continue growth strategy execution in all three business divisions, focusing on constant improvement of customer experiences, further development of digital services, and responsibility and sustainability. In future acquisitions, we will aim for economies of scale and improved competitiveness, especially in building and technical trade.

Financial indicators

In spring 2021, Kesko's Board of Directors approved new medium-term financial targets for the Group. The Group now targets 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%) for profitability. In terms of financial position, as before, the Group targets a maximum interest-bearing net debt/EBITDA ratio of 2.5, excluding the impact of IFRS 16.

Indicator	Targets as of 27 May 2021	Level achieved in 2021	Level achieved in 2020
Comparable operating margin, %	Over 6.0	6.9	5.3
Comparable return on capital employed, %	Over 14.5	17.2	12.0
Interest-bearing net liabilities / EBITDA, excluding IFRS16 impact	at maximum 2.5	0.0	0.4

OUTLOOK

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.

[→ Read more about Kesko's outlook](#)



MEGATRENDS IMPACTING OUR OPERATING ENVIRONMENT

The trading sector is impacted by various global megatrends as well as customer and consumer trends. By identifying the trends that affect K Group’s operations, we strive to anticipate future challenges and opportunities.

MEGATRENDS

<p>Transformation related to the utilisation of digital solutions, data, and new technologies</p> <ul style="list-style-type: none"> • Growth in local and international eCommerce • Automation, robotics and improving operational efficiency • Data, analytics and AI 	<p>Growing importance of sustainability and climate change</p> <ul style="list-style-type: none"> • Carbon neutrality, emissions reductions, renewable energy • Ensuring biodiversity • Increased sustainability regulation 	<p>Globalisation: the importance of supply chain transparency and risk management</p> <ul style="list-style-type: none"> • The globalisation trend continues, supply chain transparency important • Demand also growing for local products 	<p>Continued population change: urbanisation and population ageing</p> <ul style="list-style-type: none"> • People continue to move to more urban areas • Urbanisation impacts traffic and mobility • Regional divides, structural changes
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CUSTOMER AND CONSUMER TRENDS

<p>Growth of eCommerce continues</p> <ul style="list-style-type: none"> • Seamless multichannel customer experience a requirement • Services that utilise customer data and AI, targeted marketing • Peer experiences clearly important 	<p>Growing customer knowledge and power</p> <ul style="list-style-type: none"> • Customers seek information themselves to base their choices on • Customers want to impact selections • Sustainable lifestyles: carbon footprint of food, living and mobility, impact on biodiversity 	<p>Growing consumer trends</p> <ul style="list-style-type: none"> • Growing demand for responsible and sustainable products • Growing importance of health and wellbeing • Blurring line between home and office: impact on eating, traffic, equipment, clothing choices etc 	<p>Individual customer behaviour</p> <ul style="list-style-type: none"> • Rapid changes in purchasing habits, individualisation • Customers value convenience, quality and safety • Customers want to optimise their consumption choices
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FOCUS ON ENSURING SAFETY AND FAST RESPONSES DURING THE PANDEMIC

The Covid-19 pandemic has impacted our divisions in various ways. As long as the pandemic continues, predictions for the future remain challenging. It is central for us to be able to respond quickly and ensure the safety of our customers and personnel and secure supply chains.



Matti Mettälä
EVP, Human Resources

“Skilled and committed people are our most valuable resource. Ensuring the health and safety of our customers and personnel has again been a key priority for us in 2021.”

Actions taken in the early stages of the pandemic in 2020

- Ensuring the safety of customers and personnel
- Ensuring functioning purchasing and supply chains under all circumstances
- Quickly expanding our online sales services
- Postponing development projects, focus on dealing with the situation
- Securing cash flow:
 - Efficient management of credit risk and amounts due from customers
 - Cuts to cash flow from investing activities
 - Savings in personnel expenses
 - Cuts to other fixed costs
- Ensuring the availability and sufficiency of financing




Adapting to the situation in 2021




- Demand has recovered after the initial crisis, but the pace of recovery has varied between operations
 - In grocery trade and building and technical trade, recovery has been fast and has been followed by growth
 - Recovery in the foodservice wholesale business has been markedly slower, and recovery in the speciality goods trade also took some time
 - The pandemic and component shortages have slowed deliveries in car trade
- As economic growth has accelerated, demand has continued to strengthen, but there have been issues with global supply chains

Shifting our focus

- Seeking growth while responding to demand, ensuring product availability
- Managing inflation and price volatility
- Investing in growth and e.g. digital services
- Investing in personnel resources and competencies
- Constant efficiency improvement

OPPORTUNITIES AND RISKS IN OUR OPERATING ENVIRONMENT

	OPPORTUNITIES	RISKS
 <p>Economic operating environment</p> <p>In the short term, economic outlook made more uncertain by rising tensions in Europe, prolonged inflation, and continuing Covid-19 pandemic. Disruptions in global supply chains create uncertainty regarding product availability.</p> <p>Growing sales and improving profitability in Finnish grocery trade, growing building and technical trade in Northern Europe, and strengthening our market-leading position and customer experience in Finnish car trade are central to our growth strategy. We invest in customer experience, digitalisation, and sustainability.</p>	<ul style="list-style-type: none"> • Customer-orientation, quality and competitive prices lend us a competitive advantage. • Our strong financial position provides excellent opportunities for growth and operational development. • Retailer entrepreneurs in Finland enable agile operations. • Increasing operational efficiency through digitalisation. • Responding to the needs of different customer groups utilising analytics and customer data. • Strengthening our digital services by bringing together the services of physical and online stores. 	<ul style="list-style-type: none"> • The impact of prolonged inflation and rising interest rates on costs and consumer behaviour. • Challenges in obtaining and retaining skilled labour. • Geopolitical risks related to the security situation in Europe and military and economic rivalry between superpowers. • Disruptions in global supply chains causing issues with product availability. • Cyclical fluctuations and tightened competition may weaken business profitability. • Unforeseen changes in the business environment caused by a prolonged pandemic. • Miscalculations with acquisitions and failure to integrate acquired operations could result in financial losses.
 <p>Digital services and data-driven management</p> <p>As stated in our strategy, we aim to offer customers the best digital services in the trading sector.</p>	<ul style="list-style-type: none"> • Using customer data and research to develop a more personal customer experience and store-specific business ideas. • Offering a seamless customer experience in all channels by utilising artificial intelligence, data analytics and service design. • Enabling excellent customer service by combining online sales and digital services with our comprehensive store network. 	<ul style="list-style-type: none"> • Challenges related to the profitability of online trade include the efficiency of logistics operating models and the adaptability of existing store sites to the logistics of online trade. • Cyber threats directed at digital services and information systems increase risks related to business continuity and managing customer data. • Constant evolution of online trade and digital services presents special challenges to the rapid development of new services and their integration into existing operating models and systems.
 <p>Competition</p> <p>The importance of volume and scalability emphasised further. New online operators entering the market. Growing eCommerce, digital services, and multichannel operations. A divide forming in the trading sector: some sector branches successful, some in trouble.</p>	<ul style="list-style-type: none"> • Consolidation expected to continue in Northern Europe. • Limited number of industrial operators like Kesko, which seek growth and are financially strong. • The chance to utilise our existing network of physical stores more effectively in growing online sales and digital services. 	<ul style="list-style-type: none"> • Competition over good companies that could be acquired is tight and the strong performance of recent years has made valuation levels high. • Innovative platform economy business models challenge others to develop new services fast. • The need to make existing systems more efficient and to adopt new technologies quickly to ensure operational efficiency.

	OPPORTUNITIES	RISKS
 <p>Climate change</p> <p>We have 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. Climate change impacts are twofold:</p> <ul style="list-style-type: none"> • 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. 	<p>In addition to emissions from own operations, the biggest climate impact in the trading sector comes from emissions from the value chain of products. We extend emissions reduction targets to our whole value chain.</p> <ul style="list-style-type: none"> • We are increasing the purchase of renewable energy as well as our own energy production, and improving energy efficiency. <p>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.</p> <ul style="list-style-type: none"> • Products with a small carbon footprint. • Promoting circular economy and develop related solutions together with our partners. 	<p>Transitional risks</p> <ul style="list-style-type: none"> • Increasing regulation necessitates changes in business operations and leads to additional costs. • In the long term, changes in consumer behaviour necessitate changes in business models. <p>Physical risks</p> <ul style="list-style-type: none"> • Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network. <p>Climate impacts</p> <ul style="list-style-type: none"> • The lifecycle impact of products and services sold on climate change. • Emissions from energy solutions and energy consumption.
 <p>Biodiversity</p> <p>Our objective is to prevent the loss of biodiversity in our own operations and value chain.</p> <p>Kesko uses the ecosystem services of a biodiverse nature:</p> <ul style="list-style-type: none"> • Commodities produced and provided by ecosystems, such as raw materials, water and energy. • Benefits from natural processes such as nutrient and water cycle, photosynthesis and pollination. • Intangible nature values 	<p>Enabling sustainable and healthy lifestyles for our customers.</p> <p>Promoting the sustainable use of natural resources in our own operations.</p> <ul style="list-style-type: none"> • Mitigating climate change: aiming for carbon neutrality in K Group • Promoting circular economy and minimising food waste • Nature restoration: K Fishpaths <p>Creating selections where products and product packaging put minimal burden on biodiversity during their lifecycle.</p> <ul style="list-style-type: none"> • Sustainable products • Sustainability policies 	<p>Risks to biodiversity affecting K Group’s operations and value chain:</p> <ul style="list-style-type: none"> • Loss of species • Pollinator decline: 70% of cultivated plants dependent on pollinators • Deforestation • Water shortage: drying soil and erosion • Pollution and eutrophication • Increase in pests and diseases, such as zoonosis
 <p>Sustainable purchasing and human rights</p> <ul style="list-style-type: none"> • In accordance with our human rights commitment, we respect all internationally recognised human rights. • Supply chain transparency • We provide our customers with more information on the origins, production conditions, and environmental impacts of products. 	<ul style="list-style-type: none"> • By cooperating with product and service providers who share our operating principles, we improve transparency and promote responsibility throughout the supply chain. • Our efforts to improve supply chain responsibility and product safety increase stakeholder trust in us. • We use sustainability policies to guide the sourcing of products containing raw materials identified as critical from a social or environmental responsibility perspective. 	<ul style="list-style-type: none"> • Irregularities in the management of social or environmental responsibility in the purchasing chain could result in human rights violations, environmental damage, financial losses, and loss of stakeholder trust and negatively affect our corporate responsibility work and its credibility. • A failure in product safety control or in the quality assurance of the supply chain could result in financial losses, the loss of customer trust, or, in the worst case, a health hazard to customers.



BUSINESS

KESKO ANNUAL REPORT 2021



KESKO'S BUSINESS MODEL

Kesko's business model comprises Kesko's own retailing and B2B trade, and the chain business model.

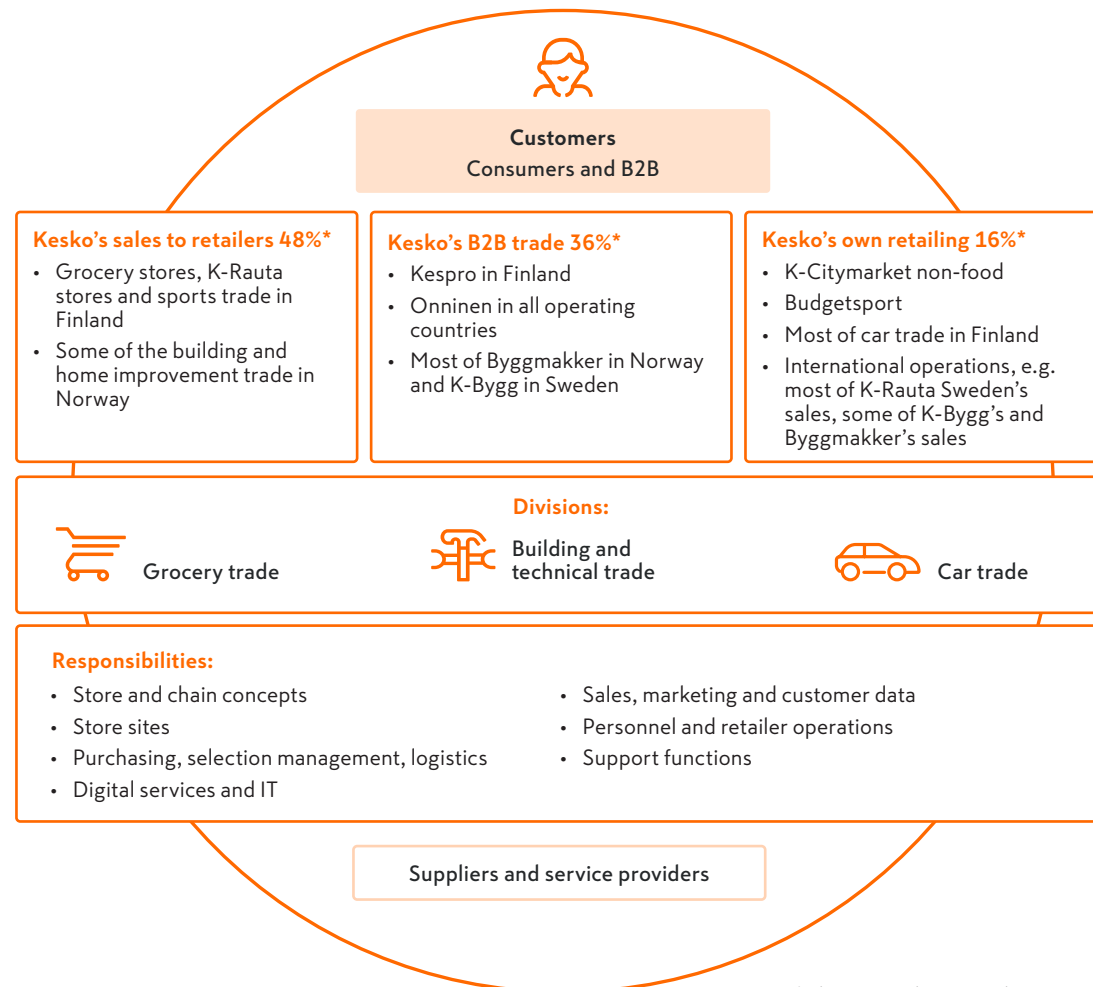
In Finland, the biggest business model in terms of percentage is the chain business model, in which independent K-retailers run retail stores in Kesko's chains, namely the grocery store chains, and the K-Rauta and Intersport chains. Some 48% of Kesko's net sales come from sales to retailers.

Kesko's own retailing and B2B trade account for some 52% of net sales. In Finland, our own retailing and B2B trade comprise e.g. the car trade, Kespro, Onninen, non-food sales at K-Citymarket hypermarkets and Budgetsport. B2B trade in particular is a growing part of Kesko's business operations. Outside Finland, Kesko mainly engages in own retailing and B2B trade.

Net sales from international operations totalled some €2.0 billion, or 18%, of our net sales in 2021. Kesko operates in seven countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. In addition, K Group operates in Belarus via a joint venture.

The constant improvement of customer experiences and further development of digital services are at the heart of our growth strategy. We use quality and customer experience to differentiate ourselves from the competition in both our stores and digital services.

Kesko's business model



* Share of Kesko's net sales in 2021

K-RETAILER OPERATIONS IN FINLAND

In Finland, Kesko's principal business model is the chain business model, in which some 1,100 independent entrepreneurs – referred to as K-retailers – operate retail stores in Kesko's chains, which include the grocery store chains, the K-Rauta chain, and the Intersport chain. Outside Finland, Kesko mainly engages in own retailing and B2B trade. In Norway, there are 14 Byggmakker retailers operating under the local retailer business model.

Kesko is responsible for the continuous development of the operating model and store concepts, for steering chain operations, for purchasing products included in chain selections, and for the store site network.

K-retailers are responsible for their store-specific business ideas, customer satisfaction, store personnel and business performance. We employ a multi-store model, in which one retailer can have multiple stores. This creates synergies in e.g. management, personnel resourcing, and product selections.

The K-Retailers' Association and individual K-retailers are significant shareholders in Kesko.

More information on the store site and chain fees paid by retailer entrepreneurs in Notes 2.1 and 2.4 to the financial statements

More on K-Retailers' Association

Kesko and K-retailers: roles



GOOD PERFORMANCE CONTINUED IN GROCERY TRADE

Good progress continued in Kesko's grocery trade division also in 2021, and food trade demand was strong throughout the year. In the foodservice business, demand took an upturn, supported by market recovery as Covid-19 vaccination rates rose. Our strength in grocery trade lies in our extensive network of brick-and-mortar stores combined with efficient online grocery sales and our effective retailer business model. Our strategic objective is to use store-specific business ideas to constantly improve customer experiences.



Ari Akseli
President, grocery
trade division

“ Our effective strategy yielded results in the grocery trade division also in 2021. Demand in the grocery store business remained good, and demand in the foodservice business recovered. We managed to improve both customer satisfaction and profitability, and strengthened our online grocery operations further.”

A well-functioning strategy

Kesko strives to maintain its position in grocery trade as the most customer-oriented and profitable grocery retailer in Finland, and the market leader in online grocery. The division's growth strategy is based on store-specific business ideas, data and customer insight-driven decision-making, strong digital capabilities, and efficient processes. In the foodservice business, we aim to further strengthen our market-leading position in Finland by offering the best selection and service. Year 2021 once again proved that our strategic choices are effective and result in growth. Net sales and sales continued to strengthen further in both grocery stores and the foodservice business.

K Group is the second biggest grocery trade operator in Finland, with a market share of 36.7%* (2020: 36.8%). During 2021, we opened four K-Supermarket and 10 K-Market stores, one and four respectively of which were replacements of existing stores. We invested €101 million in our store network, with focus on modernising existing store sites. We also decided to invest in Finland's first automation-assisted in-store collection system for online grocery orders.

Customer experience firmly at the core of our strategy

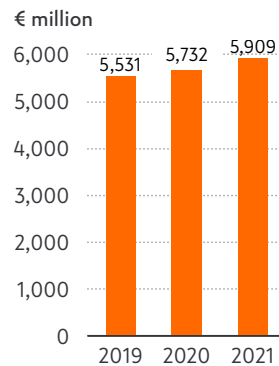
We are introducing new products and services to our grocery stores based on customer data and local preferences. Our focus is on sustainable, high-quality selections that set us apart, easy shopping and individuality,

* Kesko's own estimate based on the Nielsen comparison group

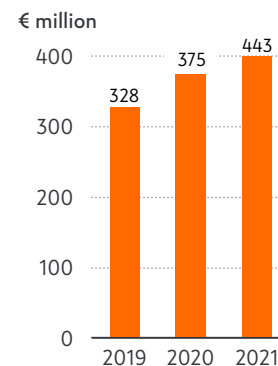
as well as prices. Products sold exclusively in our stores offer differentiation, support store-specific business ideas, and raise average purchases. Our new products and product ranges based on popular Finnish restaurant brands have been very popular. The blurring of the line between grocery stores and restaurants is also reflected in the growing popularity of restaurant-quality ready meals.

Customer experience is also enhanced by inspiring digital services that make everyday life easier. The good sales figures and customer satisfaction of all our grocery store chains and online services are proof that our strategic choices have been correct. The NPS figure for customer satisfaction for K Group grocery stores was 66, while the NPS for online grocery was 81. In total, sales for grocery trade grew by 2.4% in 2021.

Net sales



Operating profit



Comparable figures



PIRKKA IS THE BEST-KNOWN PRIVATE LABEL IN FINNISH GROCERY

Sales of our own brand products accounted for some 20% of retail sales in grocery trade. These products play a significant role in differentiating our grocery stores from the competition, improving profitability, and enabling wide selections for customers. They also allow many smaller producers to get their products on store shelves across the country. Pirkka products offer a good price/quality ratio, and have been successful in various product tests and competitions. The popularity of the Pirkka Parhaat premium range increased in particular in 2021. At the end of 2021, there were 2,967 Pirkka products, of which 332 were Pirkka Parhaat premium products and 215 Pirkka Luomu organic products.

SUSTAINABILITY

- Our award-winning heat recycling system has been installed in 26 grocery stores.
- By the end of 2021, fish counters at 68 of our stores had been granted the MSC and ASC traceability certificates for sustainable fishing and aquaculture.
- A new nutrition feature in our K-Ostokset service allows customers to monitor their consumption of sugar, salt, red meat, fish, and vegetables. The service also allows users to track the share of Finnish products and the climate impact of their food shopping.

K-Ruoka is the biggest food media in Finland, and its mobile version one of the most popular apps. In 2021, there were on average 2.9 million weekly visits to K-Ruoka.fi and the K-Ruoka mobile app.

Demand for online grocery continued to grow

Online grocery grew in 2021, though the figures were not as high as the three-digit ones seen during pandemic peaks in 2020. Our retailer business model enabled us to continue to respond to demand by increasing online capacity further, introducing online sales to new stores, and improving our digital capabilities. At the end of the year, over 500 K Group grocery stores offered online services (2020: approx. 470). Online grocery sales in 2021 totalled €244 million (incl. VAT), up by 14.2%. Online accounted for 3.2% of the division's sales. Home delivery continues to be the most popular type of purchase, accounting for over 60% of orders. Fast grocery deliveries are a growing trend worldwide, and in Finland as well. We successfully piloted fast deliveries with Wolt in major cities. The success of click & collect has also grown. In 2021, we launched a new customer-friendly pick-up concept that seamlessly combines virtual and physical customer experience.

In the grocery trade division, Kesko strives to maintain its position as the most customer-oriented and profitable grocery retailer in Finland and the market leader in online grocery.

BUSINESS ENVIRONMENT	STRATEGIC OBJECTIVE
<ul style="list-style-type: none"> • Impacts of the pandemic on consumer behaviour 	Making store-specific business ideas visible to customers
<ul style="list-style-type: none"> • Digitalisation as a standard, seamless digital and physical customer experience 	The best multichannel customer experience
<ul style="list-style-type: none"> • Climate change and environmental awareness emphasised 	Leading selection image and differentiation
<ul style="list-style-type: none"> • Responsibility and sustainability required from operations and concepts 	Strengthening price competitiveness
<ul style="list-style-type: none"> • Increased importance of hybrid consumption and individuality 	Customer-oriented decision-making using data
<ul style="list-style-type: none"> • Significant changes in population structure 	Helping customers make sustainable choices
	The best selection and service in foodservice
	The most attractive partner and business platform

K-retailers lend us a competitive advantage

Our grocery store business is heavily based on the work of retailer entrepreneurs. The K-retailers running the stores are at the forefront of change in Finnish grocery trade. There are some 1,000 K-retailers in grocery trade, with 48 new retailers launching their careers in 2021. The K-retailers handle selections, customer service, store staff and their competencies, product quality, and business performance in their stores, based on their individual store-specific business ideas. Data-driven management is a central part of store operations, and we utilise customer data in supporting the retailers in defining their store-specific business ideas. Over half of our grocery stores have now fully implemented their store-specific business ideas, and the innovative ways in which some K-retailers have implemented them have received international recognition. We see plenty of further potential to improve sales and profit with the development and implementation of store-specific business ideas across our network of 1,200 grocery stores.

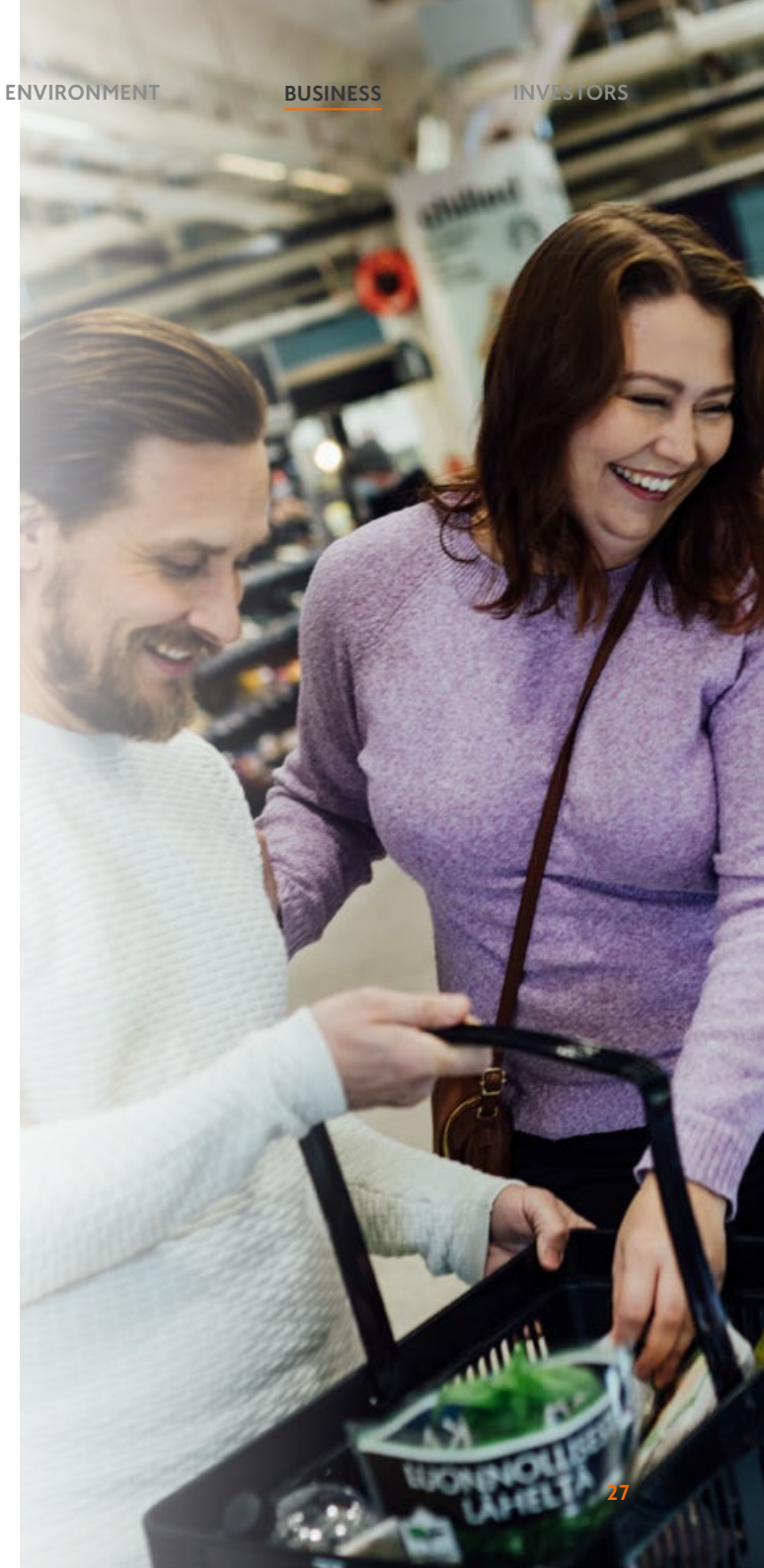
Kespro's market share continued to strengthen

Kespro is the leading foodservice wholesaler in Finland, and acts as a partner for its customer businesses and municipalities and other public operators. Kespro offers a diverse range of tailored purchase solutions and delivery and collection services based on extensive customer data.

Over 80% of Kespro's sales come from digital channels. The Kespronet online service is tailored to each customer, displaying customer-specific selections, prices, delivery times and options.

Kespro has 14 cash-and-carry outlets across Finland and an online wholesale store. Kespro's Foodsteri in Helsinki is the most modern product development kitchen in Finland. Kespro also includes the speciality fish and meat wholesalers Kalatukku E. Eriksson and Reinin Liha.

The Covid-19 pandemic and measures to limit the virus from spreading continued to impact the market for eating out in 2021, but overall demand recovered. Kespro's sales grew clearly compared to 2020, and its profitability improved and market share grew. During the pandemic, restaurants have sold food in grocery stores, which has supported Kespro's customers. We firmly believe that the trend of eating out will continue to grow.



Grocery trade in figures

Key figures	2021	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

Properties	2021	2020
Owned properties, capital, € million	817	792
Owned properties, area, 1,000 m ²	550	527
Leased properties, area, 1,000 m ²	1,480	1,478

K Group's grocery trade	Number of stores		Retail and B2B sales, 0% VAT, € million	
	2021	2020	2021	Change, %
K-Citymarket, food	81	81	2,007.4	3.8
K-Citymarket, non-food	81	81	621.1	5.7
K-Supermarket	244	241	2,265.2	1.3
K-Market	768	769	2,033.8	1.6
Neste K	73	72	114.7	0.1
Others	71	73	45.9	-0.8
Total	1,237	1,236	7,088.0	2.4
Kespro	-	-	866.7	9.9
Grocery trade, total	1,237	1,236	7,954.6	3.2

In addition, over 500 K-food stores offer online grocery sales services. Kespro has 14 cash & carry outlets and an online outlet.

Market

In 2021, the Finnish grocery retail market totalled some €21 billion (incl. VAT), representing an increase of approximately 2.9% (Kesko's own estimate). Total market growth has been impacted by the pandemic, with more people working from home and restrictions imposed on restaurants, events and travel. Retail market growth was also impacted by continued good consumer purchasing power and a rise in prices, nearly one-third of which was due to rise in alcohol and tobacco taxes. Price competition in the Finnish grocery trade market continued to be tight. However, customers also increasingly appreciate local food, sustainability, healthy options, and quality. Online grocery sales continued to grow.

MARKET SHARES

Grocery trade

Kesko's market share in Finland is 36.7% (Kesko's own estimate based on Nielsen's comparison group which includes discount stores and service stations as well as grocery stores). Market share is estimated to have decreased slightly in 2021.

Competitors: Prisma, S-market, Alepa/Sale and Food Market Herkku (S Group), ABC, Lidl, Tokmanni, Minimani, Halpa-Halli, R-kioski and M-chain stores.

K-Citymarket's home and speciality goods

Market share cannot be reliably calculated.

Competitors: hypermarkets, department stores, discounters, specialist chains, and online stores.

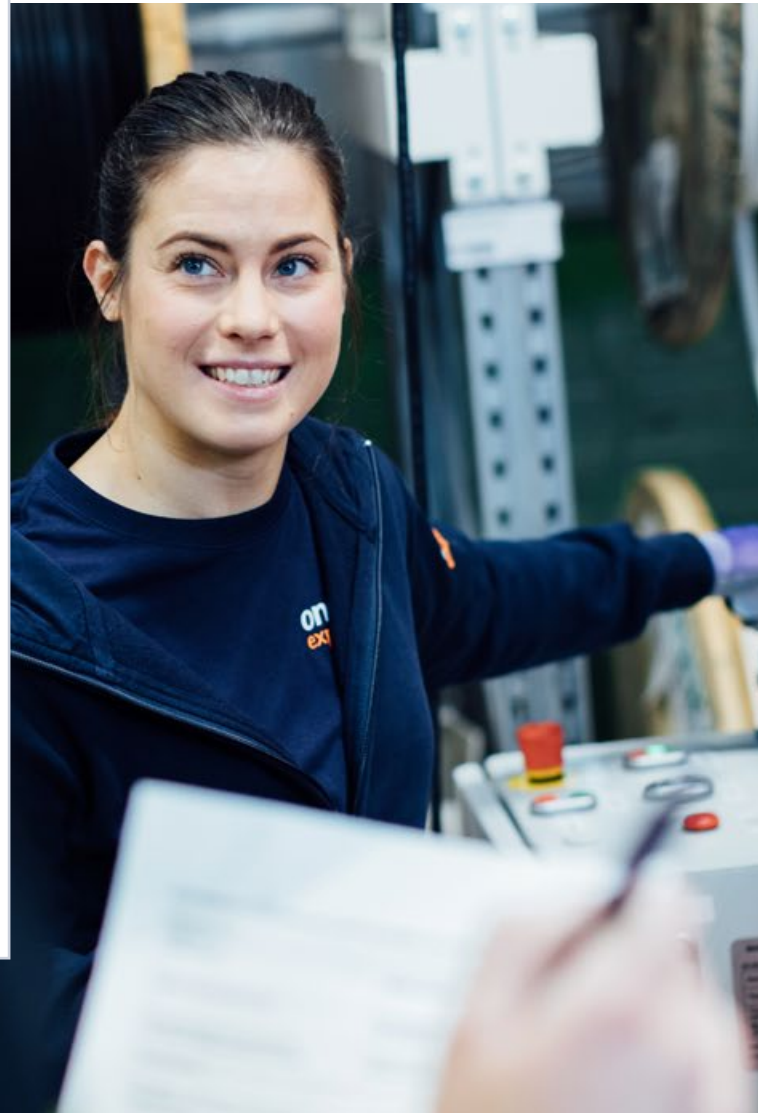
Foodservice Kespro

Restrictions imposed on restaurants, events and travel due to the pandemic and recommendations to work from home impacted the foodservice business negatively. Kespro's market share is estimated to have grown and to stand at 44.0% (in the Finnish Grocery Trade Association's Foodservice wholesale comparison group).

Competitors: Meira Nova, Metro-tukku, Heimon Tukku, Suomen Palvelutukkurit.

STRONG GROWTH CONTINUED IN BUILDING AND TECHNICAL TRADE

The execution of country-specific strategies led to a record-result in the building and technical trade division in 2021. All operating countries and businesses were in profit and continued to improve their profitability. The strong development was underpinned by the market. We continued the determined execution of our growth strategy both organically and via acquisitions. Our strategic objective is to become an even stronger operator in Northern Europe.



Jorma Rauhala

President, building and technical trade division,
Deputy CEO

“ Strong growth continued in all of the division’s operating countries, driven especially by B2B trade. The successful execution of country-specific strategies and strong demand led to a record result. Strong performance continued for Onninen and K-Rauta in Finland. Sales and profitability developed well also in Norway and Sweden both in building and home improvement trade and technical trade. Profitability was also underpinned by the changes made in recent years, and the acquisitions completed and their successful integration.”

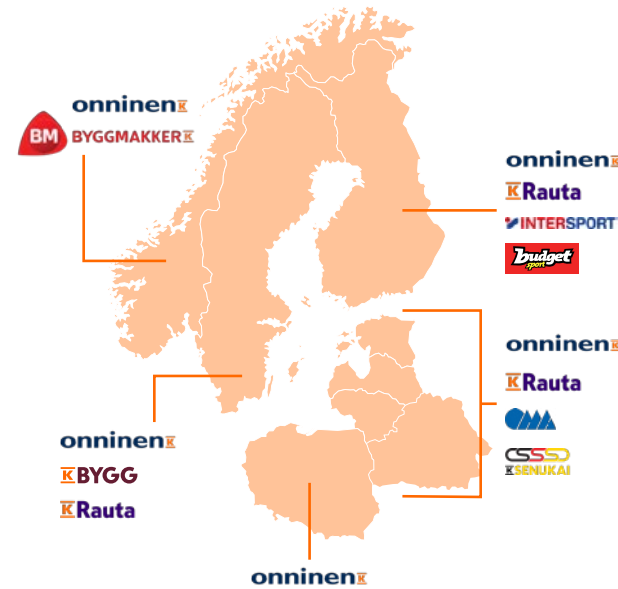
Acquisitions to support growth strategy

In the building and technical trade division, Kesko continues to strengthen its leading position in Northern Europe by executing country-specific strategies. In 2021, the division's net sales grew by 14.7% in comparable terms, totalling €4,387.7 million, and its comparable operating margin rose to a new level of 7.2%. The good performance was underpinned by the market.

During the year, we continued acquisitions in line with our strategy in Sweden, by acquiring Byggarnas Partner and announcing the acquisition of Kungälv's Trävaruaktiebolag. The acquisitions of these companies, which both serve B2B customers, strengthen our position in the Stockholm and Gothenburg regions. We also continued the integration of acquisitions made in recent years in Sweden and Norway, which have strengthened our market shares and operating profits. We still see further potential for growth in both countries.

Growth continued particularly strong in B2B trade in all operating countries, while B2C trade stayed at a good level. The strong continued sales growth in B2B trade was underpinned by high construction activity, and a general rise in prices also had a positive impact on the division. B2B trade now accounts for 75% of the division's sales. The impact of the pandemic could be seen in B2C trade, as consumer demand for our products stayed good in all operating countries thanks to people working from and spending more time and money at home.

Building and technical trade



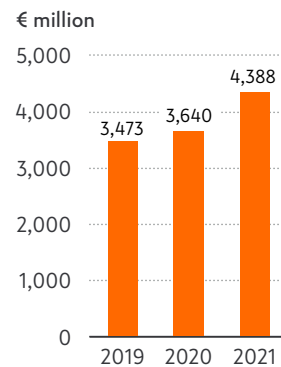
SUSTAINABILITY

Our sustainability work focuses, among other things, on mitigating climate chain by developing logistics. In addition to reducing our own emissions, we have challenged suppliers to reduce their emissions through the CDP Supply Chain programme.

Transparency in sourcing and local products are key focus areas in our sustainability work. The K-Rauta chain in Finland sells Finnish PEFC-certified timber made from sustainably managed forests: the origins of the timber are presented in detail on Kesko's 'Tracing our products' website.

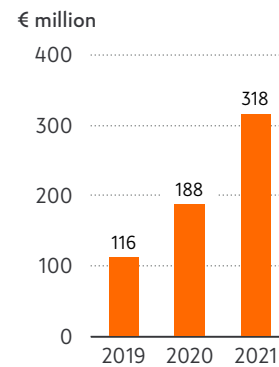
Local sustainability efforts include employing people with partial work capacity, and the five-year K Fishpaths collaboration between K Group and WWF Finland. Local K-Rauta retailers and staff and Onninen all took part in the K Fishpaths collaboration, with Onninen joining forces with suppliers that manufacture culverts to donate new fish-friendly culverts for the restoration sites.

Net sales



Illustrative figures for 2019 and 2020 excluding Kesko Senukai.

Operating profit



Comparable figures. Illustrative figures for 2019 and 2020 excluding Kesko Senukai.

It is central for our strategy execution to address the differing needs of our three customer segments – consumers, professional builders, and technical wholesale customers – in all channels. We strive to offer both B2B and B2C customers a seamless customer experience in both physical stores and digital channels. We actively seek synergies within and between our operating countries, for example, in concept, digital service, and own brand development.

A strong year for K-Rauta and Onninen in Finland

K-Rauta’s sales in Finland grew strongly, with a market share of 44% and significantly improved profitability. The chain aims to be best locally, and we have used store-specific business ideas to update the stores. Customer experience has been improved through changes in selections, improved online sales, and extended opening hours. Data-driven management enables us to adjust each store’s selections and services to meet local customer needs. K-Rauta’s sales come equally from consumers and B2B customers. Online sales for K-Rauta in Finland grew by 42% in 2021. On the B2B side, we introduced a new K-Rauta Pro online service.

Onninen, which has been part of Kesko for five years, is the market leader in its field in Finland with a 44% market share. Onninen’s performance in 2021 was strong, with higher net sales and significantly improved profitability. Technical wholesale is by nature a high-volume business, in which efficient logistics, an extensive store network, and efficient electronic order channels and skilled sales staff play a key role. In 2021, we continued to develop the Onninen Express store network, and improved customer experience

by launching new digital services. Some 25% of Onninen’s sales in Finland now come from digital channels, with a record-high NPS.

Our market share in Finnish leisure trade grew markedly, totalling 25% in 2021. The increased interest in outdoor sports resulted in strong sales for both Intersport and

Budget Sport, with significantly improved profitability. The good progress is attributable to our stronger focus on specific sports, improving the multichannel customer experience, and closer collaboration with strategic suppliers to ensure product availability. The operations of the Kookenkä and The Athlete’s Foot shoe store chains were discontinued in 2021.

Our strategic objective is to gain an even stronger position in building and technical trade in Northern Europe

BUSINESS ENVIRONMENT	STRATEGIC OBJECTIVE
<ul style="list-style-type: none"> • Market consolidation 	Country focus with country-specific strategic actions, serving three customer segments according to their specific needs
<ul style="list-style-type: none"> • Outsourcing construction to professionals 	Proactive sales work and sales management
<ul style="list-style-type: none"> • Growing need for renovation and infrastructure investment debt 	Improving the digital customer experience
<ul style="list-style-type: none"> • Emission reduction targets and energy-efficiency requirements boosting market growth 	Seeking synergies
<ul style="list-style-type: none"> • Technology and digital becoming increasingly important for the customer journey 	Organic growth and profitability improvement, targeted acquisitions
	Measures to meet our ambitious sustainability goals

Strong performance continued in Sweden and Norway

In Sweden, Kesko serves B2B customers with the K-Bygg chain, and infrastructure technical wholesale customers with Onninen. The K-Rauta chain serves both B2B and B2C customers. Demand in B2B grew clearly and demand in B2C remained good. K-Bygg's net sales grew by 17.0% in comparable terms, and sales for K-Rauta also grew. The good position we have achieved in Sweden provides us with a strong basis for continued growth.

We continued strategic acquisitions in Sweden by acquiring Byggarnas Partner, a company that serves professional builders, in the summer. The company's five stores in the Stockholm region were made part of the K-Bygg chain. In December, we announced the acquisition of Kungälv's Trävaruaktiebolag, a company that serves professional builders in four stores in the Gothenburg region, also to be made part of the K-Bygg chain.

We strengthened local ownership in the K-Rauta chain, and adjusted the management model to better address local circumstances. In technical wholesale, we operate in the growing infrastructure business, where the integration of Onninen and MIAB is proceeding according to plans.

In Norway, 2021 was a very strong year for both Onninen and Byggmakker. Onninen's net sales grew by 23.3% in comparable terms, while Byggmakker's net sales grew by 10.2%. Profitability also strengthened markedly. The Norwegian construction market grew and demand grew

stronger. One of Byggmakker's strengths is its extensive store network, combined with good digital services. The integration of the Byggmakker chain continues, forming an excellent foundation for continued growth through tighter chain operations and addressing local customer needs. The operations of Carlsen Fritzøe Handel, which we acquired in 2020, have now been successfully integrated and the chain's performance has remained strong. The acquired stores complement our building and home improvement store network in the important Oslo fjord region. Approximately 80% of the building and home improvement business in Norway is Kesko's own retailing, and the rest is conducted under a retailer business model.

Onninen's sales performance in Norway was also strong and it gained market share, while offering the best digital services in the business and achieving excellent results with proactive sales and sales management. In the long term, we expect both Sweden and Norway to continue to offer significant growth potential.



Strong year of growth for Onninen also in Poland and the Baltics

Onninen's sales growth was strong and profitability improved significantly in Poland, Estonia, Latvia and Lithuania. B2B demand was strong in the Baltic countries

and Poland, underpinned by high construction activity. Onninen's digital services in Poland are also strong. Of the Baltics, the biggest business and the most extensive Onninen Express store network can be found in Estonia.

Sales growth in the Baltics was also strong for Kesko's joint venture Kesko Senukai. The majority of Kesko Senukai's business is B2C. We continued the strategic review of our Baltic operations, first announced in 2020, also in 2021.

Building and technical trade in figures

Key figures	2021	2020
Net sales, € million	4,387.7	3,639.5
Building and technical trade excl. speciality goods trade and Kesko Senukai	4,164.0	3,424.3
Speciality goods trade	223.7	215.2
Operating profit, comparable, € million	318.0	187.7
Building and technical trade excl. speciality goods trade and Kesko Senukai	275.4	169.4
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 and Kesko Senukai	6.6	4.9
Speciality goods trade	9.5	3.4
Return on capital employed, comparable, %	19.0	11.2
Capital expenditure, € million	43.1	186.3
Personnel, average	5,977	9,308

The change in Kesko Senukai's consolidation method from a subsidiary to a joint venture as of 1 July 2020 has impacted the performance indicators for the building and technical trade in the segment information. In the segment information for the building and technical trade, performance indicators are illustrative except for the balance sheet indicators and personnel numbers.

Properties	2021	2020
Owned properties, capital, € million	166	159
Owned properties, area, 1,000 m ²	241	230
Leased properties, lease liabilities, 1,000 m ²	886	865

K Group's building and technical trade	Number of stores		Retail and B2B sales, 0% VAT, € million	
	2021	2020	2021	Change, %
K-Rauta, Finland	125	130	1,276.3	8.9
Rautakesko B2B Service	-	-	281.7	13.1
Onninen, Finland	58	57	1,096.9	14.1
Leisure trade, Finland	62	103	285.4	21.8
Finland, total	245	290	2,940.2	12.3
K-Rauta, Sweden	17	17	201.2	8.0
K-Bygg, Sweden	42	36	312.8	20.2
Onninen and MIAB, Sweden	4	3	117.1	8.1
Byggmakker and Carlsen Fritzøe, Norway	90	86	842.5	17.5
Onninen, Norway	18	18	315.7	29.6
Onninen, Baltics	17	17	94.8	18.5
Onninen, Poland	36	36	304.1	29.3
Other countries, total	224	213	2,188.1	19.5
Building and technical trade excl. Kesko Senukai, total	469	503	5,128.3	15.3
Kesko Senukai	60	59	1,092.3	18.4
Building and technical trade incl. Kesko Senukai, total	529	562	6,220.6	15.8

In addition, building and technical trade stores offer e-commerce services to their customers.

Three Onninen stores in Finland operate on the same store premises with K-Rauta.

* The Change, % compared to the year before has been calculated to illustrate a situation in which the divestment of the Baltic machinery trade operations completed in March 2020, the acquisition of Mark & Infra i Sverige AB completed in April 2020, the acquisitions of Carlsen Fritzøe Handel AS and Bygg & Interiör completed in September 2020, the acquisition of Byggarnas Partner i Sverige AB completed in September 2021, and the discontinuation of the Kookenkä and The Athlete's Foot chains carried out in 2021 had been completed on 1 January 2020.

Markets

Market by country, along with the improvement from the previous year (retail trade, VAT 0%), and main competitors.

	Market area	Market size and change	Main competitors
Building and home improvement trade	Finland	€3.6 bn (+8.9%), (RaSi ry)	STARK, S-Group, Bauhaus
	Sweden	€7.1 bn (+12.5%), (Byggmaterialhandlarna and Kesko's own estimate)**	Beijer, XL Bygg, Optimera, Woody, Bauhaus, Byggmax, Derome, Bygghemma
	Norway	€6.1 bn (+11.8%), (Virke and Kesko's own estimate)	Optimera, Mestergruppen, Coop, Maxbo
Onninen	Finland	€2.4 bn (+8.8%), (STK, Talteka)	Dahl, Ahlsell, SLO, Rexel
	Sweden (Onninen and MIAB)	€1.5 bn (+9.8%), (SEG Infra, RGF Water and sewage)**	Dahl, Ahlsell, Elektroskandia, Rexel
	Norway	€1.3 bn (+10.1%), (Virke electrotechnical trade)**	Elektroskandia, Solar, Ahlsell, Berggård Amundsen, Sonepar, Elektroimportøren
	Poland	€6.5 bn (+32.0%)*	GC Group (BIMs, HTI, Hydrosolar), Grudnik, Tadmar, TIM, Kaczmarek, Alfa Elektro, Grodno
	Estonia	€0.5 bn (+18.0%)*	FEB (Ahlsell), SLO, W.E.G (Würth)
	Latvia	€0.4 bn (+5.3%)*	Sanistal, EVA-SAT, SLO
	Lithuania	€0.7 bn (+17.9%)*	Sanistal, Dahlgera, Elektrobalt, SLO
Sports trade	Finland	€1.1 bn (+10.3%), (Fashion and Sports Commerce association)	XXL, Stadium, hypermarkets and online stores

* Kesko's own estimate ** Total market has been specified

Markets

The outlook for growth in the building and technical trade division is good throughout Northern Europe. The overall market is expected to continue to grow, with high construction activity and consequently high sales in B2B trade in particular. B2C trade is expected to normalise as the pandemic eases.

Total construction market growth in Northern Europe is also strongly supported by factors related to urbanisation, population structure, and green transition. The renovation needs of homes and other properties, the growing infrastructure investment debt, and e.g. energy-efficiency

related requirements in construction driven by green transition will see our market grow further. Growth is supported by the division's focus on the growing B2B business.

The total market for our current building and technical trade business in our market areas was some €34 billion in 2021. Market growth varied between countries, but averaged 11% in building and home improvement trade and 20% in technical wholesale in 2021.

Growth with acquisitions

The Northern European market continues to offer good possibilities for growth also in the form of acquisitions. The building and technical trade markets are fragmented in many of our operating countries, and thus there is excellent potential to continue active sector consolidation. The total potential market with our strategy amounts to over €46 billion in Northern Europe. Currently our market shares are still relatively low in e.g. Norway, Sweden and Poland, which means excellent potential for continued growth also via acquisitions in line with our strategy.

Kesko's own estimate. Market excl. sports trade.

A YEAR OF SIGNIFICANT CHANGE AND PROFIT IMPROVEMENT IN CAR TRADE

The division's strategy was updated in 2021: focus was placed on creating the best customer experience in the business, and strengthening our market position. Extensive measures to restructure operations and improve their efficiency, our competitive range, and the growing demand for new and used cars resulted in higher profitability and sales growth in all car trade business areas. Our objective is to continue to develop our operations with a customer focus. Central to this are our very competitive range of new and used cars and versatile digital services for purchasing and using cars.



Matti Virtanen
President,
car trade division

“ The execution of our updated, customer-oriented strategy resulted in more efficient operations and result improvement in 2021. With our extensive range of electric and hybrid cars, we were able to respond to the surge in demand for electric cars, despite the longer delivery times caused by a global shortage of components. The digitalisation of mobility services will accelerate globally, and in Finland we are the leading operator in this.”

Net sales for the car trade division grew by 15.2% in 2021 and totalled €1,028.3 million. The division's profitability improved and operating margin stood at 5.1%. All operations within the division – new cars, used cars, and services – were in profit. To ensure success also going forward, we are investing strongly in improving customer experiences, accelerating digitalisation, and increasing operational efficiency. We aim to improve customer satisfaction and strengthen our profitability and market position in the whole car business value chain by utilising synergies under 'one unified K'. The cornerstones of our growth are our close collaboration with the Volkswagen Group, and accelerating the sales of used cars and services. During the year, we made operational improvements, which resulted in the reduction of 130 jobs in support functions in particular. Meanwhile, we strengthened our sales and customer operations with new recruits.

Demand for all-electric cars and rechargeable hybrids grew further

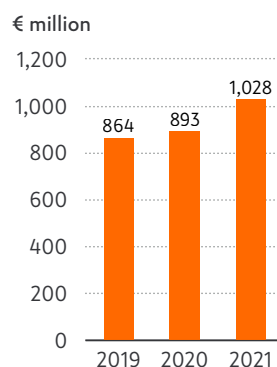
K-Auto's market share of first registrations in Finland was 17% in 2021 (passenger cars and vans). The market share grew, in part thanks to our updated range, which responded to demand. Demand for new all-electric cars and rechargeable hybrids grew in particular, with demand for e.g. the all-electric Volkswagen ID.4 and ID.3 and Audi Q4 e-tron especially strong. All-electric cars represented by Kesko accounted for 33% of first registrations of all-electric cars in Finland (passenger cars and vans). Volkswagen was the most registered brand of all-electric cars in 2021 and the second most registered brand of passenger cars

and vans in Finland. In trucks, our market share of first registrations was 2.6% (over 6 tn).

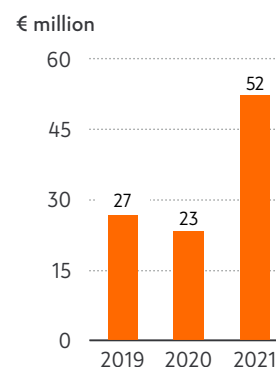
Demand for used cars also grew clearly in 2021. However, good used cars were hard to come by on the market, which caused prices to rise. Used car imports to Finland continued even though the shortage of used cars extended to the whole of Europe. Used car sales accounted for some 22% of the division's net sales.

Sales of servicing and spare parts were also good. We offer car servicing, repair, and spare parts services and a wide selection of other services, and sell financing and insurance services. Our own leasing fleet comprises some 4,000 cars, making us one of the biggest car leasing service providers in Finland. Services account for some 19% of the division's net sales.

Net sales



Operating profit



Comparable figures

K CHARGE NETWORK

K Group continued to expand the EV charging network launched in 2018, and 22 new charging stations across Finland were added to the K Charge network in 2021. In addition to basic and fast charging points, K Charge introduced its first own high-power charging (HPC) points. At the end of the year, the network comprised 142 fast and HPC points and 314 basic charging points at over 100 K Group store locations. All electricity at K Charge stations is renewable energy, generated with Finnish wind power. We will continue to expand the K Charge network in 2022, with focus on fast charging and HPC points.

CONSTANTLY UPDATED RANGE

The brands represented by K-Auto offer a constantly updated and expanding range, which serves to strengthen our competitiveness. Demand was particularly strong for all-electric cars and rechargeable hybrids. New models introduced to the Finnish market in 2021 included:

- **Volkswagen:** Volkswagen ID.4, Volkswagen ID.4 GTX, Volkswagen Tiguan R, Volkswagen Golf R Variant, Volkswagen Taigo
- **Audi:** Audi Q4 e-tron, Audi Q4 Sportback e-tron, Audi e-tron GT, Audi RS e-tron GT, Audi RS 3
- **SEAT and CUPRA:** CUPRA Formentor VZ5, CUPRA Born
- **Porsche:** Taycan Cross Turismo, Taycan Sport Turismo, 911 GT3, Cayenne Turbo GT
- **Bentley:** Bentley Bentayga Hybrid, Bentley Bentayga S, Bentley Continental GT Speed, Bentley Flying Spur Mulliner
- **Volkswagen commercial vehicles:** Volkswagen Caddy California, Volkswagen e-up! Cargo, Volkswagen Multivan eHybrid

Our key strategic themes include growing all businesses within the division, sales of new and used cars and services. With this objective, we launched K-Auto as a comprehensive consumer brand in autumn 2021, bringing together all Kesko’s car-related B2C and B2B business.

Digitalisation as part of better service

The automotive sector, driving and mobility are changing fast. New forms of mobility demand constant development of operating models, services and technologies. Examples of innovation in the sector include the general electrification of transport, and connected cars that are constantly able to access information on e.g. road conditions. Digitalisation is also increasingly present in more traditional car sales, and we strive to be the leading operator in digital car trade in Finland, and to offer a fully paper-free process from order to handover. We actively seek synergies with Kesko’s other divisions, and utilise shared customer data to offer digital services and a better customer experience. We have updated online features and are introducing digital analytics tools for used car trade. Digital tools are also used for inventory and selection management. Automation and robotics are extensively utilised also to improve business efficiency.

The strategic objective for the car trade division is to outgrow the market and improve profitability

BUSINESS ENVIRONMENT

- **Good customer experience critical**
- **Growing digitalisation and online sales**
- **Changing customer preferences – from owning a car to paying for use**
- **Service demand growing**

STRATEGIC OBJECTIVE

The best customer experience in the business

Making car trade digital

Close collaboration with the Volkswagen Group

Efficient business model

Growing used car sales

K-Auto leading brand in the business

Utilising synergies within whole K Group

Efforts to meet ambitious sustainability goals

Volkswagen the most registered brand of all-electric cars in Finland

Demand for all-electric cars has grown faster than anticipated and is expected to grow further in upcoming years, as policy-makers wish to update the Finnish vehicle stock and meet climate targets. Taxation related to the electrification of transport moved forward in 2021 as the Finnish government proposed that car tax be abolished for all-electric cars. This resulted in a significant increase in demand for all-electric cars, which accounted for 18% of all new cars sold by Kesko during 2021. Together with rechargeable hybrids, they accounted for 36% of sales. Volkswagen was the most registered brand of all-electric cars in Finland in 2021. Volkswagen Group is our strategic partner: the company has stated it will invest tens of millions of euros in developing EV technologies in upcoming years. Kesko is able to offer the most extensive and versatile range of new all-electric cars, rechargeable hybrids, natural gas cars, and combustion engine cars on the market.

We want to be a forerunner in mobility and make sustainable choices easier for customers also when it comes to electric cars. In 2021, we opened 22 new EV charging stations, and at the end of the year our charging network comprised over 100 stations. Charging was up by 131% on the previous year.



Car trade in figures

Key figures	2021	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

Properties	2021	2020
Owned properties, capital, € million	47	50
Owned properties, area, 1,000 m ²	50	50
Leased properties, area, 1,000 m ²	100	98

K Group's car trade	Number of stores		Retail and B2B sales, 0% VAT, € million	
	2021	2020	2021	Change, %
Car trade, total	46	46	1,037.7	14.7

Market

In 2021, there were 98,481 first registrations of passenger cars, 12,893 of vans, and 2,650 of trucks (over 6 tons) in Finland.

The passenger car market grew by 2.1% compared to the year before, while the market for vans grew by 0.4% and the market for trucks (over 6 tons) by 3.6%.

The total number of first registrations of passenger cars and vans imported by K-Auto was 18,849 (excluding motorhomes). The number of MAN trucks registered was 68.

Market shares

K-Auto's market share of first registrations in Finland was 17.3% (Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen commercial vehicles, excluding motorhomes).

- Volkswagen passenger cars 10.5%
- Audi 3.9%
- SEAT and CUPRA 2.3%
- Porsche 0.3%
- Volkswagen vans 18.5%
- MAN trucks 2.6% (over 6 tons)

Registration data source: Bun&Bradstreet/Traficom



INVESTORS

KESKO ANNUAL REPORT 2021



REASONS TO INVEST IN KESKO

Interest towards Kesko has grown in recent years. The number of registered shareholders has risen above 65,000. Our foreign ownership has also grown, and the number of nominee-registered shareholders is at an all time high.



Jukka Erlund
EVP, Chief
Financial Officer

“ Kesko is a growing and profitable Northern European retail company that strives to strengthen its cash flow and dividend capacity with a long-term focus. Our customer-oriented growth strategy has proven effective, as demonstrated by our record result in 2021.”

Profitable growth strategy

Kesko’s growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. Continuous improvement of customer experiences, further development of digital services, and corporate responsibility and sustainability are increasingly central themes for us strategically. We execute our growth strategy both organically and via acquisitions. We operate as ‘One unified K’ and maximise synergies between our business operations.

Our growth strategy, first established in 2015, has proven effective, and its successful execution has seen Kesko’s net sales grow and profitability improve significantly. We have also invested some €3 billion in growth, while divesting non-core businesses worth some €1 billion in total. This has translated into considerable growth in Kesko’s shareholder value. We continued strategic investments also in 2021.

Strong market positions

Kesko is one of the leading retail operators in Northern Europe. Finland accounts for some 82% of our net sales, and overall we are the biggest trading sector operator in the country, and number one in building and technical trade and car trade. We are also among the biggest operators in the Nordic and Baltic countries in various customer segments. Our objective is to grow our market shares in various operations, and to be among the top two operators in all our businesses to ensure economies of scale.

Ability to increase shareholder value

Kesko’s good dividend capacity is based on the strong and steady ability of its operations to generate cash flow. Our objective is a steadily growing, attractive dividend yield. Kesko has paid dividends uninterrupted every year since 1968, and over the past five years, our annual dividend yield has averaged 4.3%. Growth in shareholder value is based on making and executing successful strategic choices as well as on efficient allocation of capital – these saw Kesko’s comparable return on capital employed reach 17.2% in 2021.

Business-oriented sustainability actions are increasingly central to Kesko’s strategy. Our objective is to enable more sustainable lifestyles for our customers, and we actively offer them information and easier ways to reduce their carbon footprint.

Responsibility and sustainability

Kesko was the first Finnish company to set emissions reduction targets approved by the Science Based Targets initiative in 2017; in 2021 we set even more demanding targets that aim at limiting global warming to 1.5 degrees. In the MSCI ESG Ratings, Kesko received the highest AAA rating (on a scale of AAA-CCC). In 2021, Kesko was included e.g. in the Dow Jones sustainability index the DJSI World, and made both the Climate ‘A’ List in CDP’s international climate questionnaire and the ‘Global 100 Most Sustainable Corporations in the World’ list.

INVESTOR INFORMATION

Kesko's shares are listed on Nasdaq Helsinki. Kesko has two share series, A and B, with the respective trading symbols KESKOA and KESKOB. The B share has higher trading volumes and liquidity. The share series differ only in terms of the number of votes they carry: each A share carries 10 votes and each B share 1 vote. Both shares entitle the holder to the same dividend. Both share series are traded independently on the stock exchange, with independent pricing. Shares of different series cannot be directly exchanged with one another. At the end of December 2021, the combined market capitalisation of Kesko's shares was €11,373 million, up by €3,158 million from the end of 2020. The company had over 65,000 shareholders, and the number grew by some 8,300 during the year.

Shareholders

Kesko's ownership is diversified. The biggest shareholder is K-Retailers' Association, which at the end of the year held 5.05% of all shares. K-Retailers' Association and its reported related parties together held 7.14% of shares and 18.51% of votes.

Nominee-registered and international shareholders controlled 40.27% of Kesko's shares at the end of 2021, the highest figure in the company's history. Finnish institutions and funds held 36.96% of all shares, and Finnish households 22.77%.

[→ More on Kesko's largest shareholders](#)

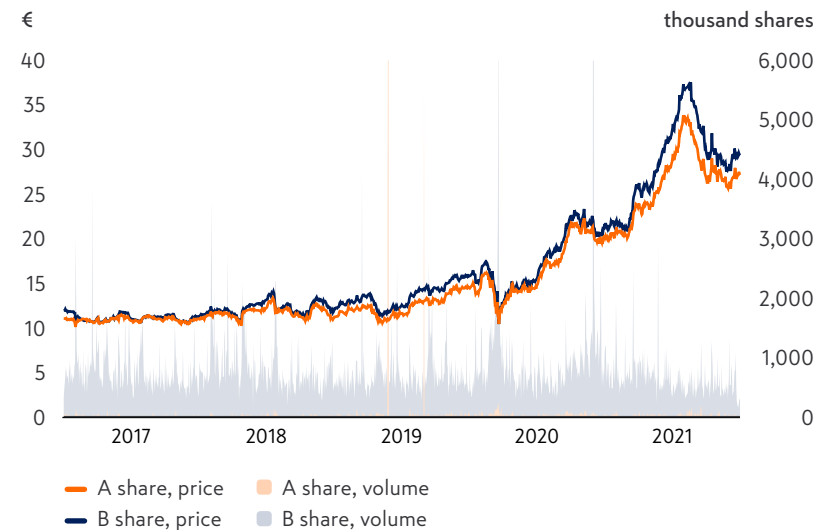
Ownership structure (shares)

31 Dec. 2021



- Nominee-registered and international 40.27%
- Finnish institutions and funds 36.96%
- Finnish households 22.77%

Share prices and trading volumes 2017–2021



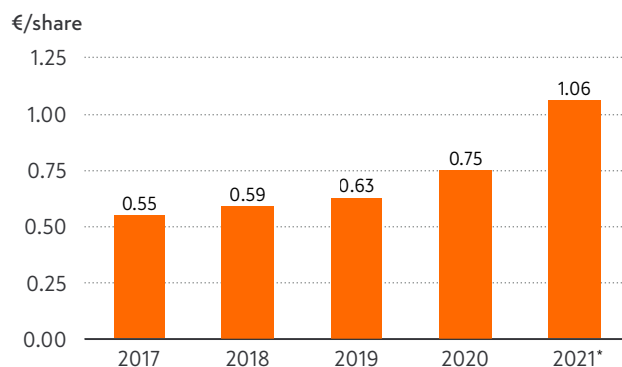
10 largest shareholders 31 Dec. 2021

	Shareholders	Number of shares	% of shares	Number of votes	% 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.	Vähittäiskaupan Ammattikasvatussäätiö	5,162,935	1.29	51,629,350	3.35
5.	K-ruokakauppiasyhdistys ry	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 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

Annual General Meeting

Kesko's Annual General Meeting will be held on Thursday, 7 April 2022, starting at 1.00 pm EET. Due to the Covid-19 pandemic, special arrangements will be in place based on the temporary legislative act (375/2021), to ensure the meeting can be held in a predictable manner, ensuring the health and safety of shareholders, personnel, and other stakeholders. Shareholders and their proxies may vote and submit counterproposals and questions in advance, and follow the General Meeting virtually in a manner described in the Notice of Annual General Meeting, which was published on 11 February 2022. More information is available at kesko.fi/agm.

Dividend history 2017–2021



*Proposal to the Annual General Meeting

Dividend

The Kesko's Board proposes to the Annual General Meeting on 7 April 2022 that a dividend of €1.06 per share be paid for the year 2021 based on the adopted balance sheet, and that the dividend be paid in four instalments as follows:

- The first instalment of €0.27/share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the record date 11 April 2022. The Board proposes that the dividend instalment pay date be 20 April 2022.
- Second instalment of €0.26/share: record date 22 June 2022, proposed pay date 29 June 2022.
- Third instalment of €0.27/share: record date 13 September 2022, proposed pay date 20 September 2022.
- Fourth instalment of €0.26/share: record date 13 December 2022, proposed pay date 20 December 2022.

Investor relations

The objective of Kesko's Investor Relations is to support the appropriate valuation of Kesko's shares by continuously and consistently communicating all essential information on the company equally to all market participants. We want to serve both retail and institutional investors and analysts covering the company in Finland and elsewhere. Contact details for IR can be found on investor webpages.

INTERIM REPORT PUBLICATION DATES IN 2022:

- Interim report for 1–3/2022: 29 April 2022
- Half-year financial report for 1–6/2022: 26 July 2022
- Interim report for 1–9/2022: 27 October 2022

KESKO'S DIVIDEND POLICY

In the long-term, Kesko aims to distribute a steadily growing dividend of some 60–100% of its comparable earnings per share, taking into account the company's financial position and strategy.



Additional investor information can be found on our investor webpages

In addition to share and company information, the investor webpages provide other topical information for those interested in Kesko as an investment, including blog posts and investor podcasts. Kesko's investor webpages were ranked the best in Finland and 6th best in Europe in Compend's 2021 Webranking. We also want to engage with retail investors on social media: in 2021, posts on Kesko's IR Twitter account gained over 740,00 impressions.

STORE SITES AND PROPERTIES

The store site network is a strategic competitive factor for the Group. It enables the development of our business operations as well as the improvement of sales and customer satisfaction, while also supporting online sales.

Our store sites are divided into four categories: strategic properties, basic properties, realisation properties, and development properties.

Our capital expenditure in store sites in 1-12/2021 totalled €129 million (1-12/2020: €126 million and 1-12/2019: €228 million).

Strategic properties:

- Significant properties for business operations, for example, properties that are or can be developed into large retail units.
- Properties Kesko wants to own
- Strategic properties in 12/2021: 62% (12/2020: 64% and 12/2019: 60%).

Basic properties:

- Properties Kesko owns but could sell and then lease back
- Basic properties in 12/2021: 27% (12/2020: 26% and 12/2019: 30%).

Development properties:

- Plots and properties that require development to fit their planned purpose
- Development properties in 12/2021: 11% (12/2020: 9% and 12/2019: 9%).

Realisation properties:

- Properties Kesko no longer has use for
- Realisation properties in 12/2021: 0% (12/2020: 1% and 12/2019: 1%).

Owned store sites and properties

Book value by region, € million	2021	%	2020	%
Finland	1,020	93.9%	978	93.3%
Other Nordic countries	53	4.9%	56	5.3%
Baltics and Belarus	0	0.0%	0	0.0%
Poland	13	1.2%	14	1.3%
Total	1,086	100.0%	1,048	100.0%

Area by region, 1 000 m ²	2021	%	2020	%
Finland	801	88.1%	767	87.7%
Other Nordic countries	87	9.6%	87	9.9%
Baltics and Belarus	0	0.0%	0	0.0%
Poland	21	2.3%	21	2.4%
Total	909	100.0%	875	100.0%

Leased store sites and properties

Area by region, 1 000 m ²	2021	%	2020	%
Finland	2,299	79.6%	2,316	80.4%
Other Nordic countries	519	18.0%	493	17.1%
Baltics and Belarus	34	1.2%	34	1.2%
Poland	36	1.2%	37	1.3%
Total	2,888	100.0%	2,880	100.0%

Properties by division illustrated on pages 28, 33 and 39.



Read more about Kesko's properties



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FOR SHOPPING TO BE FUN