



# **SOK corporation**

Interim Report 1 January–30 June 2014

## Development of the operating environment

The development of the Finnish economy continued to be sluggish and weaker than expected. Total production continued to decrease in the first half of 2014, and the economy is in a recession for the third consecutive year.

Domestic demand has been weak. Increased unemployment and decreased purchasing power continued to keep customers cautious. The cautiousness of households was reflected in the trade sector. The value of retail sales stagnated. Sales volume has decreased since the beginning of 2013 and continues to decline.

As usual, the weak economic situation has been reflected particularly in the sales of consumer durables and consumer goods. The demand for durables and consumables has been weak and partly in a strong decline. Reduced consumption is particularly strongly reflected in the grocery trade, with the sales volume decreasing for the eighth consecutive quarter.

## S Group business development 1 January–30 June 2014

S Group comprises the cooperatives and SOK with its subsidiaries. S Group's retail excluding taxes in January–June was EUR 5,468 million, showing a decrease of 1.1 per cent compared to the previous year.

S Group's retail sales excluding taxes by business area	EUR million	+/- % prev. year
S-Markets	1,593	0.3
Prisma stores <sup>1)</sup>	1,648	2.5
Sale and Alepa stores	464	2.5
Other supermarket trade	115	-8.6
Supermarket trade in total <sup>1)</sup>	3,821	1.2
Service station store and fuel sales	878	-0.8
Department stores and speciality stores	151	-0.9
Travel industry and hospitality business <sup>1)</sup>	381	-1.5
Automotive trade and accessories <sup>2)</sup>	156	-34.0
Agricultural trade	75	-13.1
Other	6	4.2
<b>S Group total <sup>1)</sup></b>	<b>5,468</b>	<b>-1.1</b>

<sup>1)</sup> Including retail sales in St Petersburg and the Baltic area.

<sup>2)</sup> Retail sales in the automotive trade and accessories decreased due to the divestment/discontinuation of SOK Autokauppa Oy's business operations in 2013. Comparable retail sales in the automotive trade and accessories grew by 3.7 per cent.

At the end of June, S Group had 1,641 outlets, whereas the number for the corresponding period last year was 1,648.

On 30 June 2014, S Group had 20 regional and eight local cooperatives.

Bonus sales by the S Group companies amounted to EUR 4,573 million in the first half of the year, showing a decrease of 1.5 per cent compared to the previous year. Bonus sales accounted for 70.9 per cent of the entire S Group's sales (prev. year 71.1 per cent). Co-op members were paid EUR 178.2 million in bo-

nuses, which decreased by EUR 7.4 million (-3.9 per cent) compared to the previous year. In January–June, 33,156 new members joined the cooperatives participating in the bonus system. The total number of members was 2,117,313 at the end of June.

## 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 the 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 the Baltic area and St Petersburg.

### SOK Corporation's financial development 1 January–30 June 2014

The revenue of SOK Corporation's continuing operations for 1 January–30 June 2014 was EUR 3,571 million, showing a decrease of 0.5 per cent compared to the previous year. SOK Corporation's operating profit from continuing operations was EUR 32.0 million (EUR -12.4 million). The improvement was largely due to efficiency measures and the combination merger of S-Bank and Lähi-Tapiola, which had a positive effect of EUR 32 million on the result and is recognised in other operating income.

International operations accounted for 8.2 per cent of revenue, or EUR 293 million. SOK's fuel purchases from North European Oil Trade Oy (EUR 581 million) and its corresponding sales to cooperatives have been treated as intermediated sales since the beginning of 2014. The income statement for January–June 2013 has been adjusted accordingly. This change in the accounting principles had no effect on the result.

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

SOK Corporation's continuing operations	30.6.2014	30.6.2013
Revenue, EUR million	3,571	3,591
Operating profit, EUR million	32.0	-12.4
Operating profit, %	0.9	-0.3
<b>SOK Corporation</b>		
Return on equity, %	5.2	2.5
Equity ratio, %	38.4	34.6

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

SOK-koncernens operativa omsättning och rörelseresultat är uppdelade i affärsområden inom handelsverksamheten enligt den operativa uppföljningen. Dessutom följs bankverksamhetens rörelseresultat upp operativt.

	Revenue EUR million	± % Operating Change		
		prev. year	result EUR million	EUR million
Supermarket trade	270	+8.8	-14.8	+1.5
Travel industry and hospitality business	119	-2.2	+0.7	+1.8
Procurement and service business	3,224	+1.4	+1.9	+15.0
Real estate business <sup>1)</sup>	35	-13.3	+7.8	-2.8
Result from banking			-0.3	-7.5
Internal eliminations and other <sup>2)</sup>	-78		+0.3	+10.1
<b>SOK Corporation total <sup>3)</sup></b>	<b>3,570</b>	<b>-2.7</b>	<b>-4.4</b>	<b>+18.1</b>

<sup>1)</sup> The real estate business was separated from the procurement and service business and established as an independent business area in 2014.

<sup>2)</sup> Change includes the 2013 operating result of discontinued Automotive trade and accessories segment.

<sup>3)</sup> SOK Corporation's operating result, EUR -4.4 million, will be reconciled with SOK Corporation's result from continuous operations before taxes, EUR +35.4 million. The difference in the result of continuing operations before taxes (IFRS) is mainly due to the effect of the combination merger of S-Bank and LähiTapiola on the result and other items not included in the operating result.

## Funding

SOK Corporation's financial situation is good. SOK Corporation's interestbearing net liabilities amounted to EUR 31.7 million at the end of June (EUR 4.4 million on 31 December 2013). Gearing was 5.1 per cent (0.7 per cent). SOK Corporation's equity ratio was 38.4 per cent (36.3 per cent).

SOK Corporation's liquidity remained positive throughout the first half of the year. Liquid cash assets and money market investments amounted to EUR 107.7 million at the end of June (EUR 157.7 million). In addition, the Corporation had EUR 180.0 million of undrawn binding long-term credit facilities.

## Investments and divestments

SOK Corporation's non-current asset procurement (i.e. investments in fixed assets) amounted to EUR 42.9 million in the first half of the year (EUR 69.4 million). In Finland, the Corporation invested in information systems and the travel industry and hospitality business. In St Petersburg and the Baltic area, it invested in the supermarket trade, the travel industry and hospitality business and the acquisition of a shopping centre property in Lithuania.

Sales of non-current assets amounted to EUR 11.4 million in the review period (EUR 87.5 million). Divestments consisted

mainly of the sale of information systems to an external funding company and the sale of real estate shares.

## Personnel

SOK Corporation's average number of personnel in full-time equivalents was 8,418 during the review period of 1 January–30 June 2014 (1–6/2013: 9,414).

At the end of June, SOK Corporation's number of personnel was 9,075, of whom 1,577 (16 per cent) were employed by SOK and 8,128 (84 per cent) by its subsidiaries. At the end of the review period, 4,076 people (42 per cent) of the Corporation's personnel worked abroad.

Compared to the end of the previous year, SOK Corporation's number of personnel increased by 352 (3.8 per cent). Compared to the corresponding period in the previous year, the number of personnel decreased by 327 (3.3 per cent).

SOK Corporation's number of personnel decreased during the review period as a result of personnel reductions at SOK and SOK Autokauppa Oy. Its number of personnel increased in the supermarket trade in St Petersburg and the Baltic area. Compared to the end of the previous year, the increase in the number of personnel is also explained by summer workers.

## Development of the business areas

### Supermarket trade

The supermarket trade includes the business operations in Estonia, Latvia, Lithuania, and Russia. In Estonia, there are six Prisma stores in Tallinn, two stores in Tartu and one in Narva. There are five Prisma stores in Riga, Latvia. In Lithuania, there are two Prisma stores in Vilnius and two in Kaunas. Seventeen Prisma stores operate in St Petersburg. The revenue of the supermarket trade was EUR 270 million, showing an increase of nine per cent compared to the previous year. The establishment of four new Prisma stores had a positive effect on revenue. The operating result of the supermarket trade was at a better level than in the previous year. The operating result improved particularly in Estonia.

Investments by the supermarket trade totalled EUR 11.8 million and were mostly related to equipment. Of the total, EUR 6.1 million was related to St Petersburg and EUR 5.7 million to the Baltic area.

### Travel industry and hospitality business

In the first half of 2014, travel industry and hospitality business within SOK Corporation was conducted by Sokotel Oy in Finland, AS Sokotel in Estonia and OOO Sokotel in Russia.

The revenue of Sokotel Oy decreased by 0.7 per cent year-on-year. The decrease was due to the generally weakened market situation of these industries. According to forecasts for the travel and hospitality sector, the second half of the year will also be challenging for the hospitality industry. However, due to a successful cost-saving programme, Sokotel Oy's operating result improved markedly year-on-year.

The revenue of AS Sokotel, which operates hotels in Tallinn, increased by 3.8 per cent year-on-year. The operating result of AS Sokotel was at the previous year's level.

The revenue of OOO Sokotel, which operates hotels in St Petersburg, decreased by 14.2 per cent compared to the previous year. The decrease was due to the weaker market situation resulting from economic and political uncertainty in Russia. Because of the decrease in revenue, the operating result of OOO Sokotel was weaker than in the previous year.

In the first half of 2014, investments by the travel industry and hospitality business totalled EUR 4.1 million. Of this, EUR 1.9 million was related to Finland and EUR 2.3 million to St Petersburg and the Baltic area.

### 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, and other services provided by SOK and its subsidiaries primarily for the S Group units. Revenue generated by other services provided by S Group to its units includes chain fees and management service income.

The revenue of the procurement and service business totalled EUR 3,224 million, representing an increase of 1.4 per cent compared to the previous year. The revenue of the procurement and service business includes a total of EUR 2,912 million of EDI invoicing by SOK from S Group units. The operating result of the procurement and service business was positive and clearly better than in the previous year.

In the first half of 2014, investments by the procurement and service business totalled EUR 12.0 million, consisting mainly of information system purchases.

### Real estate business

The real estate business was separated from the procurement and service business and established as an independent business area in 2014. The revenue from the real estate business consists of rental and property service income from properties owned by SOK Corporation. The revenue from the real estate business was EUR 35 million, representing a decrease of 13.3 per cent compared to the previous year. The decrease was mainly due to divestments of properties. The operating result of the real estate business was slightly smaller than in the previous year, but clearly positive.

In the first half of 2014, investments by the real estate business totalled EUR 14.8 million and were mainly related to properties in St Petersburg and the Baltic area.

### 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 and belongs to S Group. The first in-store bank in Finland, S-Bank offers its customers services that make their daily lives easier. Its range of products and services is primarily targeted at co-op members of the S Group and LähiTapiola Group and consists of current accounts, savings accounts, funds, asset management services, customer credit, secured lending and international debit cards as well as an online bank and a mobile bank.

In S-Bank, the most significant event during the first half of the year was its combination merger with LähiTapiola Bank. In the merger, the operations of the old banks were discontinued, and a new S-Bank was established to continue the operations. The new bank began operation on 1 May 2014. S Group owns 75 per cent and LähiTapiola Group owns 25 per cent of the new bank.

The reported figures describe the operations of S-Bank Group. When comparing the figures to the corresponding figures of the previous year, the acquisition of FIM in August 2013 and the related internal reorganisations and the merger with the LähiTapiola Bank must be taken into consideration.

At the end of June, S-Bank had around 2.7 million customers. The number of active customers is increasing, and S-Bank is developing from a secondary bank into the primary bank of its customers.

By the end of June, S-Bank had issued nearly 1.5 million international debit cards to its customers. Around 1.5 million customers had acquired IDs for online and mobile banking. In November 2013, S Group introduced a smartphone application for mobile banking. By the end of June 2014, the application had been downloaded on nearly 230,000 mobile phones or tablets.

At the end of June, S-Bank's total funds on deposit were EUR 4,139.5 million, including EUR 3,454.9 million in private deposits and EUR 684.6 million in corporate deposits. Lending to private customers totalled EUR 2,192.8 million at the end of June, and lending to corporate customers amounted to EUR 314.1 million. Total lending stood at EUR 2,506.9 million at the end of June.

Services related to investing and asset management at S-Bank are centralised at FIM, a subsidiary. FIM's assets under management were in excess of EUR 5,410 million at the end of June, including EUR 4,717 million in fund-managed capital. In November 2013, S-Bank made it possible for co-op members to invest their Bonus purchase rewards in a fund. This opportunity attracted wide interest. By the end of June, nearly 45,000 S-Bank customers had signed an agreement on transferring their Bonus purchase rewards to a fund.

S-Bank Group's capital adequacy ratio stood at 14.8 per cent at the end of June (15.0). Its result was EUR -2.3 million, and the adjusted result corresponding to SOK Corporation's shareholding (37.5%) was EUR -0.3 million (EUR 7.3 million).

The revenue of the fuel procurement company North European Oil Trade Oy in January–June was EUR 2,428 million, showing an increase of 17.7 per cent compared to the previous year. The profit of North European Oil Trade Oy improved compared to the previous year. SOK's shareholding in the company is 50.77 per cent. Due to the shared controlling interest based on the shareholding agreement, the company is treated as a joint venture.

In addition to S-Bank and North European Oil Trade Oy, other significant associated companies and joint ventures of SOK Corporation include Russian and Baltics Retail Properties Ky, a property fund company investing in Prisma stores in St Petersburg and the Baltic area; Finnfröst Oy, an associated company of SOK's subsidiary Inex Partners Oy that provides frozen goods procurement and logistics services; Kauppakeskus Mylly Oy in Raisio; and the inter-Nordic procurement company Coop Trading A/S.

SOK Corporation's associated companies and joint ventures had a total effect of EUR 1.5 million on its result (EUR 8.4 million).

## Changes in the group structure

### Changes during the review period

#### Business acquisitions, establishments and reorganisations

In April, SOK acquired UAB Viršuliškių prekybos centras, a real estate company operating in Lithuania.

In May, SOK established SOK Fashion Retail Oy for its Mark & Spencer business. SOK owns 51 per cent of the new company, and HOK-Elanto owns 49 per cent.

#### Divestments and discontinued operations

SOK sold Kiinteistö Oy Peltokuumolantie 4 B in January and Olarin Autokiinteistö Oy in June.

#### SOK-Corporation's internal reorganisations

In January 2014, LB Kiel Tampere Ab was divided into two mutual joint-stock property companies: Kiinteistö Oy Hotelli Tammer and Kiinteistö Oy Tullintorni.

## Management and future outlook

### Management and changes in management

SOK's Executive Board comprises Chairman and CEO Taavi Heikkilä (as of the beginning of 2014); Vice Chairman, Managing Director Matti Niemi; Managing Director Esko Jääskeläinen; Managing Director Tapio Kankaanpää; Managing Director Timo Mäki-Ullakko; Heikki Hämäläinen, Managing Director of the Suur-Savo Cooperative Society (new member as of 1 January 2014); and Johko Vehmas, Managing Director of the Kymi Region Cooperative Society (new member as of 1 January 2014).

In April 2014, Cathedral Dean Matti Pikkarainen was re-elected as Chairman of SOK's Supervisory Board, and Commercial Counsellor Maija-Liisa Lindqvist and Managing Director Kimmo Simberg were re-elected as Vice Chairs.

The duties of SOK's Corporate Management Team include supporting the CEO in the strategic management of SOK Corporation and S Group. In addition to CEO Taavi Heikkilä, the Corporate Management Team comprises Arttu Laine, Executive Vice President, Business operation groups; Jari Annala, CFO, Executive Vice President, Finance and Administration; Jorma Vehviläinen, Executive Vice President, Business trade; Harri Miettinen, Executive Vice President, Customer Relationships and Information; and Leena Olkkonen, Executive Vice President, Human Resources. Seppo Kuitunen, Executive Vice President, Legal Affairs, is Secretary to the Corporate Management Team.

### Near-term risks and uncertainties

Through risk management procedures, SOK and its subsidiaries aim to anticipate and control risk factors impacting on the attainment of their goals and to take advantage of opportunities related to the risks in their business operations. Risk management is comprehensive and implemented continuously and throughout the management process.

In the first half of 2014, a strategic risk analysis was prepared for SOK Liiketoiminta Oy, and the strategic risk analysis of S Group was updated in line with the new strategy. A scenario analysis was prepared of the effects of the crisis in Ukraine. The analysis will be updated frequently to reflect developments in the situation. A new approach was developed to risk analysis as part of the operational planning process. It was piloted and training was started in the spring. Key development projects in risk management also included continuing the work to improve debit card security and carrying out an extensive study to identify security risks in automated operations.

S Group's near-term risks reflect increased and more intense competition, radical changes in customers' consumption habits as a result of digitisation, the weak outlook for the global economy and changes in legislation. SOK must support the entire S Group, particularly in maintaining profitability in the grocery trade, improving the performance of the consumer goods trade and ensuring overall cost-efficiency. In terms of SOK's own business operations, key uncertainty factors include the development of the crisis in Ukraine and its effects on operations, particularly in Russia.

### Outlook for the remainder of 2014

The development of the general economic situation in Finland and in the neighbouring countries is a significant factor for the success of SOK Corporation's operations. The management of the debt burden in the Eurozone, economic sanctions on Russia as a result of the crisis in Ukraine and a decrease in the Finnish economy are among the factors affecting SOK Corporation's performance expectations during the second half of the year. The factors mentioned above, and the continued downturn in the economy, pose challenges in terms of performance during the rest of 2014.

As a result of efficiency measures carried out in business operations, SOK Corporation's result in Finland is expected to be at a higher level than in the previous year. The continuing network expansion according to plan will have a negative effect on the result of the supermarket trade in Russia and the Baltic area. If the crisis in Ukraine continues to be prolonged and stronger economic sanctions are imposed on Russia, this will have a negative effect on the development of Russian units in particular. Despite challenges, the result in Russia and the Baltic area is expected to be at the previous year's level. However, SOK Corporation's operating result is expected to remain negative due to network expansion in the supermarket trade.

SOK will continue to implement its service operation development programme. With the programme, SOK Corporation's operating result is likely to improve compared to the previous year. The Executive Board will continue to pay special attention to performance development at SOK Corporation during the rest of the year.

Helsinki, 28 August 2014

SOK  
CORPORATION

Executive Board

# Interim financial statements

## Consolidated income statement, IFRS

EUR million	1.1.–30.6.2014	1.1.–30.6.2013
<b>Continuing operations:</b>		
Revenue	3 571.2	3 590.8
Other operating income	34.2	0.5
Materials and services	-3 217.9	-3 244.2
Employee benefit expenses	-139.2	-150.2
Depreciation and impairment losses	-30.3	-32.4
Other operating expenses	-187.1	-185.0
Share of results of associated companies and joint ventures (+/-)	1.1	8.1
<b>Operating profit / loss</b>	<b>32.0</b>	<b>-12.4</b>
Financial income and expenses (+/-)	2.9	-1.7
Share of results of associated companies and joint ventures (+/-)	0.5	0.4
<b>Profit / loss before taxes</b>	<b>35.4</b>	<b>-13.8</b>
Income taxes (+/-)	-1.7	4.8
<b>Result for the period from continuing operations</b>	<b>33.8</b>	<b>-9.0</b>
<b>Result for the period from discontinued operations</b>	<b>-2.0</b>	<b>23.8</b>
<b>Result for the period</b>	<b>31.8</b>	<b>14.8</b>
Attributable to:		
Owners of the parent	31.8	14.8
Share of non-controlling interests	0.0	0.1
	31.8	14.8
<b>Statement of other comprehensive income</b>		
EUR million	1.1.–30.6.2014	1.1.–30.6.2013
Result for the period	31.8	14.8
Other comprehensive income:		
Items that may be Reclassified Subsequently to Profit and Loss		
Exchange differences on translating foreign operations	-0.9	-1.6
Available-for-sale financial assets		
Fair value changes during the period	-3.6	-2.9
Income tax relating to available-for-sale financial assets	0.7	0.7
Cash flow hedges		
Fair value changes during the period		
Comprehensive income items of associated companies and joint ventures	-3.5	-2.8
Items that will not be Reclassified to Profit and Loss		
Actuarial gains/losses	0.0	
Other comprehensive income for the period, net of tax	-7.4	-6.6
<b>Total comprehensive income for the period</b>	<b>24.4</b>	<b>8.2</b>
Total comprehensive income for the financial year attributable to:		
Owners of the parent	24.4	8.2
Share of non-controlling interests	0.0	0.1
	24.4	8.2

## Consolidated statement of financial position, IFRS

EUR million	30.6.2014	30.6.2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	302.3	351.6
Investment properties	39.0	42.6
Intangible assets	65.9	68.3
Interests in associated companies and joint ventures	168.3	123.8
Non-current financial assets	99.9	127.5
Deferred tax assets	37.5	40.4
<b>Non-current assets, total</b>	<b>712.9</b>	<b>754.3</b>
<b>Current assets</b>		
Inventories	187.9	179.4
Trade receivables and other current non-interest-bearing receivables	602.2	637.1
Current interest-bearing receivables	2.0	11.9
Cash and cash equivalents	106.1	113.8
<b>Current assets, total</b>	<b>898.3</b>	<b>942.2</b>
<b>Assets held for sale</b>	<b>2.9</b>	<b>68.2</b>
<b>Assets, total</b>	<b>1 614.1</b>	<b>1 764.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Cooperative capital	163.4	156.0
Restricted reserves	29.0	33.8
Retained earnings	424.5	408.6
<b>Equity attributable to the the owners of the parent</b>	<b>616.8</b>	<b>598.5</b>
Non-controlling interests	1.7	0.9
<b>Equity, total</b>	<b>618.5</b>	<b>599.3</b>
<b>Non-current liabilities</b>		
Supplementary cooperative capital	12.8	12.8
Non-current interest-bearing liabilities	81.8	106.3
Non-current non-interest-bearing liabilities	39.2	37.0
Provisions	17.2	18.3
Deferred tax liabilities	14.2	14.6
<b>Non-current liabilities, total</b>	<b>165.2</b>	<b>188.9</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	44.7	80.4
Current non-interest-bearing liabilities	100.1	58.5
Trade payables	678.5	763.1
Provisions	5.4	9.1
Tax liabilities for the financial year	0.0	0.1
<b>Current liabilities, total</b>	<b>828.8</b>	<b>911.2</b>
<b>Liabilities associated with assets held for sale</b>	<b>1.6</b>	<b>65.3</b>
<b>Equity and liabilities, total</b>	<b>1 614.1</b>	<b>1 764.7</b>

## Consolidated statement of cash flows, IFRS

EUR million	Reference	1.1.–30.6.2014	1.1.–30.6.2013
<b>BUSINESS OPERATIONS</b>			
Operating result from continuing and discontinued operations		28.8	4.3
Adjustments to operating result	(1)	-12.3	7.3
Change in working capital	(2)	-18.8	55.2
<b>Cash flow from business operations before financing and taxes</b>		<b>-2.3</b>	<b>66.8</b>
Increase (-) / decrease (+) in current receivables		0.1	0.7
Interest paid and other financial expenses		-25.0	-10.3
Interest received and other financial income		9.1	5.9
Dividends received from business operations		0.1	2.1
Income taxes paid		0.1	-0.6
<b>Cash flow from business operations</b>		<b>-17.9</b>	<b>64.6</b>
<b>INVESTMENTS</b>			
Acquisition of other fixed assets		-30.9	-66.3
Acquired shares in subsidiaries net of acquired cash		-12.0	-20.9
Divested shares in subsidiaries net of cash held by subsidiary		4.0	68.8
Sale of other fixed assets		7.4	64.9
Change in other long-term investments		9.0	-20.3
Dividends received from investments		0.2	4.0
<b>Cash flow from investments</b>		<b>-22.3</b>	<b>30.2</b>
<b>FINANCING</b>			
Proceeds from new long-term liabilities		4.3	
Repayment of long-term liabilities		-19.6	-1.0
Increase (+) / decrease (-) in short-term liabilities		-1.2	-152.0
Interest paid		-1.4	-0.8
Interest received		5.4	0.9
Changes in bonds and notes and mutual fund shares			19.9
Share of non-controlling interests			-0.9
Interest paid on the cooperative and supplementary cooperative capital		2.3	-0.3
Other dividends		1.0	
<b>Cash flow from financing</b>		<b>-9.2</b>	<b>-134.3</b>
<b>Decrease in cash and cash equivalents</b>		<b>-49.4</b>	<b>-39.6</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>157.7</b>	<b>157.7</b>
<b>Foreign exchange rate effect on cash and cash equivalents</b>		<b>-0.7</b>	<b>-0.5</b>
<b>Decrease in cash and cash equivalents</b>		<b>-49.4</b>	<b>-39.6</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>107.7</b>	<b>157.7</b>
Adjustments to operating profit	(1)		
Gains from the sale of fixed assets		-1.1	-45.4
Depreciation and impairment losses		21.3	33.0
Other non-cash income and expenses		-32.5	19.8
		-12.3	7.3
Change in working capital	(2)		
Change in trade and other receivables		3.6	0.6
Change in inventories		1.7	154.4
Change in non-interest-bearing liabilities		-24.1	-99.8
		-18.8	55.2

Short-term, under three month debt securities have been categorised as cash and cash equivalents in the consolidated cash flow statement.

The cash flow statement includes the cash flows from both continuing and discontinued operations.

## Consolidated statement of changes in equity, IFRS

EUR million	Equity attributable to the owners of the parent								
	Cooperative capital	Fair value reserve	Reserve fund	Supervisory Board's Disposal fund	Translation differences	Retained earnings	Total	Non-controlling interests	Equity, total
<b>Equity</b>									
1 Jan 2013	156.0	20.3	18.5	0.1	-1.8	398.0	591.1	1.9	592.9
Total comprehensive income		-5.0			-1.6	14.8	8.2	0.1	8.2
Other changes						0.2	0.2		0.2
Change of non-controlling interests						-0.9	-0.9	-1.1	-2.0
30 June 2013	156.0	15.3	18.5	0.1	-3.4	412.0	598.5	0.9	599.3
1 Jan 2014	163.4	16.9	18.5	0.1	-2.6	397.6	593.8	0.8	594.6
Total comprehensive income		-6.4			-0.9	31.8	24.5	0.0	24.4
Changes due to business combinations								1.0	1.0
Other changes				0.0		-1.5	-1.5		-1.5
<b>30 June 2014</b>	<b>163.4</b>	<b>10.4</b>	<b>18.5</b>	<b>0.1</b>	<b>-3.5</b>	<b>427.9</b>	<b>616.8</b>	<b>1.7</b>	<b>618.5</b>

## **Accounting policies applied to the income statement and balance sheet**

The Interim Report was prepared in accordance with the IAS 34 standard for Interim Financial Reporting. The same accounting principles were adhered to in the preparation of the Interim Report as in the 2013 Financial Statements, and, furthermore, the IAS/IFRS standard and interpretation amendments effecting the financial year 2014 were also adhered to. The implementation of these standard and interpretation amendments has not had a significant effect on the Interim Report.

SOK's fuel purchases from North European Oil Trade Oy (EUR 581 million) and its corresponding sales to cooperatives have been treated as intermediated sales since the beginning of 2014. The income statement for January–June 2013 has been adjusted accordingly. This change in the accounting principles had no effect on the result.

All figures in the tables of the Interim Report have been rounded, which is why totals of individual figures may differ from the sum presented. The key ratios have been calculated with exact values.

This Interim Report is unaudited.

## Discontinued operations, assets held for sale and acquisitions

Intra group transactions have been eliminated from the presented figures except for cash flows of discontinued operations in which they are included.

### Discontinued operations:

SOK Corporation's automotive trade and accessories are presented as discontinued operations. Profit from the sale of Hankkija Oy's shares is also included in the comparative figures.

EUR million	1.1.–30.6.2014	1.1.– 30.6.2013
Revenue	0.4	79.2
Other operating income	0.2	45.8
Materials and services	-0.5	-71.8
Employee benefits expenses	-0.2	-10.2
Depreciation and impairment losses	0.0	-0.5
Other operating expenses	-0.4	-22.9
<b>Operating profit</b>	<b>-0.7</b>	<b>19.7</b>
Financial income and expenses	0.2	1.1
<b>Result before taxes</b>	<b>-0.5</b>	<b>20.8</b>
Income taxes	-1.5	6.1
<b>Result for the period</b>	<b>-2.0</b>	<b>26.8</b>
Impairments and sales expenses	0.0	-3.0
<b>Result for the period from discontinued operations</b>	<b>-2.0</b>	<b>23.8</b>

Discontinued operations result attributable to:

Owners of the parent	-2.0	23.8
Share of non-controlling interests	0.0	0.0

### Cash flows of the discontinued operations were following:

Cash flow		
Cash flow from business operations	-0.8	17.8
Cash flow from investments	0.1	78.1
Cash flow from financing	0.7	-17.4
<b>Cash flow, total</b>	<b>0.0</b>	<b>78.4</b>

### Equity and liabilities of discontinued operations

Tangible and intangible assets	0.0	6.3
Non-current financial assets	0.0	0.9
Deferred tax assets	0.8	1.7
Inventories	0.0	41.2
Trade receivables and other current non-interest-bearing receivables	0.5	14.7
Current interest-bearing receivables	1.6	1.4
Cash and cash equivalents	0.0	2.0
Non-current interest-bearing liabilities	0.0	0.9
Non-current non-interest-bearing liabilities	0.0	0.6
Provisions	1.1	3.0
Deferred tax liabilities	0.0	0.3
Current interest-bearing liabilities	0.1	14.5
Current non-interest-bearing liabilities	0.4	46.1
<b>Assets and liabilities, total</b>	<b>1.3</b>	<b>2.9</b>

### Operations held for sale:

The SOK Corporation did not have items classified as assets held for sale on 30 June 2014 and 30 June 2013.

### Acquisitions and establishments of new companies

#### Established companies during the financial year 2014

In May, SOK established SOK Fashion Retail Oy to run the new Mark & Spencer business. SOK owns 51 percent of the established company and Helsingin Osuuskauppa Elanto 49 percent.

## The fair value hierarchy for financial assets and liabilities

EUR million	Fair Value 30.6.2014	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
<b>Non-current financial assets</b>				
Shares and participations	2.3			2.3
Loan receivables	43.4		43.4	
Non-interest-bearing loan receivables	54.9		54.9	
Trade receivables	0.0		0.0	
<b>Trade receivables and other current non-interest-bearing receivables</b>				
Loan receivables	0.6		0.6	
Prepayments and accrued income in financial items	0.5		0.5	
Derivatives assets	13.2	3.9	9.35	
<b>Current interest-bearing receivables</b>				
Loan receivables	0.0		0.0	
<b>Investment properties</b>	111.4			111.4
<b>Assets held for sale</b>	2.9			2.9
<b>Total</b>	<b>229.2</b>	<b>3.9</b>	<b>108.7</b>	<b>116.6</b>
<b>Liabilities measured at fair value</b>				
<b>Supplementary cooperative capital</b>	12.8		12.8	
<b>Non-current interest-bearing liabilities</b>				
Trade payables	0.0		0.0	
Interest-bearing loans from financial institutions	0.0		0.0	
Interest-bearing loans from others	0.1		0.1	
Capital loans	15.4		15.4	
Finance lease liabilities	72.5		72.5	
<b>Non-current non-interest-bearing liabilities</b>				
Cash counting service	0.0		0.0	
Other non-interest-bearing liabilities	0.1		0.1	
<b>Current interest-bearing liabilities</b>				
Interest-bearing loans from others	7.1		7.1	
Finance lease liabilities	20.5		20.5	
<b>Current non-interest-bearing liabilities</b>				
Derivatives liabilities	9.3	3.9	5.4	
<b>Liabilities associated with assets held for sale</b>	1.6			1.6
<b>Total</b>	<b>139.3</b>	<b>3.9</b>	<b>133.9</b>	<b>1.6</b>

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 Group has used valuations by Bloomberg, Reuters and Nasdaq OMX Commodities as pricing sources in determining the fair value of these instruments.

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 0.8 million (2013: EUR 5.6 million) is based on Suomen Luotto-osuuskunta cooperative's preliminary

plan regarding the distribution of funds in 2014–2015. In addition to the aforementioned, level 3 also includes EUR 1.5 million of unquoted shares (2013: 1.6 million), for which the fair value cannot be determined and investment properties EUR 111.4 million, their fair value determined primarily by means of appraisal approach. Unquoted shares and holdings presented on level 3 were realised in 2014 at the acquisition cost of EUR 0.0 million.

SOK Corporation's automotive trade has been presented as discontinued operations at 30.6.2014. Assets and liabilities associated with the automotive trade with a net value of EUR 1,3 million are presented on level 3. They have been valued at fair value less cost of sale.

### Movements in Level 3

EUR million	2014
Opening balance, 1 Jan	121.6
Purchases	
Sales	-0.1
The decrease of the fair value in holdings of the Suomen Luotto-osuuskunta cooperative	-4.8
Change in value of assets held for sale	-1.7
Fair value changes recognised in the income statement	
Closing balance, 30 Jun	-6.5

EUR million	Fair Value 30.6.2013	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
<b>Non-current financial assets</b>				
Shares and participations	7.2			7.2
Loan receivables	44.7		44.7	
Non-interest-bearing loan receivables	55.1		55.1	
Trade receivables	0.0		0.0	
<b>Trade receivables and other current non-interest-bearing receivables</b>				
Loan receivables	0.6		0.6	
Prepayments and accrued income in financial items	0.7		0.7	
Derivatives assets	17.8	3.6	14.2	
<b>Current interest-bearing receivables</b>				
Loan receivables	7.6		7.6	
<b>Investment properties</b>	111.4			111.4
<b>Assets held for sale</b>	7.1			7.1
<b>Total</b>	<b>252.0</b>	<b>3.6</b>	<b>122.8</b>	<b>125.6</b>
<b>Liabilities measured at fair value</b>				
<b>Supplementary cooperative capital</b>	12.8		12.8	
<b>Non-current interest-bearing liabilities</b>				
Trade payables	0.0		0.0	
Interest-bearing loans from financial institutions	20.2		20.2	
Interest-bearing loans from others	11.5		11.5	
Finance lease liabilities	66.8		66.8	
<b>Non-current non-interest-bearing liabilities</b>				
Cash counting service	25.5		25.5	
Other non-interest-bearing liabilities	0.1		0.1	
<b>Current interest-bearing liabilities</b>				
Interest-bearing loans from others	30.3		30.3	
Finance lease liabilities	31.2		31.2	
<b>Current non-interest-bearing liabilities</b>				
Derivatives liabilities	12.0	3.6	8.4	
<b>Liabilities associated with assets held for sale</b>	4.1			4.1
<b>Total</b>	<b>214.4</b>	<b>3.6</b>	<b>206.8</b>	<b>4.1</b>

## Segment information 2014

SOK Corporation applies the IFRS 8 standard in its segment reporting. For reporting to top management, SOK Corporation's operations are divided into seven business segments. The segments are based on business areas. In calculating the operational result, valuations in accordance with Finnish accounting legislation are used. In SOK Corporation's management reporting, assets are not allocated or reported on, except for working capital. The working capital of Real estate business is included in the working capital of Procurement and services business.

Real estate business is presented as a new segment. It was previously reported as a part of Procurement and services business.

Automotive grade and accessories which was presented as a separate segment on year 2013 is presented in Internal eliminations and other.

EUR million	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Management reporting, total
<b>Revenue</b>	<b>269.5</b>	<b>119.0</b>	<b>3 223.9</b>	<b>35.4</b>		<b>-78.2</b>	<b>3 569.7</b>
<b>Operating result</b>	<b>-14.8</b>	<b>0.7</b>	<b>1.9</b>	<b>7.8</b>	<b>-0.3</b>	<b>0.3</b>	<b>-4.4</b>
<b>Investments</b>	<b>11.8</b>	<b>4.1</b>	<b>12.0</b>	<b>14.8</b>			<b>42.9</b>
<b>Divestments</b>	<b>0.0</b>	<b>0.0</b>	<b>5.1</b>	<b>6.2</b>		<b>0.1</b>	<b>11.4</b>
<b>Working capital</b>	<b>-4.5</b>	<b>1.7</b>	<b>45.6</b>			<b>-1.4</b>	<b>41.4</b>
<b>Reconciliation of the revenue</b>							
Management accounting revenue to be reported				3 569.7			
Revenue from discontinued operations				-0.4			
Other differences				1.9			
Revenue from continuing operations IFRS				3 571.2			
<b>Reconciliation of the result</b>							
Operating result of the segments to be reported				-4.4			
Items excluded from the operating result within SOK Corporation:							
Financial income and expenses				5.4			
Gains and losses on the sale of property, plant and equipment				1.1			
Increase in provisions				-0.6			
Other operating income and expenses, and other items				32.4			
Valuation gains and losses on derivatives				-0.2			
Result before taxes for the period from discontinued operations				0.4			
Other differences				1.1			
Profit before taxes for the period from continuing operations IFRS				35.4			
<b>Additional information at SOK Corporation level, external income</b>							
Finland				3 278.4			
Foreign countries				292.8			
Revenue, total				3 571.2			
Supermarket trade				269.5			
Travel industry and hospitality business				120.9			
Procurement and services business				3 145.4			
Real estate business				35.4			
Revenue, total				3 571.2			
<b>Additional information at SOK Corporation level, fixed assets</b>							
Finland				295.0			
Foreign				112.3			
Fixed assets, total				407.3			

## Segment information 30.6.2013

SOK Corporation applies the IFRS 8 standard in its segment reporting. For reporting to top management, SOK Corporation's operations are divided into seven business segments. The segments are based on business areas. In calculating the operational result, valuations in accordance with Finnish accounting legislation are used. In SOK Corporation's management reporting, assets are not allocated or reported on, except for working capital. The working capital of Real estate business is included in the working capital of Procurement and services business.

The Real estate business, which used to be included in the Procurement and service business, is presented as a new segment. The investments and divestments of the Real estate business cannot be retrospectively separated from the reporting for the financial period 2013. They are included in the figures for the Procurement and service business.

EUR million	Supermarket trade	Travel industry and hospitality business	Automotive trade and accessories (Discontinued operations)	Procurement and services business	Real estate business	Elimination for the retail and wholesale and other items	Retail and wholesale business, total	Banking	Management reporting, total
<b>Revenue</b>	247.8	121.6	79.2	3 179.0	40.9	-0.3	3 668.2		3 668.2
<b>Operating result</b>	-16.2	-1.1	-8.8	-13.1	10.6	-1.0	-29.7	7.3	-22.4
<b>Investments</b>	43.5	4.1	0.0	21.8					69.4
<b>Divestments</b>	0.0	0.1	0.0	87.3					87.5
<b>Working capital</b>	1.8	0.0	22.1	-1.2		-1.6	21.1		21.1
<b>Reconciliation of the revenue</b>									
Management accounting revenue to be reported				3 668.2					
Revenue from discontinued operations				-79.2					
Other differences				1.9					
Revenue from continuing operations IFRS				3 590.8					
<b>Reconciliation of the result</b>									
Operating result of the segments to be reported				-22.4					
Items excluded from the operating result within SOK Corporation:									
Financial income and expenses				1.5					
Gains and losses on the sale of property, plant and equipment				36.2					
Impairment losses on non-current asset investments				-0.2					
Increase in compulsory provisions				-21.0					
Other operating income and expenses, and other items				-0.1					
Valuation gains and losses on derivatives				-0.1					
Result before taxes for the period from discontinued operations				-17.8					
Other differences				10.1					
Profit before taxes for the period from continuing operations IFRS				-13.8					
<b>Additional information at SOK Corporation level, external income</b>									
Finland				3 319.3					
Foreign countries				271.6					
Revenue, total				3 590.8					
Supermarket trade	247.8								
Travel industry and hospitality business		123.6							
Procurement and services business				3 219.5					
Revenue, total	247.8	123.6		3 590.8					
<b>Additional data at SOK Corporation level, fixed assets</b>									
Finland				362.0					
Foreign				105.2					
Fixed assets, total				467.1					

## Tangible and intangible assets

EUR million	Tangible assets	Investment properties	Intangible assets
<b>Acquisition cost</b>			
Acquisition cost, 1 Jan 2014	538.9	86.7	178.9
Translation differences	-8.3		0.0
Increases	27.5		14.9
Decreases	-6.6		-6.0
Transfers between items	0.2		-0.2
<b>Acquisition cost, 30 June 2014</b>	<b>551.8</b>	<b>86.7</b>	<b>187.7</b>
<b>Accumulated depreciation</b>			
Accumulated depreciation, 1 Jan 2014	-235.0	-45.7	-115.6
Translation differences	2.3		0.0
Accumulated depreciation on deducted and transferred items	4.7		0.9
Depreciation for the period	-21.5	-1.9	-7.1
Impairment losses	-0.1		
<b>Accumulated depreciation, 30 June 2014</b>	<b>-249.6</b>	<b>-47.6</b>	<b>-121.8</b>
<b>Carrying amount, 1 Jan 2013</b>	<b>303.9</b>	<b>40.9</b>	<b>63.3</b>
<b>Carrying amount, 30 June 2013</b>	<b>302.3</b>	<b>39.0</b>	<b>65.9</b>
<b>Acquisition cost</b>			
Acquisition cost, 1 Jan 2013	555.1	86.4	178.8
Translation differences	-6.8		
Assets held for sale	-7.8		-4.3
Increases	55.6		20.7
Decreases	-14.3		-10.0
Transfers between items	1.9	0.1	-2.0
<b>Acquisition cost, 30 June 2013</b>	<b>583.7</b>	<b>86.5</b>	<b>183.2</b>
<b>Accumulated depreciation</b>			
Accumulated depreciation, 1 Jan 2013	-218.0	-42.0	-113.2
Translation differences	1.6		
Assets held for sale	6.1		4.2
Accumulated depreciation on deducted and transferred items	6.1		1.7
Depreciation for the period	-22.9	-1.9	-7.7
Impairment losses	-0.3		
<b>Accumulated depreciation, 30 June 2013</b>	<b>-227.5</b>	<b>-43.9</b>	<b>-114.9</b>
<b>Carrying amount, 1 Jan 2013</b>	<b>337.1</b>	<b>44.3</b>	<b>65.6</b>
<b>Carrying amount, 30 June 2013</b>	<b>356.2</b>	<b>42.6</b>	<b>68.3</b>

## Related party transactions

### Transactions and balances with associated companies:

EUR million	30.6.2014	30.6.2013
Sales	8.6	7.7
Purchases	629.6	745.2
Financial income and expenses	0.3	0.4
Trade and other receivables	1.1	1.3
Loan receivables	19.5	30.1
Loans	6.7	15.5
Trade payables and other liabilities	34.7	61.0

## Pledges and contingent liabilities

Contingent liabilities, EUR million	30.6.2014	30.6.2013	Change	31.12.2013
<b>Pledges given and contingent liabilities</b>				
Pledges	0.1	0.1	0.0	0.2
Mortgages		0.4	-0.4	
Guarantees	4.0	9.1	-5.1	4.0
<b>Total</b>	<b>4.1</b>	<b>9.6</b>	<b>-5.5</b>	<b>4.2</b>
<b>Security given on behalf of others</b>				
Guarantees for liabilities of joint ventures enterprises	104.3	90.5	13.8	103.6
Guarantees for liabilities of partly owned enterprises		25.0	-25.0	0.0
Guarantees for liabilities of cooperative enterprises	8.3	10.0	-1.7	9.2
<b>Total</b>	<b>112.6</b>	<b>125.5</b>	<b>-12.9</b>	<b>112.7</b>
<b>Other contingent liabilities</b>				
Guarantees for liabilities of joint ventures enterprises	18.8	10.7	8.1	17.9
Guarantees for liabilities of cooperative enterprises	0.2	0.4	-0.2	0.2
Guarantees for liabilities of others	1.4	1.4	0.0	1.4
<b>Total</b>	<b>20.5</b>	<b>12.5</b>	<b>7.9</b>	<b>19.5</b>
<b>Other liabilities</b>				
Repurchase liabilities	36.0		36.0	26.8
Underwriting	10.4		10.4	12.0
<b>Total</b>	<b>46.4</b>		<b>46.4</b>	<b>38.8</b>
<b>Operating leases</b>				
<b>Group as lessee</b>				
<b>Minimum lease payments on non-cancellable operating leases:</b>				
EUR million	30.6.2014	30.6.2013	Change	31.12.2013
In one year	138.2	140.2	-2.0	141.6
In one to five years	513.5	535.3	-21.8	522.2
Over five years	532.1	623.2	-91.1	582.0
<b>Total</b>	<b>1 183.8</b>	<b>1 298.8</b>	<b>-115.0</b>	<b>1 245.8</b>

In addition, SOK has given letters of comfort for the guarantees granted by SOK-Takaas Oy. The amount of the letters of comfort is EUR 73,8 million on 30 June 2014 (EUR 80,4 million on 30 June 2013).

## Key ratios

<b>SOK Corporation continuing operations:</b>	<b>30.6.2014</b>	<b>30.6.2013</b>	<b>31.12.2013</b>
Revenue, EUR million € *)	3 571.2	3 590.8	7 317.3
Operating profit, EUR million	32.0	-12.4	
% of revenue	0.9	-0.3	-0.1
Profit before taxes, EUR million	35.4	-13.8	-13.2
% of revenue	1.0	-0.4	-0.2
<b>SOK Corporation</b>			
Equity ratio, %	38.4	34.6	36.3
Return on equity, %	5.2	2.5	0.8
Gearing, %	5.1	14.3	0.7

\*) SOK's fuel purchases from North European Oil Trade Oy and its corresponding sales to cooperatives have been recognised as intermediated sales since the beginning of 2014. The income statement for 2013 has been adjusted accordingly.

## Calculation of key ratios

$$\text{Equity ratio, \%} = \frac{\text{total equity}}{\text{total assets - advances received}} \times 100 \%$$

$$\text{Gearing, \%} = \frac{\text{interest-bearing liabilities - cash and cash equivalents}}{\text{total equity}} \times 100 \%$$

$$\text{Return on equity, \%} = \frac{\text{profit/loss after financial items - income taxes}}{\text{equity, average}} \times 100 \%$$