SOK Corporation's 2019

Financial Statements 1 Jan –31 Dec 2019

SOK Corporation's Financial Statements 2019

Executive board report on operations

Development of the operating environment

The Finnish economy is affected by global megatrends. Global economic uncertainties also put a stop to Finland's economic growth. According to estimates, economic growth will remain close to or below 1% during the next few years. In 2019, economic growth will be 1.5%, driven by domestic consumption. Growth of private consumption will decelerate, as savings will return to a normal level. Unemployment has decreased slowly, and this trend is expected to continue. The inflation rate is expected to be 1.4% next year and to increase slightly in the following year. Interest rates will also be unusually low in 2020 which supports the economy.

The trade sector is expected to grow slowly on average, while retail will develop more briskly than the rest of the trade sector, and a slight recovery is expected. Growth in the travel and hospitality industry is expected to decelerate. Increases in tourism have kept occupancy rates and prices at a level that supports investments. Net sales of restaurant services have increased steadily in Finland.

S Group's business development 1 January – 31 December 2019

S Group comprises the cooperative enterprises SOK and its subsidiaries, as well as the companies owned jointly by them. In 2019, S Group's retail sales excluding taxes was EUR 11,713 million, showing an increase of 1.7 per cent year-on-year.

S Group's retail sales excluding taxes by business area	**EUR million**	**+/- % previous year**
Prisma*	3,563	+2.8
S-market	3,507	+1.3
Sale	695	+0.2
Alepa	394	+5.7
Herkku	85	-11.8
Other supermarket trade	6	-1.4
Supermarket trade total*	8,249	+1.9
Hardware trade	135	-0.3
Service station store and fuel sales	1,721	-0.5
Department stores and specialised trade	290	-1.4
Travel industry and hospitality business*	842	+3.1
Automotive trade and accessories	437	+7.3
Others:	40	-7.9
S Group total*	**11,713**	**+1.7**

*Including retail sales in neighbouring areas (Estonia and St Petersburg)

At the end of the year, S Group had 1,854 outlets, compared with 1,841 outlets year-on-year.

On 31 December 2019, there were 19 regional cooperatives and six local cooperatives.

A total of 71,233 new members joined the cooperatives participating in the Bonus system in 2018. The total number of co-op members was 2,425,167 at the end of December. Co-op members were paid EUR 329 million in Bonus rewards.

S Group's investments amounted to EUR 496 million, compared with EUR 598 million in the previous year.

S Group's combined non-consolidated result before appropriations and taxes was positive EUR 367 million, compared with EUR 346 million in the previous year. The cooperatives' combined result before appropriations and taxes showed a profit of EUR 300 million, compared with EUR 290 million in the previous year. SOK Corporation's result before taxes (IFRS) showed a profit of EUR 67 million, compared with EUR 55 million in the previous year.

Financial development

SOK's operations

SOK is the parent company of SOK Corporation. In accordance with its statutes, SOK serves as the central organisation of S Group, promoting and developing the operations of the cooperative enterprises and other organisations belonging to S Group, and managing and supervising the Group's overall resources for maximum efficiency while also monitoring operations and seeing to the interests of S Group and its segments.

SOK is responsible for S Group's overall strategic management. Its tasks are to provide S Group companies with services in chain management, co-op membership and marketing services, as well as other group and corporate services and development activities related to these services and other activities of S Group. Services central to S Group's operations also include procurement and assortment services.

Through its subsidiaries, SOK offers a wide spectrum of services to its co-op members in S Group. Furthermore, through its subsidiaries, SOK engages in the supermarket trade and travel industry and hospitality business in Estonia and St Petersburg.

SOK Corporation's financial development 1 January – 31 December 2019

Net sales of the SOK Corporation for the period 1 January – 31 December 2019 were EUR 7,496.6 million, up 2.6 per cent from the previous year.

SOK Corporation's operating profit (IFRS) was EUR 102.2 million (60.7 million). The adoption of IFRS 16 transferred part of leasing expenses to financial expenses under the operating result which improved the operating result from the previous year. Business operations developed positively, both in the travel and hospitality industry and in supermarket trade. Foreign operations accounted for EUR 4.4 per cent (4.6%) of net sales, or EUR 326.3 million.

The following key indicators describe SOK Corporation's financial position and result.

SOK Corporation	**31 December 2019**	**31 December 2018**	**31 December 2017**
Net sales, EUR million	7,496.6	7,303.5	7,063.6
Operating profit, EUR million	102.2	60.7	5.9
Operating profit, %	1.4	0.8	0.1
Return on equity, %	9.9	7.5	0.3
Equity ratio, %	24.0	38.4	36.5

SOK Corporation's operational result

The operational result is used to monitor the result of the operative business after financial items excluding non-recurring items and IFRS items. The positive development of the operational result is due to the strengthening of the supermarket trade and the travel industry and hospitality business and the overall streamlining of operations.

SOK Corporation	**31 December 2019**	**31 December 2018**	**31 December 2017**
Operating result, EUR million	71.4	59.4	41.5

SOK Corporation's operative revenue and operating result by business area (segment)

SOK Corporation's operative revenue and operating result are divided into retail and wholesale business areas in accordance with operational monitoring. In addition, the operating result of the banking operations is under operational monitoring.

	Net sales, EUR million	**+/- % prev. year**	**Operating result, EUR million**	**Change, EUR million**
Supermarket trade	276.1	-7.6	-4.1	+2.2
Travel industry and hospitality business	281.1	+10.9	+33.0	+0.4
Procurement and service business	7,063.9	+271.9	+17.2	+5.2
Real estate business	84.2	-0.9	+17.2	-0.6
Result from banking			+9.1*	+5.3
Elimination for the retail and wholesale and other items	-208.6	-77.3	-5.6	-4.5
SOK Corporation, total	**7,496.6**	**+196.9**	**+66.8**	**+7.9**

*S-Bank's associated company result is the result after taxes.

Funding

The adoption of IFRS 16 on 1 January 2019 increased the Group's interest-bearing liabilities considerably. Changes were therefore made to the calculation formulas for the financial covenants for SOK Corporation's financing agreements during the first half of the year. The equity ratio without lease liabilities and the ratio of EBITDA to net interest expense are used as financial covenants in all financial facility agreements. In addition, the maximum amount of lease liabilities is limited.

SOK Corporation's funding level was good during the financial period. SOK Corporation's interest-bearing net liabilities amounted to EUR 972.2 million at the end of the year (EUR -0.8 million), and gearing was 146.6 per cent (-0.1 per cent). SOK Corporation's equity ratio was 24.0 per cent (38.4 per cent).

At the end of the year, SOK Corporation's liquid assets amounted to EUR 206.6 million (EUR 172.6 million). In addition, the Group had unused committed long-term credit limits of EUR 100.0 million (100.0 million) and account limits of EUR 57.0 million (57.0 million).

Investments and divestments

SOK Corporation's non-current asset procurement (i.e., investments in fixed assets) totalled EUR 73.2 million (EUR 113.2 million). Significant investments were made in information systems, logistics and properties, and domestic travel industry and hospitality business units.

The divestment of non-current assets amounted to EUR 1.0 million in the review period (EUR 23.0 million).

Personnel

SOK Corporation's average number of personnel, converted to full-time equivalents, was 5,974 people during the financial period (2018: 5,467;2017: 5,411).

At the end of 2019, SOK Corporation's number of personnel in active employment relationships was 6,505, of whom 1,669 (25 per cent) were employed by SOK and 4,836 (75 per cent) by the subsidiaries. The total number of employees working abroad was 2,155 (33 per cent).

The number of personnel increased by 305 people (4.9 per cent) year-on-year.

Development of the business areas

Supermarket trade

Supermarket trade covers business operations in Estonia and Russia. In Estonia, there are six Prisma stores in Tallinn, two stores in Tartu and one in Narva. In addition, there are 15 Prisma stores in St. Petersburg. One new unit was opened in Tallinn and two new units were opened in St. Petersburg.

Net sales from the supermarket trade were EUR 276 million. Net sales decreased by 3% year-on-year, mainly due to the units discontinued in St. Petersburg in 2018. The operating result of the supermarket trade was considerably higher than in the previous year. Investments by the supermarket trade totalled EUR 4.8 million and mainly comprised investments in furniture and fixtures for new units.

Travel industry and hospitality business

In 2019, the travel industry and hospitality business in the SOK Corporation was operated by Sokotel Oy in Finland, AS Sokotel in Estonia, and OOO Sokotel in Russia.

Global growth in the travel industry continued in 2019, which was indicated by the positive development of demand in all market areas. Growth also continued in the hospitality business, supported by the positive economic situation.

Net sales of the SOK hotel business totalled EUR 281.1 million and grew by 4.0 per cent from the previous year. The operating result was EUR 33.1 million, which showed an increase of 1.5 per cent compared to the previous year.

In 2019, Sokotel Oy's net sales were EUR 230.9 million, showing an increase of 2.7 per cent from the previous year. The operating result of Sokotel Oy improved by 2.7 per cent year-on-year, mainly as a result of the upturn in the net sales of the accommodation and conference business and the strong cost management of the restaurant business.

The net sales of AS Sokotel, engaging in the travel industry and hospitality business in Tallinn, saw an increase of 0.8 per cent from the previous year to EUR 19.0 million. The operating result of AS Sokotel weakened from the previous year. This decrease was attributable to a broader product and service range in the accommodation and restaurant businesses and increases in general costs.

The net sales of OOO Sokotel, engaging in the travel industry and hospitality business in St. Petersburg, were EUR 31.2 million, showing an increase of 4.3 per cent from the previous year. In local currency, net sales increased by 1.6 per cent. OOO Sokotel's euro-denominated operating result improved slightly year-on-year as a result of higher net sales.

In 2019, the investments by the travel industry and hospitality business totalled EUR 18.6 million, with EUR 18.2 million targeting Finland. The investments mainly consisted of modernisations of hotel units and the new Original Sokos Hotel Tripla.

Procurement and service business

The procurement and service business comprises the procurement services for groceries and consumer goods provided by SOK's procurement operations, logistics services provided by Inex Partners Oy, procurement and logistics services provided by Meira Nova Oy in the HoReCa business, preparation of ready-made and fresh food products for the Food Market Herkku units by S-Herkkukeittiö and other services provided by SOK and its subsidiaries primarily for the S Group units. Net sales generated by the other services provided by S Group to its units include chain fees and management service income.

Net sales from the procurement and service business totalled EUR 7,063.9 million. The increase in net sales was primarily due to the growth in SOK's procurement operations. The most significant factors that increased the operating result were the better performance of Reila Palvelut Oy, a provider of cash counting services for S Group, and the discontinuation of loss-producing functions.

The 2019 investments by the procurement and service business totalled approximately EUR 30.6 million. The investments consisted mainly of information system investments.

Real estate business

Net sales from the real estate business consists of rental and property service income from properties owned by SOK Corporation. Net sales were EUR 84.2 million, which was same level with previous year. The operating result of the real estate business showed a profit.

The 2019 investments in the real estate business were EUR 13.6 million. The largest investments were into Koy Valtakulma and fuel terminal properties.

Development of associated companies and joint ventures

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd., which operates in the banking sector. Growth of S-Bank's balance sheet continued to be strong. The total funds on deposit grew by 2.0 per cent from the end of the previous year and were EUR 5.9 billion at the end of the year (5.8 billion). Lending grew by 14.2 per cent and was EUR 4.8 billion at the end of the year (4.2 billion). S-Bank Group's capital adequacy ratio was 16.3 per cent (16.8 per cent). At the end of the year, S-Bank Group's operating result was EUR 29.0 million (EUR 17.1 million). S-Bank's full-year results have now been reported for the first time in accordance with IFRS. The IFRS-adjusted share of the result for the financial year corresponding to SOK Corporation's shareholding (37.5 per cent) was EUR 9.1 million.

Net sales of fuel procurement company North European Oil Trade were around EUR 5,461 million during the 2019 financial period. Its net sales decreased by 0.3 per cent from the previous year due to the decline in the world market price of oil. The volume of the Group's business operations remained at the previous year's level. SOK's shareholding in North European Oil Trade Oy is 50.77 per cent. Due to the shared controlling interest based on the associated company agreement, the company is treated as a joint venture using the equity method.

In addition to S-Bank and North European Oil Trade Oy, SOK Corporation's other associated companies and joint ventures include the Raisio-based Kauppakeskus Mylly Oy shopping centre and the inter-Nordic procurement company Coop Trading A/S.

The combined effect of all SOK Corporation's associated companies and joint ventures on its result was EUR 14,6 million in total (EUR 7.3 million).

Changes in the group structure

Suomen Spar Oy was merged with SOK in March

In June, SOK acquired the remaining shares of Fashion Retail Oy from HOK-Elanto. SOK Fashion Retail was merged with the parent company in December. S-Verkkopalvelut Oy was also merged with the parent company in December.

RBRP Holding BV was dissolved in August.

Management and future outlook

Management and changes in management

Taavi Heikkilä is serving as Chairman of SOK's Executive Board in 2019. In addition to the CEO, the members of the Executive Board include Managing Director Hannu Krook, Managing Director Kim Biskop, Managing Director Juha Kivelä, Managing Director Veli-Matti Liimatainen and Managing Director Olli Vormisto, as well as Managing Director Kimmo Simberg, Professor Rita Järventie-Thesleff and Managing Director Nermin Hairedin as new members. Hannu Krook serves as the Executive Board's Vice Chairman.

In April 2019, Doctor of Theology Matti Pikkarainen was re-elected as Chairman of SOK's Supervisory Board, and lawyer Timo Santavuo was elected as its Vice Chair. Managing Director Tapio Kankaanpää was elected as its new second Vice Chair.

The auditor in the financial year 2019 is KPMG Oy Ab, Authorised Public Accountants, with APA Jukka Rajala as the principal auditor.

SOK's CEO is assisted by SOK's Corporate Management Team in the management of SOK Corporation and S Group. In 2019, the Corporate Management Team consists of Arttu Laine, Deputy CEO of SOK and Executive Vice President, S Group Chain Management, Procurement and Logistics; Jorma Vehviläinen, CFO, SOK Finance and Administration; Susa Nikula, Executive Vice President, SOK Human Resources; Sebastian Nyström, Executive Vice President, SOK Strategy; Jari Annala, Senior Vice President, SOK Business; and Veli-Pekka Ääri, Executive Vice President, SOK Customer Relationships, Information and Digital Services. Seppo Kuitunen, Executive Vice President, Legal Affairs, is Secretary to the Corporate Management Team.

Near-term risks and uncertainties

S Group's risk management principles have been approved by SOK's Executive Board. S Group complies with SOK Corporation's risk management policy, the risk management policy describes the purpose, objectives, key implementation methods and responsibilities of the Group's risk management. At SOK corporation, risk management is comprehensive and takes both strategic and operational risks into consideration. Risk management is implemented continuously and throughout the management process. Risks are reviewed in a comprehensive manner considering strategic, financial, operative, and loss or damage risks. Through risk management procedures, SOK and its subsidiaries aim to anticipate and control risk factors that affect their ability to reach their goals and use the potential related to risks in their business operations.

S Group's strategic risks are examined annually by SOK's Corporate Management Team and confirmed by SOK's Executive Board. In 2018, S Group's strategic risks were reviewed, with the focus on the short (3 years) and long term (10 years), and strategic risk analyses were prepared for the business areas. The most significant short-term risks and uncertainties in S Group are associated with securing the competitiveness of the grocery trade and the profitability of the consumer goods trade in the transformation of the retail sector and the tightening competitive situation. Digitalisation and continuous renewal are prerequisites for success. There are several development projects underway in S Group, related to resource planning, logistics and quality improvement among other areas. Implementing these successfully will ensure the efficiency of the value chain and customer satisfaction in the future.

In the long-term, the most significant risks are related to the realisation of the changes central from S Group's point of view, including technological development, polarisation, globalisation of the competitive environment, changes in consumption habits, increased emphasis on services and responsibility, climate change, and changes in regulation and political influence in Finland or internationally. Responding to these changes and seizing the opportunities successfully are key to securing S Group's future competitiveness.

SOK Corporation's financing and management of finance risks is centralised within SOK's Treasury unit. The Group has a finance and funding policy confirmed by the SOK Executive Board that defines the principles of managing finance risk and the permissible maximum amounts for finance risks. In addition, numerical targets have been set for the different sub-areas of financing in order to ensure that financing is sufficient, balanced and affordable under all circumstances. The management of financing risks is described in greater detail in the Notes to the Financial Statements.

Responsibility risks associated with SOK Corporation's business operations have been identified and analysed by business area. In building the Best Place to Live sustainability programme, S Group has identified key responsibility themes and the related risks and opportunities, as well as their importance to the business operations. Risks are viewed from the perspectives of regulation, physical operating environment, changes in consumer behaviour and reputation. The most significant risks related to human rights include violations of human rights in global supply chains and any shortcomings in ethical operating methods and transparency. Key environmental risks are related to climate change and its impact on the Group's own operations and on the supply chain. S Group has identified the climate risks which, if realised, may have considerable financial effects on the Group's operations. The risks are being addressed by means of the objectives and acts defined in S Group's sustainability programme.

Responsibility

Responsibility in S Group covers all business areas and is managed jointly with the executive management at the Group level. SOK's Responsibility unit is in charge of Group-level strategic development, management and reporting of responsibility within S Group. The unit operates as part of SOK's Business Operation Group, which includes all S Group's business areas, as well as the procurement and logistics companies.

The implementation of S Group's Best Place to Live sustainability programme continued in 2019. The programme has four themes: for the good of society, climate change and the circular economy, ethical operating culture and human rights, as well as well-being and health. The programme includes 100 responsibility acts.

S Group is committed to promoting the objectives of 'Finland 2050', the Society's commitment to sustainable development, through a number of different commitments. In May, the National Commission on Sustainable Development selected S Group as the most impactful operator in sustainable development in Finland.

S Group is committed to science-based objectives concerning the reduction of emissions in its own operations and has also invited its suppliers and customers to join the efforts to mitigate climate change in the Big Deal campaign. The Group's objective is to reduce its climate emissions by 60 per cent from the 2015 level by 2030. S Group's additional objective, with its partners, is to reduce emissions by a million tonnes by 2030 It encourages major product and service suppliers to set individual emission reduction targets. S Group received a leading score of A- in the Carbon Disclosure Project's international climate action assessment.

S Group is a member of amfori, an organisation focusing on developing international trade. S Group also participates in the #ykkösketjuun campaign of organisations and companies, which works to have a mandatory human rights due diligence requirement included in the next Government Programme.

In 2019, S Group's chains were again ranked highly in the Sustainable Brand Index, the largest brand study on sustainability in the Nordic countries. Finnish consumers ranked Prisma, Sokos Hotels and S-Bank as the most responsible companies in their sectors.

The results and objectives of S Group's responsibility work will be described in greater detail in the annual review and responsibility review to be published in March 2020, available at www.s-ryhmä.fi.

Outlook for the current year

The global economy and the Finnish economy have passed the peak of the cycle. When the increase in exports slows down, economic growth will rely on private consumption. The slight improvement in unemployment, together with increases in income levels, supports the development of sales in the trade sector. Trust among consumers has remained unchanged which helps to maintain private consumption at the present level. However, global tensions may turn the global and Finnish economies into a downswing.

SOK Corporation's result is expected to remain at the current year's level. The result of the procurement and service business is expected to develop moderately. Total demand in the travel business is expected to remain positive, while competition in Finland will be fiercer due to growing capacities. Overall, the result of the travel and hospitality industry is, however, expected to remain close to the previous year's level. SOK Corporation's result is expected to remain at the current year's level. Total demand in the travel business is expected to remain positive, while competition in Finland will be fiercer due to growing capacities. Overall, the result of the travel and hospitality industry is, however, expected to remain close to the previous year's level. In supermarket trade, operational expansions will continue, with new units to be opened in Estonia and St. Petersburg this year. The result of the supermarket trade is expected to remain at the 2019 level.

Executive Board's proposal on the distribution of SOK's distributable surplus

SOK's distributable surplus is EUR 605,826,668.94 (the profit for the financial year is EUR 50,813,014.55). The Executive Board proposes that EUR 30,209,422.01 be paid as interest on cooperative capital and that EUR 45,000.00 be transferred to the Supervisory Board's contingency fund.

No significant changes have occurred in SOK's financial position since the end of the financial period. SOK's liquidity is good, and in the view of the Executive Board, the proposed distribution of the surplus does not endanger SOK's solvency.

Helsinki, 6 February 2020

SOK
CORPORATION
Executive Board

Consolidated financial statements, IFRS

Consolidated income statement, IFRS

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018
Revenue		7,496.6	7,303.5
Other operating income	2	3.1	2.6
Materials and services		-6,686.2	-6,548.9
Employee benefit expenses	3	-273.6	-253.2
Depreciation and impairment losses	4	-168.9	-61.2
Other operating expenses	5	-281.4	-389.0
Share of results of associated companies and joint ventures (+/-)	14	12.5	6.9
Operating profit (-loss)		**102.2**	**60.7**
Financial income and expenses (+/-)	7	-37.0	-5.7
Share of results of associated companies and joint ventures (+/-)	14	2.0	0.4
Profit before taxes		**67.2**	**55.4**
Income taxes (+/-)	9	-1.9	-6.7
Result for the financial year		**65.4**	**48.7**
Attributable to:			
Owners of the parent		65.4	50.3
Share of non-controlling interests		0.0	-1.5
		65.4	48.7

Statement of other comprehensive income

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018
Result for the financial year		65.4	48.7
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		7.9	-9.5
Exchange differences on loans to foreign subsidiaries classified as net investments.		0.7	-0.6
Cashflow hedges		-0.3	-0.1
Comprehensive income items of associated companies and joint ventures		0.8	-3.1
Other comprehensive income for the financial year, net of tax		9.2	-13.3
Total comprehensive income for the financial year		74.5	35.4
Total comprehensive income for the financial year attributable to:			
Owners of the parent		74.5	36.9
Share of non-controlling interests		0.0	-1.5
		74.5	35.4

Consolidated statement of financial position, IFRS

EUR million	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,338.6	353.4
Investment properties	11	22.8	24.1
Intangible assets	12	102.9	82.7
Interests in associated companies and joint ventures	14	205.0	196.6
Non-current financial assets	15	73.1	72.4
Deferred tax assets	16	26.8	18.0
Non-current assets, total		**1,769.2**	**747.2**
Current assets			
Inventories	17	205.0	160.8
Trade receivables and other current non-interest-bearing receivables	18	601.4	650.0
Current interest-bearing receivables	19	34.0	0.0
Cash and cash equivalents	20	**172.6**	**172.4**
Current assets, total		1,013.1	983.1
Assets, total		**2,782.3**	**1,730.3**
EQUITY AND LIABILITIES			
Equity			
Cooperative capital	21	172.0	172.0
Restricted reserves	21	16.4	15.9
Invested non-restricted equity reserve		29.4	21.5
Retained earnings		444.5	450.9
Equity attributable to the the owners of the parent		**662.3**	**660.3**
Non-controlling interests		**0.8**	**0.4**
Equity, total		**663.1**	**660.7**
Non-current liabilities			
Non-current interest-bearing liabilities	22	1,061.1	137.2
Non-current non-interest-bearing liabilities	23	39.2	36.3
Provisions	25	6.4	6.8
Deferred tax liabilities	16	10.0	12.1
Non-current liabilities, total		**1,116.7**	**192.3**
Current liabilities			
Current interest-bearing liabilities	22	117.7	38.3
Current non-interest-bearing liabilities	23	157.4	144.9
Trade payables	23	726.8	693.3
Provisions	25	0.6	0.6
Tax liabilities for the financial year		0.0	0.1
Current liabilities, total		**1,002.5**	**877.3**
Equity and liabilities, total		**2,782.3**	**1,730.3**

Consolidated statement of cash flows, IFRS

EUR million	Note / Reference	1.1.-31.12.2019	1.1.-31.12.2018
BUSINESS OPERATIONS			
Operating result from continuing operations		102.2	60.7
Adjustments to operating result	(A)	162.1	26.9
Change in working capital	(B)	40.3	36.8
Cash flow from business operations before financing and taxes		**304.7**	**124.5**
Increase (-) / decrease (+) in current receivables	18	-34.3	0.3
Interest paid and other financial expenses	7	-0.1	0.0
Interest received and other financial income	7	0.3	0.2
Dividends received from business operations	7	0.9	0.1
Income taxes paid	9	-2.2	-1.6
Cash flow from business operations		**269.3**	**123.5**
INVESTMENTS			
Acquired shares in subsidiaries net of acquired cash			-47.0
Divested shares in subsidiaries net of cash held by subsidiary			14.3
Investments in shares	14.15		-15.1
Investments in tangible assets	10	-48.5	-26.6
Investments in intangible assets	12	-24.7	-18.6
Sale of other fixed assets	10.12	1.0	8.1
Dividends received from investments	7	3.3	1.7
Cash flow from investing activities		-69.0	-83.1
FINANCING			
Repayment of long-term liabilities	22		-1.5
Increase (+) / decrease (-) in short-term liabilities	22	-183.8	-4.5
Increase (-) / decrease (+) in long-term receivables	15		30.2
Increase (-) / decrease (+) in short-term receivables	19		0.0
Interest paid	7	-3.0	-2.9
Interest received	7	6.6	2.5
Increase in cooperative capital	21		0.0
Interest paid on the cooperative capital		-27.5	-16.6
Other changes in equity	21	7.8	4.3
Cash flow from financing		**-200.0**	**11.5**
Increase / Decrease in cash and cash equivalents		**0.3**	**51.9**
Cash and cash equivalents at the beginning of the year	20	**172.4**	**120.8**
Foreign exchange rate effect on cash and cash equivalents		**0.0**	**-0.3**
Increase / Decrease in cash and cash equivalents		**0.3**	**51.9**
Cash and cash equivalents at the end of the year	20	**172.6**	**172.4**
Adjustments to operating profit	(A)		
Gains from the sale of fixed assets		-1.2	1.1
Depreciation and impairment losses		168.9	61.2
Other non-cash income and expenses		-5.6	-35.3
		162.1	26.9
Change in working capital	(B)		
Change in trade and other receivables		44.0	5.0
Change in inventories		-44.3	31.8
Change in non-interest-bearing liabilities		40.6	0.0
		40.3	36.8

Consolidated statement of changes in equity, IFRS

EUR million	Cooperative capital	Fair value reserve	Other restricted reserves	Invested non-restricted equity reserve	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
	Equity attributable to the owners of the parent								
Equity									
1 Jan 2018	172.0	2.9	18.5	4.4	-13.4	446.5	631.0	2.0	633.0
Total comprehensive income		-5.6			-7.8	50.3	36.9	-1.5	35.4
Increase in cooperative capital	0.0			17.1		-12.8	4.3		4.3
Interest on cooperative contributions						-16.6	-16.6		-16.6
Other changes			0.0			4.6	4.6	0.0	4.5
31 Dec 2018	**172.0**	**-2.7**	**18.5**	**21.5**	**-21.2**	**472.1**	**660.3**	**0.4**	**660.7**
Change in accounting policies IFRS 16 [1)]						**-50.5**	**-50.5**		**-50.5**
1 Jan 2019	172.0	-2.7	18.5	21.5	-21.2	421.6	609.8	0.4	610.2
Total comprehensive income		0.5			8.6	65.4	74.5	0.0	74.5
Interest on cooperative contributions						-27.5	-27.5		-27.5
Other changes			0.0	7.9		-2.3	5.6	0.4	6.0
31 Dec 2019	**172.0**	**-2.2**	**18.5**	**29.4**	**-12.5**	**457.1**	**662.3**	**0.8**	**663.1**

[1)] The Group has adopted the IFRS 16 Leases standard, using the retrospective approach.

Notes to the consolidated financial statements

Company information

In accordance with SOK's Statutes, the name 'SOK Corporation' is used for the SOK Group. SOK Corporation comprises Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries. SOK is domiciled in Helsinki and its registered address is Fleminginkatu 34, 00510 Helsinki.

SOK's purpose is to create competitive advantage for S Group's businesses. SOK implements its operational objective by developing and guiding S Group's strategies, value chain, and chain operations in co-operation with the cooperative enterprises. SOK produces the shared, competitiveness-enhancing services S Group requires and engages in profitably growing operations in Finland and its neighbouring countries, with the aim of creating synergies and added economic value for S Group's products.

A copy of the consolidated financial statements is available at http://www.s-kanava.fi.

Accounting policies for consolidated financial statements

Accounting basis

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2019 have been applied in preparing them. 'International Financial Reporting Standards' refer to the standards and interpretations thereof approved for application in the EU in accordance with the procedure stipulated in the Finnish Accounting Act and related regulations in the EU directive (EC) N:o 1606/2002.

The financial statements information is presented in millions of euro and is based on original acquisition costs unless indicated otherwise in the accounting policies below.

All figures in the tables of the financial statements have been rounded off, which is why the total of the individual figures may differ from the sum presented. The key ratios have been calculated with exact values.

New and amended standards and interpretations adopted in the 2019 financial period

On 1 January 2019, SOK Corporation adopted the new IFRS 16 Leases standard. The standard was introduced using retrospective application, and the cumulative effect on retained earnings was recorded at the time of introducing the standard. Since the information for the comparison period in 2018 has not been adjusted in conjunction with the implementation of the IFRS 16, the income statement and the balance sheet for the financial year 2019 are not comparable specifically in terms of the rental expenses included in other operating expenses, or financial expenses, tangible assets included in non-current assets and interest-bearing liabilities.

Because leases are now recognised on the balance sheet, non-current assets on the balance sheet increased by EUR 985 million, and interest-bearing liabilities increased by EUR 924 million compared with 31 December 2018. Correspondingly, the division of rental expenses into depreciation and interest expenses meant that the adoption of the standard improved the operating profit. However, financial expenses have also increased. The adoption of the standard had an effect of EUR – 5 million on the result for the review period. In terms of key indicators, the standard has caused the return on capital employed ratio, gearing and the equity ratio to decrease. The adoption of the standard had no material effect on the return on equity ratio. Concerning the Group's cash flow statement, IFRS 16 improves cash flow from operating activities and decreases cash flow from financing activities. IFRS 16 does not affect the net change in financial assets.

Measured in euros, the majority of lease arrangements are related to properties. SOK Corporation applies the exemption included in IFRS 16 from recognising a right-of-use asset and the corresponding lease liability for assets with a lease term of 12 months or less or for low-value assets.

Use of estimates

The preparation of the financial statements in compliance with IFRS calls for the making of estimates and for judgement in applying accounting policies. The estimates are based on management's best judgement on the balance sheet date, but it is possible that the actual outcome will differ from the estimates used. Any changes to estimates and assumptions are recognised in the financial period during which the estimate or assumption is corrected.

The main uncertainties in respect of estimates and assumptions concerning the future that cause a risk of significant changes to the carrying values of assets and liabilities in the subsequent financial period concern the determination of the fair value of financial instruments which are classified as level three, impairment testing as well as deferred tax assets and provisions.

In significant reorganisations, the Corporation has used an external advisor when evaluating the fair values of tangible and intangible assets, and comparisons with the market prices of equivalent assets have been made in the valuation of such assets.

Estimates are also used in impairment testing in which the recoverable monetary amount from the operations of the business entity being tested is based on value in use calculations or on the fair value less expenses incurred by sales.

Assumptions and key uncertainties related to determining the fair value of financial instruments are described in Note 24, Fair values of financial assets and liabilities. The presentation of leases is described specially in the notes 10. Property, plant and equipment and 22 Interest-bearing liabilities. Additional information on deferred taxes and provisions are provided in Notes 16 Deferred taxes and 25 Provisions.

Principles of consolidation

The consolidated financial statements include the parent cooperative and all subsidiaries in which the parent cooperative has controlling interest. Controlling interest is generated when the Corporation has the right to control the principles of the company's finances and operations in order to gain benefits from its operations. In addition to Finland, the parent cooperative had subsidiaries in Russia and Estonia during the financial year 2019.

Acquired subsidiaries are consolidated using the purchase method, according to which all the identifiable assets and liabilities of the acquired company are measured at fair value on the date of acquisition. Goodwill is recognised in the amount by which the combined amount of the consideration given, the share of non-controlling shareholders in the acquired company and the share owned previously exceed the fair value of the acquired net assets. Costs related to the acquisition, excluding borrowing costs, are recognised as expenses.

Joint ventures in which SOK Corporation exercises shared control and associated companies in which the Corporation holds 20–50 per cent of the votes and in which the Corporation has significant influence but does not exercise control have been consolidated using the equity method. The share in accordance with the Corporation's holding of the joint ventures and associated companies in changes recognised in other comprehensive income items has been recognised in the Corporation's other comprehensive income items. If the Corporation’s share of an associate company's or joint venture’s losses exceeds the carrying amount of the investment, the investment is entered in the balance sheet at zero value and losses in excess of this amount are not taken into account unless the Corporation has obligations towards the associated companies or joint ventures. The share of the profits of an associated company or joint venture that has been acquired for investment purposes is presented below operating profit, before financial income and expenses. The profit or loss of associated companies and joint ventures serving the Corporation’s ordinary operations is, however, presented before the final operating profit.

Companies acquired or established during the financial year have been consolidated from the date of acquisition or establishment. Divested subsidiaries as well as associated companies and joint ventures have been consolidated in the consolidated financial statements up to the date on which the controlling interest, shared controlling interest or significant influence ends. Changes of ownership in a subsidiary company that do not lead to a loss of controlling interest are treated as transactions concerning shareholders’ equity.

Intra-Group transactions, receivables, liabilities, unrealised margins, and internal distribution of profits have been eliminated in the consolidated financial statements. Profit or loss for the financial period as well as the comprehensive income for the financial period have been distributed to the shareholders of the parent company and non-controlling shareholders. The share of non-controlling shareholders is presented as a separate item in the Corporation's shareholders' equity.

Mutual real-estate companies are consolidated (those assets and liabilities the shareholder is responsible for) line by line as joint operation in proportion to the Corporation’s shareholding.

Items denominated in foreign currency

The consolidated financial statements are presented in the euro, which is the functional and presentation currency of SOK Corporation’s parent cooperative.

Transactions in foreign currency have been recognised at the exchange rate on the date of the transaction. Foreign currency monetary items at the end of the financial year have been translated into euro at the exchange rate quoted by the European Central Bank on the closing day of the financial year and the exchange rate differences have been recognised through profit and loss. Non-monetary items have been translated at the rate on the date of the transaction.

Exchange rate differences arising from the valuation of trade receivables are recognised in revenue, and exchange rate differences arising from the valuation of trade payables are recognised in expenses above the operating profit. The exchange gains and losses of receivables belonging to other financial items in the balance sheet are recognised in financial income and, correspondingly, those belonging to other liabilities, in financial expenses.

The figures concerning the result and financial position of foreign Group companies have been originally given in the currency of each company's operating environment. The income statements of foreign subsidiaries are translated into euro at the average rate of the financial period, and the balance sheets at the exchange rate on the balance sheet date. An exchange rate difference arising from translating the income statement items and other comprehensive income items according to the average rate and translating balance sheet items according to the balance sheet date and, similarly, a translation difference due to exchange rate changes in the elimination of the subsidiaries’ acquisition cost and in shareholders' equity, have been recognised as a separate item in other comprehensive income items. When a foreign subsidiary, associated company or joint venture is divested, the cumulated translation difference is recognised as part of capital gain or loss through profit and loss.

Exchange rate differences in loans granted to foreign subsidiaries have been treated as other comprehensive income items as far as their repayment is not probable in the foreseeable future.

Financial assets and liabilities

Financial assets are included in the following balance sheet items: non-current financial assets, trade receivables and other current non-interest-bearing receivables, current interest-bearing receivables, current investments and cash and cash equivalents.

Non-current financial assets consist of shares, capital loan receivables, other long-term loan receivables and long-term trade receivables. Trade receivables and other current non-interest-bearing receivables, which are included in financial assets, comprise trade receivables, derivative receivables, and accrued income in respect of financial items. Current interest-bearing receivables comprise money market investments and other short-term receivables. Cash and cash equivalents consist of cash in hand and very liquid receivables from credit institutions.

Financial liabilities are included in the following balance sheet items: non-current interest-bearing liabilities, non-current non-interest-bearing liabilities, current interest-bearing liabilities, current non-interest-bearing liabilities, and trade payables.

Non-current interest-bearing liabilities consist solely of lease liabilities. Non-current, non-interest-bearing liabilities, which are included in financial liabilities, comprise the regional cooperative enterprises' funds that have been invested in SOK Corporation's cash-counting service and non-current trade payables. Current interest-bearing liabilities consist of current lease liabilities and other current liabilities. Current non-interest-bearing liabilities, which are included in financial liabilities, comprise derivative liabilities as well as accruals and deferred income related to financial items.

SOK Corporation applies a settlement-date practice in recognising financial assets and liabilities in the balance sheet. Financial assets and liabilities that will not be later measured at fair value through profit and loss are initially measured at fair value plus the immediate acquisition costs.

Financial assets are classified at amortized cost, fair value through items of other comprehensive income or fair value to be measured later through profit and loss. Financial liabilities are classified at amortized cost by means of the effective interest method to be measured later or at fair value to the measured through profit and loss.

Derivative contracts to which hedge accounting is not applied as well as shares and participations are classified as financial assets or liabilities measured at fair value through profit and loss. Financial assets or liabilities recognised at fair value through profit and loss are measured at the market price of the closing date. The change in fair value is entered in the income statement in such a manner that the difference between the value on the balance sheet date of the financial instruments recognised at fair value in the income statement and the carrying value on the previous balance sheet is entered as the income or expense for the period. If the financial instrument recognised at fair value was acquired during the financial period, the difference between the value of the financial instrument on the balance sheet date and its acquisition cost is entered as the income or expense for the period. The fair value of publicly traded investments is defined on the basis of their market values. Investments that are not publicly quoted are measured at acquisition cost if their fair values cannot be reliably defined.

The changes in the fair value of derivative contracts have been recognised through profit or loss, with the exception of hedge accounting. Realised and non-realised gains and losses from derivative contracts made in order to hedge purchases and trade payables are recognised in purchases. Realised and non-realised gains and losses of other derivatives recognised at fair value through profit or loss are recognised in financial income and financial expenses, respectively.

Financial assets held in order to collect cash flows and sales gains based on agreement are classified as financial assets measured at fair value through items of other comprehensive income. In addition, the cash flows of the aforementioned agreements are only payments of interest on the capital and the remaining capital amount. The change in the fair value is recognised through other comprehensive income in the fair value reserve of equity. When the financial instrument is sold, the cumulative change in fair value cumulated in equity, together with accrued interest and capital gains or losses, is recognised in the income statement as a change in classification. The financial statements do not include financial assets measured at fair value through other items of comprehensive income.

Financial assets that are held in order to collect cash flows based on agreement and the cash flows of which are only payments of interest on the capital and the remaining capital amount are classified as financial assets measured at amortized cost. The transaction costs of financial assets measured at amortized cost are included in the amortized cost calculated by means of the effective interest method and amortized through profit and loss over the exercise period of the receivable. After the original recognition, the agreements are measured at amortized cost by means of the effective interest method.

All financial liabilities, with the exception of derivative liabilities, are classified for measurement at amortized cost by means of the effective interest method. Items to be measured at amortized cost are entered on the balance sheet at their nominal value when the fair value of the balance sheet date equals the nominal value. If the debt capital received is less or more than the nominal value of the liability, the debt is measured at the amount that has been received for it. The amount recognised as expense or income for the financial period from the difference between the nominal value of the debt and cost of debt is amortised and recognised as an increase or decrease in the cost of debt. The difference between the nominal value and cost, or a fee or other expense that is associated with the debt and is included in the interest expense related to the debt, is amortised using the effective interest method as an expense for the term-to-maturity of the debt.

The fair value of a financial instrument is determined on the basis of prices quoted in active markets or by using measurement methods that are generally applied in the markets. The fair values of interest rate swaps has been determined by discounting future cash flows to the present by using the market rates of the balance sheet date. The fair values of currency forwards has been calculated by measuring the forward contracts at the forward rate of the balance sheet date. Financial assets and liabilities at fair value have been measured using average rates.

Hedge accounting

The Group applies hedge accounting according to IFRS to some of the currency derivatives used for hedging Group goods purchases. In these, only the exchange rate risk is being hedged. The hedge accounting model used is cash flow hedging.

The Corporation has derivative contracts outside of hedge accounting which, according to the Corporation's financial policy, are effective economic hedging instruments but to which hedge accounting in accordance with the IFRS 9 standard is not applied.

Impairment of financial assets

A deductible item concerning losses is recognised for expected credit losses on guarantee contracts and financial assets that are measured at amortized cost or at fair value through items of other comprehensive income. The recognition is performed through profit and loss for financial assets and guarantee contracts to be measured at amortized cost. A deductible item concerning losses from the financial assets to be measured at fair value through items of other comprehensive income is recognised in items of other comprehensive income without deducting the book value of the financial asset item.

If the credit risk related to the financial instrument has not considerably increased after the original recognition, the deductible item is calculated for 12 months, corresponding to the expected credit losses. The factors describing the 6-month credit loss risk were used for calculating the deductible item of financial assets of less than 6 months' duration. If the credit risk related to the financial instrument in question has considerably increased after the original recognition, the deductible item to be recognised is an amount that corresponds to the expected credit losses for the entire agreement validity period. If it is observed on a reporting date to be reviewed later that the credit risk has no longer increased compared to the original situation, the deductible item will, going forward, be recognised for 12 months, corresponding to the expected credit losses.

Principles of income recognition

SOK Corporation's revenue consists of invoicing related to the cooperative enterprises' goods procurement, joint service business operated by SOK in a centralised manner and retail by SOK's subsidiaries. Sales to the cooperative enterprises are invoiced sales. Retail is mainly cash or credit card sales. Typical customer agreements concerning the sales of products form one performance obligation.

Sales gains are recognised at an amount to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer Sales gains are recognised as revenue when the customer obtains control over the goods or service. The customer obtains control when they can direct the use of the goods or service and obtain the benefit associated with the use. SOK Corporation's net sales are primarily generated by through the sale of goods, where the performance obligations are clearly identifiable from customer agreements and orders. The sale of goods is recognised as revenue at a point in time when the control of the products is transferred to the customer in accordance with the delivery terms and conditions. The sales of services are primarily recognised as revenue at the as the service is provided.

The transaction price includes considerations that change often, such as volume and cash discounts. The changing considerations are measured by using the method of the most probable value unless they have not been realised yet at the end of the reporting period. Sales gains adjusted by indirect taxes and foreign exchange differences from currency-denominated sales are presented as net sales.

Government grants

Grants received from the government or another party are recognised in the income statement when the costs relating to the object of the grant are recorded as an expense. Grants related to the acquisition of tangible and intangible assets are deducted from the carrying amounts of the said commodities. Such grants are recognised as income over the economic life of the asset.

Other operating income

Items presented as other operating income are gains other than those related to the actual sales of goods and services, such as sales gains on fixed assets; capital gains on divestments; damages income and grants received as well as subsidies not granted for funding a certain investment or for participating in a certain expense.

Employee benefit expenses

Pension plans are classified as defined-benefit and defined-contribution plans. Fixed premiums are paid to separate companies under defined-contribution plans without a legal or constructive obligation to make additional contributions, if the recipient cannot pay the pension benefits in question. All plans that do not fulfil these conditions are defined-benefit plans.

Payments made for defined-contribution plans are recognised as expenses in the income statement in the financial period in which they are incurred. Costs arising from defined-benefit pensions plans are recorded as an expense for the persons' time in employment, based on calculations made by qualified actuaries. Liabilities or receivables following from defined-benefit plans are recognised in the balance sheet at the liability's present value less the pension plan's fair value on the closing date. Items related to re-determining the net liability of the benefit plan are recognised in other comprehensive income items for the financial period when they are generated.

Expenses based on past performance are recognised through profit and loss in the earlier of the following: when the arrangement is changed or reduced, or when the related reorganisation costs or expenses related to the termination of employment are recognised. Based on the duration of their employment relationships, personnel accumulate seniority and age benefits. A seniority and age provision is recognised in the seniority and age benefit.

Operating profit

Operating profit is generated when other operating income is added to revenue, and when purchases of materials, supplies and goods during the financial period; external services; expenses, depreciation and amortization and possible impairments caused by employee benefits; and other operating expenses are deducted from revenue, and when the result of associated companies and joint ventures serving the Corporation's actual operations is added to or deducted from it. All income statement items other than those mentioned above are presented below operating profit.

Foreign exchange differences and changes in the fair value of derivatives are included in operating profit if they arise from items connected to business operations; otherwise they are recognised in financial income and expenses.

Income taxes

Income taxes in the profit and loss statement include current taxes for the financial period, adjustments of prior year taxes, and changes in deferred taxes. The tax effect of items directly recognised in equity or items in the statement of comprehensive income is nevertheless recognised in the said items. Income tax for the period is calculated using the tax rate in effect in each country on the balance sheet date.

Deferred tax liabilities and assets are recognised on the temporary differences between the carrying amount and tax base of assets and liabilities. No deferred tax liabilities have been calculated on goodwill to the extent that goodwill is not tax deductible. The main temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, and investment properties (leases, depreciation difference, intra-group margins, and gains on the sale of assets), from measurement at fair value and from unutilised tax losses. No deferred tax liability is recognised for undistributed earnings of foreign subsidiaries if profit distribution is not probable in the foreseeable future. Deferred taxes are calculated with the tax rates in effect on the balance sheet date and, if the tax rates change, with the tax rates that have in practice been approved by the ending date of the reporting period.

The deferred tax liability is included in the consolidated balance sheet in its entirety, with the exception of the aforementioned undistributed earnings of subsidiaries, and any deferred tax asset to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The recognition prerequisites are assessed on each closing date of the reporting period.

Goodwill and other intangible assets

The goodwill arising from business combinations constitutes the difference between the consideration given measured at fair value and the identifiable net assets acquired, which are measured at fair value, at the time of acquisition. Goodwill is not amortised but is annually tested for impairment. Goodwill is allocated to the cash-generating units. The goodwill of associated companies and joint ventures is included in the acquisition cost of the investment.

Other intangible assets include, for example, software licences and copyrights. Other intangible assets are measured at cost and amortised over their estimated economic lives on a straight-line basis. SOK Corporation does not have such intangible assets, apart from goodwill, which have an indefinite economic life.

The depreciation periods of other intangible assets are:	Years
Software licence fees	3 to 5
Other intangible assets	3 to 10

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment losses.

Straight-line depreciation is recorded on property, plant, and equipment in accordance with each item's economic life. Land areas are not depreciated.

The depreciation periods for property, plant, and equipment are:	Years
Buildings	15 to 35
Lightweight structures and equipment in buildings	5 to 15
Office and warehouse equipment	5 to 10
Warehouse, maintenance, and production machinery	5 to 10
Restaurant and hotel equipment	3 to 10
In-store equipment	3 to 7
Motor vehicles and servers	3 to 5
Renovations of premises	3 to 10

Depreciation on items of property, plant, and equipment is discontinued when the item is classified as held for sale. Gains from the sale or decommissioning of property, plant, and equipment are recognised in other operating income or expenses.

Impairment losses

The carrying amounts of asset items belonging to property, plant, and equipment are assessed annually to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable monetary amount of the asset is determined. The recoverable amount is estimated annually on the following assets, regardless of whether there are indications of impairment or not: goodwill, intangible assets in progress, and intangible assets with an indefinite economic life. An impairment loss is recognised if the carrying amount of the asset or cash-generating unit is greater than its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss on a cash-generating unit is first allocated as a reduction of the goodwill of the cash-generating unit and thereafter to reduce the carrying amounts of the unit's other assets on a proportionate basis.

The recoverable amount is determined as the higher of either fair value, less costs to sell or value in use. In determining value in use, estimated future cash flows are discounted to their present value based on discount interest rates reflecting the average cost of capital before tax on the cash-generating unit.

A previously recognised impairment loss is reversed if the assumptions used in estimating the recoverable amount change. An impairment loss is reversed to an amount not greater than the carrying amount of the asset (less depreciation or amortisation) would have been if an impairment loss had not been recorded in previous years. An impairment loss recognized for goodwill is not reversed. Impairment testing on goodwill is described in greater detail in Note 13, Impairment testing.

Leases

IFRS 16 Leases, as a right-of-use asset and as a corresponding lease liability. The lower of the asset's fair value or the present value of future lease payments is recognised at the inception of the lease in property, plant, and equipment or in investment properties in the balance sheet (details of investment properties are given below) and the obligations under the lease are recognised in interest-bearing liabilities. Lease payments are split between interest expenses and a reduction in lease liabilities. The interest expense is recognised in the income statement during the lease period so as to produce an equal rate of interest on the remaining balance of the liability. Depreciation is recognised and any impairment losses are recognised on assets obtained by a lease. Items of property, plant, and equipment are depreciated according to the Corporation's depreciation periods, or if shorter, the lease term.

Lease agreements with a term of 12 months or less or lease agreements of low value are not entered in the balance sheet. Lease payments received or paid under these leases are recognised as income or expense in the income statement on a straight-line basis over the lease period.

Investment property

Investment properties are properties that are in use in operations outside SOK Corporation's mainline operations and which the Corporation primarily holds in order to obtain rental income and/or an appreciation in the asset value. Investment properties are measured at cost less accumulated depreciation and any impairment losses in accordance with the same principles that are applied to real estate belonging to property, plant, and equipment. Properties classified as investment properties include both owned properties and properties where the operations have been sold but the lease agreement remains with the Corporation.

The fail value of investment properties is determined through both a market-value based valuation carried out by an external property valuer and self-valuation of the yield value of the property. Rental income from investment properties is recognised in net sales. Investment properties include four spa hotels acquired through leasing arrangements, whose business operations the Group has sold while keeping the lease agreement. The fair value of these items is not presented, as the Group does not hold the information of Holiday Club's lease agreements and sales figures.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the FIFO method or the weighted average cost method and includes all the direct expenses incurred in acquiring materials and goods. In ordinary operations, the net realisable value is the estimated selling price less the estimated cost to complete the product and the necessary selling expenses.

Cooperative interest and dividends payable

Cooperative capital interest and dividends paid by SOK Corporation are recognised as a decrease in equity in the period during which the owners approved the cooperative capital interest or dividend for payment.

Cooperative capital

Cooperative capital consists of the combined amount of the cooperative enterprises' share payments to SOK Corporation. The number of each cooperative enterprise's shares is determined based on the number of members and annual purchases in the said cooperative enterprise.

Provisions

A provision is recognised when SOK Corporation has a legal or constructive obligation as the result of a past event, when it is probable that a payment obligation will be realised, and the amount of the obligation can be reliably estimated. Compensation that can be obtained from a third party in connection with the obligation is recognised in the balance sheet as a receivable when it is certain in practice. The amounts of provisions are estimated on every balance sheet date and are adjusted to correspond to the best estimate on the reporting date.

Provisions can be set up for underutilised premises, warranty provisions, and restructuring of operations, for example.

Assets held for sale and discontinued operations

An asset that is part of a plan of sale or a disposal group is classified as an asset held for sale when the recoverable amount primarily comes from the sale of the asset and not from its continuous use. An asset or group of assets classified as held for sale is measured at the lower of its carrying amount or fair value less estimated selling costs and depreciation of these assets will be discontinued. Assets held for sale and the associated liabilities are presented in the balance sheet separately from assets and liabilities connected with continuing operations from the date on which they have been classified as held for sale. Information for the year of comparison is not reclassified.

A discontinued operation is a separate, significant function that has been disposed of (or has been permanently removed from use) or is classified as held for sale. The profit or loss from discontinued operations is presented in the income statement on a separate line after the result from continuing operations. The income statement information for the year of comparison is adjusted accordingly.

Amendments to standards and interpretations published by IASB taking effect later

The preliminary assessment is that the standards and interpretations published by IASB taking effect later are not relevant for the Group.

1. Segment information

For reporting to top management, SOK Corporation's operations are divided into five business segments. The segments are based on business areas.

SOK Corporation's segments t o be reported are

Supermarket trade

SOK Corporation carries on supermarket trade in Estonia and Russia via its subsidiaries. AS Prisma Peremarket has five hypermarkets in Tallinn, one in Narva and two in Tartu. OOO Prisma has ten supermarkets, two hypermarkets and one minimarket in St. Petersburg.

Tourism and hospitality business

SOK Corporation's tourism and hospitality business is carried on by Sokotel Oy in Finland, AS Sokotel in Estonia and OOO Sokotel in Russia. SOK Corporation's hotels operate under the brands Sokos Hotels and Radisson Blu Hotels. In Finland, Sokotel Oy operates 14 Sokos hotels and 7 Radisson Blu hotels. Visitors to Tallinn are warmly received at the Original Sokos Hotel Viru and Solo Sokos Hotel Estoria, with their wide choice of restaurants. OOO Sokotel has three Sokos Hotel chain hotels in St. Petersburg, one of which is a spa hotel.

Real estate business

SOK real estate division's main responsibility is ensuring revenue and value development of SOK Corporation's real estate portfolio. The revenue of the real estate segment consists of rental income and service charges from SOK Corporation's business functions and from other tenants.

Procurement and Services Business

Inex Partners Oy offers logistics services for grocery, consumer goods and speciality goods supplied to the retail chains. Meira Nova Oy provides purchasing and logistics services for groceries supplied to locations in the HoReCa sector.

The aim of the service functions provided by SOK Corporation is to develop operational models and processes that generate the maximum added value for the S Group's businesses. The service units develop and maintain business models that increase the competitiveness of the entire S Group, and produce cost-effective services for the S Group. The joint service functions cover all the S Group's service functions that can be organised centrally to yield cost savings and/or a qualitative improvement in operations.

Banking

S-Bank's mission is to provide competitive basic banking services for the S Group's customer-owners. The supermarket bank will strengthen customer loyalty whilst achieving savings in operating costs. S-Bank Group's result SOK Corporation's share of the consolidated result of the S-Bank Group is reported as banking operations. is reported as banking operations.

Segment reporting principles within SOK Corporation and reconciliation with the IFRS financial statements

The items to be included in the reporting to SOK Corporation's top management are revenue, operating result, operational result, investments, divestments and working capital. Management reporting is based on Finnish accounting legislation and on the principles of management accounting. Each segment is reported with intra-segment items eliminated. For example, revenue from the Procurement and services business has been stated eliminating the revenue between the companies in the Procurement and services business segment. Revenue in management reporting is reconciled with the IFRS revenue for continuing operations in the accounts. Financial accounting revenue for both continuing and discontinued operations is external revenue from which all of SOK Corporation's internal items have been eliminated. The differences between management reporting and financial accounting revenue are not material.

In calculating the operating result, valuations in accordance with Finnish accounting legislation are used. The income and expenses according to the matching principle are allocated to the segment. Reconciliation of the operating result with the result before taxes from continuing operations in compliance with IFRS shows those items which fall outside the operational result. These are, among others, financial income and expenses, gains and losses on the sale of property, plant and equipment as well as non-recurring costs from discontinuing operations.

In SOK Corporation's management reporting, assets are not allocated or reported on, except for working capital.

Segment information 31.12.2019

2019 EUR million	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	276.1	281.1	7,063.9	84.2		-208.6	7,496.6
Operating result	-4.1	33.0	17.2	17.2	9.1	-5.6	66.8
Investments	4.8	18.6	30.7	13.6		5.5	73.2
Divestments	0.1	0.0	0.8			0.0	1.0

Reconciliation of the revenue	
Management reporting revenue to be reported	7,496.6
Eliminations	0.0
Revenue IFRS	7,496.6

Reconciliation of the result	
Operating result of the segments to be reported	66.8
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	4.6
Gains and losses on the sale of property, plant and equipment	1.1
Other operating income and expenses	1.2
Changes in provisions	0.2
Valuation gains and losses on derivatives	0.0
Impairment losses on tangible and intangible assets	-0.1
IFRS adjustments	-6.6
Profit before taxes for the period IFRS	67.2

Additional data at SOK Corporation level, external income	
Sales to S Group	6,514.8
Other sales in Finland	655.5
Foreign	326.3
Revenue, total	7,496.6
Supermarket Trade	276.1
Tourism and Hospitality Business	281.1
Procurement and services Business	6,855.3
Real estate business	84.2
Revenue, total	7,496.6

Additional information at SOK Corporation level, fixed assets	
Finland	1406.3
Foreign	58.1
Fixed assets, total	1464.3

Segment information 31.12.2018

2018 EUR million	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	283.7	270.1	6,792.0	85.1		-131.3	7,299.7
Operating result	-6.3	32.6	12.0	17.8	3.9	-1.2	58.9
Investments	2.5	12.8	42.4	55.4		0.2	113.2
Divestments	0.2	0.0	1.6	21.3		0.0	23.0

Reconciliation of the revenue	
Management reporting revenue to be reported	7,299.7
Eliminations	3.8
Revenue IFRS	7,303.5
Reconciliation of the result	
Operating result of the segments to be reported	58.9
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	0.5
Gains and losses on the sale of property, plant and equipment	-1.4
Other operating income and expenses	-0.4
Changes in provisions	0.0
Valuation gains and losses on derivatives	0.4
Impairment losses on tangible and intangible assets	-4.4
IFRS adjustments	1.8
Profit before taxes for the period IFRS	55.4
Additional data at SOK Corporation level, external income	
Sales to S Group	6,335.1
Other sales in Finland	631.6
Foreign	333.0
Revenue, total	7,299.7
Supermarket Trade	283.7
Tourism and Hospitality Business	274.0
Procurement and services Business	6,660.8
Real estate business	85.1
Revenue, total	7,303.5
Additional information at SOK Corporation level, fixed assets	
Finland	410.1
Foreign	50.1
Fixed assets, total	460.2

2. Other operating income

EUR million	2019	2018
Gains on sale of property, plant and equipment	1.7	2.3
Other income	1.4	0.3
Total	**3.1**	**2.6**

3. Employee benefit expenses

EUR million	2019	2018
Salaries and remuneration	224.0	206.5
Pension expenses, defined contribution plan	38.7	36.1
Other personnel expenses	10.9	10.6
Total	**273.6**	**253.2**

Average number of personnel by segment	2018	2017
Supermarket trade	1,625	1,688
Tourism and hospitality business	1,419	1,533
Procurement and services business	3,410	3,013
Total	**6,454**	**6,234**

The average number of personnel by segment has been calculated as the average number of personnel at the end of each quarter including both continuing and discontinued operations.

4. Depreciation and impairment

EUR million	2019	2018
Depreciation		
Property, plant and equipment		
Buildings and structures	142.8	21.1
Machinery and equipment	13.0	12.8
Other property, plant and equipment	0.3	0.3
Intangible assets		
Other intangible assets	10.8	18.1
Investment properties	1.9	3.4
Total	**168.8**	**55.7**
Impairment		
Property, plant and equipment		
Buildings and structures		4.1
Machinery and equipment	0.1	0.5
Other tangible assets	0.0	0.0
Intangible assets		
Other intangible assets		0.0
Other long term expenses		0.7
Investment properties		0.2
Total	**0.1**	**5.5**

Impairment of tangible assets is related to the reduction in value of buildings in nearby areas.

Depreciation and impairment, total	**168.9**	**61.2**

5. Other operating expenses

EUR million	2019	2018
Rental expenses	22.1	138.1
Marketing expenses	11.6	9.4
Administrative expenses	14.3	18.1
Equipment and supplies	165.2	155.0
Property maintenance expenses	42.4	39.2
Other business expenses	25.7	29.2
Total	**281.3**	**389.0**

6. Auditor's fees

EUR million	2019	2018
Audit fees	0.5	0.4
Certificates and statements	0.0	0.0
Tax consulting	0.0	0.0
Other services	0.2	0.4
Total	**0.7**	**0.8**

7. Financial income and expenses

EUR million	2019	2018
Financial income		
Interest income from loans and receivables	2.3	2.7
Dividend income from available-for-sale investments	0.2	0.1
Gains on derivatives held for trading	0.2	1.0
Other financial income	0.9	0.5
Total	**3.5**	**4.3**
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	39.9	7.5
Expenses on derivatives held for trading	0.0	0.4
Other financial expenses	0.6	2.1
Total	**40.5**	**10.0**
Financial income and expenses, total	**-37.0**	**-5.7**

8. Financial instrument items recognised in the income statement

EUR million	2019	2018
In other operating income		
Capital gain on shares and participations	0.0	0.4
In purchases of materials and services		
Net exchange differences on trade payables	-0.3	-0.1
Net expenses for derivatives held hedge accounting	5.7	1.7
In financial income and expenses		
Dividend yields from shares and participations	0.2	0.1
Interest income on loans and receivables	2.2	2.7
Net exchange differences on loans and receivables	0.5	-1.1
Net income from derivatives held for hedging	0.0	0.2
Interest expenses on other financial liabilities	-39.9	-7.7
Net exchange differences on other liabilities	0.0	0.0
Total	-31.7	-3.8

Summary in IFRS 9 categories	2019	2018
Financial assets at amortized cost	2.7	1.6
Financial assets valued at fair value through other comprehensive income (IAS39)		
Financial assets and liabilities at fair value through profit or loss	5.7	2.9
Financial liabilities valued at amortized cost	-40.2	-7.8
Financial liabilities at fair value through profit or loss		
Derivative contracts subject to hedge accounting	0.2	-0.6
Total	**-31.7**	**-3.8**

Only SOK Corporation's external items are stated as income, expenses, gains and losses.

Net expenses from derivatives held for trading, which has been recognised in purchases of materials and services, consists of derivatives that have been taken out to hedge purchases but to which hedge accounting has not been applied.

The expenses for liabilites measured at amortised cost also include guarantee commission expenses.

9. Income taxes

EUR million	2019	2018
Current tax	-2.0	-2.1
Taxes for previous financial years	0.0	2.3
Changes in deferred taxes	0.2	-6.8
Total	**-1.9**	**-6.7**

Reconciliation statement between tax expense in the income statement and taxes calculated at the valid Corporation's tax rate in Finland:

EUR million	2019	2018
Profit before taxes	67.2	55.4
Taxes at parent company's tax rate	-13.4	-11.1
Effect of different tax rates in foreign subsidiaries		-0.1
Effect of tax-free income	2.8	0.7
Effect of non-deductible expenses	-0.3	-0.3
Share of results of associated companies and joint ventures net of tax	2.9	1.5
Deferred tax assets not booked on losses	-1.8	-2.3
Taxes for previous financial years	0.0	2.3
From business combinations	7.8	2.8
Other items	0.2	-0.2
Taxes in the income statement	**-1.9**	**-6.7**

Taxes related to other comprehensive income items

2019

EUR million	Before tax	Tax effect	After tax
Cashflow hedges	-0.4	0.1	-0.3
Total	-0.4	0.1	-0.3

2018

EUR million	Before tax	Tax effect	After tax
Cashflow hedges	-0.1	0.0	-0.1
Total	-0.1	0.0	-0.1

10. Property, plant and equipment

31.12.2019 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress and advance payments	Total
Acquisition cost						
Acquisition cost, 1 Jan	8.8	513.1	131.1	6.4	5.6	665.0
IFRS 16		1,045.6	12.1			1,057.6
Translation differences	0.0	5.2	3.1			8.3
Increases		49.8	4.4	0.0	23.6	77.8
Decreases		-1.7	-2.8	0.0	-1.1	-5.6
Transfers between items		7.5	8.6		-12.6	3.5
Acquisition cost, 31 Dec	**8.8**	**1,619.4**	**156.5**	**6.4**	**15.5**	**1,806.6**
Accumulated depreciation						
Accumulated depreciation, 1 Jan	-0.2	-216.5	-93.3	-1.7		-311.6
Translation differences		-1.9	-2.7			-4.6
Accumulated depreciation on deducted and transferred items		1.6	2.7	0.0		4.3
Depreciation for the period		-142.8	-13.0	-0.3		-156.1
Impairment losses			0.1	0.0		0.1
Accumulated depreciation, 31 Dec	**-0.2**	**-359.5**	**-106.2**	**-2.0**		**-467.9**
Carrying amount, 1 Jan 2018	**8.6**	**296.6**	**37.8**	**4.8**	**5.6**	**353.4**
Carrying amount, 31 Dec 2018	**8.6**	**1,259.8**	**50.3**	**4.5**	**15.5**	**1,338.6**

31.12.2019 EUR million	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1.1.	1,105.3	15.1	**1,120.4**
Increases	101.5	1.0	**102.5**
Accumulated depreciation 31.12.	-125.1	-1.5	**-126.6**
Carrying amount 31.12.	1,081.6	14.7	**1,096.3**

31.12.2018 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress and advance payments	Total
Acquisition cost						
Acquisition cost, 1 Jan	8.8	487.6	140.4	8.4	3.8	649.1
Translation differences	0.3	27.9				28.2
Increases	0.0	-5.1	-3.8		0.0	-8.9
Decreases	0.0	9.7	4.0	0.0	10.4	24.1
Transfers between items	-0.3	-14.4	-15.9	0.0		-30.6
Transfer to assets held for sale [1)]		7.3	6.3	-2.0	-8.6	3.0
Acquisition cost, 31 Dec	**8.8**	**513.1**	**131.1**	**6.4**	**5.6**	**665.0**
Accumulated depreciation						
Accumulated depreciation, 1 Jan	-0.2	-193.1	-98.4	-1.4		-293.0
Translation differences		-1.7				-1.7
Accumulated depreciation on deducted and transferred items		1.8	2.8			4.7
Depreciation for the period		6.7	15.6	0.0		22.3
Impairment losses		-26.1	-13.3	-0.3		-39.7
Transfer to assets held for sale [1)]		-4.1	-0.1	0.0		-4.2
Accumulated depreciation, 31 Dec	**-0.2**	**-216.5**	**-93.3**	**-1.7**	**0.0**	**-311.6**
Carrying amount, 1 Jan 2018	**8.6**	**294.5**	**42.0**	**7.1**	**3.8**	**356.0**
Carrying amount, 31 Dec 2018	**8.6**	**296.6**	**37.8**	**4.8**	**5.6**	**353.4**

1) Three real estates are presented in assets held for sale.

Assets under a finance lease are included in the cost of property, plant and equipment as follows:

31.12.2018 EUR million	Buildings and structures	Machinery and equipment	Total
Acquisition cost	217.5	14.6	**232.1**
Accumulated depreciation	-93.9	-11.5	**-105.4**
Carrying amount	123.6	3.1	**126.7**

11. Investment properties

EUR million	2019	2018
Acquisition cost, 1 Jan	87.5	87.1
Increases	0.2	0.4
Decreases	-0.8	0.0
Transfers between items	0.9	0.0
Acquisition cost, 31 Dec	**87.8**	**87.5**
Accumulated depreciation, 1 Jan.	-63.1	-59.6
Accumulated depreciation on deducted and transferred items	0.1	0.0
Depreciation for the period	-1.9	-3.5
Accumulated depreciation, 31 Dec	**-65.0**	**-63.1**
Carrying amount, 1 Jan	**24.3**	**27.5**
Carrying amount, 31 Dec	**22.8**	**24.3**
Fair value [1]	**89.8**	**91.5**

Investment properties are classified onto level 3 in fair value hierarchy. Assets and liabilities that are included on hierarchy level 3 have their fair value based on input data which is not based on observable market data.

Fair values of investment properties are based on either assessments made by external specialists or on companys own assessments. The values of self assessed investment properties are based on market value which is determined based on realised sales transactions before the assessment date and the existing market situation. Fair value has been assessed semiannually for financial reporting.

[2] Investment properties include four spa hotels acquired through financing leases where the operations have been sold but the lease agreement remains with the Corporation. The fair value of these properties cannot be reliably determined since Holiday Club's lease agreements and sales information are not available to Group. The carrying values of the properties amounted to a total of EUR 6.2 million in SOK Group's balance sheet (EUR 8.9 million on 31 December 2017). The fair value of these properties is not included in the above presented fair value.

12. Intangible assets

31.12.2019 EUR million	Goodwill	Other intangible rights	Construction in progress and advance payments	Total
Acquisition cost				
Acquisition cost, 1 Jan	11.2	124.1	56.1	191.3
Effect of IFRS 16		18.6		18.6
Translation differences	0.3	0.3		0.7
Increases		1.2	6.0	7.2
Transfers between items		4.0		4.0
Acquisition cost, 31 Dec	**11.5**	**148.2**	**62.1**	**221.8**
Accumulated amortization				
Accumulated amortisation and impairment, 1 Jan	-1.2	-107.4		-108.7
Translation differences	-0.3	-0.3		-0.6
Accumulated depreciation on deducted and transferred items		1.2		1.2
Depreciation for the period		-10.8		-10.8
Accumulated amortisation, 31 Dec	**-1.6**	**-117.3**		**-118.9**
Carrying amount, 1 Jan 2019	**9.9**	**16.6**	**56.1**	**82.7**
Carrying amount, 31 Dec 2019	**9.9**	**30.9**	**62.1**	**102.9**

31.12.2019	Other intangible rights	Total
Acquisition cost	18.9	18.9
Accumulated amortisation	-0.25	-0.25
Carrying amount,	18.6	18.6

31.12.2018 EUR million	Goodwill	Other intangible rights	Construction in progress and advance payments	Total
Acquisition cost				
Acquisition cost, 1 Jan	9.5	126.8	39.4	175.7
Translation differences		-1.5		-1.5
Increases		1.1	28.7	29.8
Decreases and group reserve increases		-9.7		-9.7
Transfers between items	1.7	7.3	-12.0	-3.0
Acquisition cost, 31 Dec	**11.2**	**124.1**	**56.1**	**191.3**
Accumulated amortisation				
Accumulated amortisation and impairment, 1 Jan	-1.2	-104.0		-105.3
Translation differences		0.3		0.3
Accumulated depreciation on deducted and transferred items		9.7		9.7
Depreciation for the period		-13.3		-13.3
Impairment losses and income recognitions of group reserve		0.0		0.0
Accumulated amortization, 31 Dec	**-1.2**	**-107.4**		**-108.7**
Carrying amount, 1 Jan 2018	**8.2**	**22.8**	**39.4**	**70.4**
Carrying amount, 31 Dec 2018	**9.9**	**16.6**	**56.1**	**82.7**

13. Impairment testing of goodwill

Goodwill has been allocated to SOK Corporation's cash-generating units or to groups of cash-generating units as follows:

EUR million	2019	Discount rate, %	2018	Discount rate, %
EUR million	7.4	6.9	7.4	6.1
S-Herkkukeittiö	1.7		1.7	
LB Kiel Tampere Ab / Kiinteistö Oy Hotelli Tammer	0.8		0.8	
Total	**9.9**		**9.9**	

Apart from goodwill, SOK Corporation does not have other intangible assets with an indefinite economic life.

SOK Corporation's cash-generating units are defined for the level below the business segment. As a rule, a cash-generating unit is a legal company. For the Travel industry and hospitality business, goodwill is monitored and tested at the chain level.

The goodwill testing of Sokos Hotel Tammer is based on the fair value of the property located in Tampere, less sales costs.

The fair value defined in 2013 has been compared to the total amount of the balance sheet value of the real estate company and the total amount of Group items on the property.

The fair value clearly exceeds the company's balance sheet value in the Group in the Financial Statements 2018 and 2019.

Impairment losses

In the 2018–2019 financial statements no impairment losses of goodwill were recognised.

Testing and sensitivity analysis

In impairment testing, the recoverable amount for the business is based on value-in-use calculations. Value in use has been calculated on the basis of estimated discounted cash flows. The projected cash flows are based on financial plans which have been approved by management and cover a five-year-period. The cash flows after this period have been extrapolated using a 2% growth rate which, according to the estimate, does not exceed the long-term actual growth rate of the business areas. The discount rate applied is the weighted average cost of capital (WACC) that is determined by sector and by country, taking into account the special risks associated with the unit. The required return is based on the average capital structure for the sector and a sector-specific beta.

The main variables in impairment testing are the discount rate, the EBITDA margin (%) as well as the growth rate after the five-year forecasting period. In assessing the goodwill of the Sokos Hotels chain, a possible foreseeable change in any of the key variables does not lead to a situation that would result in the need to recognise an impairment loss.

14. Shares in associated companies and joint ventures

EUR million	2019	2018
Carrying amount, 1 Jan	196.6	181.8
Share of result for the period	14.6	7.3
Dividends received	-4.0	-1.7
Increases/decreases	-0.2	12.2
Translation differences	-2.0	-3.1
Carrying amount, 31 Dec	**205.0**	**196.6**

Most significant associated companies

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd., which operates in the banking sector and belongs to S Group. S-Bank provides the members of the cooperative enterprises with services in daily banking, and its product range consists of current accounts and savings accounts, funds and asset management services, consumer credits and secured loans, international credit or debit cards as well as an online bank and a mobile bank.

At the end of February, SOK acquired all shares of its associated company Russian and Baltics Retail Properties Ky real estate fund (RBRP).

Financial information summary of the essential associated companies

EUR million	S-Bank Ltd 2019	S-Bank Ltd 2018
Current assets	1,469.9	1,745.5
Non-current assets, total	5,144.1	4,718.6
Current liabilities	6,138.4	6,002.9
Non-current liabilities	2.2	2.9
Revenue [1)]	86.1	74.0
Result for the financial year	24.4	10.2
Other comprehensive income for the financial year	0.8	-5.5
Reconciliation of the associated company's financial information with the balance sheet value recognised by the Group		
Net assets of the associated company	473.4	458.3
Group ownership, %	38%	38%
Group's share of the net assets	177.5	171.9
Other adjustments	6.2	1.8
Associated company's balance sheet value in the consolidated balance sheet	183.7	173.7

Other associated companies

2019 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Coop Trading A/S	13.2	3.0	14.6	0.3	25.0%
Others	4.8	0.1	0.5	0.0	

2018 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Finnfrost Oy	23.9	19.5	404.7	0.1	50.0%
Coop Trading A/S	12.0	2.2	13.3	0.1	25.0%
Others	4.8	0.1	0.5	0.0	

1) S-Bank Ltd's net interest income has been presented as revenue.

Most significant joint ventures

North European Oil Trade Oy (NEOT) is a fuel procurement company jointly owned by SOK Corporation and St1 Nordic Oy. NEOT's task is to procure and deliver fuel to its owners at an as competitive a price as possible.

Financial information summary of the essential associated companies

EUR million	North European Oil Trade Oy 2019	2018
Current assets	872.0	896.2
Cash and cash equivalents included in current assets	50.0	25.4
Non-current assets, total	0.2	0.1
Current liabilities	853.9	883.3
Financial liabilities included in current liabilities	373.1	345.5
Revenue	5,459.3	5,477.5
Dividends received from the joint venture during the financial period	0.1	0.1
Reconciliation of the joint ventures financial information with the balance sheet value recognised by the Group		
Net assets of the joint venture	18.4	12.9
Group ownership, %	51%	51%
Group's share of the net assets	9.3	6.6
Other adjustments	2.7	3.6
Joint ventures balance sheet value in the consolidated balance sheet	12.1	10.2

Other joint ventures

2019 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Kauppakeskus Mylly Oy	135.6	109.3	20.4	6.8	50.0%

2018 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Kauppakeskus Mylly Oy	137.2	110.8	20.0	6.0	50.0%

SOK Corporation owns 50.8 per cent of North European Oil Trade Oy. SOK Corporation executes shared controlling interest in the company with ST1, based on the shareholder agreement, so the company is treated as a joint venture.

All associated companies and joint ventures of the SOK Corporation are unlisted.

S-Bank and Kauppakeskus Mylly were consolidated as Groups.

15. Non-current financial assets

Available-for-sale financial assets EUR million	2019	2018
Shares and participations		
Carrying amount, 1 Jan	39.4	39.1
Increases	0.6	0.3
Decreases	-0.3	0.0
Carrying amount, 31 Dec	**39.8**	**39.4**

Shares and participations include shares in unlisted companies. Unlisted shares are stated at cost if their fair values cannot be obtained reliably.

Loans and receivables EUR million	2019	2018
Receivables from associated companies	20.0	20.0
Capital loan receivables from others	0.6	0.6
Non-current loan receivables	10.0	10.0
Other non-current receivables	2.7	2.4
Loans and other receivables total	**33.3**	**33.0**
Non-current financial assets, total	**73.1**	**72.4**

16. Deferred taxes

Changes in deferred taxes in 2019

Deferred tax assets EUR million	1 Jan 2019	Recognised in the income statement	Items recognised in the statement of comprehensive income	Foreign exchange differences	31 Dec 2019
Confirmed losses	10.1	-5.6			4.6
Provisions and impairment losses	1.5	-0.1			1.4
Internal margin on inventories and property, plant and equipment	1.9	0.0			1.9
Finance lease liabilities	2.8	14.9			17.6
Other items	1.7	-0.3		-0.1	1.3
Total	**18.0**	**8.9**		**-0.1**	**26.8**

Deferred tax liabilities EUR million					
Cumulative depreciation difference	4.0	0.1			4.0
Business combinations	0.8				0.8
Fair value reserve	0.0	-0.1			0.0
Retained earnings of Estonian companies	6.7	-0.9			5.8
Other items	0.5	-1.2		0.0	-0.7
Total	**12.1**	**-2.1**	**0.0**	**0.0**	**10.0**

Changes in deferred taxes in 2018 **Deferred tax assets** **EUR million**	**1 Jan 2018**	**Recognised in the income statement**	**Items recognised in the statement of comprehensive income**	**Foreign exchange differences**	**31 Dec 2018**
Confirmed losses	15.8	-5.6			10.1
Provisions and impairment losses	5.1	-3.6			1.5
Internal margin on inventories and property, plant and equipment	1.9	0.0			1.9
Finance lease liabilities	2.7	0.0			2.8
Other items	1.6	0.1		0.1	1.7
Total	**27.0**	**-9.1**		**0.1**	**18.0**

Deferred tax liabilities **EUR million**					
Cumulative depreciation difference	4.6	-0.6			4.0
Business combinations	0.8				0.8
Fair value reserve	0.1	0.0			0.0
Retained earnings of Estonian companies	6.5	0.3			6.7
Other items	1.6	-1.0		0.0	0.5
Total	**13.5**	**-1.4**	**0.0**	**0.0**	**12.1**

The Group had EUR 18.9 million (EUR 17.6 million on 31 December 2018) of confirmed losses, for which no deferred tax assets have been recognised, since it is not likely that the Group will accrue taxable income against which the losses could be utilised before the losses expire.

With regard to confirmed losses for which deferred tax assets have been recognised, the group has sufficient tax planning measures in place for using the losses.

17. Inventories

EUR million	**2019**	**2018**
Raw materials and consumables	2.1	2.3
Supplies	200.8	157.0
Other inventories	2.2	1.5
Total	**205.0**	**160.8**

18. Trade receivables and other current non-interest-bearing receivables

EUR million	2019	2018
Trade receivables	522.1	528.7
Non-interest-bearing loan and other receivables	54.7	86.2
Derivative assets	0.4	3.4
Prepayments and accrued income in financial items	0.2	1.9
Other prepayments and accrued income	24.0	29.7
Trade receivables and other current non-interest-bearing receivables, total	**601.4**	**650.0**

Material items included in other prepayments and accrued income.		
Personnel expenses	0.2	2.7
Others	23.8	27.0
Other prepayments and accrued income, total	**24.0**	**29.7**

19. Current interest-bearing receivables

EUR million	2019	2018
Money market investments	34.0	0.0
Current interest-bearing receivables, total	**34.0**	**0.0**

20. Cash and cash equivalents

EUR million	2019	2018
Cash on hand and deposits	172.6	172.4

21. Equity

EUR million	2019	2018
Cooperative capital, 1 Jan	172.0	172.0
Cooperative contributions paid		0.0
Cooperative capital, 31 Dec	**172.0**	**172.0**

Cooperative capital consists of the cooperative contributions paid to Suomen Osuuskauppojen Keskusosuuskunta (SOK) for participations in the cooperative enterprises. The number of participations in a cooperative enterprise is determined on the basis of the number of the members and annual purchases of the cooperative enterprises.

Restricted reserves

Fair value reserve

The fair value reserve includes changes in the fair values of derivative instruments used to hedge available-for-sale investments and cash flow as well as a share of change in S-Bank's fair value reserve. Value of the reserve is EUR -2.2 million (EUR -2.7 million on 31 Dec 2018). The share of S-Bank's fair value reserve is EUR -2.0 million (EUR -2.8 million on 31 December 2018).

Reserve fund

The reserve fund comprises the portion of non-restricted equity that can be transferred under the cooperative's statutes. Value of the fund is EUR 18.5 million (EUR 18.5 million on 31 Dec 2018).

Supervisory Board's Disposal fund

The Supervisory Board decides on the use of its disposal fund. Value of the fund is EUR 0.1 million (EUR 0.0 million on 31 Dec 2018).

Non-restricted reserves

Invested non-restricted equity reserve

According to new co-operative rules of Suomen Osuuskauppojen Keskusosuuskunta the increases of cooperative capital paid by cooperative enterprises are booked into invested non-restricted equity reserve. Value of the reserve is EUR 25.4 million (EUR 21.5 million on 31 Dec 2018).

22. Interest-bearing liabilities

Non-current interest-bearing liabilities EUR million	2019	2018
Finance lease liabilities	1,061.1	133.5
Other non-current interest-bearing liabilities		3.4
Non-current interest-bearing liabilities, total	**1,061.1**	**136.8**

Current interest-bearing liabilities EUR million	2018	2017
Finance lease liabilities	117.7	14.3
Other current interest-bearing liabilities		24.0
Current interest-bearing liabilities, total	**117.7**	**38.3**

Finance lease liabilities EUR million	2019	2018
Finance lease liabilities – total amount of minimum lease payments		
In one year	177.2	20.6
In one to five years	591.7	59.1
Over five years	800.4	122.1
Minimum lease payments, total	**1,569.3**	**201.7**

Finance lease liabilities EUR million	2019	2018
Finance lease liabilities – present value of minimum lease payments		
In one year	114.9	14.3
Long term IFRS 16 debt	1,050.2	
In one to five years		39.3
Over five years		94.2
Present value of minimum lease payments, total	**1,165.1**	**147.8**
Accrued financial expenses	**0.0**	**53.9**

EUR million	2019
Interest on lease liabilities	157.3
Variable rents	4.6
Amount of short-term rents	0.6
Lease agreements of less than EUR 5,000	1.3

Impact of switching to IFRS 16	2019
Lease liabilities reported in the financial statements of 31 Dec 2018	1,502.2
Lease agreements that have not yet commenced but to which the Group is committed	-262.5
Discounting	-200.2
Amount of short-term rents	-0.6
Lease agreements of less than EUR 5,000	-1.3
Variable rents	-1.8
Finance lease agreements as of 31 December 2018	147.8
Lease liability recorded on 1 January 2019	1,183.5

On 1 January 2019, the weighted average discount rate of rents was 3.1%.

The lease period shown in the agreement is shown for accounting; the options for continuation are not taken into account unless a binding decision has been made regarding them. The basic principle is that exercising the option for continuing the lease cannot be considered likely before the Board of Directors has approved business operations' proposal to continue. The options for continuation will therefore be taken into account when a binding decision regarding them has been made by the Board of Directors or another decision-making body. The agreements on logistics centres and terminals do not include separate options; instead, the use and terms and conditions of any continuation agreements will be separately agreed.

23. Non-interest-bearing liabilities

EUR million	2019	2018
Non-current non-interest-bearing liabilities	39.2	36.3
Non-current non-interest-bearing liabilities, total	**39.2**	**36.3**
Trade payables, total	**726.8**	**693.3**
Advances received	16.9	10.1
Current liabilities	32.5	28.6
Derivative financial instruments	0.4	2.9
Accruals and deferred income	107.6	103.3
Current non-interest bearing liabilities, total	**157.4**	**144.9**
Material items included in current accruals and deferred income		
Personnel expenses	60.0	56.4
Financing items	0.1	0.0
Accruals of S-publications	28.2	19.9
Others	19.3	26.9
Current accruals and deferred income, total	**107.6**	**103.3**

24. Fair values of financial assets and liabilities

EUR million	Note	Financial assets and liabilities measured at fair value through profit and loss	Hedge accounting derivatives	Financial assets and liabilities to be measured at amortised cost	Carrying amount 2019	Fair value 2019
Financial assets						
Non-current financial assets	**15**					
Shares and participations		3.7			3.7	3.7
Loan receivables				30.6	30.6	32.2
Non-interest-bearing loan receivables				2.6	2.6	2.4
Trade receivables					0.0	0.0
Trade receivables and other current non-interest-bearing receivables	**18**					
Trade receivables				522.9	522.9	522.9
Other non-interest bearing receivables				48.2	48.2	48.2
Prepayments and accrued income in financial items				0.3	0.3	0.3
Derivatives assets		0.1	0.3		0.4	0.4
Money Market investmens	**19**	5.0		29.0	34.0	34.1
Cash and cash equivalents	**20**			161.4	161.4	161.4
Financial assets, total		**8.8**	**0.3**	**794.9**	**804.0**	**805.6**
Financial liabilities						
Non-current interest-bearing liabilities	**22**					
Trade payables				0.0	0.0	0.0
Interest-bearing loans from financial institutions				0.0	0.0	0.0
Non-current non-interest-bearing liabilities	**23**					
Cash counting service				32.3	32.3	32.3
Other non-interest-bearing liabilities				0.5	0.5	0.5
Current interest-bearing liabilities	**22**					
Interest-bearing loans from others						
Current non-interest-bearing liabilities	**23**					
Accruals and deferred income in financial items				0.1	0.1	0.1
Derivatives liabilities		0.2	0.2		0.4	0.4
Trade payables	**23**			726.5	726.5	726.5
Financial liabilities, total		**0.2**	**0.2**	**759.4**	**759.8**	**759.8**

The table does not include lease liabilities of carrying amount 1 179.5 million eur.

EUR million	Note	Financial assets and liabilities measured at fair value through profit and loss	Hedge accounting derivatives	Financial assets and liabilities to be measured at amortised cost	Carrying amount 2019	Fair value 2019
Financial assets						
Non-current financial assets	**15**					
Shares and participations		3.3			3.3	3.3
Loan receivables				30.6	30.6	36.4
Non-interest-bearing loan receivables				2.3	2.3	2.2
Trade receivables					0.0	0.0
Trade receivables and other current non-interest-bearing receivables	**18**					
Trade receivables				530.4	530.4	530.4
Other non-interest bearing receivables				83.9	83.9	83.5
Prepayments and accrued income in financial items				1.9	1.9	1.9
Derivatives assets		2.6	0.4		2.9	2.9
Cash and cash equivalents	**20**					
Cash in hand and deposits				172.6	172.6	172.6
Financial assets, total		**5.9**	**0.3**	**821.7**	**827.9**	**833.3**
Financial liabilities						
Non-current interest-bearing liabilities	**22**					
Finance lease liabilities				133.6	133.6	147.8
Non-current non-interest-bearing liabilities	**23**					
Cash counting service				33.4	33.4	33.4
Other non-interest-bearing liabilities				0.4	0.4	0.4
Current interest-bearing liabilities	**22**					
Interest-bearing loans from others		24.0		0.0	24.0	24.0
Finance lease liabilities				14.3	14.3	20.6
Current non-interest-bearing liabilities	**23**					
Accruals and deferred income in financial items				0.0	0.0	0.0
Derivatives liabilities		3.7	0.2		3.9	3.9
Trade payables	**23**			693.3	693.3	693.3
Financial liabilities, total		**27.7**	**0.2**	**875.1**	**903.0**	**923.5**

The fair value hierarchy

EUR million	Note	Fair Value 2019	Level 1	Level 2	Level 3
Assets measured at fair value					
Non-current financial assets	**15**				
Shares and participations		3.7			3.7
Other current non-interest-bearing receivables	**18**				
Derivative assets		0.4		0.4	
Current interest-bearing receivables	**19**				
Loan receivables		5.0		5.0	
Total		**9.1**	**0.0**	**5.4**	**3.7**
Liabilities measured at fair value					
Current non-interest-bearing liabilities	**23**				
Derivatives liabilities		0.4		0.4	
Total		**0.4**	**0.0**	**0.4**	**0.0**

The fair value hierarchy level to which an item measured at fair value has been classified in its entirety is determined based on the lowest level inputs that are significant for the entire item in question, measured at fair value. The significance of the input has been estimated in its entirety in relation to the item in question measured at fair value. The moment of transfers between different levels of the fair value hierarchy is determined by the end of the review period.

Fair values on hierarchy level 1 are based on the quoted prices of completely identical asset items or liabilities in an active market.

The fair values of level 2 instruments are to a significant extent based on inputs other than quoted prices included in level 1. However they are based on information that is observable for the said asset item either directly or indirectly. In determining the fair value of these instruments, the Group uses generally accepted valuation models in which the input is to a significant extent based on verifiable market information.

The fair values of level 3 instruments are based on inputs concerning the asset item or liability which is not based on verifiable market information.

The holdings in Suomen Luotto-osuuskunta cooperative are presented in level 3 due to inaccuracies in the measurement of the fair value. The fair value of the holdings, EUR 2.0 million (2018: EUR 1.5 million) is based on Suomen Luotto-osuuskunta cooperative's preliminary plan regarding the distribution of funds. In addition to the aforementioned, level 3 also includes EUR 1.7 million of unquoted shares (2018: 1.8 million), for which the fair value cannot be determined.

Movements of items in Level 3 measured at fair value on recurring basis in the balance sheet

EUR million	2019
Opening balance, 1 Jan	3.3
Purchases	0.1
Sales	-0.2
Fair value changes recognised in the income statement	0.5

EUR million	Note	Fair Value 2018	Level 1	Level 2	Level 3
Assets measured at fair value					
Non-current financial assets	**15**				
Shares and participations		3.3			3.3
Loan receivables		36.4		36.4	
Non-interest-bearing loan receivables		2.2		2.2	
Other current non-interest-bearing receivables	**18**				
Loan receivables		83.5		83.5	
Derivative assets		2.9	2.8	0.1	
Total		**128.4**	**2.8**	**122.2**	**3.3**
Liabilities measured at fair value					
Non-current interest-bearing liabilities	**22**				
Finance lease liabilities		147.8		147.8	
Non-current non-interest-bearing liabilities	**23**				
Cash counting service		33.4		33.4	
Other non-interest-bearing liabilities		0.4		0.4	
Current interest-bearing liabilities	**22**				
Interest-bearing loans from others		24.0		24.0	
Finance lease liabilities		20.6		20.6	
Current non-interest-bearing liabilities	**23**				
Derivatives liabilities		3.9	2.8	1.1	
Total		**230.2**	**2.8**	**227.3**	**0.0**

Movements of items in Level 3 measured at fair value on recurring basis in the balance sheet

EUR million	2018
Opening balance, 1 Jan	3.3
Purchases	0.1
Sales	0.0
Impairments in the income statement	-0.1
Fair value changes recognised in the income statement	0.0

25. Provisions

EUR million	Unprofitable lease agreements	Maintenance provisions of leased facilities	Other provisions	Total
Provisions, 1 Jan 2019	6.7	0.6	0.0	7.4
Provisions used	-0.3	-0.2	0.1	-0.4
Provisions, 31 Dec 2019	**6.5**	**0.4**	**0.1**	**7.0**

Breakdown of provisions	
Non-current	6.4
Current	0.6

The increase of other provisions consists mainly of restructurings in nearby areas real estate business.

EUR million	Unprofitable lease agreements	Maintenance provisions of leased facilities	Other provisions	Total
Provisions, 1 Jan 2018	13.5	0.6	11.3	25.4
Increases in provisions	0.0			0.0
Provisions used	-6.8		-11.2	-18.0
Reversals of unused provisions			-0.1	-0.1
Provisions, 31 Dec 2018	**6.7**	**0.6**	**0.0**	**7.4**

Breakdown of provisions	
Non-current	6.8
Current	0.6

26. Operating leases

Group as lessor
Minimum lease payments on non-cancellable operating leases:

EUR million	2019	2018
In one year	8.2	9.1
In one to five years	26.8	7.8
Over five years	21.7	4.8
Total	**56.7**	**21.7**

27. Management of financial and commodity price risks

The management of finance and financial risks has been centralised within SOK's Treasury unit. SOK Corporation has a Finance and treasury policy as well as risk management instructions that are established by SOK's Executive Board. These define the principles of managing financial risks and the permissible maximum amounts for financial risks. In addition, numerical targets have been set for the different subareas of financing with the aim of being able to ensure the sufficiency, balance and affordability of financing in all conditions.

Derivatives are used mainly to hedge SOK Corporation's financial risks. Trading in derivatives for other than hedging purposes is done only within the risk limits approved by SOK's Executive Board.

Outstanding derivative contracts EUR million	Underlying item values 2019	Underlying item values 2018	Fair Value 2019	Fair Value 2018
Contracts to which hedge accounting in accordance with IFRS 9 is applied	23.9	23.9	0.4	0.4
Forward exchange contracts	23.9	23.9	0.4	0.4
Hedging contracts to which hedge accounting is not applied	23.8	23.8	0.2	0.2
Forward exchange contracts	19.6	19.6	0.2	0.2
Electrical derivatives	4.2	4.2	0.0	0.0

All derivative contracts mature in 2019.

Liquidity risk

Liquidity risk is a risk that the liquid assets and unused credit facilities of SOK and its subsidiaries are not sufficient to meet the operational needs or that arranging the liquidity needed causes high additional expenses.

SOK Corporation's liquidity risk is managed by keeping the cash reserve at a level that secures the Corporation's liquidity in unexpected situations as well. The liquidity risk may be realised in situations, where SOK is subjected to unexpected and direct payment obligations or the payments of SOK's receivables are delayed due to IT system disruptions, for example.

The cash reserve takes into consideration and includes liquid assets tradeable on the secondary market as well as such available bank account funds in Finland or abroad that are available on the same day. In addition to the available funds, unused account limits are also taken into consideration. The targeted size of the cash reserve is one hundred million euros.

SOK endeavours also to minimise liquidity and refinancing risks by maintaining a balanced maturity distribution for its loans.

SOK Corporation has concluded agreements on committed credit facilities to an amount of EUR 100 million (2018: EUR 100 million). The credit facilities have not been secured by collateral. 70 million of the committed credit facilities will fall due in 2021, 30 million of the committed credit facilities will fall due in 2022. Credit facilities have not been utilised during year 2019 or 2018. In accounting, the utilisation of long-term credit facilities is booked as a non-current liability.

The terms and conditions SOK's overdraft facilities contain covenants. The financial covenants used in all overdraft facilities agreements are equity ratio and the gross margin / net interest rates key figure excluding lease liabilites. In addition the maximum amount of lease liabilities is limited. The covenant terms and conditions were not breached in the financial year.

In addition, the SOK Corporation has an EUR 57 million uncommitted credit limits and an EUR 250 million commercial paper programme of which an average of EUR 6,3 (2018: 14,6) million was in use.

Maturity analysis of SOK Corporation's agreement-based cash flows from financial liabilities and derivative contracts	**Note**	**Book value 2019**	**Agreement-based cash flows (***	**On demand**	**Less than 3 mon.**	**3–12 mon.**	**1–2 yr**	**2–5 yr**	**over 5 yr**
Non-derivative financial assets									
Non-current interest-bearing liabilities	22								
Trade payables									
Interest-bearing loans from financial institutions									
Lease liabilities		1,077.3	1,261.1				158.3	404.7	698.1
Non-current non-interest-bearing liabilities	23								
Cash counting service		32.3	32.3	32.3					
Other non-interest-bearig liabilities		0.5	0.5				0.5		
Current interest-bearing liabilities	22								
Interest-bearing loans from others									
Lease liabilities		120.5	128.0		32.2	95.8			
Trade payables	23	726.5	726.5		726.4	0.1	0.0		
Off-balance liabilities									
Nominal value of guarantee liabilities		169.9	169.9	169.9					
Non-derivative financial assets, total		**2,127.1**	**2,318.3**	**202.3**	**758.5**	**95.9**	**158.8**	**404.7**	**698.1**
Derivatives liabilities	22. 26								
Derivatives included in hedge accounting		0.2							
Currency derivatives		0.2	-0.1		-0.1	0.0			
Interest rate derivatives									
Derivatives assets	20. 22								
Derivatives included in hedge accounting		0.3	0.4		0.3	0.1			
Currency derivatives		0.1	0.5		0.4	0.1			
Interest rate derivatives									
Net derivatives liabilites, total		**0.0**	**-1.1**	**0.0**	**-0.9**	**-0.2**	**0.0**	**0.0**	**0.0**
Total		**2127.1**	**2,317.3**	**202.3**	**757.6**	**95.7**	**158.8**	**404.7**	**698.1**

*) Expence on financial liabilities + / return on financial assets +

All the instruments in effect on 31 December 2019 and their agreement-based principal amounts and interest are given in the table. Items in foreign currency have been translated into euro, applying the ECB fixing rate on the balance sheet date. Floating-rate interest payments on financial liabilities have been defined applying the sufficient yield curve quotations at the balance sheet date. Financial liabilities for which repayment can be claimed before the due date have been presented in a period during which repayment can be made at the earliest.

For derivatives, the net cash flows of each agreement have been presented in the table. For interest rate swaps, the net cash flows of each agreement are shown. Future floating-rate cash flows have been defined applying the quotations at the balance sheet date.

EUR million	Note	Book value 2019	Agreement-based cash flows (*	On demand	Less than 3 mon.	3–12 mon.	1–2 yr	2–5 yr	over 5 yr
Non-derivative financial assets									
Non-current interest-bearing liabilities	22								
Lease liabilities		133.6	181.2				18.8	40.3	122.1
Non-current non-interest-bearing liabilities	23								
Cash counting service		33.4	33.4	33.4					
Other non-interest-bearig liabilities		0.4	0.4				0.4		
Current interest-bearing liabilities	22								
Interest-bearing loans from others		24.0	24.0		24.0	0.0			
Lease liabilities		14.3	20.6		5.4	15.2			
Trade payables	23	693.3	693.3		690.9	2.4	0.0		
Off-balance liabilities									
Nominal value of guarantee liabilities		148.4	148.4	148.4					
Non-derivative financial assets, total		**1,069.0**	**1,122.9**	**203.4**	**720.3**	**17.6**	**19.2**	**40.3**	**122.1**
Derivatives liabilities	19. 22								
Derivatives included in hedge accounting		0.2	-0.1		0.0	-0.1			
Currency derivatives		0.0	-0.1		0.0	-0.1			
Commodity derivatives		2.8	0.2		0.0	0.2			
Derivatives assets	19								
Derivatives included in hedge accounting		0.3	0.6		0.4	0.1			
Currency derivatives		0.2	0.8		0.7	0.1			
Commodity derivatives		2.8	0.2		0.0	0.2			
Net derivatives liabilites, total		**-0.3**	**-1.5**	**0.0**	**-1.1**	**-0.4**	**0.0**	**0.0**	**0.0**
Total		**1,068.7**	**1,121.4**	**203.4**	**719.2**	**17.3**	**19.2**	**40.3**	**122.1**

*) Expence on financial liabilities + / return on financial assets +

Credit risk

A credit risk is a risk that an agreement counterparty fails to fulfil their payment obligation to SOK Corporation or that a change in the counterparty's creditworthiness affects the market value of the financial instruments it has issued. A credit risk is generated on the moment when a transaction has been completed or an agreement has been entered into, or a decision thereof has been made, containing a risk that SOK Corporation will fail to collect its receivables.

The majority of SOK Corporation's credit risk is related to financial market agreements and trade receivables. SOK Corporation's liquidity is invested in money and currency markets in a productive manner but avoiding unnecessary risks.

Investment activities and trading in derivatives are carried on only with the counterparties approved by SOK's Executive Board and within the framework of the limit approved by the Executive Board.

The management of credit risks associated with commercial operations is part of the daily operations of the business areas.

Maximum amount of credit risk for financial assets EUR million	**2019**	**2018**
Non-current financial assets		
Loan receivables	30.6	30.6
Non-interest-bearing loan receivables	2.6	2.3
Trade receivables	0.0	0.0
Trade receivables and other current non-interest-bearing receivables		
Trade receivables	522.9	530.4
Other non-interest bearing receivables	48.2	83.9
Prepayments and accrued income in financial items	0.3	1.9
Derivatives assets	0.4	2.9
Cash and cash equivalents	161.4	172.6
Off-balance sheet liabilities		
Nominal value of warranty liabilities	169.9	148.4
Total	**936.3**	**973.0**

Derivatives assets comprise the positive market values in the accounting of agreements.

Guarantee commitments which increase SOK Corporation's credit risk are presented in Note 29. The guarantee liabilities include guarantees that are not likely to realise made on behalf of companies belonging to S Group.

Items reducing the credit risk

SOK Corporation has received real securities with value of EUR 0.0 million (2018: EUR 0.0 million) and bank guarantees 0.0 million as counter-guarantees for collaterals given on behalf of the cooperative enterprises.

SOK Corporation used credit insurance to reduce the credit risk of trade receivables. The value of the insured trade receivables was 8.8 million, for which the maximum compensation is EUR 4.0 million per insurance period.

Expected credit losses on receivables

EUR million	**2019**	**2018**
Opening balance, 1 Jan	1.1	-
Change in financial year	1.0	1.1
Closing balance, 31 Dec	2.1	1.1

Expected credit losses on receivables under IFRS 9 are recognized in sales and loan receivables and issued guarantees. The expected credit losses on trade receivables are based on actual credit losses and on the amount of receivables outstanding at the balance sheet date and the estimated probability of credit losses. For other items, expected credit losses are based on the counterparties' credit ratings and the probability of credit losses in the ratings. Counterparties to bank accounts and short-term bank deposits do not include expected credit risk on the basis of credit ratings. Expected credit losses on long-term receivables have been calculated using the probability of credit loss over the next 12 months, as the credit risk has not increased significantly since the original issue. Expected credit losses on money market investments are calculated using 6 month credit risk factors due to current contracts maturing during this period.

Ageing of loan and trade receivables EUR million	Note	2019	Of which not reduced in value or due at the balance sheet date	Of which reduced in value at the balance sheet date, but having fallen due in the following periods			Impairment losses recorded in the financial period
				1–30 days	31–90 days	over 90 days	
Loan receivables							
due in over one year	17	33.1	33.1				
Trade receivables							
due in less than one year	20	522.9	521.1	1.8	0.1	0.0	
Total		556.0	554.2	1.8	0.1	0.0	

Reconciliation of the credit loss accounts EUR million	2019	2018
Realised credit losses	0.2	0.9
Returned credit losses	-0.2	-0.2
Impairment recognised for the financial year		
Closing balance, 31 Dec	0.1	0.7

Ageing of loan and trade receivables EUR million	Note	2018	Of which not reduced in value or due at the balance sheet date	Of which reduced in value at the balance sheet date, but having fallen due in the following periods			Impairment losses recorded in the financial period
				1–30 days	31–90 days	over 90 days	
Loan receivables							
due in over one year	17	32.9	32.9				
Trade receivables							
due in less than one year	20	530.4	526.4	3.7	0.2	0.1	
Total		563.3	559.3	3.7	0.2	0.1	

Reconciliation of the credit loss accounts EUR million	2019	2018
Realised credit losses	0.9	0.8
Returned credit losses	-0.2	-0.2
Impairment recognised for the financial year		
Closing balance, 31 Dec	0.7	0.7

Quality analysis of debt securities		2019		2018	
EUR million	**Note**	**Value**	**Share of receivables**	**Value**	**Share of receivables**
Senior loans	19	0.0	0.0%	0.0	0.0%
Junior loans	15	20.0	100.0%	20.0	100.0%
Total		**20.0**	**100.0%**	**20.0**	**100.0%**
Debt securities by credit rating					
AA-	19	0.0	0.0%	0.0	0.0%
Unclassified, S-Bank	15	20.0	100.0%	20.0	100.0%
Total		**20.0**	**100.0%**	**20.0**	**100.0%**

Risk concentrations Geographical distribution of receivables 2019 EUR million	Finland	Nordic countries	Other EU countries	Other countries
Loan receivables	32.4		0.1	0.7
Trade receivables	518.1	0.4	3.1	1.3
Other non-interest bearing receivables	48.2			
Cash and cash equivalents	109.7	22.7	26.0	3.0
Other items	0.7			
Total	**709.0**	**23.1**	**29.2**	**5.0**
Geographical distribution of receivables 2018				
Loan receivables	32.1		0.1	0.7
Trade receivables	525.0	0.7	3.5	1.2
Other non-interest bearing receivables	83.9			
Cash and cash equivalents	148.0	3.4	9.5	11.7
Other items	0.7			
Total	**789.7**	**4.1**	**13.0**	**13.7**

Risk concentrations are presented in the tables only for SOK Corporation's external items.

Deducting financial assets and liabilities from each other in 2019

SOK Corporation has not netted its financial assets and liabilities Nevertheless, some derivative contracts are subject to an agreement according to which the derivatives could be netted in case of bankruptcy.

Derivative contracts EUR million	Recognized financial assets	Recognized financial liabilities	Net value
2019	0.4	-0.4	0.0
2018	0.5	-0.1	0.5

Interest rate risk

The interest rate risk means an uncertainty in SOK Corporation's cash flow, result and balance sheet caused by changes in market rates. In principle, the interest rate risk is minimised when the average interest rate tying period of SOK Corporation's interest-bearing items neutralises the sensitivity of the operational activities to the changes in the interest rates.

SOK Corporation's goal in the management of the interest rate risk is to reduce or eliminate the negative effect of the change in market rates on the Corporation's cash flows, result and balance sheet, nevertheless taking the costs of hedging into account.

When measuring the interest rate risk of SOK Corporation, only external interest-bearing items are taken into account, including lending, borrowing and derivatives. The interest rate risk is divided into the volatility of interest flows due to changes in market rates of interest (interest flow risk) and sensitivity of the present value of the interest-bearing net position (price risk). Interest rate risks associated with different currencies are not offset against each other.

The goal is that a linear change of one percentage point in the market level of interest would not cause an increase in net financing expenses greater in euro terms than 1 per cent of the EBITDA planned for the year concerned. The interest rate risk position is monitored in five-year planning periods, and the above goal must be achieved during the first three years of the monitoring period. If the total of planned variable-rate receivables exceeds the total of variable-rate liabilities (including interest rate derivatives), the interest flow risk does not have to be hedged against a drop in the market rate of interest during the period concerned.

The interest price risk materialises in SOK Corporation for those financial instruments measured at fair value through profit and loss, i.e. interest rate derivatives. Interest rate risk affecting equity is included in investments available for sale that are measured at fair value through items in the statement of comprehensive income.

Interest rate sensitivity analysis

The table shows the interest rate sensitivity of SOK Corporation's interest-bearing net liabilities as well as derivatives receivables and liabilities. The effect of a one percentage point change in the interest rate on SOK Corporation's income statement and equity on the balance sheet date is presented as sensitivity. Other variables are assumed to remain constant.

The effect on the income statement and equity is shown without the effect of taxes.

				Effect on the income statement		Effect on equity	
2019 EUR million	**Note**	**Position exposed to risk**	**Duration**	**1 percentage point rise**	**1 percentage point fall**	**1 percentage point rise**	**1 percentage point fall**
Interest-bearing receivables	17. 21						
EUR		211.1	0.1	1.2	-1.0		
USD		1.5	0.1	0.0	0.0		
RUB		0.3	0.1	0.0	0.0		
Other currencies		0.6	1.5	0.1	-0.1		
Derivatives assets and liabilities	20. 26						
EUR		-52.6	0.3	-0.2	0.2	0.0	0.0
USD		56.9	0.2	0.1	-0.1		
RUB		0.0	0.0	0.0	0.0		
Other currencies		-3.9	-0.3	-0.1	0.1		
Interest-bearing liabilities	22						
EUR		0.0	0.0	0.0	0.0		
Total		**211.5**		**1.1**	**-0.9**	**0.0**	**0.0**

The interest rate sensitivity of derivative assets and liabilities is reported as an impact of one percentage point change in the interest rate on the fair value of the derivative. The interest rate sensitivity of other interest-bearing receivables and liabilities is reported as the impact of one percentage point change in the interest rate on the interest cash flows during the next 12 months. The calculation assumes that the balance sheet amount will remain the same for the next 12 months.

The time until the next re-pricing in years is given as the duration.

2018 EUR million	Note	Position exposed to risk	Duration	Effect on the income statement 1 percentage point rise	Effect on the income statement 1 percentage point fall	Effect on equity 1 percentage point rise	Effect on equity 1 percentage point fall
Interest-bearing receivables	15. 19						
EUR		162.4	0.1	0.9	-0.6		
USD		4.0	0.1	0.0	0.0		
RUB		9.0	0.1	0.1	-0.1		
Other currencies		0.8	0.2	0.0	0.0		
Derivatives assets and liabilities	19. 22						
EUR		-49.1	0.2	0.1	-0.1	0.0	0.0
USD		42.5	0.2	-0.1	0.1		
RUB		0.0	0.0	0.0	0.0		
Other currencies		5.8	0.1	0.0	0.0		
Interest-bearing liabilities	22						

Currency risk

SOK Corporation's revenue still comes mainly from Finland.

A currency risk means an uncertainty in SOK Corporation's cash flow, result and balance sheet caused by changes in exchange rates. The size of SOK Corporation's and its subsidiaries' currency risk is viewed by currency. The objective is to minimise the uncertainty caused by the currency risk of an open position, nevertheless taking the hedging costs into account.

SOK Finance is in charge of the management of SOK Corporation's currency risk in a centralised manner. SOK Corporation's currency risk is monitored through the ALM cost centre, which depicts the entire Group's currency risk. ALM position risk may not exceed EUR 2 million when the exchange rate changes by 10 per cent. The SOK unit or subsidiary entering into an agreement is responsible for the transaction risks. Significant transaction risks are primarily hedged with the derivatives.

Subsidiaries' currency risk is reduced by financing the operations of the companies in the same currency as the application of funds as well as by means of derivatives. The translation risk associated with the invested equity financing in foreign subsidiaries is reduced by hedging the capitals to the extent that a 20 per cent exchange rate changes would cause a decline of more than 0.6 percentage points in SOK Corporation's equity ratio.Debt financing that has invested in foreign subsidiaries is hedged against exchange rate risk only to the extent that the companies plan to repay it in less than four years.

Currency sensitivity analysis

The currency sensitivity analysis shows the effect on SOK Corporation's profit/loss or equity of a 10% appreciation of depreciation in the euro against other currencies. Other variables are asssumed to remain constant.

The calculation includes the amount of equity in SOK's foreign subsidiaries. Its conversion into euro will have an impact on equity. The effect on the income statement and equity is shown without the effect of taxes.

2019 EUR million	Position exposed to risk	Effect on the income statement Appreciation of the euro, 10%	 Depreciation of the euro, 10%
USD	21.6	-2.2	2.2
RUB	-6.2	0.6	-0.6
Other currencies	6.6	-0.7	0.7
Total	**22.1**	**-2.2**	**2.2**

2019 EUR million	Position exposed to risk	Effect on equity Appreciation of the euro, 10%	 Depreciation of the euro, 10%
RUB	36.6	-3.7	3.7
USD	37.0	-3.7	3.7
Total	**73.6**	**-7.4**	**7.4**

2018 EUR million	Position exposed to risk	Effect on the income statement Appreciation of the euro, 10%	 Depreciation of the euro, 10%
USD	16.8	-1.7	1.7
RUB	-4.5	0.5	-0.5
Other currencies	2.2	-0.2	0.2
Total	**14.5**	**-1.5**	**1.5**

2018 EUR million	Position exposed to risk	Effect on equity Appreciation of the euro, 10%	 Depreciation of the euro, 10%
RUB	36.7	-3.7	3.7
USD	23.9	-2.4	2.4
Total	**60.6**	**-6.1**	**6.1**

Interest cash flow risk and hedge accounting

SOK Corporation applies hedge accounting to derivatives hedging highly probable future purchases. The hedge accounting model used is cash flow hedge. The purpose of hedge accounting is to hedge against the currency risk in currency-denominated purchases.

Hedge accounting is applied to derivatives which are effective for the risk being hedged and meet the conditions set for hedge accounting in the IFRS9 standard. For hedging is used only forward exchange contracts. The hedging relationship between the hedging derivative and the hedged item as well as the risk management objectives related to hedging are documented when the hedging begins.

The efficient portion of hedging is recognised in the fair value reserve. The efficiency of the hedge is assessed at the beginning of

Fair values of the electricity derivatives used as hedge instruments **EUR million**	**2019**	**2018**
Derivatives liabilities		
Forward exchange contracts	0.2	0.0
Total	0.2	0.0
Derivatives receivables		
Forward exchange contracts	0.3	0.4
Total	**0.3**	**0.4**
Changes recognised in Group equity from cash flow hedge		
Opening balance, 1 Jan	0.0	-0.6
Profits and losses from valuing at fair value	-0.2	0.2
Amount included in the income statement	-0.2	0.6
Closing balance, 31 Dec	**-0.4**	**0.2**

Items recognised in equity are shown without the effect of taxes.

Changes in value recognised in equity are recognised in the income statement in the period during which the hedged cash flows are recognised in the income statement, the derivative matures or the hedge accounting prerequisites are no longer met.

28. Related party transactions

SOK Corporation's related parties include the subsidiaries, joint ventures, the associated companies, CEO and his deputy, SOK's Corporate Management Team, SOK's Executive Board and Supervisory Board and their family members. SOK Corporation is maintaining related parties register. Regional cooperatives are not included in to SOK Corporation's related parties by the standard IAS 24 Related Party Disclosures.

Paid Management employee benefit expenses **EUR million**	**2019**	**2018**
CEO and SOK's Corporate Management Team salaries and remuneration	3.4	3.4
SOK's Executive Board and Supervisory Board salaries and remuneration	0.5	0.4
CEO and SOK's Corporate Management Team supplementary pension costs	0.9	0.8
Total	**4.7**	**4.6**

Management's pension commitments: SOK's Chief Executive Officer, members of the executive board in an emplyment relationship and the Corporate Management Team as well as other management, which complies with the criteria of pension policy are entitled to an additional pension insurance, where the retirement age is 60–63 years.

Related-party loans to the subsidiaries, joint ventures as well as associates have been granted for financing normal business operations. Loans have not been granted to the management of SOK Corporation's related parties in 2018–2019. Nor have conditional items or other commitments been granted on the behalf of key employees. Persons belonging to management, including their related parties, are not in a material business relationship with SOK Corporation.

Transactions and balances with associated companies and joint ventures: **EUR million**	**2019**	**2018**
Sales	17.0	23.6
Purchases	36.7	389.7
Financial income and expenses	1.4	0.6
Trade and other receivables	0.8	1.5
Loan receivables	25.0	20.0
Trade payables and other liabilities	0.1	10.6

29. Contingent liabilities

EUR million	2019	2018
Other liabilities		
Pledges	0.1	0.1
Mortgages	0.8	0.7
Guarantees	2.5	2.5
Total	**3.4**	**3.3**
Security given on behalf of others		
Guarantees for liabilities of joint ventures enterprises	145.4	120.1
Total	**145.4**	**120.1**
Other contingent liabilities		
Pledges for liabilities of joint ventures enterprises	0.5	
Pledges for liabilities of joint ventures enterprises	0.0	
Guarantees for liabilities of joint ventures enterprises	20.7	25.8
Total	**21.1**	**25.8**
Other liabilities		
Letter of credit liabilities	0.1	0.2

The guarantees granted consist mainly of the guarantees on behalf of joint venture North European Oil Trade Oy on a loan and other liabilities of 116.5 million (EUR 95.9 million 31 Dec 2018) and of the guarantees on behalf of joint venture Kauppakeskus Mylly Oy on a loan of EUR 50.0 million (EUR 50.0 million 31 Dec 2018).

Other financial liabilities:

The Group is obligated to audit valued added tax depreciations it has made on a property investment if the taxable use of the property decreases during the auditing period. The maximum amount of the responsibility is EUR 9.4 million (EUR 8.7 million on 31 Dec 2018).

Other contingent liabilities:

Commitments in accordance with the shareholder agreement to be responsible for the S-Voima Oy commitments and to finance its operations

The shareholders are responsible for S-Voima Oy's liabilities in accordance with the Mankala principle. According to this principle, SOK's responsibility for S-Voima's expenses – including loan repayments, interest and depreciation – is determined based on the amount of energy used by the shareholder as concerns electricity sold on the market, proportionate to the series of shares owned by the shareholder as concerns wind and nuclear power (further funding for nuclear power was discontinued in 2012), and based on solar energy plants built for properties managed by the shareholder as concerns solar power.

Additionally SOK has pledged to provide loan funding. SOK has at 31 Dec 2018 the following open commitments: To provide EUR 5.0 million (EUR 5.0 million 31 Dec 2018) conditional subordinated loan to North European Oil Trade Oy.

30. Subsidiaries and associated companies

Companies owned by SOK Corporation and SOK 31.12.2019	Country	SOK Corporation´s share-holding %	SOK Corporation´s voting rates %	SOK´s share-holding %
Group companies				
Commercial				
AS Sokotel	Estonia	100	100	
Inex Partners Oy	Finland	100	100	100
Inex Export Oy	Finland	100	100	100
Jollas-Opisto Oy	Finland	100	100	100
Meira Nova Oy	Finland	100	100	100
OOO Itis 2	Russia	100	100	
OOO SOK Service Center RUS	Russia	100	100	
OOO Otel Plus	Russia	100	100	
OOO Prisma	Russia	100	100	
OOO Sokotel	Russia	100	100	
Prisma Peremarket AS	Estonia	100	100	
Reila Palvelut Oy	Finland	100	100	100
S-Herkkukeittiö Oy	Finland	100	100	100
SOK-Liiketoiminta Oy	Finland	100	100	100
Sokotel Oy	Finland	100	100	100
SOK Fund Management Oy	Finland	100	100	
SOK Real Estate Int Oy	Finland	100	100	99
SOK Retail Int Oy	Finland	100	100	
S-Business Oy	Finland	100	100	100
S-Yrityspalvelu Oy	Finland	100	100	100
Commercial, 20 companies				
Real-estate companies, 23 companies				
Total Group companies, 43 companies				
Joint ventures				
Kauppakeskus Mylly Oy	Finland	50	50	50
Kiinteistö Oy Kuloisten Kauppakeskus	Finland	50	50	
North European Oil Trade Oy	Finland	51	50.8*	51
*Due to the shared controlling interest based on the associated company agreement, the company is treated as a joint venture using the equity method.				
Total joint ventures, 3 companies				
Associated companies				
Asunto Oy Kauniaisten Kirkkomäki	Finland	39	39	39
Coop Trading A/S	Denmark	25	25	25
Finnfrost Oy	Finland	50	50	
Keskuskorttelin Huolto Oy	Finland	32	32	32
S-Pankki Oy	Finland	38	38	38
S-Asiakaspalvelu Oy	Finland	38	38	
FIM Pääomarahastot	Finland	38	19	
FIM Kiinteistö Oy	Finland	30	15	
FIM varainhoito Oy	Finland	38	19	
FIM Vaikuttavuussijoitukset	Finland	38	19	
Total associated companies, 10 companies				

31.Events after the balance sheet date

The Group does not have any essential events after the balance sheet date

SOK Corporation Key Ratios 2015-2019

SOK Corporation continuing operations	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015
Revenue, EUR million	**7,496.6**	**7,303.5**	**7,063.6**	7,074.0	7,038.4
Operating profit, EUR million	**102.2**	**60.7**	**5.9**	27.0	11.1
% of revenue	**1.4**	**0.8**	**0.1**	0.4	0.2
Profit/loss before taxes, EUR million	**67.2**	**55.4**	**5.0**	22.8	9.4
% of revenue	**0.9**	**0.8**	**0.1**	0.3	0.1
SOK Corporation *)					
Return on equity, %	**9.9**	**7.5**	**0.3**	1.8	0.1
Return on investment, %	**8.0**	**7.9**	**1.7**	3.5	2.5
Equity ratio, %	**24.0**	**38.4**	**36.5**	37.0	37.0
Gearing. %	**146.6**	**-0.1**	**11.8**	5.7	-12.9
The average number of the personnel during the financial year, converted to full-time personnel	**5,974**	**5,474**	**5,411**	5,849	7,778
Non-interest-bearing liabilities, EUR million	**933.4**	**874.6**	**877.8**	873.2	847.3

* The key indicators contain both discontinued and continuing operations

CALCULATION OF KEY RATIOS

Return on equity, % = $\dfrac{\text{Profit/loss after financial items – income taxes}}{\text{Equity, average}}$ x 100%

Return on investment, % = $\dfrac{\text{Profit/loss after financial items + interest and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities – provisions, average}}$ x 100%

Equity ratio, % = $\dfrac{\text{Total equity}}{\text{Total assets – advances received}}$

Gross investment in fixed assets = Acquisition costs of subsidiary shares and other fixed assets

Gearing. % = $\dfrac{\text{Interest-bearing liabilities – Cash and cash equivalents}}{\text{Total equity}}$

The average number of the personnel during the financial year

The average number of personnel and the number converted to full-time as the average number of personnel at the end of each quarter.

Parent Cooperative's Financial Statement, FAS

Income statement of SOK, FAS

EUR million	Note	**1.1. - 31.12.2019**		1.1. - 31.12.2018	
Net turnover			**6,624.9**		6,462.3
Other operating income	(1)		**32.6**		2.8
Materials and services					
Raw materials and consumables	(2)	**5,990.7**		5,845.0	
External services		**299.6**	**6,290.3**	298.0	6,143.0
Personnel costs	(3)				
Salaries and remuneration		**99.7**		90.9	
Other personnel costs		**21.6**	**121.3**	20.3	111.2
Depreciation and impairment	(4)		**11.4**		12.1
Other operating expenses					
Facilities rent		**24.2**		23.3	
Other expenses	(5)	**161.6**	**185.8**	151.9	175.2
Operating profit			**48.7**		23.7
Financial income and expenses (+/-)	(8)		**14.5**		-3.0
Profit before appropriations and taxes			**63.2**		20.7
Appropriations (+/-)	(10)		**-12.4**		-25.0
Income taxes (+/-)	(11)		**0.0**		0.0
Profit for the financial year			**50.8**		-4.3

Balance sheet of SOK, FAS

ASSETS EUR million	Note	31.12.2019		31.12.2018	
NON-CURRENT ASSETS					
Intangible assets	(12)	**85.3**		71.1	
Tangible assets	(13)	**2.7**		3.2	
Shares in Group companies	(14)	**343.7**		404.8	
Other investments	(14)	**427.8**	**859.5**	440.6	919.8
CURRENT ASSETS					
Inventories	(15)	**162.5**		124.5	
Long-term receivables	(16)	**1.6**		1.7	
Short-term receivables	(17)	**506.2**		535.9	
Cash in hand and at bank		**172.7**	**843.0**	144.2	806.3
			1,702.5		1,726.0

LIABILITIES EUR million	Note	31.12.2019		31.12.2018	
CAPITAL AND RESERVES	(18)				
Cooperative capital		**172.0**		172.0	
Supplementary cooperative capital		**0.0**		0.0	
Fair value reserve		**-0.2**		0.2	
Legal reserve		**18.5**		18.5	
Invested non-restricted equity reserve		**29.4**		21.5	
Supervisory Board's disposal fund		**0.1**		0.0	
Profit for the previous financial years		**525.6**		557.5	
Profit for the financial year		**50.8**	**796.1**	-4.3	765.5
ACCUMULATED APPROPRIATIONS	(19)		5.4		6.0
PROVISIONS	(20)		6.6		6.7
LIABILITIES					
Long-term liabilities	(21)	0.4		0.3	
Short-term liabilities	(22)	894.0	**894.4**	947.6	947.9
			1,702.5		1,726.0

Cash flow statement of SOK, FAS

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018
BUSINESS OPERATIONS			
Operating profit		**48.7**	23.7
Adjustments to operating profit	(1)	**10.3**	11.3
Change in working capital	(2)	**26.4**	21.3
Cash flow from business operations before financing and taxes		**85.4**	56.3
Interest paid and other financial expenses		**-2.9**	-1.7
Interest received and other financial income		**11.8**	4.2
Direct taxes paid		**0.0**	0.0
Cash flow from business operations		**94.3**	58.8
CASH FLOW FROM INVESTMENTS			
Investments in fixed assets		**-25.4**	-21.5
Acquisition of shares		**57.9**	-33.5
Sale of fixed assets		**0.8**	2.8
Loans issued		**13.2**	-57.6
Repayment of loan receivables			106.5
Dividends received from investments		**11.2**	1.7
Cash flow from investments		**57.7**	-1.6
FINANCING			
Increase (+) / decrease (-) in short-term creditors		**-82.9**	25.2
Increase (-) / decrease (+) in short-term debtors		**5.3**	5.7
Increase in cooperative capital and supplementary cooperative capital			0.0
Interest paid on the cooperative capital and supplementary cooperative capital		**-27.5**	-16.6
Other decrease in equity		**7.4**	5.1
Group contributions paid		**-25.7**	-25.9
Cash flow from financing		**-123.5**	-6.4
Increase (+) / decrease (-) in cash and cash equivalents		**28.5**	50.7
Cash and cash equivalents at the beginning of the year		**144.2**	93.4
Cash and cash equivalents at the end of the year		**172.7**	144.2
Adjustments to operating profit	(1)		
Gains (-) and losses (+) from the sale of fixed assets		**-1.0**	-0.6
Depreciation and value adjustments		**11.4**	12.1
Income and expenses which do not involve payment		**-0.1**	-0.2
		10.3	11.3
Change in working capital	(2)		
Change in trade receivables		**11.8**	31.5
Change in inventories		**-37.9**	25.2
Change in short-term interest-free creditors		**52.5**	-35.4
		26.4	21.3

The change in cash and cash equivalents differs from the change in cash and cash equivalents calculated from the change in the balance sheet such that measurement gains and losses due to the measurement at fair value of marketable securities have been eliminated from the change in cash and cash equivalents in the cash flow statement.

Notes to SOK'S financial statements

Accounting policies

SOK Corporation's financial statements have been prepared in the manner required by the Finnish legislation regulating the preparation of financial statements.

Foreign currency transactions and derivative contracts

Transactions in foreign currency are recognised at the exchange rate on the transaction date. Foreign currency denominated receivables and liabilities outstanding at the end of the financial period are translated into euro at the exchange rate quoted by the European Central Bank on the closing day of the financial period and the exchange rate differences are recognised through profit and loss.

Exchange rate differences arising from the translation of trade receivables are recognised in revenue, and exchange differences arising from the translation of trade payables are recognised in expenses. The exchange gains and losses of receivables belonging to other financial items in the balance sheet are recognised in financial income and, correspondingly, those belonging to other liabilities, in financial expenses.

Derivative contracts are used mainly for hedging, but, apart from hedging purchases of consumer goods, hedge accounting is not applied to them. In accounting, all derivatives outside of hedge accounting are recognised at fair value and value changes are recognised through profit or loss. Realised and nonrealised gains and losses from derivative contracts made in order to hedge purchases and trade payables are recognised in purchases. Realised and nonrealised gains and losses of other derivatives are recognised in financial income and financial expenses, respectively.

Hedge accounting is applied to some of the currency derivatives used for hedging goods purchases. In these, only the exchange rate risk is being hedged. The hedge accounting model used is cash flow hedging. The effective portion of the change caused by a change in exchange rates in the value of the hedging derivative used for hedge accounting is recognised in full in the shareholders' equity fair value reserve. Realised profit and loss are recognised in purchases.

Bank cash pool systems

For SOK's subsidiaries, the funds in accounts within cash pool systems are included under 'Cash in hand and at bank' and as other current receivables from Group companies or as other current liabilities to Group companies in SOK's reporting.

Revenue and sales recognition principle

Sales are recognised when the goods produced are relinquished. When calculating the operating profit, the discounts given, value added tax and exchange rate differences in sales have been deducted from sales gains.

Other operating income

Sales gains on non-current assets, capital gains on divestment and generally regular gains generated by the operations, other than those related to the actual sales of goods and services, are recognised in other operating income.

Lease payments

In the income statement, lease payments of facilities are presented in facilities rent, and other lease payments are presented in other operating income.

Future expenses and losses

Future expenses and losses which have been committed to or which are likely to materialise have been recognised as expense in the appropriate expense item according to their nature. In the balance sheet, these cost provisions have been presented as mandatory provisions or deferred income, if their accurate amount and materialisation date is known.

Income taxes

Income taxes include current taxes for the financial period and corrections to taxes for previous periods.

The income statement and balance sheet of SOK do not include deferred tax liability or receivable, but material deferred tax liabilities or receivables have been presented in the itemisation of taxes in the Notes.

Non-current assets and depreciations

Non-current assets have been measured at the acquisition cost according to the direct costs incurred by the acquisition less depreciation according to plan.

Depreciation according to plan has been calculated in accordance with the predefined depreciation plan as straightline depreciation of the original acquisition cost of the non-current asset. Depreciation has been calculated from the beginning of the month after the asset was placed in use. Depreciation periods are based on estimated economic lives. Revaluations are not included in the balance sheet values of non-current assets.

Depreciation periods according to plan are:	Years
Buildings	20 to 35
Lightweight structures and equipment in buildings	5 to 15
Machinery and equipment	3 to 10
Motor vehicles and servers	3 to 5
Other tangible and intangible assets within the limits allowed	by Business Taxation Act

The change in the depreciation difference is presented under Appropriations in the income statement. The accumulated depreciation difference is presented under Accumulated appropriations in the balance sheet.

Shares and participations belonging to investments of non-current assets are measured at fair value in compliance with the alternative method permitted under the Accounting Act, Section 5, Article 2a, if the fair value can be reliably determined.

Inventories

Inventories are recognised on the balance sheet, using the weighted average price method at either the amount of the immediate cost of the purchase or the reacquisition cost or the probable selling price, whichever has the lowest value.

Financial assets and liabilities

Financial instruments are recognised, using an alternative method, as allowed in section 2a, Chapter 5 of the Accounting Act, at fair value in accordance with the International Financial Reporting Standards (IFRS). Financial assets and liabilities are recognised on the balance sheet, using the settlement date basis.

Financial assets are classified at amortized cost, fair value through items of other comprehensive income or fair value to be measured later through profit and loss. Financial liabilities are classified at amortized cost by means of the effective interest method to be measured later or at fair value to the measured through profit and loss.

Derivative contracts to which hedge accounting is not applied as well as shares and participations are classified as financial assets or liabilities measured at fair value through profit and loss. Financial assets or liabilities recognised at fair value through profit and loss are measured at the market price of the closing date. The change in fair value is entered in the income statement in such a manner that the difference between the value on the balance sheet date of the financial instruments recognised at fair value in the income statement and the carrying value on the previous balance sheet is entered as the income or expense for the period. If the financial instrument recognised at fair value was acquired during the financial period, the difference between the value of the financial instrument on the balance sheet date and its acquisition cost is entered as the income or expense for the period. The fair value of publicly traded investments is defined on the basis of their market values. Investments that are not publicly quoted are measured at acquisition cost if their fair values cannot be reliably defined.

The changes in the fair value of derivative contracts have been recognised through profit or loss, with the exception of hedge accounting. Realised and non-realised gains and losses from derivative contracts made in order to hedge purchases and trade payables are recognised in purchases. Realised and non-realised gains and losses of other derivatives recognised at fair value through profit or loss are recognised in financial income and financial expenses, respectively.

Financial assets held in order to collect cash flows and sales gains based on agreement are classified as financial assets measured at fair value through items of other comprehensive income. In addition, the cash flows of the aforementioned agreements are only payments of interest on the capital and the remaining capital amount. The change in fair value is recognised through other comprehensive income in the fair value reserve of equity. When the financial instrument is sold, the cumulative change in fair value cumulated in equity, together with accrued interest and capital gains or losses, is recognised in the income statement as a change in classification. The financial statements do not include financial assets measured at fair value through other items of comprehensive income.

Financial assets that are held in order to collect cash flows based on agreement and the cash flows of which are only payments of interest on the capital and the remaining capital amount are classified as financial assets measured at amortized cost. The transaction costs of financial assets measured at amortized cost are included in the amortized cost calculated by means of the effective interest method and amortized through profit and loss over the exercise period of the receivable. After the original recognition, the agreements are measured at amortized cost by means of the effective interest method.

All financial liabilities, with the exception of derivative liabilities, are classified for measurement at amortized cost by means of the effective interest method. Items to be measured at amortized cost are entered in the balance sheet at their nominal value when the fair value of the balance sheet date equals the nominal value. If the debt capital received is less or more than the nominal value of the liability, the debt is recognized at the amount that has been received for it. The amount recognised as expense or income for the financial period from the difference amortized between the nominal value of the debt and cost of debt is amortised and recognized as an increase or decrease in the cost of debt. The difference between the nominal value and cost, or a fee or other expense that is associated with the debt and is included in the interest expense related to the debt, is amortized using the effective interest method as an expense for the termtomaturity of the debt.

The fair value of a financial instrument is determined on the basis of prices quoted in active markets or by using measurement methods that are generally applied in the markets. The fair values of interest rate swaps has been determined by discounting future cash flows to the present by using the market rates of the balance sheet date. The fair values of currency forwards has been calculated by measuring the forward contracts at the forward rate of the balance sheet date. Financial assets and liabilities at fair value have been measured using average rates.

Hedge accounting

SOK applies hedge accounting according to IFRS to some of the currency derivatives used for hedging Group goods purchases. In these, only the exchange rate risk is being hedged. The hedge accounting model used is cash flow hedging.

SOK has derivative contracts outside of hedge accounting which, according to the Corporation's financial policy, are effective economic hedging instruments but to which hedge accounting in accordance with the IFRS 9 standard is not applied.

EUR million	2019	2018
1. Other operating income		
Profits on sale of fixed assets	**1.0**	2.2
Other operating income	**31.6**	0.6
Total	**32.6**	2.8
2. Raw materials and consumables		
Purchases during the financial year	**6028.0**	5819.7
Change in inventories (+/-)	**-37.3**	25.4
Total	**5990.7**	5845.0
3. Personnel costs		
Salaries and remuneration	**99.7**	90.9
Pension costs	**18.5**	16.9
Other personnel expenses	**3.2**	3.4
Total	**121.3**	111.2
Average number of personnel	**1748**	1484

The average number of personnel has been calculated as the average number of personnel at the end of each quarter.

Paid salaries and remuneration:		
CEO and members of the Executive Board	**1.4**	1.2
Members of the Supervisory Board	**0.2**	0.2

Management pension liabilities:

Management's pension commitments: SOK's Chief Executive Officer and the Corporate Management Team are entitled to retire at the age of 60–63.

4. Depreciation and impairment		
Depreciation according to plan	**11.4**	12.0
Impairment	**0.0**	0.1
Total	**11.4**	12.1

The itemised specifications of the change in depreciation and accelerated depreciation are included under fixed assets and accumulated appropriations in the notes to the balance sheet.

5. Other operating expenses		
Voluntary indirect employee expenses	**3.7**	3.7
Property, equipment and supplies expenses	**137.5**	127.6
Marketing, administration and other operating expenses	**20.5**	20.5
Total	**161.6**	151.9

EUR million	2019	2018

Rents for business premises are presented as a separate item in the income statement.

6. Auditor's fees		
Audit expenses	**0.2**	0.2
Tax consulting	**0.0**	0.0
Other services	**0.2**	0.4
Total	**0.4**	0.6
7. Increase (-) / decrease (+) in provisions for liabilities and charges		
Increases related to partially vacant premises		
Decreases related to partially vacant premises	**0.1**	0.1
Other mandatory provisions decreases		0.1
Total	**0.1**	0.2
8. Financial income and expenses		
Dividend yield from others and interest on cooperative capital	**11.2**	1.7
Dividend yield and interest on cooperative capital from investments in non-current assets, total	**11.2**	1.7
Interest income from other non-current assets		
From group companies	**3.7**	4.3
From others	**1.0**	1.2
Other interest and financial income		
From group companies	**1.6**	-1.2
From others	**0.9**	1.5
Total interest and financial income	**7.1**	5.9
Impairment decrease and increase from investments in non-current assets	**-3.4**	-9.4
Interest and other financial expenses		
To group companies	**0.1**	0.1
To others	**0.4**	1.2
Total interest and other financial expenses	**0.5**	1.3
Total financial income and expenses	**14.5**	-3.0
9. Appropriations		
Increase (-) / decrease (+) in accelerated depreciation	**-0.5**	-0.7
Group contribution	**12.9**	25.7
Total	**12.4**	25.0

EUR million	2019	2018
10. Income taxes		
Income taxes on ordinary operations for the financial year (+/-)	**0.0**	0.0
Income taxes for the previous financial years (+/-)	**0.0**	0.0
Total	**0.0**	0.0
Deferred tax receivables (+) / -liabilities (-) which have not been booked into balance sheet	**0.3**	0.3

NOTES CONCERNING ASSETS IN THE BALANCE SHEET

Intangible and tangible assets

11. Intangible assets

EUR million	2019	2018
Intangible rights		
Acquisition cost at 1 Jan	**67.1**	63.5
Increases	**0.5**	0.4
Decreases	**-0.9**	-3.6
Transfers	**11.1**	6.8
Acquisition cost at 31 Dec	**77.8**	67.1
Accumulated depreciation at 1 Jan	**53.9**	47.8
Accumulated depreciation on decreases and transfers	**-0.6**	-3.6
Depreciation for the financial year	**8.5**	9.7
Impairment		
Accumulated amortisation at 31 Dec	**61.8**	53.9
Book value at 31 Dec	**16.1**	13.3
Other long-term expenditure		
Acquisition cost at 1 Jan	**16.2**	16.6
Increases	**0.2**	0.3
Decreases	**-1.2**	-0.7
Acquisition cost at 31 Dec	**15.2**	16.2
Accumulated depreciation at 1 Jan	**10.4**	9.0
Accumulated depreciation on decreases and transfers	**-1.2**	-0.2
Depreciation for the financial year	**2.1**	1.5
Accumulated amortisation at 31 Dec	**11.2**	10.4
Book value at 31 Dec	**4.0**	5.9

EUR million	2019	2018
Advance payments of intangible assets		
Acquisition cost at 1 Jan	**52.0**	38.4
Increases	**24.3**	20.5
Transfers	**-11.1**	-6.8
Book value at 31 Dec	**65.2**	52.0
Intangible assets total	**85.3**	71.1

12. Property, plant and equipment

EUR million	2019	2018
Land and water areas		
Acquisition cost at 1 Jan	**0.7**	0.7
Increases	**0.0**	0.0
Decreases	**-0.1**	0.0
Acquisition cost at 31 Dec	**0.7**	0.7
Accumulated impairment at 1 Jan	**0.1**	0.1
Accumulated depreciation on decreases and transfers	**0.0**	0.0
Accumulated impairment at 31 Dec	**0.1**	0.1
Book value at 31 Dec	**0.6**	0.6
Buildings and structures		
Acquisition cost at 1 Jan	**1.5**	1.5
Acquisition cost at 31 Dec	**1.5**	1.5
Accumulated depreciation at 1 Jan	**1.4**	1.4
Depreciation for the financial year	**0.0**	0.0
Accumulated depreciation at 31 Dec	**1.4**	1.4
Book value at 31 Dec	**0.1**	0.1
Machinery and equipment		
Acquisition cost at 1 Jan	**7.5**	7.4
Increases	**0.4**	0.4
Decreases	**-0.2**	-0.3
Acquisition cost at 31 Dec	**7.7**	7.5
Accumulated depreciation at 1 Jan	**5.7**	5.0
Accumulated depreciation on decreases and transfers	**-0.2**	-0.1
Depreciation for the financial year	**0.8**	0.8
Accumulated depreciation at 31 Dec	**6.3**	5.7
Book value at 31 Dec	**1.5**	1.9

EUR million	2019	2018
Other tangible assets		
Acquisition cost at 1 Jan	**0.6**	0.6
Increases	**0.0**	0.0
Acquisition cost at 31 Dec	**0.6**	0.6
Accumulated depreciation at 1 Jan	**0.0**	0.0
Accumulated depreciation at 31 Dec	**0.0**	0.0
Book value at 31 Dec	**0.6**	0.6
Tangible assets total	**2.7**	3.2
13. Investments		
Shares in Group companies		
Acquisition cost at 1 Jan	**431.7**	412.4
Increases	**0.0**	23.9
Decreases	**-73.5**	-9.9
Transfers		5.3
Acquisition cost at 31 Dec	**358.2**	431.7
Accumulated impairment at 1 Jan	**26.8**	20.0
Accumulated impairment on decreases and transfers	**-15.7**	-2.5
Impairment	**3.4**	9.4
Accumulated impairment at 31 Dec	**14.5**	26.8
Book value at 31 Dec	**343.7**	404.8
Shares in Group companies total	**343.7**	404.8
Receivables from Group companies		
Amount at 1 Jan	**272.0**	296.7
Increases	**123.6**	73.7
Decreases	**-136.8**	-98.5
Amount at 31 Dec	**258.8**	272.0
Participations in participating interest companies		
Acquisition cost at 1 Jan	**135.4**	125.7
Increases		15.0
Transfers		-5.3
Acquisition cost at 31 Dec	**135.4**	135.4

EUR million	2019	2018
Accumulated impairment at 1 Jan	**0.1**	0.1
Accumulated impairment at 31 Dec	**0.1**	0.1
Book value at 31 Dec	**135.3**	135.3
Receivables from participating interest companies		
Amount at 1 Jan	**20.0**	20.0
Amount at 31 Dec	**20.0**	20.0
Receivables from participating interest companies, total	**20.0**	20.0
Other shares and participations		
Acquisition cost at 1 Jan	**1.5**	1.4
Increases	**0.1**	0.1
Decreases	**-0.2**	
Acquisition cost at 31 Dec	**1.4**	1.5
Measurement at fair value	**1.7**	1.2
Book value at 31 Dec	**3.1**	2.7
Capital loans from others		
Amount at 1 Jan	**0.6**	0.6
Amount at 31 Dec	**0.6**	0.6
Accumulated value adjustments at 1 Jan	**0.0**	0.0
Accumulated value adjustments at 31 Dec	**0.0**	0.0
Book value at 31 Dec	**0.6**	0.6
Other receivables from others		
Amount at 1 Jan	**10.0**	40.2
Increases		10.1
Decreases		-40.2
Amount at 31 Dec	**10.0**	10.0
Investments total	**771.5**	845.4
14. Inventories		
Supplies	**160.3**	123.0
Other inventories	**0.0**	0.0
Prepayments	**2.2**	1.5
Total	**162.5**	124.5

EUR million	2019	2018
15. Long-term receivables		
Other long term receivables	**1.6**	1.7
Total long-term receivables	**1.6**	1.7
16. Short-term receivables		
Trade receivables	**467.8**	475.5
Receivables from group companies		
Trade receivables	**9.1**	7.6
Loan receivables	**0.0**	5.3
Other receivables	**5.6**	13.4
Prepayments and accrued income	**3.3**	4.4
Total	**17.9**	30.7
Receivables from participating interest companies		
Trade receivables	**0.9**	1.2
Prepayments and accrued income	**0.1**	0.1
Total	**0.9**	1.3
Other receivables	**0.3**	0.2
Prepayments and accrued income	**19.3**	28.3
Total short-term receivables	**506.2**	535.9
Specification of prepayments and accrued income		
Financial items	**0.9**	5.7
Other	**21.6**	27.0
Total prepayments and accrued income	**22.6**	32.7
17. Securities		
Other shares and participations	**5.0**	
Other securities from others		
Other financial securities	**29.0**	
Total	**34.0**	

NOTES CONCERNING LIABILITIES IN THE BALANCE SHEET

18. Capital and reserves		
Cooperative capital at 1 Jan	**172.0**	172.0
Decreases	**0.0**	0.0
Cooperative capital at 31 Dec	**172.0**	172.0

Cooperative capital consists of the cooperative payments which the cooperative societies make to Suomen Osuuskauppojen Keskusosuuskunta (SOK) for cooperative shares. The number of a cooperative society's shares is determined on the basis of the cooperative society's total membership and annual purchases. The amount of cooperative payments as allowed by the SOK Statutes that are unpaid and not fallen due was EUR 0.4 million on 31 December 2017 (EUR 1.0 million unpaid cooperative payments on 31 December 2016).

On 31 December 2018, the number of cooperative enterprises was 26, and the number of shares was 361,587.

On 31 December 2016, the number of cooperative enterprises was 28, and the number of shares was 353,405.

EUR million	2019	2018
Supplementary cooperative capital at 1 Jan	**0.0**	12.8
Decreases	**0.0**	-12.8
Supplementary cooperative capital at 31 Dec	**0.0**	0.0

In July 2016 all supplementary cooperative capital shares were redeemed at their nominal value of EUR 12.8 million.

The supplementary shares have been annulled. An interest allowed by SOK´s statutes was paid for the supplementary shares.

The supplementary shares were redeemed with non-restricted equity.

According to the ruling of the Cooperative meeting the amount (EUR 12.8 million) will be transferred to invested non-restricted equity reserve at 1 Jan 2018.

EUR million	2019	2018
Fair value reserve at 1 Jan	**0.2**	0.3
Derivative instruments used to hedge cash flow		
Value change during the period	**-0.2**	0.2
Amount excluded from equity to income statement	**-0.2**	0.6
Financial assets held for sale		
Transfer caused by a change to the accounting principle to retained earnings	**0.0**	-0.9
Fair value reserve at 31 Dec	**-0.2**	0.2

1) Deferred taxes or tax assets are not as a rule presented in the income statements and balance sheets of SOK but only as a Note to the Financial Statements if the item is material in amount.

The valuations of derivatives in cash flow hedging relationships have been carried out by discounting future cash flows from the present value. The discounted value for cash flows other than those denominated in the euro has been converted into the euro using exchange rates quoted by the European Central Bank on the balance sheet date.

Financial assets available for sale include shares for which fair value cannot be determined.

EUR million	2019	2018
Legal reserve at 1 Jan	**18.5**	18.5
Legal reserve at 31 Dec	**18.5**	18.5
Invested non-restricted equity reserve 1.1.	**21.5**	4.4
Increase	**7.9**	17.1
Invested non-restricted equity reserve at 31 Dec	**29.4**	21.5
Supervisory Board's disposal fund at 1 Jan	**0.0**	0.0
Increase	**0.1**	0.1
Decrease	**0.0**	0.0
Supervisory Board's disposal fund at 31 Dec	**0.1**	0.0
Profit for the previous financial years 1 Jan	**553.2**	573.2
Transfer to Supervisory Board's disposal fund	**-0.1**	-0.1
Interest on supplementary cooperative capital	**-27.5**	-16.6
Transfer of valuation accumulated in shares and participations, related to the adoption of IFRS 9, from the fair value reserve to retained earnings		0.9
Profit for the previous financial years 31 Dec	**525.6**	557.5
Profit for the financial year	**50.8**	-4.3
Total capital and reserves	**796.1**	765.5
Distributable funds at 31 Dec		
Invested non-restricted equity reserve	**29.4**	21.5
Profit for the previous financial years	**525.6**	557.5
Profit for the financial year	**50.8**	-4.3
Total	**605.8**	574.7
19. Accumulated appropriations		
Accelerated depreciation		
Intangible rights	**3.1**	3.4
Other capitalised expenditure	**3.4**	3.7
Buildings and constructions	**-0.2**	-0.2
Technical equipment of buildings	**0.0**	0.0
Machinery and equipment	**-0.9**	-0.8
Total	**5.4**	6.0
20. Provisions		
Partially vacant premises	**6.5**	6.6
Other mandatory provisions	**0.1**	0.1
Total	**6.6**	6.7

EUR million	2019	2018
21. Long-term liabilities		
Other long-term liabilities	**0.4**	0.3
Total long-term liabilities	**0.4**	0.3
22. Short-term liabilities		
Advances received	**12.9**	7.5
Trade payables	**617.8**	570.5
Liabilities to group companies		
Trade payables	**8.0**	8.8
Other short-term liabilities	**139.0**	218.5
Accruals and deferred income	**14.3**	15.2
Total	**161.3**	242.6
Amounts owed to participating interest companies		
Trade payables	**0.3**	5.8
Total	**0.3**	5.8
Other short-term liabilities	**23.4**	43.8
Accruals and deferred income	**78.3**	77.4
Total short-term liabilities	**894.0**	947.6
Specification of accruals and deferred income		
Personnel costs	**33.8**	33.4
Financial items	**0.5**	2.9
Other	**58.3**	56.2
Total accruals and deferred income	**92.6**	92.6
23. Related party transactions		
Related party transactions		
Sales of goods	**74.1**	68.2
Service revenue	**42.8**	40.3
Facility rents	**30.5**	31.0
Total	**147.4**	139.5
Purchase of goods	**258.2**	245.7
Purchase of service	**238.9**	245.1
Total	**497.1**	490.8

EUR million	2019	2018
SECURED ASSETS AND CONTINGENT LIABILITIES		
24. Contingent liabilities		
Pledges and contingent liabilities		
Other collateral provided		
Pledges	**0.1**	0.1
Pledges provided as collateral total	**0.1**	0.1
Securities given on behalf of Group companies		
Pledges	**0.0**	0.0
Financial guarantees	**109.9**	125.4
Total	**109.9**	125.4
Security given on behalf of others liabilities		
Financial guarantees on joint ventures' debt	**145.4**	120.1
Total	**145.4**	120.1
Other collateral provided for others		
Financial guarantees on joint ventures responsibilities	**0.5**	0.0
Total	**0.0**	0.0
	20.7	25.8
Other contingent liabilities	**21.1**	25.8
Letters of credit		
Total		
Letters of credit	**0.1**	0.2
Yhteensä	**0.1**	0.2
Leasing liabilities:		
Payable next year	**10.9**	12.1
Payable in more than one year	**66.1**	71.7
Total	**77.0**	83.9
Minimum lease payments on non-cancellable operating leases:		
Payable next year	**4.0**	4.0
Payable in more than one year	**12.1**	15.9
Total	**16.1**	19.9

Other financial liabilities:
The guarantees granted consist mainly of the guarantees on behalf of joint venture North European Oil Trade Oy on a loan and other liabilities of 116.5 million (EUR 95.9 million 31 Dec 2018) and of the guarantees on behalf of joint venture Kauppakeskus Mylly Oy on a loan of EUR 50.0 million (EUR 50.0 million 31 Dec 2018).

Other contingent liabilities:
Commitments in accordance with the shareholder agreement to be responsible for the S-Voima Oy commitments.

The shareholders are responsible for S-Voima Oy's liabilities in accordance with the Mankala principle. According to this principle, SOK's responsibility for S-Voima's expenses – including loan repayments, interest and depreciation – is determined based on the amount of energy used by the shareholder as concerns electricity sold on the market, proportionate to the series of shares owned by the shareholder as concerns wind and nuclear power (further funding for nuclear power was discontinued in 2012), and based on solar energy plants built for properties managed by the shareholder as concerns solar power.

Additionally, SOK has pledged to provide loan funding. SOK has at 31 Dec 2018 the following open commitments: To provide EUR 5.0 million (EUR 5.0 million 31 Dec 2018) conditional subordinated loan to North European Oil Trade Oy.

Risk management and derivative contracts:
Funding and management of finance risks are centralised within SOK's Treasury unit. The Corporation has a finance and funding policy and risk management guidelines confirmed by SOK's Executive Board. They define the principles of managing financial risk and the permissible maximum amounts for financial risks. In addition, numerical targets have been set for the different areas of financing in order to ensure that financing is sufficient, balanced, and affordable under all circumstances.

SOK Corporation aims to reduce or eliminate the negative effect of a change in market interest to the Corporation's cash flow, results and balance sheet, but taking account of hedging costs. Interest rate risk is monitored at the SOK Corporation level for the Group's external items only.

SOK Corporation aims to reduce or eliminate the negative effect of a change in market interest to the Corporation's cash flow, results and balance sheet, but taking account of hedging costs. Interest rate risk is monitored at the SOK Corporation level for the Group's external items only.

SOK applies hedge accounting to derivatives to hedge highly probable future purchases. The hedge accounting model used is cash flow hedging. The purpose of hedge accounting is to hedge against the currency risk in foreign-currency purchases. The effective portion of hedging is recognised in the fair value fund.

Open derivatives position	**Underlying item values 2019**	Underlying item values 2018
Forward exchanges, hedge accounting	**40.3**	23.9
Forward exchanges, no hedge accounting	**34.4**	19.6
Electrical derivatives	**0.0**	4.2
Total	**74.8**	47.7

	Fair values 2019	Fair values 2018
Forward exchanges, hedge accounting	**0.1**	0.4
Forward exchanges, no hedge accounting	**-0.1**	0.2
Electrical derivatives	**0.0**	0.0
Total	**0.0**	0.5

The forward exchanges will mature in 2019.

Executive Board's proposal for the distribution of SOK's distributable surplus

	€
Invested non-restricted equity reserve	29,413,500.00
Profit indicated in the income statement	50,813,014.55
Profit for the previous financial years	525,600,154.39
Total	605,826,668.94
The Executive Board proposes that the distributable surplus of EUR 605,826,668.94 be used as follows:	
- distributed as interest on cooperative contributions paid by the cooperative enterprises by the beginning of the financial period	30,209,422.01
- transferred to the Supervisory Board's disposal fund	45,000.00
Providing that the cooperative meeting approves the above proposal, SOK's capital and reserves will be:	
Cooperative capital	172,001,000.00
Fair value reserve	-220,700.37
Legal reserve	18,473,154.85
Invested non-restricted equity reserve	29,413,500.00
Supervisory Board's disposal fund	97,634.97
Profit for the previous financial years	546,158,746.93
Total	765,923,336.38

Helsinki, 6 February 2020

Taavi Heikkilä

Kim Biskop　Nermin Hairedin　Rita Järventie-Thesleff

Juha Kivelä　Hannu Krook　Veli-Matti Liimatainen

Kimmo Simberg　Olli Vormisto

Auditor’s report

**To the members of
Suomen Osuuskauppojen Keskuskunta**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Suomen Osuuskauppojen Keskuskunta (business identity code 0116323-1) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent cooperative’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

– the consolidated financial statements give a true and fair view of the group’s financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
– the financial statements give a true and fair view of the parent cooperative’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the parent cooperative and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent cooperative’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent cooperative or the group or cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent cooperative’s or the group’s internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent cooperative's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent cooperative or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, March 20, 2020

KPMG OY AB

Jukka Rajala
Authorized Public Accountant, KHT