

A family of three is looking at clothing in a store window display. The father is on the left, the mother is in the middle, and the young girl is on the right. They are all smiling and looking at the clothes. The window display is filled with various clothing items, including sweaters, jackets, and dresses. The background is a bright, modern retail space.

# OFFERING SUSTAINABLE RETAIL SPACE FOR SHOPPING

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ANNUAL REVIEW 2019

**INTERSPORT**  
**Cubus**  
**Instrumentarium**  
**KOOKENKÄ**

**io**





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# MERCADA

## in brief

Mercada owns, manages and improves retail sites mainly used by Kesko Group. Mercada was established in June 2015 when Kesko Oyj divested properties to Mercada. Kesko generates approximately 80 per cent of Mercada's gross rental income with long lease maturities. The average portfolio lease maturity is 10,2 years. The company operates in Finland and Sweden. Mercada is owned in equal shares by Kesko Corporation, Ilmarinen Mutual Pension Insurance Company and Swedish AMF Pensionsförsäkring. Mercada has its headquarters in Helsinki, Finland.



# 3

SHOPPING CENTRES IN FINLAND

# 38

RETAIL SITES IN FINLAND AND SWEDEN

# 338,000

SQ.M GLA

# 674

MEUR (2019) MARKET VALUE OF PROPERTIES





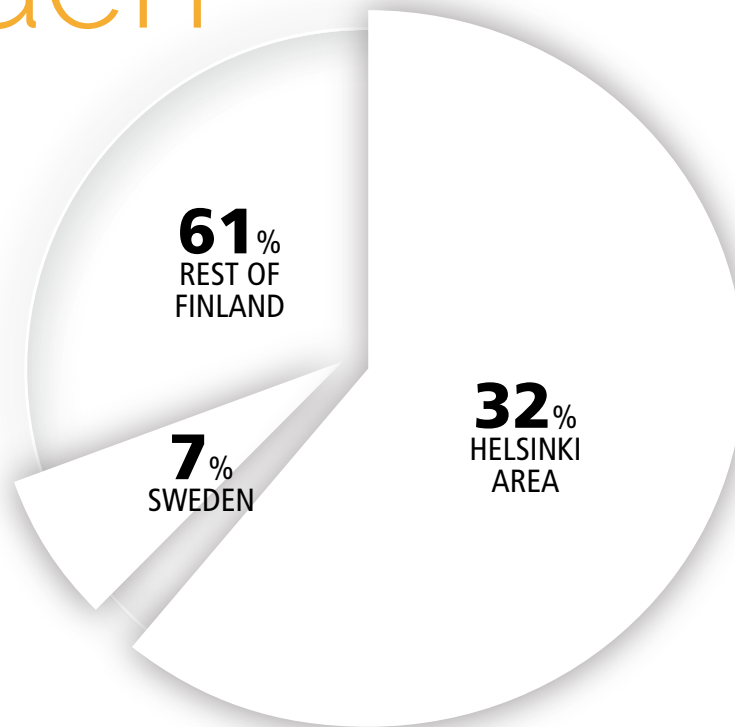


Shopping Centre Veturi, Kouvola, Finland



Shopping Centre Karisma, Lahti, Finland

# We operate in urban locations in Finland and Sweden







THE PORTFOLIO  
INCLUDES THREE  
SHOPPING CENTRES AND  
38 RETAIL PROPERTIES IN  
FINLAND AND SWEDEN.

**3**

Shopping  
centres: Karisma,  
Veturi, Merituuli

**16**

K-Supermarket

**13**

K-Citymarket

**1**

K-Market

**8**

K-Rauta

# Mercada aims to be a forerunner in sustainability





## How would you describe Mercada's financial performance in 2019?

Mercada's operational results continued stable during the reporting period. The net rental income remained at a high level as well as the occupancy rate of the property portfolio. Almost all of the shopping centre facilities were leased during the period. A significant share of gross rental income, 80 per cent, was generated by Mercada's main tenant Kesko.

Mercada restructured a major part of its bank loans during 2019. The maturity of the loans was extended so that the interest rate margin of the loans decreased. The Loan-to-Value ratio continued decreasing further during the reporting period. Compared to 2018, the market value of properties owned remained stable and totalled approximately EUR 674 million. This creates a strong basis for continuous operational development.

## What other milestones did Mercada reach in 2019?

Both the volume of visitors and annual sales at our Veturi and Karisma shopping centres stayed at a high level. In 2019, Veturi experienced the highest ever annual sales amounting to EUR 126 million. The value of an average purchase in Veturi is higher than that at shopping centres of the field in Finland in general.

The attractiveness of shopping centres is further enhanced by their proximity to busy motorways and cities. The shopping centres are covered with excellent public local transportation.

We focused on achieving high customer satisfaction and the best customer experience in the field. PapuPark, the indoor play area for children, received over 100,000 visitors in 2019. In addition to play areas, we invested in experience-intensive offerings such as restaurants and cafes.

We improved our tenant and service offerings by supplying communal co-working spaces. One reason for the success of the co-working model is the digitalisation and webification of office work.

We have invested a great deal in making our facilities safe and attractive to our customers. In early 2019 both Veturi and Karisma received an Excellent-level, international safety certificate. The certificate is awarded to shopping centres that comply with international risk and safety standards and best practices of the sector. Both shopping centres also carry the esteemed Excellent-level certifications in the BREEAM environmental classification's Asset and Management divisions.

The BREEAM In-Use International classification is the most widely used

## OUR PERFORMANCE IN 2019

42,6

NET RENTAL INCOME MEUR

50,1

GROSS RENTAL INCOME MEUR

99

OCCUPANCY RATE %

6,4

GREENHOUSE GAS EMISSION DECREASED %

11,5

PROFIT MEUR





environmental rating method worldwide and it assesses the performance of buildings against a diverse range of issues. It helps to reduce buildings' running costs and improves working and living conditions.

### What makes Mercada a forerunner in sustainability?

For many years already, sustainability has been a crucial part of Mercada's operations. We want to offer the best possible shopping experience in responsibly operating shopping centres. Our facilities are built based on the principles of sustainable development. Energy efficiency and environmental care are visible in many small details.

Our themes and targets of sustainability are closely linked with the UN program of responsible operations. We focus on the best possible customer experience, minimization of environmental impacts and fair, stable and predictable business operations. In order to meet these goals, we work in close co-operation with Kesko and our tenants.

In terms with energy, our goal is to turn our shopping facilities carbon-neutral by the year 2030. Emissions can be curbed by the use of renewable energy and the energy-efficiency of stores.

In 2019, greenhouse gas emissions on our shopping facilities decreased by 6,4 per cent compared to last year. Renewable energy sources accounted for 77 per cent of the entire consumption of energy. The share of solar-generated energy tripled compared to previous year.

Total energy consumption decreased 1,3 per cent compared to last year. However, water consumption increased by 4 per cent, which results from the expansion of restaurant operations in our commercial facilities. The re-use of waste is of a top quality among all Finnish shopping centres.

Our main tenant Kesko is for the fifth year in a row the world's most sustainable commercial estate operator in the

Global 100 List. Kesko is committed to the objectives of international climate conferences and has defined ambitious emissions targets for both its own operations and its supply chain. The electricity procured by Kesko for its K stores and other facilities in Finland is 100 per cent renewable and the K Group is the largest producer and user of solar power in Finland.

### What are Mercada's priorities for the year 2020?

We want to be a forerunner in sustainable development. We aim to enhance the energy efficiency of our commercial facilities and to produce more energy by ourselves.

Rooftop solar power systems are installed at seven Mercada owned facilities in co-operation with Kesko and more systems are scheduled for installation in 2020. Even earlier in August 2018 we installed, together with Kesko, one of the largest solar power systems on the Veturi shopping store's rooftop. We are building new e-car charging stations in new locations.

We expect operative growth for our business operations in 2020. We are investigating strategically new opportunities for optimization of our portfolio. We are aiming to develop our tenant and services offering in line with customer needs. We will invest in attractions and experiences such as restaurants, cafes, communal co-working spaces and children's play areas.

We expect our customers to work in a sustainable manner – likewise, our customers expect Mercada to be sustainable. We are ready to fulfil our promises and to offer the best possible shopping experience in our sustainable operating shopping centres in 2020!

CEO Harri Holmström

# Our vision. Our mission. Our strategy.

## WE WANT TO OFFER SUSTAINABLE RETAIL SPACE FOR SHOPPING

Mercada owns, manages and improves retail sites mainly used by Kesko Group. We offer sustainable retail space for shopping. Mercada is a long-term owner and aims to actively develop its property portfolio and increase its value. The company's objective is in partnership with Kesko to provide retailers premises meeting their needs. Mercada focuses on retail properties. Its core business consists of groceries including both hyper- and supermarket concepts, grocery anchored shopping centres and DIY stores. Its business operations concentrate on good urban locations in Finland and Sweden.



I'M INTERESTED  
IN SHOPPING  
AND EVENTS





INVESTMENT IN GREEN ENERGY

CUSTOMER SAFETY AND PRIVACY

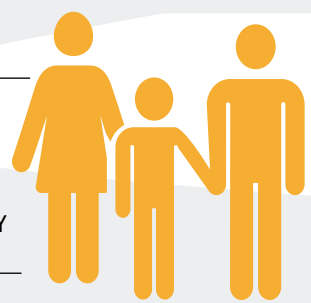
RESPONSIBILITY IS FOUNDATION

DESTINATIONS FOR MORE THAN JUST SHOPPING

I LOOK FORWARD TO SEEING MY FRIENDS OVER COFFEE

I EXPECT EASY ACCESS AND CONNECTIONS TO PUBLIC TRANSPORT

CUSTOMER SAFETY MATTERS TO US



# Sustainability at Mercada

Sustainability is the core of our operations – we want to offer sustainable retail sites and the best shopping experience for our customers.

The key areas of our sustainability work are determined through our stakeholder’s expectations. In their daily shopping experiences, our customers expect comfortable, sustainable and safe spaces for more than just shopping. Our tenants like retailers and store staff expect a safe and clean environment, fair treatment and sustainable choices. Our owners and financiers expect us to be profitable and sustainable. Good suppliers and service providers expect fair trading practices and open dialogue.

## Code of Conduct

Our sustainability work is guided by Mercada’s Code of Conduct. These principles outline our environmental, social and financial norms and responsibilities that we also expect our partners to share. All our tenants are committed to pursue these norms in their everyday operations.

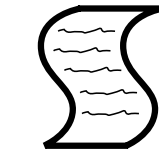
WE ARE COMMITTED TO FAIR COMPETITION



WE RESPECT ENVIRONMENT



WE DO NOT OFFER OR ACCEPT BRIBES



WE COMPLY WITH THE LAW AND REGULATIONS



WE SECURE CONFIDENTIAL INFORMATION



WE RESPECT HUMAN RIGHTS

**KCITYMARKET**

# Key sustainability areas

Our sustainability strategy combines the most important sustainability issues for our stakeholders, the environment and the surrounding society. Our key sustainability areas are closely related to UN Sustainable Development Goals. In addition to these global goals we have set ambitious long-term sustainability targets for our sustainability work.

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



## CUSTOMERS FIRST

We develop high-quality and sustainable retail sites which offer the best shopping experience for customers.

Long-term goal: 100% of shopping centres with BREEAM and SAFE Retail Destination® certified on excellent level.

**7** AFFORDABLE AND CLEAN ENERGY



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



## SUSTAINABLE ENVIRONMENT

Our priority is to fight against climate change, so we invest in green energy and pay attention to responsible consumption.

Long-term goal: Mercada will set science-based targets and will be carbon neutral by 2030.

**8** DECENT WORK AND ECONOMIC GROWTH



## HONEST BUSINESS

We promote sustainable economic growth by practicing stable, predictable and honest business.

Long-term goal: Mercada has a clear sustainability roadmap which is monitored yearly.



# Customers first

We develop high-quality and sustainable retail sites which offer the best shopping experience for customers.

Shopping centres are destinations for more than just shopping. They are natural meeting places, which provide spaces for local engagement and events. Our aim is to improve customer satisfaction continually. Safe and clean shopping environments are one of our main priorities.

We work closely with tenants and authorities to ensure the highest level in safety and security. We have defined common sustainability instructions which bind all the tenants to act in accordance with shared values and operating principles. These principles are included in the leases.

**100%** SHARE OF BREEAM  
IN-USE CERTIFIED  
SHOPPING CENTRES  
IN EXCELLENT LEVEL

**100%** SHARE OF  
SHOPPING  
CENTRES  
SAFE RETAIL  
DESTINATIONS<sup>©</sup>

MERCADA'S MAIN  
TENANT KESKO  
RANKED AS THE  
MOST SUSTAINABLE  
GROCERY TRADE  
COMPANY IN THE  
WORLD

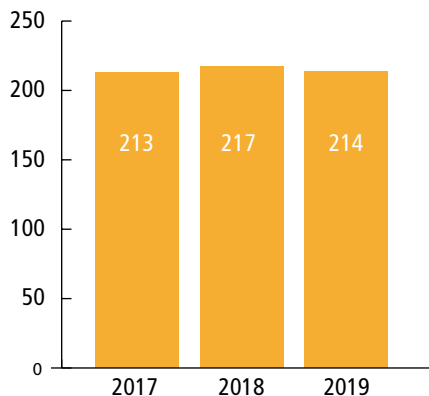


# Sustainable environment

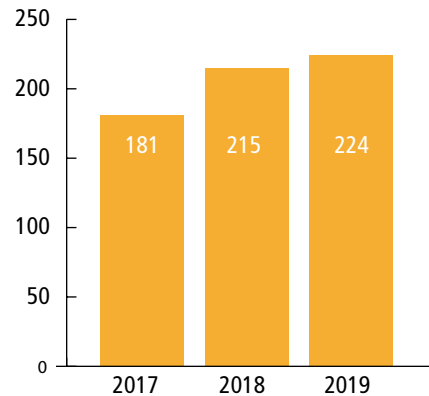
We aim to do more than expected to minimise our environmental impacts and to fight against climate change. We use new technical solutions to minimise our energy consumption and to improve indoor air quality. We also aim to produce more energy ourselves. A total of five retail sites have their own rooftop solar panels for producing electricity. Also geothermal heat is used to reduce the need for external heat and cooling. Our work has begun to bear fruit, because our energy intensity decreased 1,3% and greenhouse gas intensity 6,4% compared to previous year.

We try to minimise our water consumption by using waterless urinals and water flow limiters for faucets and toilet seats. However, our water intensity increased 4% during the year as more restaurants were opened in shopping centres. 100% of our shopping centres are easy accessible. Multiple parking spaces and charging stations for electrical vehicles are available in the parking areas. We offer our clients and tenants a possibility to reduce, reuse and recycle the waste in a sustainable way.

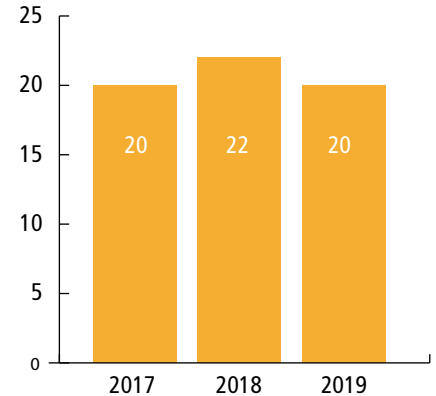
**SUSTAINABLE ENVIRONMENT  
ENERGY INTENSITY (KWH/SQ.M)**



**WATER INTENSITY (KWH/SQ.M)**



**GREENHOUSE GAS INTENSITY  
(KGCO<sub>2</sub>/SQ.M)**







**THREE** TIMES MORE SELF-  
PRODUCED SOLAR ENERGY  
COMPARED TO YEAR 2018

**100%** WASTE RECOVERY  
RATE IN SHOPPING CENTRES

**77%** SHARE OF RENEWABLE  
ELECTRICITY USED  
(73% IN 2018)

**-6,4%** IMPACT TO CLIMATE  
CHANGE COMPARED TO  
YEAR 2018

# Honest business

We promote sustainable economic growth by practising stable, predictable and honest business. Honest business is our highest priority. Our financial norms and responsibilities are outlined in our code of conduct. We follow the laws on everything we do and are committed to fair competition. Bribes are not offered or accepted to acquire or maintain business.

We are committed to respect internationally recognised human rights in all our operations. Human rights violations are not tolerated in any form. We respect stable and profitable business. Our principle is to adhere to transparency in our economical actions and to have a clear sustainability roadmap which is monitored yearly.

We do not implement any tax arrangements with the purpose of tax evasion and we have no links to tax havens. The payment, collection and accounting of taxes complies with the Finnish legislation.

**ZERO** CASES RELATED  
TO VIOLATION OF  
HUMAN RIGHTS  
DURING 2019

**ZERO** CASES RELATED  
TO CORRUPTION OR  
DOUBTS ABOUT IT  
DURING 2019





# Shopping Centre

# VETURI

## Kouvola, Finland

Veturi is the largest and the most attractive shopping venue in South-East Finland. It is located in Kouvola, 150 km North-East of Helsinki, in a traffic node of route 6, one of Finland's busiest highways. Built in 2012, Veturi covers an area of 48,500 m<sup>2</sup> for leasing. Over 12,000 vehicles per day use the Highway 6 running next to Kouvola and the Veturi shopping centre. Veturi's average purchase is among the highest on the market. In 2019 Veturi experienced the highest ever annual sales amounting to EUR 126 million.

The shopping centre complex includes retail spaces on two floors and a parking space in front and behind the centre. There are almost 80 stores or restaurants operating in Veturi and there are a total of 1,800 parking spaces.





## Quick facts

13th largest shopping centre in Finland

GLA 43 671 m<sup>2</sup>

Annual visitors 3.2 million

Annual sales 126 MEUR

Catchment area 90,000 inhabitants

Excellent level on the BREEAM environmental assessment

SAFE Retail Destination Certificate on Excellent level

More than 80 stores and restaurants

Total parking spaces 1,800

## Highlights 2019

Highest ever annual sales amounting to EUR 126 million

New stores and restaurants opened

## Projects 2019–2020

New restaurant locations under calculation and planning

Co-working facility and playground area under estimation

## Sustainability key figures

-5,0% purchased energy compared to 2018

-7,6% water intensity compared to 2018

6,7% of the electricity consumed is self-produced

Five times more self-produced solar energy compared to 2018





# Sustainability is visible in Citymarket Kouvola's everyday operations

We rely on sustainability in all that we do, and K grocery stores are among the most sustainable stores in the entire world. The role of sustainability has grown year by year also among our customers and other stakeholder groups.

At the moment we are focusing on minimizing our carbon footprint, volume of plastic waste in packages, food wastage and in improving the stores' energy efficiency. We are offering our customers various opportunities to consume in a more environmentally friendly and responsible way.

"Mercada has a good hold of the principles of sustainability and expects tenants to observe them as well."

We are one of Finland's first large K grocery stores that have already in 2012 taken into use modern and energy-efficient refrigeration equipment. To improve energy-efficiency we are replacing a number of separate refrigeration units in our facilities with one larger, door-equipped units, which help us to cut our energy bill in half.

We are familiar with the Mercada Code of Conduct, which defines Mercada's ways of working in a sustainable manner in terms of tenants and other stakeholder groups. Mercada has a good hold of the principles of sustainability and expects tenants to observe them as well. Naturally, we monitor the level of sustainability.

I expect Mercada to be a strong leader in all issues of sustainability, to apply the newest technologies available for example in recycling. The volume of electrical cars in Finland will grow over the next few years. Safe and easy e-car recharging services are a viable investment opportunity for shopping centres.

Recharging the e-car is becoming an integral part of vehicle owners' and drivers' ordinary day. While shopping, the car can be easily recharged. It's important to stay in step with the themes associated with sustainability. I'd say that keep up the good work!

Lasse Keränen,  
Store Owner,  
Citymarket  
Kouvola, Shopping  
Centre Veturi

Shopping Centre

# KARISMA

Lahti, Finland



In terms of sales, Karisma is the largest shopping centre in Lahti. It is located in Lahti, 100 km north of Helsinki, right next to route 4, the busiest highway near the city. More than 32,000 vehicles per day use the Highway 4 running close to Lahti and the Karisma shopping centre. Built in 2011, Karisma covers an area of 33,500 m<sup>2</sup> for leasing. There are 60 retail places that are located on two floors. The complex includes a parking garage and there are a total of 1,600 parking spaces.

adium  
clas ohlson  
Cubus  
Dressmann  
Musti  
Mirri  
LINDEX  
+  
ESPRIT

Ka  
ris  
ma  
KAUPPAKESKUS



## Quick facts

17th largest shopping centre in Finland  
GLA 32,777 m<sup>2</sup>  
Annual visitors 2.9 million  
Annual sales: 92 MEUR  
Catchment area: 200,000 inhabitants  
Excellent level on the BREEAM environmental assessment  
SAFE Retail Destination Certificate in Excellent level  
More than 80 stores and restaurants  
Sustainability certifications: BREEAM In-use-certification with Excellent rating  
Total parking spaces 1,600

## Highlights 2019

Over 100,000 annual visitors at PapuPark  
New stores opened  
Co-working facility opened  
2nd floor playground renovated

## Projects 2019–2020

Toilet renovation continues  
New stores locations under calculation and planning  
Co-operation opening with the city of Lahti

## Sustainability key figures

-0,2% purchased energy compared to 2018  
+10% water intensity compared to 2018, water consumption increased as more restaurants were opened

# Energy and water efficient solutions at Karisma

New innovations and technical solutions are the cornerstone for enabling smart, healthy and sustainable shopping environments.

Shopping centre Karisma is monitoring energy consumption and indoor environment comfort in real-time by the Smart Building platform called Nuuka Solutions. The platform ensures that the energy consumption and indoor environment comfort are optimized and actions are taken immediately when needed.

The platform makes the monitoring much easier and is a step towards carbon neutrality.

In addition to energy efficiency, increasing attention is being paid to reducing water consumption. A new

robotic cleaner, which filters the water for re-use, is currently being tested.

Previously, the mall's nearly 5.000 square meters of floors were washed daily with a combination machine that uses clean water approximately 240 liters per day.

“We want to provide a comfortable and healthy environment for our tenants and consumers. With new technical solutions we can ensure that our energy and water efficiency are optimized and up to date”





The new robotic cleaner uses the same amount of water as the old machine, but it filters the water for reuse. This means that thanks to the robot, clean water consumption is cut down by 70%.

“We want to provide a comfortable and healthy environment for our tenants and consumers. With new technical solutions we can ensure that our energy and water efficiency are optimized and up to date”, says CEO Harri Holmström.

Thanks to  
the robot,  
clean water  
consumption  
is cut down by  
70%



# MERCADA'S

## retail sites

The portfolio includes three shopping centres and 38 retail properties in Finland and Sweden.

Shopping Centre Veturi Kouvola  
Shopping Centre Karisma Lahti  
Shopping Centre Merituuli Espoo  
K-citymarket Helsinki Malmi  
K-citymarket Vantaa Koivukylä  
K-citymarket Imatra  
K-citymarket Rauma  
K-citymarket Kokkola  
K-citymarket Kuopio Päiväranta  
K-citymarket Mäntsälä  
K-citymarket Äänekoski  
K-citymarket Kauhajoki  
K-citymarket Pietarsaari  
K-citymarket Loimaa

K-citymarket Kankaanpää  
K-citymarket Lieksa  
K-supermarket Sodankylä  
K-supermarket Huittinen  
K-supermarket Kouvola Kankaro  
K-supermarket Lappeenranta Kaukas  
K-supermarket Kangasala  
K-supermarket Järvenpää  
K-supermarket Jalasjärvi  
K-supermarket Kempele  
K-supermarket Kuhmo  
K-supermarket Savonlinna Mertala  
K-supermarket Uusikaupunki  
K-supermarket Oulu Haukipudas

K-supermarket Rauma Monnankatu  
K-supermarket Kirkkonummi Veikkola  
K-supermarket Helsinki Torpparinmäki  
K-supermarket Pihtipudas  
K-rauta Helsinki Oulunkylä  
K-rauta Kauhajoki  
K-rauta Uppsala (Sweden)  
K-rauta Sundsvall (Sweden)  
K-rauta Eskilstuna (Sweden)  
K-rauta Umeå (Sweden)  
K-rauta Haparanda (Sweden)  
K-rauta Halmstad (Sweden)  
K-market Oulunkylä Helsinki



VETURI



**K** CITYMARKET

**K** Rauta

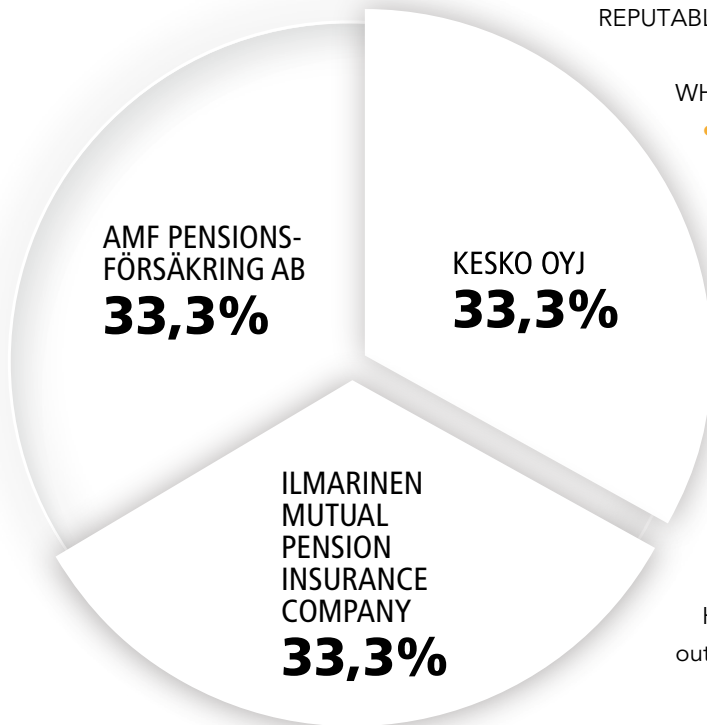
H&M

TÄÄLLÄ  
ON  
KAIKKI

VETURI

# Ownership

REPUTABLE SHAREHOLDERS AND PARTNERSHIP WITH KESKO.



## WHY INVEST IN MERCADA

- Stable and predictable business model.
- Predictable cash flow from grocery dominated Kesko business.
- Long lease agreements and low vacancy rates allowing stable cash flows.
- Business operations concentrated in good locations in Finland and Sweden.
- Shopping centres showing stable growth in amount of visitors and total sales.
- Solid and predictable financial performance.
- Funding base diversified now with bond issuance.

## MERCADA ORGANISATION

Harri Holmström is CEO. All the other functions are outsourced.

# OUR BOARD OF DIRECTORS

31 December 2019



**PERNILLA ARNRUD MELIN**

Chairman of the Board  
Portfolio Manager  
AMF Pensionsförsäkring AB

**JUKKA ERLUND**

CFO  
Kesko Oyj

**TOMI AIMONEN**

Head of Domestic Real  
Estate Investments  
Ilmarinen



MERCADA

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