SOK Corporation´s 2016

Financial Statements 1.1.–31.12.2016

SOK Corporation's Financial Statements 2016

Executive board report on operations

Development of the operating environment

In 2016, the economic development was better than expected and the Finnish economy returned to a growth path. Growth was based on domestic demand, specifically on growth in private consumption, and construction sector investments. However, exports were slower than the growth in the world trade. Consumption growth was supported by the increase in households' real income, employment development which was better than expected, and the strengthening of consumer confidence in their own economic situation and development in Finland. Retail also took a slight upward turn last year. The deregulation of opening hours at the beginning of 2016 was made use of in the supermarket trade in particular, and supermarkets succeeded in growing their net sales slightly, despite the price competition.

Finland is again on a growth path, but there is still a lot of catching up to do. In the coming years, growth is expected to remain clearly weaker than in previous economic upturns. Exports are expected to grow moderately as demand in Finland's export countries recovers. Nevertheless, there are political and economic uncertainties in the global economy, which may impact the development of export. However, without stronger recovery in exports and investments, balance will not be reached in the public economy in Finland. In 2017, growth in public consumption in Finland will be slowed down by the decrease in disposable income. This is attributable to the accelerating rate of inflation and the small agreement increases based on the Agreement on Competitiveness, among others. However, employment is expected to improve. Retail is forecast to grow moderately in the coming years. Nevertheless, growth depends on the development of employment.

S Group's performance 1 January – 30 December 2016

S Group comprises the cooperatives and SOK with its subsidiaries. S Group's retail sales excluding taxes in 2016 were EUR 11,020 million, showing an increase of 2.0 per cent compared to the previous year.

S Group's retail sales excluding taxes by business area	**EUR million**
Prisma*	3 451
S-market	3 322
Sale and Alepa	978
Other supermarket trade	5
Supermarket trade total*	7 755
Hardware trade	197
Service station store and fuel sales	1 543
Department store and speciality store trade	300
Travel industry and hospitality business*	793
Automotive trade and accessories	339
Agricultural trade	76
Other	15
S Group total*	**11 020**

* Includes retail sales in the neighbouring regions (the Baltic countries and St Petersburg).

SAt the end of December, S Group had 1,633 outlets (1,632 in December 2015).

At the end of 2016, there were 20 regional cooperatives and seven local cooperatives.

A total of 97,028 new members joined the cooperatives participating in the bonus system in 2016. The total number of co-op members was 2,292,039 at the end of the year. Co-op members were paid EUR 353 million in Bonus rewards.

S Group's investments amounted to EUR 511 million, compared to EUR 558 million in 2015.

S Group's combined unconsolidated result before appropriations and taxes was EUR 292 million positive, whereas the result was EUR 299 million in the previous year. The cooperatives' combined result before appropriations and taxes showed a profit of EUR 269 million, whereas the result was EUR 289 million in the previous year. SOK Corporation's result before taxes (IFRS) showed a profit of EUR 23 million, whereas it was EUR 9 million in the previous year.

Financial development

SOK's operations

SOK is the parent company of SOK Corporation. In accordance with its statutes, SOK is the central organisation of S Group, promoting and developing the operations of the cooperatives 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, 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 conducting business operations, 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 the travel industry and hospitality business in the Baltic area and St Petersburg.

SOK Corporation's financial development 1 January – 31 December 2016

SOK Corporation's net sales in 1 January – 31 December 2016 were EUR 7,074.0 million, showing an increase of 0.5 per cent compared to the corresponding period of the previous year.

SOK Corporation's operating profit was EUR 27.0 million (EUR 11.1 million). The positive result development in the travel industry and hospitality business and banking operations had the most considerable impact on growth in the operating profit. International operations accounted for 6.3 per cent of net sales (6.3 per cent), or EUR 445 million.

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

SOK Corporation	**2016**	**2015**	**2014**
Net sales, EUR million	7 074	7 038	7 286
Operating profit, EUR million	27.0	11.1	43.1
Operating profit, %	0.4	0.2	0.6
Return on equity, %	1.8	0.1	5.5
Equity ratio, %	37.0	37.0	38.3

SOK Corporation's net sales and operating result by business area (segment)

SOK Corporation's net sales 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 listed under operational monitoring.

	Net sales, EUR milion	**+/- % prev. year**	**Operating result, EUR million**	**Change, EUR million**
Supermarket trade	397	-11.3	-26.3	+1.0
Travel industry and hospitality business	255	-1.4	+24.1	+5.1
Procurement and service business	6428	+0.3	+3.1	+1.5
Real estate business	82	+19.8	+17.2	+3.3
Result from banking			+8.2	+2.5
Elimination for the retail and wholesale and other items	-93	-39.2	+0.3	-2.5
SOK-yhtymä yhteensä	**7 070**	**+0.5**	**+26.6**	**+11**

Funding

SOK Corporation's financial situation was excellent throughout the year. SOK Corporation's interest-bearing net liabilities amounted to EUR 2.8 million at the end of December (EUR -79.3 million) and its gearing was 0.4 per cent (-12.9 per cent). SOK Corporation's equity ratio was 37.0 per cent (37.0 per cent).

At the end of December, SOK Corporation's liquid assets amounted to EUR 184.2 million (EUR 249.9 million). In addition, the Group had EUR 60.0 million in unused long-term binding credit facilities (EUR 180.0 million) and EUR 57.0 million in unused account limits (EUR 17.0 million).

Investments and divestments

SOK Corporation’s non-current asset procurement, or investments in fixed assets, amounted to EUR 93.1 million in the first half of the year (EUR 48.2 million). The investments were mainly related to logistics and terminal properties and information systems. In addition, SOK Corporation invested in the travel industry and hospitality business in Finland and acquired the Radisson Blue Espoo property.

Sales of non-current assets amounted to EUR 33.9 million in the review period (EUR 24.6 million). The divestments of non-current assets consisted of sales of shares and properties, with the largest one being the final instalment related to shares in Hankkija Oy. This instalment was recognised in accordance with the IFRS in 2013.

Personnel

SOK Corporation’s average number of personnel, converted to full-time equivalents, (active employment relationships) was 5,849 people during the financial period (2015: 7,778; 2014: 8,232).

At the end of 2016, SOK Corporation's number of personnel in active employment relationships was 6,722, of whom 1,355 (20 per cent) were employed by SOK and 5,367 (80 per cent) by the subsidiaries. The number of personnel decreased by 556 persons (8 per cent) compared to the corresponding period in the previous year. The total number of employees working abroad was 3,428 (50 per cent). The reduction in the number of personnel during the year was attributable to employee reductions and transfers of business in SOK Corporation and subsidiaries as well as personnel changes in the neighbouring countries.

Development of the business areas

Supermarket trade

The supermarket trade includes the business operations in Estonia, Latvia, Lithuania and Russia. In Estonia, SOK Corporation has five Prisma stores in Tallinn, two stores in Tartu and one in Narva. In Riga, Latvia, the Group operates three Prisma stores, as one unit was closed at the end of May due to the lease expiring. Another unit was closed in June, when issues in the building’s structure resulted in the authorities prohibiting its use. In Lithuania, SOK Corporation has two Prisma stores in Vilnius and two in Kaunas. In addition, it has 17 Prisma stores in St Petersburg.

Net sales from the supermarket trade totalled EUR 397 million. Compared to the previous year, the net sales decreased by 11 per cent. This was in part attributable to the closing of units in Latvia, the exchange rate of the rouble, and tightening competition in all market areas. The operating result of the supermarket trade was EUR 1.0 million better than in the previous year. Investments made in the supermarket trade totalled EUR 1.7 million and were related to the replacement of equipment.

Travel industry and hospitality business

In 2016, SOK Corporation's travel industry and hospitality business was conducted by Sokotel Oy in Finland, AS Sokotel in Estonia, and OOO Sokotel in Russia.

In Finland, the travel industry and hospitality market was experiencing strong growth in 2016. In 2016, Sokotel Oy's net sales were EUR 210.9 million, showing a decrease of 3.1 per cent from the previous year. The decrease in net sales was due to the divestment of Break Sokos Hotel Caribia’s business operations in late 2015 and the renewal projects in progress. Sokotel Oy’s operating result improved considerably from the previous year, reaching a level of more than 10 per cent, mainly due to the good development of the comparable net sales in the hospitality business.

The net sales of AS Sokotel, engaging in the travel industry and hospitality business in Tallinn, increased by 3.7 per cent from the previous year, to EUR 18.5 million. The operating result of AS Sokotel was slightly weaker than in the previous year due to the increase in the cost level.

The net sales of OOO Sokotel, engaging in the travel industry and hospitality business, was EUR 25.6 million, with an increase of 11.2 per cent from the previous year. In the local currency, the net sales increased by 18.5 percent. The operating result of OOO Sokotel was clearly better than in the previous year, breaking a new record as a result of the net sales that were better than the market.

In 2016, the investments by the travel industry and hospitality business totalled EUR 9.7 million. Of this amount, investments in Finland accounted for EUR 9.1 million, in Russia EUR 0.3 million, and in Estonia EUR 0.3 million. The investments consisted mainly of hotel unit renovations.

Procurement and service business

The procurement and service business comprises 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. Net sales generated by other services provided to S Group's units include chain fees and management service income.

Net sales from the procurement and service business totalled EUR 6,428.5 million, showing a year-on-year increase of 1.5 per cent in terms of comparable net sales. The operating result of the procurement and service business was slightly better than in the previous year.

In 2016, investments by the procurement and service business totalled EUR 35.6 million. The investments mainly consisted of information system acquisitions.

Real estate business

Net sales from the real estate business consist of rental and property service income from properties owned by SOK Corporation. Net sales from the real estate business were EUR 82.5 million, representing a year-on-year increase of 3.8 per cent in comparable net sales. The operating result of the real estate business was slightly better than in the previous year and showed a clear profit.

In 2016, investments by the real estate business totalled EUR 45.9 million and were mainly related to logistics and terminal properties. In addition, the Radisson Blue Espoo property was acquired.

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. S-Bank Group's operations were centralised and its corporate structure was simplified during the first half of the year. FIM's brokerage and custody services and book-entry accounts were transferred to S-Bank at the beginning of March. In June, S-Bank acquired the rest of FIM Corporation's share capital, and S-Bank's Executive Board approved the related plan to merge FIM Corporation with S-Bank by the end of 2016.

At the end of June, S-Bank's total funds on deposit were EUR 4,547.0 million (EUR 4,112.0), and its total lending was EUR 3,492.2 million (EUR 2,831.1 million). S-Bank Group's capital adequacy ratio was 15.1 per cent (14.3 per cent). At the end of June, S-Bank Group's operating result was EUR 22.3 million (EUR 16.6 million). The IRFS-adjusted result corresponding to SOK Corporation's shareholding (37.5%) was EUR 8.2 million. A non-recurring gain from the sale of shares had a strong effect on S-Bank's result.

A significant product launch during the first months of the year was the mobile refuelling service introduced by S-Bank and the ABC chain. The service enables customers to pay for fuel using their smart phones.

The fuel procurement company North European Oil Trade Group's net sales were approximately EUR 4,708 million (EUR 4,300 million).

Growth in the volume of the Group's business operation is in part attributable to the full-time operations of the Norwegian subsidiary in the 2016 financial period compared to the previous financial period, when the operations in Norway began in October 2015.

SOK's shareholding in North European Oil Trade Oy is 50.77 per cent. Due to the shared controlling interest based on the shareholding agreement, the company is treated as a joint venture using the equity method.

In addition to S-Bank and North European Oil Trade Oy, other 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; Finnfrost 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.

The total impact of SOK Corporation's associated companies and joint ventures on SOK Corporation's result was EUR 11.8 million (EUR 8.0 million).

Changes in the group structure

SOK acquired the real estate companies Lempäälän Terminaali and Limingan Terminaali in March. In February, SOK established the real estate company Kiinteistö Oy Pohjanmaan Terminaali. In June, SOK acquired the Espoo Radisson Blue property (Kiinteistö Oy Otapuisto). The real estate company Lohjan Karnaistenkatu 40 was divested in May. The Group purchased the minority of SOK Takaus Oy.

Management and future outlook

Management and changes in management

Taavi Heikkilä was Chairman of SOK's Executive Board in 2016. In addition to the CEO, the Executive Board in 2016 had the following members: Managing Director Heikki Hämäläinen, Managing Director Tapio Kankaanpää, Managing Director Hannu Krook, Managing Director Timo Mäki-Ullakko, Managing Director Matti Niemi, and Managing Director Jouko Vehmas. Managing Director Matti Niemi was the Vice-Chairman of the Executive Board.

The auditor in the financial year 2016 was KPMG Oy Ab, Authorised Public Accountants, with APA Jukka Rajala as the principal auditor.

SOK's Supervisory Board appointed the following persons to SOK's Executive Board for the one-year term beginning on 1 January 2017: Managing Director Matti Niemi (Vice-Chairman), Managing Director Heikki Hämäläinen, Managing Director Tapio Kankaanpää, Managing Director Hannu Krook, Managing Director Timo Mäki-Ullakko and Managing Director Olli Vormisto. SOK's Chief Executive Officer Taavi Heikkilä was the Chairman of the Executive Board.

SOK's CEO is assisted by SOK's Corporate Management Team in the management of SOK Corporation and S Group. In 2016, the Corporate Management Team consisted of Arttu Laine, Deputy CEO of SOK, Executive Vice President, S Group Chain Management; Jari Annala, CFO, SOK Finance and Administration; Susa Nikula, Executive Vice President, SOK Human Resources; Jorma Vehviläinen, Executive Vice President, SOK Consumer Goods; and Veli-Pekka Ääri, Executive Vice President, SOK Customer Relationships, Information and Digital Services. Seppo Kuitunen, General Counsel, served as secretary to the Corporate Management Team. In addition, Sebastian Nyström, Executive Vice President, Strategy, was appointed to the Corporate Management Team in January 2017.

Near-term risks and uncertainties

SOK Corporation's risk management policy is based on S Group's joint risk management principles. SOK Corporation's Executive Board has discussed and approved the company's risk management policy, which describes the purpose and goals of risk management, as well as key implementation methods and responsibilities related to risk management. Within SOK Corporation, risk management is implemented continuously and throughout the management process. Risks are reviewed in a comprehensive manner, taking into consideration 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 reviewed by SOK's Corporate Management Team annually and confirmed by SOK's Executive Board. S Group's most significant near-term risks and uncertainty factors are related to the profitability and competitiveness of the grocery trade and to ensuring the profitability of the consumer goods trade in the changing retail sector. Digitisation is providing the sector with new opportunities, and appropriate timing and targeting play a key role in making use of these opportunities. Operational efficiency is being developed through the introduction of a new logistics centre for the grocery trade, as well as major information system projects. SOK supports these projects by means of active, extensive risk management. With regard to the risk factors related to changes in regulation, SOK is preparing for the implementation of the new EU data protection regulation in particular. With regard to SOK's own business operations, the key near-term risks are related to profitability development, particularly in the Baltic countries and Russia.

SOK Corporation's funding and management of finance risks are 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 financing risks and the permissible maximum amounts for financing 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. The management of financing risks is described in greater detail in the Notes to the Financial Statements.

The most significant environmental considerations and the related measures are described in S Group's Annual Report, which will be published at www.s-kanava.fi in the spring of 2017.

Outlook for the current year

The development of the general economic situation in Finland and its neighbouring regions is a significant factor for the success of SOK Corporation's operations. The Finnish economy has returned to a path of growth. Private consumption and investments have increased, but growth is expected to remain modest in 2017. Despite the increase in oil prices towards the end of 2016, economic growth in Russia is also expected to be slow in the current year. However, private consumption is expected to grow slightly and consumer confidence in Russia is already better than before. In the Baltic countries, the market and the economic situation have been and will continue to be challenging. The factors mentioned above continue to pose challenges with regard to performance in the current year.

As a result of the efficiency measures carried out and ongoing in the business operations, particularly focusing on the travel industry and hospitality business and the supermarket trade, the results of SOK Corporation's operations are expected to improve from last year's level, despite the challenging market situation. The result for the travel industry and hospitality business in Finland will be burdened by the investments in the network development that will be more extensive in 2017 than in the previous year. Despite the challenging outlook for the market in the Baltic countries, the overall result of the supermarket trade is expected to improve year-on-year as a result of network development and the efficiency measures.

The most significant risks in the procurement and services business in the coming years are related to the new grocery logistics centre in Sipoo. The smooth start of operations in Sipoo from June 2016 onwards and the controlled, gradual rundown of the old logistics centre in Espoo between 2016 and 2018 will have a significant effect on SOK Corporation's procurement and services business.

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

SOK's distributable surplus is EUR 594,473,024.34, of which the surplus for the financial year is EUR 46,366,521.86. The Executive Board proposes that EUR 10,321,966.00 be paid as interest on cooperative capital and that EUR 50,000.00 be transferred to the Supervisory Board's contingency fund, and that EUR 35,994,555.86 be left on the surplus account for the previous financial years.

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

Helsinki, 10 February 2017

SOK CORPORATION

Executive Board

Consolidated financial statements, IFRS

Consolidated income statement, IFRS

EUR million	Note	1.1.–31.12.2016	1.1.–31.12.2015
Revenue		7 074.0	7 038.4
Other operating income	(2)	1.5	2.0
Materials and services		-6 424.7	-6 336.9
Employee benefit expenses	(3)	-214.2	-258.8
Depreciation and impairment losses	(4)	-61.9	-62.8
Other operating expenses	(5)	-359.4	-378.5
Share of results of associated companies and joint ventures (+/-)	(14)	11.6	7.7
Operating profit (-loss)		**27.0**	**11.1**
Financial income and expenses (+/-)	(7)	-4.4	-2.1
Share of results of associated companies and joint ventures (+/-)	(14)	0.2	0.3
Profit before taxes		**22.8**	**9.4**
Income taxes (+/-)	(9)	-11.2	-8.8
Result for the financial year		**11.6**	**0.6**
Attributable to:			
Owners of the parent		13.7	3.3
Share of non-controlling interests		-2.1	-2.6
		11.6	0.6

Statement of other comprehensive income

EUR million	1.1.–31.12.2016	1.1.–31.12.2015
Result for the financial year	11.6	0.6
Other comprehensive income:		
Items that may be Reclassified Subsequently to Profit and		
Exchange differences on translating foreign operations	10.5	-2.9
Available-for-sale financial assets		
Exchange differences on loans to foreign subsidiaries classified as net investments	2.7	
Cashflow hedges	3.5	-1.0
Comprehensive income items of associated companies and joint ventures	2.5	-5.4
Items that will not be Reclassified to Profit and Loss		
Other items of comprehensive income	-0.4	-0.4
Other comprehensive income for the financial year, net of tax	18.7	-9.2
Total comprehensive income for the financial year	**30.3**	**-8.6**
Total comprehensive income for the financial year attributable to:		
Owners of the parent	32.4	-6.0
Share of non-controlling interests	-2.1	-2.6
	30.3	-8.6

Consolidated statement of financial position, IFRS

EUR million	Note	**31.12.2016**	**31.12.2015**
ASSETS			
Non-current assets			
Property, plant and equipment	(10)	385.9	318.0
Investment properties	(11)	37.7	34.8
Intangible assets	(12)	67.2	57.9
Interests in associated companies and joint ventures	(14)	177.5	161.8
Non-current financial assets	(15)	98.9	78.2
Deferred tax assets	(16)	27.2	29.1
Non-current assets, total		**794.4**	**679.8**
Current assets			
Inventories	(17)	182.9	163.2
Trade receivables and other current non-interest-bearing receivables	(18)	577.7	544.9
Current interest-bearing receivables	(19)	10.0	32.7
Cash and cash equivalents	(20)	184.2	249.4
Current assets, total		**954.9**	**990.3**
Assets, total		**1 749.3**	**1 670.1**
EQUITY AND LIABILITIES			
Equity			
Cooperative capital	(21)	174.3	172.0
Restricted reserves	(21)	24.7	19.6
Retained earnings		442.4	419.1
Equity attributable to the the owners of the parent		**641.3**	**610.7**
Non-controlling interests		**5.2**	**5.8**
Equity, total		**646.5**	**616.5**
Non-current liabilities			
Supplementary cooperative capital	(22)		12.8
Non-current interest-bearing liabilities	(23)	169.0	131.3
Non-current non-interest-bearing liabilities	(24)	27.9	28.4
Provisions	(26)	13.5	11.2
Deferred tax liabilities	(16)	14.7	12.2
Non-current liabilities, total		**225.1**	**195.8**
Current liabilities			
Current interest-bearing liabilities	(23)	18.0	26.6
Current non-interest-bearing liabilities	(24)	112.4	113.7
Trade payables	(24)	732.8	705.2
Provisions	(26)	6.7	7.6
Tax liabilities for the financial year		7.8	4.6
Current liabilities, total		**877.7**	**857.7**
Equity and liabilities, total		**1 749.3**	**1 670.1**

Consolidated statement of cash flows, IFRS

EUR million	Note/Reference	**1.1.–31.12.2016**	**1.1.–31.12.2015**
BUSINESS OPERATIONS			
Operating result from continuing and discontinued operations		27.0	11.1
Adjustments to operating result	(A)	25.8	26.2
Change in working capital	(B)	-22.3	54.8
Cash flow from business operations before financing and taxes		**30.6**	**92.1**
Increase (-) / decrease (+) in current receivables	(18)	-0.7	0.1
Interest paid and other financial expenses	(7)	0.0	-17.5
Interest received and other financial income	(7)	0.4	29.7
Dividends received from business operations	(7)	0.1	0.1
Income taxes paid	(9)	-4.6	-3.2
Cash flow from business operations		**25.6**	**101.4**
INVESTMENTS			
Acquired shares in subsidiaries net of acquired cash		-23.7	
Divested shares in subsidiaries net of cash held by subsidiary		0.2	
Investments in shares	(10)	-9.6	-21.5
Investments in tangible assets	(10)	-25.9	-13.0
Investments in intangible assets	(10)	-34.0	-13.7
Sale of other fixed assets	(10)	33.7	25.1
Change in other long-term investments	(10)	0.7	-8.8
Dividends received from investments	(7)	0.2	0.7
Cash flow from investing activities		**-58.3**	**-31.1**
FINANCING			
Proceeds from new long-term liabilities	(23)		1.5
Repayment of long-term liabilities	(23)		-0.2
Increase (+) / decrease (-) in short-term liabilities	(24)	-0.2	-0.5
Increase (+) / decrease (-) in long-term receivables	(15)	-10.0	
Increase (+) / decrease (-) in short-term receivables	(19)	-10.0	
Interest paid	(7)	-2.8	-3.8
Interest received	(7)	4.5	1.6
Increase in cooperative capital	(21)	2.3	2.6
Redemption of supplementary cooperative capital	(22)	-12.8	
Interest paid on the cooperative capital		-5.9	-0.2
Cash flow from financing		**-34.8**	**1.1**
Increase / Decrease in cash and cash equivalents		**-67.5**	**71.4**
Cash and cash equivalents at the beginning of the year	(20)	**249.4**	**178.8**
Foreign exchange rate effect on cash and cash equivalents		**2.3**	**-0.8**
Increase / Decrease in cash and cash equivalents		**-67.5**	**71.4**
Cash and cash equivalents at the end of the year	(20)	**184.2**	**249.4**
Adjustments to operating profit	(A)		
Gains from the sale of fixed assets		-0.4	-0.2
Depreciation and impairment losses		61.9	62.8
Other non-cash income and expenses		-35.6	-36.4
		25.8	26.2
Change in working capital	(B)		
Change in trade and other receivables		-32.9	20.5
Change in inventories		-19.7	11.6
Change in non-interest-bearing liabilities		30.3	22.7
		-22.3	54.8

The loan period of short term loans is less than 3 months.
The cash flow statement includes the cash flows from both continuing and discontinued operations.

Consolidated statement of changes in equity, IFRS

	Equity attributable to the owners of the parent								
EUR million	Cooperative capital	Fair value reserve	Reserve fund	Supervisory Board's Disposal fund	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
Equity									
1 Jan 2015	169.4	7.2	18.5	0.0	-20.6	430.0	604.5	2.0	606.5
Total comprehensive income		-6.1			-2.8	3.3	-5.6	-2.6	-8.2
Increase in cooperative capital	2.6						2.6		2.6
Change of non-controlling interests, which did not result in a change in the controlling interest						9.7	9.7	6.5	16.1
Other changes				0.0		-0.4	-0.4		-0.4
31 Dec 2015	**172.0**	**1.1**	**18.5**	**0.0**	**-23.4**	**442.5**	**610.7**	**5.8**	**616.5**
Total comprehensive income		5.1			14.1	13.7	32.9	-2.1	30.8
Increase in cooperative capital	2.3						2.3		2.3
Change of non-controlling interests, which did not result in a change in the controlling interest							0.0	1.5	1.5
Interest on cooperative contributions						-5.6	-5.6		-5.6
Other changes				0.0		1.0	1.0		1.0
31 Dec 2016	**174.3**	**6.1**	**18.5**	**0.0**	**-9.3**	**451.7**	**641.3**	**5.2**	**646.5**

In June 2016, all supplementary shares were redeemed at their nominal value, which was EUR 12,750,000.00. The supplementary shares have been voided. Interest was paid on the supplementary shares until the time of redemption in accordance with SOK's by-laws.

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 2016 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.

S-Bank prepares its consolidated financial statements in accordance with the Finnish Accounting Standards (FAS). During the consolidation of S-Bank Group's result with SOK Corporation's consolidated financial statements (IFRS), the necessary adjustments to IFRS have been made, of which the most significant is the bank's goodwill amortization adjustment.

New and amended standards and interpretations adopted in the 2016 financial period

The amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IAS 28 *Investments in Associates and Joint Ventures*, as well the Annual Improvements to IFRS standards (cycles 2012–2014) adopted in 2016 have not had material effects on the consolidated financial statements.

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 assets acquired in business combinations and 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.

Impairment testing is carried out annually on goodwill and possible intangible assets in progress. In addition to these, impairment testing is carried out on unprofitable foreign operations.

The recoverable monetary amount from the operations of a business entity subject to impairment testing is based on value in use calculations or on the fair value less expenses incurred by sales. Value in use has been calculated on the basis of forecast discounted cash flows. Impairment testing on goodwill is described in greater detail in Note 13, Impairment testing.

Assumptions and key uncertainties related to determining the fair value of financial instruments are described in Note 25, Fair values of financial assets and liabilities. Additional information on deferred taxes and provisions are provided in Notes 16 Deferred taxes and 26 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 has subsidiaries in Russia, Estonia, Latvia, and Lithuania.

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 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. The changes in the parent company's holding in a subsidiary which do not result in losing the 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. 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.

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 income statements of foreign subsidiaries are translated into euro at the average rate of the financial period, and the balance sheets at the 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 short-term loan receivables 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 of liabilities to cooperative enterprises and others, as well as finance 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. Trade payables consist of current trade payables. Current interest-bearing liabilities consist of current liabilities to others, as well as current finance lease 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 and liabilities are classified as financial assets or liabilities measured at fair value through profit and loss, available-for-sale financial assets, loans and other receivables, and other financial liabilities. Financial assets and liabilities are measured at fair value or amortised cost using the effective interest method in accordance with their classification.

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 value 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 counterparty's quoted price has been used in the valuation of interest rate options. The fair value of currency forwards has been calculated by measuring the forward contracts at the forward rate of the balance sheet date. Electricity derivatives are measured at the fair value by using the market quotations of the balance sheet date. Financial assets and liabilities at fair value have been measured using average rates.

Derivative contracts in which hedge accounting is not applied are recognised in financial assets and liabilities to be 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 changes in the fair value of derivatives 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. The majority of electricity derivatives were transferred to S-Voima Oy in 2010. In connection with this, some electricity derivatives remained with SOK and were transferred to S-Voima Oy through contracts with opposite items. The electricity derivatives are measured at fair value but their net effect on earnings is zero. 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.

The items recognised in available-for-sale financial assets are debt securities and other domestic and foreign securities and participations that are not classified as financial assets at fair value through profit and loss, investments held to maturity, or loans and other receivables. Financial assets available for sale are measured at fair value. The fair value of publicly traded investments is defined on the basis of their market values. The change in fair value is recorded in equity in the fair value reserve through other comprehensive income items. 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. Investments that are not publicly quoted are measured at cost if their fair values cannot be reliably determined.

Loans and other receivables include such financial assets unquoted on an active financial market, for which the payments are fixed or determinable and which do not belong to financial assets measured at fair value through profit and loss, financial assets held to maturity, or available-for-sale financial assets. The transaction costs of liabilities and receivables are included in the amortised acquisition cost calculated using the effective interest method and amortised through profit and loss for the term-to-maturity of the receivable. After the initial recognition, liabilities and receivables are measured at amortised acquisition cost using the effective interest method.

An item belonging to other financial liabilities is recognised in the balance sheet at its nominal value when its fair value at the time of its entry corresponds to 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. Other financial liabilities are measured at the amortised cost on the balance sheet date using the effective interest method.

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 IAS 39 standard is not applied.

Impairment of financial assets

At the end of the reporting period, the Corporation assesses whether there is any objective evidence that the value of items other than those classified as financial assets at fair value through profit and loss are impaired. Objective evidence is considered to be, for example, a customer’s delay in payment, insolvency or bankruptcy, reorganisation or consolidation of debt, as well as a major change in the credit rating. If there is objective evidence of impairment, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, including the fair value of any collateral. The discount rate applied is the original effective interest rate of the receivable. The difference is recognised as an impairment loss in the income statement, and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

If the amount of an impairment loss subsequently decreases and the change can be attributed to an event that has taken place after the recognition of the impairment loss, the impairment loss is reversed through profit and loss.

When there is objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss that was recognised in equity is recognised in the income statement as an impairment loss. The impairment loss is determined as being the difference between the carrying amount and the present value of estimated future cash flows discounted at the market yield of a similar item on the reporting date. If the fair value of notes or bonds classified as available-for-sale later increases and the increase can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised through profit and loss. If the fair value of a share later increases, the increase in value is recognised in equity through other comprehensive income items.

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.

The sales of goods and services are included in revenue. In calculating revenue, sales gains are stated less items such as bonus discounts granted to co-op members from centralised purchases and other discounts, value added tax and foreign exchange differences on sales.

Revenue from the sales of goods is recognised when the significant risks, benefits and control related to the ownership of goods have been transferred to the buyer and it is probable that the Corporation will gain the economic benefit related to the sales. As a rule, income from the sales of goods is recognised at the moment the goods are relinquished. Income from services is recognised when the service has been rendered and gaining economic benefit from the rendered service is probable.

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 (finance 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, and 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	3–5
Other intangible assets	3–10

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	15–35
Lightweight structures and equipment in buildings	5–15
Office and warehouse equipment	5–10
Warehouse, maintenance, and production machinery	5–10
Restaurant and hotel equipment	3–10
In-store equipment	3–7
Motor vehicles and servers	3–5
Renovations of premises	3–10

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 recognised for goodwill is not reversed.

Leases

Leases that substantially transfer all the risks and rewards incidental to ownership of an asset are classified within SOK Corporation as finance leases. Where assets are acquired under a finance lease, 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 finance lease. Items of property, plant, and equipment are depreciated according to the Corporation's depreciation periods, or if shorter, the lease term.

Leases where substantially all of the risks and rewards incidental to ownership are borne by the lessor are classified as operating leases. Lease payments received or paid on the basis of other leases are recognised as income or expense in the income statement on a straight-line basis over the lease period.

If a finance lease arises as the result of a sale and leaseback agreement, any gain on the sale is recorded as a liability in the balance sheet and is recognised as income during the lease period. Any loss on the sale is immediately recorded in the income statement.

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 financial 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 and supplementary 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.

In June 2016, all supplementary shares were redeemed at their nominal value, which was EUR 12,750,000.00. The supplementary shares have been voided. Interest was paid on the supplementary shares until the time of redemption in accordance with SOK's by-laws.

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. 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 Corporation will apply the standard IFRS 9 Financial Instruments as of its effective date (effective as 1 January 2018). The IFRS 9 standard will replace the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 comprises revised principles for the classification and valuation of financial assets and liabilities, and the rules concerning hedging have been revised. In the new standard, financial assets are valued either at amortised cost or at fair value after the initial recognition, depending on the business model of the company's management of financial assets and the agreement-based cash flows of financial assets. Equity investments are recognised at fair value after the initial recognition. As for financial liabilities, the rules concerning classification and valuation remain primarily the same. The Corporation estimates that the implementation of the standard may have some impact on future consolidated financial statements.

The standard IRFS 15 Revenue from Contracts with Customers (effective as of 1 January 2018) establishes a five-step model that will apply to recognising revenue earned from customer contracts; the new standard replaces the current IAS 18 and IAS 11 standards and their interpretations. Sales can be recorded over time or at a certain point in time, and the key criterion is transfer of control.

SOK Corporation engages in business where the performance obligation is usually met at the time when the customer gains control of the product; in this respect, there is no change from the earlier recognition practice, where the criteria for fulfilling the performance obligation was the transfer of risks and benefits, which remains a key indicator of the transfer of control to the customer. No significant effects have been identified with regard to the travel industry and hospitality business. In online sales, the new instructions for product returns may affect the treatment of product return liabilities. According to estimates, however, this will not have any effects.

In contracts with customers, the transaction price includes no significant variable considerations and the contracts do not contain significant financing components.

Due to the above, the implementation of IFRS 15 does not incur any significant euro-denominated effects on SOK Corporation.

According to IFRS 15, additional costs of obtaining a customer contract and costs of fulfilling a customer contract must be recognised on the balance sheet. SOK Corporation does not have such external costs for obtaining customer contracts and its contracts with customers do not include capitalisable costs for fulfilling the contracts.

The mandatory notes, as defined in the IFRS 15, will result in an increase in the amount of information on revenues from contracts with customers presented in the notes to the financial statements. With regard to notes, not all requirements relating to the recognition of revenues and the treatment of costs of obtaining and fulfilling customer contracts are relevant for the Group.

IFRS 16 Leases (effective as of 1 January 2019; not EU endorsed) will replace the instructions currently included in IAS 17. This means significant changes, especially for lessees. IFRS 16 requires lessees to recognise a liability for the obligation to make lease payments and a right-of-use asset for most leases on their balance sheets. According to preliminary assessments, IFRS 16 will have an impact, especially on the balance sheets in consolidated financial statements in the future. Moreover, the split of lease expenses in the consolidated financial statement into depreciation and interest will change the structure of the consolidated income statement.

Other standards and interpretations published and taking effect later, as well as amendments to them, are not, according to a preliminary assessment, significant to the Corporation.

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. In the 2015 and 2016 Financial Statements, automotive trade and accessories has been classified as discontinued operations and due to its low significance, it has been presented in the 'Internal items and other' category.

SOK Corporation's segments to be reported are

Supermarket trade
SOK Corporation carries on supermarket trade in the Baltic countries and Russia via its subsidiaries. AS Prisma Peremarket has five hypermarkets in Tallinn, one in Narva and two in Tartu. A/S Prisma Latvija has three hypermarkets in Riga. UAB Prisma LT has two hypermarket in Vilnius, the capital of Lithuania, and and two Prisma units in Kaunas. OOO Prisma has ten supermarkets and seven hypermarkets 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
The revenue from the real estate business consists of rental and property service in-come from properties owned by SOK Corporation. SOK Property Functions sell property services to the entire S Group.

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.

2016 EUR million	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Retail and Management reporting, total
Revenue	**396.7**	**255.0**	**6 428.5**	**82.5**		**-92.6**	**7 070.2**
Operating result	**-26.3**	**24.1**	**3.1**	**17.2**	**8.2**	**0.3**	**26.6**
Investments	**1.7**	**9.7**	**35.6**	**45.9**		**0.3**	**93.1**
Divestments	**0.1**	**0.1**	**33.4**	**0.3**			**33.9**
Working capital	**0.0**	**3.2**	**-22.8**			**-2.6**	**-22.2**

Reconciliation of the revenue	
Management reporting revenue to be reported	7 070.2
Eliminations	3.8
Revenue from continuing operations IFRS	7 074.0
Reconciliation of the result	
Operating result of the segments to be reported	26.6
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	2.2
Operational result of the segments to be reported	28.8
Gains and losses on the sale of property, plant and equipment	-0.2
Other operating income and expenses	0.4
Changes in provisions	-8.3
Valuation gains and losses on derivatives	0.8
Impairment losses on tangible and intangible assets	-0.8
IFRS adjustments	2.1
Profit before taxes from continuing operations IFRS	22.8
Additional data at SOK Corporation level, external income	
Finland	6 632.1
Foreign	441.9
Revenue, total	7 074.0
Supermarket Trade	396.6
Tourism and Hospitality Business	258.8
Procurement and services Business	6 336.1
Real estate business	82.5
Revenue, total	7 074.0
Additional information at SOK Corporation level, fixed assets	
Finland	425.8
Foreign	65.0
Fixed assets, total	490.8

2015 EUR million	Supermarket trade	Travel industry and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Retail and Management reporting, total
Revenue	**447.5**	**258.6**	**6 412.0**	**68.8**		**-152.3**	**7 034.6**
Operating result	**-27.3**	**18.9**	**1.6**	**13.9**	**5.6**	**2.9**	**15.6**
Investments	**2.0**	**4.0**	**15.8**	**25.8**		**0.5**	**48.1**
Divestments	**0.6**	**0.0**	**22.8**	**1.7**		**-0.5**	**24.6**
Working capital	**-3.1**	**2.2**	**-33.1**			**-2.5**	**-36.5**

Reconciliation of the revenue	
Management reporting revenue to be reported	7 034.6
Eliminations	3.8
Revenue from continuing operations IFRS	7 038.4

Reconciliation of the result	
Operating result of the segments to be reported	15.6
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	1.3
Operational result of the segments to be reported	16.9
Gains and losses on the sale of property, plant and equipment	-0.4
Other operating income and expenses	-3.1
Changes in provisions	-3.2
Valuation gains and losses on derivatives	-0.8
Impairment losses on tangible and intangible assets	-4.4
IFRS adjustments	4.4
Profit before taxes from continuing operations IFRS	9.4

Additional data at SOK Corporation level, external income	
Finland	6 547.7
Foreign	490.7
Revenue, total	7 038.4
Supermarket Trade	447.5
Tourism and Hospitality Business	262.4
Procurement and services Business	6 259.6
Real estate business	69.0
Revenue, total	7 038.4

Additional information at SOK Corporation level, fixed assets	
Finland	347.5
Foreign	63.3
Fixed assets, total	410.8

2. Other operating income

EUR million	2016	2015
Gains on sale of property, plant and equipment	0.8	0.5
Government grants	0.0	0.0
Other income	0.7	1.5
Total	**1.5**	**2.0**

3. Employee benefit expenses

EUR million	2016	2015
Salaries and remuneration	169.9	207.6
Pension expenses, defined contribution plan	29.4	34.6
Pension expenses, defined-benefit plan	0.5	0.2
Other personnel expenses	14.5	16.4
Total	**214.2**	**258.8**

Average number of personnel by segment	**2016**	**2015**
Supermarket trade	2 785	3 097
Tourism and hospitality business	1 578	1 716
Procurement and services business	2 393	3 474
Total	**6 756**	**8 287**

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.

Pensions

Description of the Group's pension plans

The statutory pension security for the personnel of the Group companies in Finland has been arranged through a Finnish pension insurance company. The statutory employment pension security is a defined-benefit plan. The Group's foreign subsidiaries have various defined-benefit plans, which comply with the national rules and policies of each country in question. Members of the Group's top management have a supplementary defined-benefit pension plan through a pension insurance company. During the financial period, two persons covered by the supplementary pension insurance have retired.

Defined-benefit pension plans

EUR million	2016	2015
The defined-benefit pension expense in the income statement is determined as follows		
Expenses based on the work performance in the financial period	0.5	0.2
Net interest expenses	0.0	0.0
Total pension and interest expenses in the income statement	**0.5**	**0.2**
Impact of defined-benefit pensions recognised through other comprehensive income items		
Experience adjustments	-0.4	-0.3
Changes in economic actuarial assumptions	-0.1	-0.2
Total impact recognised through other comprehensive income items	**-0.5**	**-0.4**
Persons included in management's supplementary defined-benefit pension insurance	9	11
Items presented in the balance sheet		
Current value of fund obligations	6.4	5.9
Current value of assets included in the plan	-5.8	-5.1
Net liability	**0.6**	**0.9**

EUR million	2016	2015
Changes of the pension obligations		
Obligations included in the plan at the beginning of the financial period	5.9	9.6
Expenses based on the work performance in the financial period	0.3	0.4
Interest expense	0.1	0.1
Changes in actuarial assumptions	0.9	0.4
Fulfilled obligations	-0.8	-4.6
Obligations included in the plan at the end of the financial period	**6.4**	**5.9**
Changes in the plan assets		
Fair values of the assets included in the plan at the beginning of the financial period	5.1	8.2
Interest income	0.1	0.1
Plan premiums in the financial period	1.3	1.2
Changes in actuarial assumptions	0.4	0.0
Fulfilled obligations	-1.0	-4.4
Fair values of the assets included in the plan at the end of the financial period	**5.8**	**5.1**

Division of assets included in the plan by asset group

The plan assets have been invested in insurance contracts administered by Elo Mutual Pension Insurance Company.

Key actuarial assumptions in the defined-benefit plans

Discount rate	0.20 %	1.10 %
Annual salary increase assumption	1.30 %	2.10 %
Inflation	0.90 %	0.90 %

Sensitivity analysis

The sensitivity analysis describes how much a change in actuarial assumptions would impact the net liability. The sensitivity analysis describes the impact of a change in a certain assumption when there are no changes in other assumptions. The impacts have been calculated using the same calculation methods as those used in calculating the net pension liability in the balance sheet.

	Change in pension liability. EUR	Change in plan assets. EUR	Change in pension liability. %	Change in plan assets. %
Actuarial assumption				
A 0.5 percentage point change in the discount rate	-0.5	-0.3	-8 %	-6 %
A 0.5 percentage point change in the annual salary increase assumption	0.1	0.0	2 %	0 %

4. Depreciation and impairment

EUR million	2016	2015
Depreciation		
Property, plant and equipment		
Buildings and structures	17.6	13.8
Machinery and equipment	17.2	20.2
Other property, plant and equipment	0.2	0.1
Intangible assets		
Other intangible assets	22.2	20.7
Investment properties	3.8	3.5
Total	**61.1**	**58.4**
Impairment		
Property, plant and equipment		
Land and water areas		0.1
Buildings and structures		0.2
Machinery and equipment	0.5	0.3
Other tangible assets	0.0	
Intangible assets		
Other intangible assets	0.3	3.6
Other impairments		
Impairments of current assets		0.1
Total	**0.8**	**4.4**

The impairments of intangible assets consisted in their entirety of decommissioned information systems.

Depreciation and impairment, total	**61.9**	**62.8**

5. Other operating expenses

EUR million	2016	2015
Rental expenses	130.1	140.8
Marketing expenses	7.8	7.4
Administrative expenses	19.3	18.6
Equipment and supplies	139.1	142.3
Property maintenance expenses	42.5	43.6
Other business expenses	20.5	25.8
Total	**359.4**	**378.5**

6. Auditor's fees

EUR million	2016	2015
Audit fees	0.5	0.5
Auditors' statements	0.0	0.0
Tax consulting	0.0	0.0
Other services	0.1	0.2
Total	**0.6**	**0.7**

7. Financial income and expenses

EUR million	2016	2015
Financial income		
Interest income from loans and receivables	3.6	5.1
Dividend income from available-for-sale investments	0.1	0.6
Gains on derivatives held for trading	0.1	2.3
Other financial income	0.0	0.0
Total	**3.8**	**8.0**
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	6.9	4.3
Expenses on derivatives held for trading	0.0	1.4
Other financial expenses	1.2	4.4
Total	**8.2**	**10.1**
Financial income and expenses, total	**-4.4**	**-2.1**

8. Financial instrument items recognised in the income statement

EUR million	2016	2015
In other operating income		
Capital gain on available-for-sale investments	-0.1	-0.1
In purchases of materials and services		
Net exchange differences on liabilities measured at amortised cost	-0.1	-0.6
Net expenses for derivatives held for trading	2.3	4.7
In financial income and expenses		
Dividend yields from available-for-sale investments	0.1	0.6
Interest income on loans and receivables	3.6	5.1
Net exchange differences on loans and receivables	-1.2	-2.8
Item transferred from equity in hedge accounting	0.4	1.0
Net income from derivatives held for trading	-0.4	-1.2
Interest expenses on financial liabilities measured at amortised cost	-7.0	-4.6
Net exchange differences on liabilities measured at amortised cost	0.1	-0.2
Total	**-2.2**	**2.0**

Summary by IAS 39 category:	**2016**	**2015**
Loans and receivables	2.4	2.3
Available-for-sale investments	0.0	0.6
Investments and derivatives held for trading	1.9	3.5
Hedge accounting derivatives	0.4	1.0
Liabilities measured at amortised cost	-6.9	-5.3
Total	**-2.2**	**2.0**

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	2016	2015
Current tax	-7.8	-7.7
Taxes for previous financial years	0.0	0.0
Changes in deferred taxes	-3.4	-1.1
Total	**-11.2**	**-8.8**

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

EUR million	2016	2015
Profit before taxes	22.8	9.4
Taxes at parent company's tax rate	-4.6	-1.9
Effect of different tax rates in foreign subsidiaries	0.9	0.9
Effect of tax-free income	-1.1	-0.7
Effect of non-deductible expenses	0.6	2.3
Share of results of associated companies and joint ventures net of tax	-11.8	-8.0
Unbooked deferred tax liabilities	3.8	
Other items	1.0	-1.4
Taxes in the income statement	**-11.2**	**-8.8**

Taxes related to other comprehensive income items

2016

EUR million	Before tax	Tax effect	After tax
Cashflow hedges	4.3	-0.9	3.5
Defined-benefit pension plans	-0.5	0.1	-0.4
Total	3.8	-0.8	3.0

2015

EUR million	Before tax	Tax effect	After tax
Cashflow hedges	-1.3	0.3	-1.0
Defined-benefit pension plans	-0.4	0.1	-0.4
Total	-1.8	0.4	-1.4

10. Property, plant and equipment

2016 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	9.1	407.2	157.3	3.6	4.0	581.3
From business combinations	0.8	10.9				11.7
Translation differences	0.0	20.4	7.7		0.0	28.2
Increases	0.2	66.5	4.1	2.6	20.4	93.8
Decreases	-0.4	-16.5	-8.9	0.0	-0.1	-25.9
Transfers between items	-3.1	3.1	5.4	0.1	-16.2	-10.6
Acquisition cost, 31 Dec	**6.7**	**491.7**	**165.7**	**6.3**	**8.2**	**678.6**
Accumulated depreciation						
Accumulated depreciation, 1 Jan	-0.2	-159.9	-102.2	-1.0		-263.3
From business combinations		-3.1				-3.1
Translation differences		-9.3	-4.9			-14.2
Accumulated depreciation on deducted and transferred items	0.8	18.8	9.0	0.0		28.7
Depreciation for the period		-22.8	-17.4	-0.1		-40.3
Impairment losses			-0.5			-0.5
Accumulated depreciation, 31 Dec	**0.6**	**-176.4**	**-115.9**	**-1.0**		**-292.7**
Carrying amount, 1 Jan 2016	**9.0**	**247.3**	**55.1**	**2.7**	**4.0**	**318.0**
Carrying amount, 31 Dec 2016	**7.3**	**315.3**	**49.7**	**5.3**	**8.2**	**385.9**

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

31 Dec 2016 EUR million	Buildings and structures	Machinery and equipment	Total
Acquisition cost	218.2	13.8	**232.0**
Accumulated depreciation	-75.1	-8.1	**-83.1**
Carrying amount	**143.2**	**5.7**	**148.9**

2015 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	7.7	331.9	165.9	2.8	0.9	509.2
Translation differences	0.0	-4.9	-3.6		0.0	-8.6
Increases		87.1	3.1	0.8	7.0	98.0
Decreases		-2.7	-11.2			-13.9
Transfers between items	1.4	-4.1	3.1	0.0	-3.9	-3.4
Acquisition cost, 31 Dec	**9.1**	**407.2**	**157.3**	**3.6**	**4.0**	**581.3**
Accumulated depreciation						
Accumulated depreciation, 1 Jan	-0.2	-147.2	-94.8	-0.9		-243.0
Translation differences		1.0	1.9			2.9
Accumulated depreciation on deducted and transferred items		3.8	10.5			14.3
Depreciation for the periodt		-17.3	-19.6	-0.1		-36.9
Impairment losses		-0.2	-0.3			-0.5
Accumulated depreciation, 31 Dec	**-0.2**	**-159.9**	**-102.2**	**-1.0**		**-263.3**
Carrying amount, 1 Jan 2015	**7.5**	**184.7**	**71.1**	**2.0**	**0.9**	**266.2**
Carrying amount, 31 Dec 2015	**9.0**	**247.3**	**55.1**	**2.7**	**4.0**	**318.0**

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

31 Dec 2015 EUR million	Buildings and structures	Machinery and equipment	Total
Acquisition cost	170.9	14.9	**185.8**
Accumulated depreciation	-70.4	-7.0	**-77.4**
Carrying amount	100.5	7.9	**108.4**

11. Investment properties

EUR million	2016	2015
Acquisition cost, 1 Jan	90.7	89.2
Increases	0.1	0.1
Decreases	-6.0	-2.0
Transfers between items	13.9	3.3
Acquisition cost, 31 Dec	**98.6**	**90.7**
Accumulated depreciation, 1 Jan.	-55.8	-50.5
Accumulated depreciation on deducted and transferred items	-1.5	-1.0
Depreciation for the period	-3.6	-4.2
Impairment losses		-0.1
Accumulated depreciation, 31 Dec	**-60.9**	**-55.8**
Carrying amount, 1 Jan	**34.8**	**38.7**
Carrying amount, 31 Dec	**37.7**	**34.8**
Fair value	**107.9**	**106.3**

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.

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 11.6 million in SOK Group's balance sheet (EUR 14.2 million on 31 December 2015). The fair value of these properties is not included in the above presented fair value.

12. Intangible assets

2016 EUR million	Goodwill	Other intangible rights	Construction in progress and dvance payments	Total
Acquisition cost				
Acquisition cost, 1 Jan	14.0	158.7	8.6	181.4
Translation differences		0.5	0.0	0.5
Increases		1.6	29.5	31.1
Decreases		-25.4	0.0	-25.4
Transfers between items		12.1	-15.4	-3.3
Acquisition cost, 31 Dec	**14.0**	**147.5**	**22.7**	**184.2**
Accumulated amortization				
Accumulated amortisation and impairment, 1 Jan	-5.8	-117.6		-123.4
Translation differences		-0.3		-0.3
Accumulated depreciation on deducted and transferred items	0.0	25.4		25.4
Depreciation for the period		-18.2		-0.3
Impairment losses		-0.3		-18.2
Accumulated amortisation, 31 Dec	**-5.8**	**-111.1**		**-116.9**
Carrying amount, 1 Jan 2016	**8.2**	**41.1**	**8.6**	**57.9**
Carrying amount, 31 Dec 2016	**8.2**	**36.3**	**22.7**	**67.2**

2015 EUR million	Goodwill	Other intangible rights	Construction in progress and dvance payments	Total
Acquisition cost				
Acquisition cost, 1 Jan	14.1	157.4	11.9	183.4
Translation differences	-0.1	-0.1		-0.2
Increases	0.0	2.6	11.1	13.7
Decreases		-15.7		-15.7
Transfers between items		14.5	-14.4	0.1
Acquisition cost, 31 Dec	**14.0**	**158.7**	**8.6**	**181.4**
Accumulated amortisation				
Accumulated amortisation and impairment, 1 Jan	-5.8	-113.6		-119.4
Translation differences		0.1		0.1
Accumulated depreciation on deducted and transferred items		15.7		15.7
Depreciation for the period		-16.2		-16.2
Impairment losses		-3.6		-3.6
Accumulated amortization, 31 Dec	**-5.8**	**-117.6**		**-123.4**
Carrying amount, 1 Jan 2015	**8.3**	**43.8**	**11.9**	**64.0**
Carrying amount, 31 Dec 2015	**8.2**	**41.1**	**8.6**	**57.9**

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	2016	Discount rate. % 2016	2015	Discount rate. % 2015
Sokos Hotels chain	7.4	7.3	7.4	8.2
LB Kiel Tampere Ab / Kiinteistö Oy Hotelli Tammer	0.8		0.8	
Total	**8.2**		**8.2**	

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 2015 and 2016.

Impairment losses
In the 2015–2016 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	2016	2015
Carrying amount, 1 Jan	161.8	162.2
Share of result for the period	11.8	8.0
Dividends received	-0.2	-0.2
Increases/decreases	3.2	-7.9
Translation differences	0.9	-0.4
Carrying amount, 31 Dec	**177.5**	**161.8**

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.

Russian and Baltics Retail Properties Ky is a property fund company investing in Prisma stores in St. Petersburg and the Baltic area. On the closing date, the company managed three Prisma properties in the St. Petersburg area in Russia and one in Estonia.

Financial information summary of the essential associated companies

EUR million	S-Pankki Oy 2 016	S-Pankki Oy 2 015	Russian and Baltics Retail Properties Ky 2 016	Russian and Baltics Retail Properties Ky 2 015
Current assets	955.7	1 040.9	4.0	2.8
Non-current assets, total	4 254.7	3 732.5	43.4	39.1
Current liabilities	4 791.0	4 343.8	2.0	1.1
Non-current liabilities	11.2	34.0	31.4	33.9
Revenue [1]	69.4	72.1	7.3	7.0
Result for the financial year	21.8	15.0	3.5	0.7
Other comprehensive income for the financial year	1.6	-5.1	0.8	-0.4
Reconciliation of the associated company's financial information with the balance sheet value recognised by the Group				
Net assets of the associated company	408.3	395.6	14.0	6.9
Group ownership, %	38 %	38 %	20 %	20 %
Group's share of the net assets	153.1	148.4	2.8	1.4
Other adjustments	0.5	-4.5	0.1	
Associated company's balance sheet value in the consolidated balance sheet	153.6	143.9	2.9	1.4

Other associated companies

2016 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Finnfrost Oy	46.8	42.7	457.1	0.1	50.0 %
Coop Trading A/S	10.3	0.4	12.2	0.0	25.0 %
Others	4.9	0.2	0.6	0.0	

2015 EUR million	Assets	Liabilities	Revenue	Result	Share holding %
Finnfrost Oy	47.9	43.8	446.4	0.1	50.0 %
Coop Trading A/S	12.4	2.9	11.7	0.0	25.0 %
Others	4.9	0.2	0.6	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 2016	North European Oil Trade Oy 2015
Current assets	648.1	481.5
Cash and cash equivalents included in current assets	26.9	45.7
Non-current assets, total	8.9	6.7
Current liabilities	615.8	450.4
Financial liabilities included in current liabilities	274.8	223.0
Non-current liabilities	32.0	30.0
Revenue	3 845.1	4 146.0
Depreciation	1.4	6.8
Interest and financial income	4.9	2.7
Interest and financial expenses	10.5	4.6
Income tax expense (+) or income (-)	0.5	0.1
Result for the financial year	1.8	0.2
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	9.2	8.0
Group ownership, %	51 %	51 %
Group's share of the net assets	4.7	4.1
Other adjustments	3.6	4.0
Joint ventures balance sheet value in the consolidated balance sheet	8.2	8.1

Other joint ventures					
2016 EUR million	**Assets**	**Liabilities**	**Revenue**	**Result**	**Share holding %**
North European BioTech Oy	51.9	46.8		-0.4	50.0 %
North European BioTech Ab	12.5	11.2	1.5	0.1	50.0 %
Kauppakeskus Mylly Oy	141.5	115.7	19.1	5.4	50.0 %

Other joint ventures					
2015 EUR million					
North European BioTech Oy	31.0	28.6		-0.1	50.0 %
North European BioTech Ab	12.5	11.4	0.9	0.1	50.0 %
Kauppakeskus Mylly Oy	137.9	117.5	15.3	3.8	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, Russian and Baltics Retail Properties and Kauppakeskus Mylly were consolidated as Groups.

15. S-Bank, Russian and Baltics Retail Properties and Kauppakeskus Mylly were consolidated as Groups.

Available-for-sale financial assets

EUR million	**2016**	**2015**
Shares and participations		
Carrying amount, 1 Jan	29.8	9.0
Increases	11.3	21.5
Decreases	-0.1	-0.7
Carrying amount, 31 Dec	**41.0**	**29.8**

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	**2016**	**2015**
Receivables from associated companies	34.0	37.5
Capital loan receivables from others	0.6	0.6
Non-current loan receivables	20.0	7.2
Other non-current receivables	3.3	3.1
Loans and other receivables total	**57.9**	**48.4**
Non-current financial assets, total	**98.9**	**78.2**

16. Deferred taxes

Changes in deferred taxes in 2016

Deferred tax assets

EUR million	1 Jan 2016	Recognised in the income statement	Recognised in equity	Items recognised in the statement of comprehensive income	Foreign exchange differences	Businesses acquired/ divested	Groupings	31 Dec 2016
Confirmed losses	17.7	-1.8						15.9
Provisions and impairment losses	3.8	0.2						4.1
Internal margin on inventories and property, plant and equipment	1.8	0.0						1.8
Finance lease liabilities	3.0	-0.4						2.6
Other items	2.7	0.5		-0.1	-0.3			2.8
Total	**29.1**	**-1.5**			**-0.3**	**0.0**		**27.2**

Deferred tax liabilities

EUR million								
Cumulative depreciation difference	4.1	0.6						4.7
Business combinations	0.8						0.0	0.8
Fair value reserve	0.0	0.0		0.9				0.9
Retained earnings of Estonian companies	5.1	0.7						5.8
Other items	2.2	0.2			0.0		0.0	2.4
Total	**12.2**	**1.6**	**0.0**	**0.9**	**0.0**	**0.0**		**14.7**

Changes in deferred taxes in 2015

Deferred tax assets

EUR million	1 Jan 2015	Recognised in the income statement	Recognised in equity	Items recognised in the statement of comprehensive income	Foreign exchange differences	Businesses acquired/ divested	Groupings	31 Dec 2015
Confirmed losses	18.9	-1.2						17.7
Provisions and impairment losses	3.6	0.2						3.8
Internal margin on inventories and property, plant and equipment	1.8	0.0						1.8
Finance lease liabilities	6.6	-3.6						3.0
Other items	1.7	1.0	0.0	-0.1	0.1			2.7
Total	**32.6**	**-3.6**	**0.0**	**-0.1**	**0.1**	**0.0**		**29.1**

Deferred tax liabilities

EUR million								
Cumulative depreciation difference	4.4	-0.3						4.1
Business combinations	0.8							0.8
Fair value reserve	0.3			-0.3				0.0
Retained earnings of Estonian companies							5.1	5.1
Other items	10.2	-2.9			0.0		-5.1	2.2
Total	**15.7**	**-3.2**		**-0.3**	**0.0**		**0.0**	**12.2**

The Group had EUR 18.7 million (EUR 11.0 million on 31 December 2015) 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.

17. Inventories

EUR million	2016	2015
Raw materials and consumables	2.1	2.2
Supplies	180.2	160.8
Other inventories	0.6	0.2
Total	**182.9**	**163.2**

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

EUR million	2016	2015
Trade receivables	526.8	504.5
Non-interest-bearing loan and other receivables	16.2	5.5
Derivative assets	5.8	6.5
Prepayments and accrued income in financial items	0.7	0.1
Other prepayments and accrued income	28.3	28.2
Trade receivables and other current non-interest-bearing receivables, total	**577.7**	**544.9**

19. Current interest-bearing receivables

EUR million	2016	2015
Loan receivables	10.0	
Receivable from sale of fixed assets		32.7
Current interest-bearing receivables, total	**0.0**	**32.7**

20. Cash and cash equivalents

EUR million	2016	2015
Cash on hand and deposits	184.2	249.4

21. Equity

EUR million	2016	2015
Cooperative capital, 1 Jan	172.0	169.4
Cooperative contributions paid	2.3	2.6
Cooperative capital, 31 Dec	**174.3**	**172.0**

Cooperative capital consists of the cooperative contributions paid to Suomen Osuuskauppojen Keskuskunta (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 6.1 million (EUR 1.1 million on 31 Dec 2015). The share of S-Bank's fair value reserve is EUR 2.6 million (EUR 1.0 million on 31 December 2015).

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 2015).

Supervisory Board's Disposal fund

The Supervisory Board decides on the use of its disposal fund. Value of the fund is EUR 0.0 million (EUR 0.0 million on 31 Dec 2015).

22. Supplementary cooperative capital

EUR million	2016	2015
Non-current supplementary cooperative capital		12.8

Supplementary cooperative capital consists of voluntary investments in Suomen Osuuskauppojen Keskuskunta (SOK) made by the cooperative enterprises. The cooperative enterprises have the right to have their supplementary cooperative capital contributions returned in the manner and subject to the conditions prescribed in the Cooperatives Act and SOK's statutes.

In June 2016 all supplementary capital was reclaimed at its nominal value of EUR 12.8 million.

23. Interest-bearing liabilities

Non-current interest-bearing liabilities

EUR million	2016	2015
Finance lease liabilities	163.4	124.4
Other non-current interest-bearing liabilities	5.6	6.9
Non-current interest-bearing liabilities, total	**169.0**	**131.3**

Current interest-bearing liabilities

EUR million	2016	2015
Finance lease liabilities	17.9	26.4
Other current interest-bearing liabilities	0.0	0.2
Current interest-bearing liabilities, total	**18.0**	**26.6**

Finance lease liabilities

EUR million	2016	2015
Finance lease liabilities – total amount of minimum lease payments:		
In one year	25.8	32.4
In one to five years	77.2	67.1
Over five years	146.9	101.2
Minimum lease payments, total	**249.9**	**200.7**
Finance lease liabilities – present value of minimum lease payments:		
In one year	17.9	26.4
In one to five years	53.3	48.9
Over five years	110.1	75.5
Present value of minimum lease payments, total	**181.3**	**150.7**
Accrued financial expenses	**68.6**	**50.0**
Minimum lease payment profits from subleases	**48.7**	**31.1**

Finance lease agreements consist primarily of lease agreements on properties.

24. Non-interest-bearing liabilities

EUR million	2016	2015
Non-current non-interest-bearing liabilities	27.9	33.8
Non-current non-interest-bearing liabilities, total	**27.9**	**33.8**
Trade payables, total	**732.8**	**705.2**
Advances received	2.5	1.7
Current liabilities	17.4	14.0
Derivative financial instruments	3.5	5.8
Accruals and deferred income	88.9	92.1
Current non-interest bearing liabilities, total	**112.4**	**113.7**
Material items included in current accruals and deferred income		
Personnel expenses	43.0	47.0
Financing items	0.0	0.2
Others	45.9	45.0
Current accruals and deferred income, total	**88.9**	**92.1**

25. Fair values of financial assets and liabilities

EUR million	Note	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Hedge accounting derivatives	Liabilities to be measured at amortised cost	**Carrying amount 2016**	**Fair value 2016**
Financial assets								
Non-current financial assets	(15)							
Shares and participations				4.9			4.9	4.9
Loan receivables			54.6				54.6	67.4
Non-interest-bearing loan receivables			3.3				3.3	3.0
Trade receivables and other current non-interest-bearing receivables	(18)							
Trade receivables			527.7				527.7	527.7
Other non-interest bearing receivables			8.9				8.9	8.9
Prepayments and accrued income in financial items			2.0				2.0	2.0
Derivatives assets		4.2			1.5		5.7	5.7
Current interest-bearing receivables	(19)							
Loan receivables			10.0				10.0	10.0
Cash and cash equivalents	(20)							
Cash in hand and deposits			184.2				184.2	184.2
Financial assets, total		**4.2**	**790.6**	**4.9**	**1.5**		**801.3**	**813.9**
Financial liabilities								
Non-current interest-bearing liabilities	(23)							
Trade payables						0.0	0.0	0.0
Interest-bearing loans from others						1.5	1.5	1.5
Finance lease liabilities						163.6	163.6	178.0
Non-current non-interest-bearing liabilities	(24)							
Cash counting service						23.7	23.7	23.7
Other non-interest-bearing liabilities						0.6	0.6	0.6
Current interest-bearing liabilities	(23)							
Finance lease liabilities						17.9	17.9	25.8
Current non-interest-bearing liabilities	(24)							
Accruals and deferred income in financial items						0.0	0.0	0.0
Derivatives liabilities		3.5			0.0		3.5	3.5
Trade payables	(24)					732.8	732.8	732.8
Financial liabilities, total		**3.5**			**0.0**	**940.1**	**943.6**	**966.0**

EUR million	Note	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Hedge accounting derivatives	Liabilities to be measured at amortised cost	**Carrying amount 2015**	**Fair value 2015**
Financial assets								
Non-current financial assets	(15)							
Shares and participations				1.6			1.6	1.6
Loan receivables			45.3				45.3	51.7
Non-interest-bearing loan receivables			3.1				3.1	2.7
Trade receivables							0.0	0.0
Trade receivables and other current non-interest-bearing receivables	(18)							
Trade receivables			505.5				505.5	505.5
Other non-interest bearing receivables			0.9				0.9	0.9
Derivatives assets		5.0			1.5		6.5	6.5
Current interest-bearing receivables	(19)							
Other receivables			32.7				32.7	32.7
Cash and cash equivalents	(20)							
Cash in hand and deposits			249.9				249.9	249.9
Financial assets, total		**5.0**	**838.3**	**1.6**	**1.5**		**846.5**	**852.5**
Financial liabilities								
Supplementary cooperative capital	(22)					12.8	12.8	12.8
Non-current interest-bearing liabilities	(23)							
Trade payables						0.0	0.0	0.0
Interest-bearing loans from others						1.5	1.5	1.5
Finance lease liabilities						124.4	124.4	133.0
Non-current non-interest-bearing liabilities	(24)							
Cash counting service						23.3	23.3	23.3
Other non-interest-bearing liabilities						0.9	0.9	0.9
Current interest-bearing liabilities	(23)							
Interest-bearing loans from others						0.0	0.0	0.0
Finance lease liabilities						26.4	26.4	32.5
Current non-interest-bearing liabilities	(24)							
Accruals and deferred income in financial items						0.2	0.2	0.2
Derivatives liabilities		5.8			0.0		5.8	5.8
Trade payables	(24)					705.2	705.2	705.2
Financial liabilities, total		**5.8**			**0.0**	**894.6**	**900.4**	**915.2**

The fair value of supplementary cooperative capital, EUR 12.8 million (2014: 12.8 million) cannot be determined reliably.

The fair value hierarchy

EUR million	Note	Fair Value 2016	Level 1	Level 2	Level 3
Assets measured at fair value					
Non-current financial assets	(15)				
Shares and participations		4.9			4.9
Loan receivables		67.4		67.4	
Non-interest-bearing loan receivables		3.0		3.0	
Other current non-interest-bearing receivables	(18)				
Loan receivables		8.9		8.9	
Derivatives assets		5.7	3.4	2.3	
Current interest-bearing receivables	(19)				
Loan receivables		10.0		10.0	
Total		**100.0**	**3.4**	**91.7**	**4.9**
Liabilities measured at fair value					
Non-current interest-bearing liabilities	(23)				
Interest-bearing loans from others		1.5		1.5	
Finance lease liabilities		178.0		178.0	
Non-current non-interest-bearing liabilities	(24)				
Cash counting service		23.7		23.7	
Other non-interest-bearing liabilities		0.6		0.6	
Current interest-bearing liabilities	(23)				
Finance lease liabilities		25.8		25.8	
Current non-interest-bearing liabilities	(24)				
Derivatives liabilities		3.5	3.4	0.1	
Total		**233.1**	**3.4**	**229.7**	

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 Nasdaq OMX Stockholm 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 3.4 million (2015: EUR 0.1 million) is based on Suomen Luotto-osuuskunta cooperative's preliminary plan regarding the distribution of funds in 2016. In addition to the aforementioned, level 3 also includes EUR 4.9 million of unquoted shares (2015: 1.6 million), for which the fair value cannot be determined and investment properties EUR 189.3 million (2015: 174.7 million), their fair value determined primarily by means of appraisal approach. Unquoted shares and holdings presented on level 3 were realised in 2015 at the acquisition cost of EUR 0.0 million.

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

EUR million	2016
Opening balance, 1 Jan	5.1
Sales	0.0
Reduction of fair value of holdings in Suomen-Osuuskunta	-0.7
Changes in the fair value of assets and liabilities held for sale	-2.8
Closing balance, 31 Dec	1.6

The fair value hierarchy

EUR million	Note	Fair Value 2015	Level 1	Level 2	Level 3
Assets measured at fair value					
Non-current financial assets	(15)				
Shares and participations		1.6			1.6
Loan receivables		51.7		51.7	
Non-interest-bearing loan receivables		2.7		2.7	
Other current non-interest-bearing receivables	(18)				
Loan receivables		0.9		0.9	
Derivatives assets		6.5	5.5	1.0	
Current interest-bearing receivables	(19)				
Other receivables		32.7		32.7	
Total		**96.2**	**5.5**	**89.1**	**1.6**
Liabilities measured at fair value					
Supplementary cooperative capital	(22)	12.8		12.8	
Non-current interest-bearing liabilities	(23)				
Interest-bearing loans from others		1.5		1.5	
Finance lease liabilities		133.0		133.0	
Non-current non-interest-bearing liabilities	(24)				
Cash counting service		23.3		23.3	
Other non-interest-bearing liabilities		0.9		0.9	
Current interest-bearing liabilities	(23)				
Interest-bearing loans from others		0.0		0.0	
Finance lease liabilities		32.5		32.5	
Current non-interest-bearing liabilities	(24)				
Derivatives liabilities		5.8	5.5	0.3	
Total		**209.7**	**5.5**	**204.2**	

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

EUR million	2015
Opening balance, 1 Jan	10.2
Sales	-0.1
Reduction of fair value of holdings in Suomen-Osuuskunta	-4.8
Changes in the fair value of assets and liabilities held for sale	-0.2
Closing balance, 31 Dec.	5.1

26. Provisions

EUR million	Unprofitable lease agreements	Maintenance provisions of leased facilities	Other provisions	Total
Provisions, 1 Jan 2016	16.4	0.9	1.5	18.8
Increases in provisions	10.4			10.4
Provisions used	-5.8	-0.3	-0.6	-6.7
Reversals of unused provisions	-1.7	0.0	-0.6	-2.3
Provisions, 31 Dec 2016	19.4	0.5	0.4	20.2

Breakdown of provisions	
Non-current	13.5
Current	6.7

EUR million	Unprofitable lease agreements	Maintenance provisions of leased facilities	Other provisions	Other changer *	Total
Provisions, 1 Jan 2015	15.4	1.4	1.0	1.1	19.0
Increases in provisions	4.8	0.0	0.4		5.2
Provisions used	-2.1	-0.3	-0.6	-0.5	-3.4
Reversals of unused provisions	-1.6	-0.3		0.0	-2.0
Provisions, 31 Dec 2015	16.4	0.9	0.9	0.6	18.8

Breakdown of provisions	
Non-current	11.2
Current	7.6

*) Provisions of SOK Autokauppa that were presented as discontinued operations during previous year have been returned to continuing operations as the remaining amounts are immaterial compared to group figures.

27. Operating leases

Group as lessee

The Corporation has leased hotel, store and warehouse facilities with lease agreements that cannot be cancelled. The duration of the leases is, as a rule, 3 to 15 years. Most of the leases can be extended at the market price after the lease period ends.

Minimum lease payments on non-cancellable operating leases:

EUR million	2016	2015
In one year	132.4	131.1
In one to five years	595.9	439.0
Over five years	751.6	372.0
Total	**1 479.9**	**942.1**

Group as lessor

Minimum lease payments on non-cancellable operating leases:

EUR million	2016	2015
In one year	11.9	12.3
In one to five years	9.4	11.6
Over five years	27.4	7.3
Total	**48.7**	**31.1**

28.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.

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	Note	2016	2015
Non-current financial assets	(15)		
Loan receivables		54.6	45.3
Non-interest-bearing loan receivables		3.3	3.1
Trade receivables and other current non-interest-bearing receivables	(18)		
Trade receivables		527.7	505.5
Other non-interest bearing receivables		8.9	0.9
Prepayments and accrued income in financial items		2.0	0.8
Derivatives assets		5.7	6.5
Current interest-bearing receivables	(19)		
Loan receivables		10.0	
Other receivables			32.7
Cash and cash equivalents	(21)	184.2	249.9
Off-balance sheet liabilities	(31)		
Nominal value of warranty liabilities		101.1	101.9
Total		**897.4**	**946.7**

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 31. 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 3.1 million (2015: EUR 3.0 million) and bank guarantees 0.1 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 4.8 million, for which the maximum compensation is EUR 4.0 million per insurance period.

In addition, SOK Corporation has received bank guarantees and cash deposits of value EUR 1.1 million (2015: 1.2 million) to reduce the credit risk of trade receivables and rental receivables.

Ageing of loan and trade receivables			Of which not	Of which reduced in value at the			
			reduced in value or	balance sheet date, but having fallen due			Impairment
			due at the balance	in the following periods			losses recorded in
EUR million	Note	**2016**	sheet date	1–30 days	31–90 days	over 90 days	the financial period
Loan receivables							
due in less than one year	(19)	10.0	10.0				
due in over one year	(15)	37.9	37.9				
Trade receivables							
due in less than one year	(18)	527.7	514.2	12.0	0.7	0.8	
Total		**575.6**	**562.1**	**12.0**	**0.7**	**0.8**	

Reconciliation of the credit loss accounts

EUR million	**2016**	**2015**
Realised credit losses	0.4	0.3
Returned credit losses	-0.3	-0.1
Impairment recognised for the financial year		
Closing balance, 31 Dec	**0.1**	**0.3**

Ageing of loan and trade receivables			Of which not	Of which reduced in value at the			
			reduced in value or	balance sheet date, but having fallen due			Impairment
			due at the balance	in the following periods			losses recorded in
EUR million	Note	**2015**	sheet date	1–30 days	31–90 days	over 90 days	the financial period
Loan receivables							
due in less than one year	(19)	32.7	32.7				
due in over one year	(15)	48.4	48.4				
Trade receivables							
due in less than one year	(18)	505.5	498.2	5.5	0.7	1.2	
Total		**586.7**	**579.3**	**5.5**	**0.7**	**1.2**	

Quality analysis of debt securities

		2016	Share of	**2015**	Share of
EUR million	Note	Value	receivables	Value	receivables
Senior loans	(19)	0.0	0.0 %	0.0	0.0 %
Junior loans	(15)	17.0	100.0 %	24.0	100.0 %
Total		**17.0**	**100.0 %**	**24.0**	**100.0 %**

Debt securities by credit rating

EUR million					
AA-	(19)	0.0	0.0 %	0.0	0.0 %
Unclassified, S-Bank	(15)	17.0	100.0 %	24.0	100.0 %
Total		**17.0**	**100.0 %**	**24.0**	**100.0 %**

Risk concentrations

Geographical distribution of receivables 2016

EUR million	Finland	Nordic countries	Other EU countries	Other countries
Loan receivables	56.7		0.0	1.1
Trade receivables	522.3	0.4	3.7	1.3
Other non-interest bearing receivables	8.1		0.0	0.7
Cash and cash equivalents	156.7	4.4	18.5	4.6
Other items	7.7			
Total	**751.6**	**4.8**	**22.3**	**7.7**

Geographical distribution of receivables 2015

EUR million	Finland	Nordic countries	Other EU countries	Other countries
Loan receivables	47.5		0.0	0.9
Other receivables	32.7			
Trade receivables	500.3	0.5	3.8	0.9
Other non-interest bearing receivables	0.0		0.2	0.7
Cash and cash equivalents	235.5	2.1	9.5	2.8
Other items	7.3			
Total	**823.4**	**2.7**	**13.5**	**5.3**

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

Deducting financial assets and liabilities from each other in 2016

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.

	Booked financial assets	**Booked financial liabilities**	**Net Value**
Derivative contracts			
2016	**1.5**	**0.0**	**1.5**
2015	**0.5**	**-0.1**	**0.4**

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 60 million (2015: EUR 120 million). The credit facilities have not been secured by collateral. 30 million of the committed credit facilities will fall due in 2019 and 30 million in 2021. Credit facilities have not been utilised during year 2016 or 2015. 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. The covenant terms and conditions were not breached in the financial year.

In addition, the SOK Corporation has an EUR 250 million commercial paper programme of which an average of EUR 0.0 (2.7) million was in use.

Maturity analysis of SOK Corporation's agreement-based cash flows from financial liabilities and derivative contracts

EUR million	Note	2016	Agreement-based cash flows [1)]	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	(23)								
Trade payables		0.0	0.0				0.0		
Interest-bearing loans to others		1.5	1.5		0.0	0.0	1.5		
Finance lease liabilities		163.6	163.5				16.6	36.6	110.3
Non-current non-interest-bearing liabilities	(24)								
Cash counting service		23.7	23.7	23.7					
Other non-interest-bearig liabilities		0.6	0.6				0.6		
Current interest-bearing liabilities	(23)								
Finance lease liabilities		17.9	18.3		4.5	13.8			
Trade payables	(24)	732.8	732.8		725.7	7.2			
Off-balance liabilities	(31)								
Nominal value of guarantee liabilities		101.1	101.1	101.1					
Non-derivative financial assets, total		**1 041.2**	**1041.5**	**124.7**	**730.1**	**21.0**	**18.7**	**36.6**	**110.3**
Derivatives liabilities	(20. 24)								
Derivatives included in hedge accounting		0.0	0.0			0.0			
Currency derivatives		0.0	0.0		0.0	0.0			
Interest rate derivatives		0.1	0.1			0.1			
Commodity derivatives		3.4	3.4		0.4	0.9	1.1	1.0	
Derivatives assets	(18. 20)								
Derivatives included in hedge accounting		1.5	1.4		1.3	0.2			
Currency derivatives		0.7	0.7		0.4	0.3			
Interest rate derivatives		0.1	0.1			0.1			
Commodity derivatives		3.4	3.4		0.4	0.9	1.1	1.0	
Net derivatives liabilites, total		**-2.1**	**-2.1**	**0.0**	**-1.6**	**-0.4**	**0.0**	**0.0**	**0.0**
Total		**1039.0**	**1039.4**	**124.7**	**728.5**	**20.6**	**18.7**	**36.6**	**110.3**

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

EUR million	Note	2015	Agreement-based cash flows 1)	On demand	Less than 3 mon.	3–12 mon.	1–2 yr	2–5 yr	over 5 yr
Non-derivative financial assets									
Supplementary cooperative capital	(22)	12.8	13.3			0.2	0.0	0.1	13.1
Non-current interest-bearing liabilities	(23)								
Trade payables		0.0	0.0				0.0		
Interest-bearing loans to others		1.5	1.5		0.0	0.0	0.0	1.5	
Finance lease liabilities		124.4	125.0				15.4	34.0	75.5
Cash counting service		23.3	23.3	23.3					
Other non-interest-bearig liabilities		0.9	0.9				0.9		
Current interest-bearing liabilities	(23)								
Interest-bearing loans from others		0.0	0.0			0.0			
Finance lease liabilities		26.4	26.7		4.6	22.1			
Trade payables	(24)	705.2	705.2		699.6	5.7			
Off-balance liabilities	(31)								
Nominal value of guarantee liabilities		101.9	101.9	101.9					
Non-derivative financial assets, total		**996.3**	**997.9**	**125.1**	**704.2**	**28.1**	**16.3**	**35.6**	**88.6**
Derivatives liabilities	(20. 24)								
Derivatives included in hedge accounting		0.0	0.0			0.0			
Currency derivatives		0.3	0.2		0.1	0.1			
Interest rate derivatives		0.2	0.2			0.2	0.1		
Commodity derivatives		5.5	3.7		0.2	0.6	0.9	1.9	
Derivatives included in hedge accounting		0.4	0.1		0.2	0.0			
Currency derivatives		0.4	0.3		0.2	0.1			
Interest rate derivatives		0.2	0.2			0.2	0.1		
Commodity derivatives		5.5	3.7		0.2	0.6	0.9	1.9	
Net derivatives liabilites, total		**-0.5**	**-0.2**		**-0.3**	**0.1**	**0.0**		
Total		**995.8**	**997.7**	**125.1**	**703.9**	**28.1**	**16.3**	**35.6**	**88.6**

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

All the instruments in effect on 31 December 2016 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. For currency derivatives, the net cash flows of each agreement have been presented. The cash flows presented for electricity derivatives are the fair value at the balance sheet date in the maturity corresponding to the due date.

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.

SOK Corporation's interest rate risk is calculated based on external interest bearing items including for example lendings, borrowings and derivatives. The interest rate risk is divided to the risk exposure of volatility in the cashflows and sensitivity of fair value in the interest bearing net position. Interest rate risks of different currencies are not netted.

The target is that a linear change of 100 basis points in market rates must not cause an increase in the net financial expenses that would exceed one per cent of the planned gross margin in euro for each year. The interest rate risk position is monitored over a five-year planning period, and the target of the aforementioned indicator must be met during the first three years of the planning period. If the planned amount of floating rate assets exceed the amount of floating rate debts (incl. interest derivatives), decrease of interest rates of certain period need not to be hedged.

In SOK Corporation the fair value risk is realised to income statement of financial instruments designated as at fair value through profit or loss (interest derivatives). The fair value risk which affects to equity, consist of financial assets available-for-sale and is presented in other 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**	
2016		Position		1 percentage	1 percentage	1 percentage	1 percentage
EUR million	Note	exposed to risk	Duration	point rise	point fall	point rise	point fall
Interest-bearing receivables	(15. 19)						
EUR		169.7	0.4	0.9	-0.8		
USD		3.8	0.0	0.0	0.0		
RUB		2.8	0.0	0.0	0.0		
Other currencies		0.7	0.2	0.0	0.0		
Derivatives assets and liabilities	(18. 24)						
EUR		-38.7	0.1	0.1	-0.1		
USD		38.8	0.2	-0.1	0.1		
RUB			0.0				
Other currencies		2.2	0.2	0.0	0.0		
Interest-bearing liabilities	(23)						
EUR		1.5	0.0	0.0	0.0		
Total		**173.5**	**0.9**	**-0.8**	**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 short-term investments measured at fair value is reported as the impact of one percentage point change in the interest rate on the fair value and interest cash flows during the next 12 months. 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.

Cash flow hedging is applied to the interest rate risk of derivatives affecting equity.

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

2015 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		111.1	0.2	2.0	-2.0		
Derivatives assets and liabilities	(18. 24)						
EUR		-36.9	0.2	0.1	-0.1		
USD		30.7	0.2	-0.1	0.1		
RUB		0.1	0.0	0.0	0.0		
Other currencies		4.0	0.1	0.0	0.0		
Interest-bearing liabilities	(23)						
EUR		1.5	0.0	0.0	0.0		
Total		**110.5**		**2.0**	**-2.0**	**0.0**	**0.0**

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 IAS 39 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 efficiency of the hedge is assessed at the beginning of the hedging relationship and during the hedge so that the hedge is extremely efficient throughout. A hedge is considered efficient when the change in the cash flows of the hedge instrument eliminates 80 to 125% of the change in the cash flows of the hedged agreement or position.

The efficient portion of hedging is recognised in the fair value reserve.

Fair values of the electricity derivatives used as hedge instruments

EUR million	2016	2015
Derivatives liabilities		
Forward exchange contracts	0.0	0.0
Total	**0.0**	**0.0**
Derivatives receivables		
Forward exchange contracts	1.5	0.4
Total	**1.5**	**0.4**

Changes recognised in Group equity from cash flow hedge

EUR million	2016	2015
Opening balance, 1 Jan	0.4	1.0
Profits and losses from valuing at fair value	1.4	0.4
Amount included in the income statement	-0.4	-1.0
Closing balance, 31 Dec	**1.4**	**0.4**

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.

CURRENCY RISK

SSOK 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 10 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 1.0 percentage points in SOK Corporation's equity ratio. The same applies to the holding which the companies plan to return to Finland after more than four years. The holding which the companies plan to return to Finland during the next four years is considered in full.

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.

2016		**Effect on the income statement**	
EUR million	Position exposed to risk	Appreciation of the euro, 10 %	Depreciation of the euro, 10 %
USD	41.1	-4.1	4.1
RUB	-11.9	1.2	-1.2
Other currencies	2.4	-0.2	0.2
Total	**31.6**	**-3.2**	**3.2**

2016		**Effect on equity**	
EUR million	Position exposed to risk	Appreciation of the euro, 10 %	Depreciation of the euro, 10 %
RUB	51.6	-5.2	5.2
Total	**51.6**	**-5.2**	**5.2**

2015		**Effect on the income statement**	
EUR million	Position exposed to risk	Appreciation of the euro, 10 %	Depreciation of the euro, 10 %
USD	28.6	-2.9	2.9
RUB	-12.9	1.3	-1.3
Other currencies	7.3	-0.7	0.7
Total	**23.0**	**-2.3**	**2.3**

2015		**Effect on equity**	
EUR million	Position exposed to risk	Appreciation of the euro, 10 %	Depreciation of the euro, 10 %
RUB	44.4	-4.4	4.4
Total	**44.4**	**-4.4**	**4.4**

Hedge accounting is not applied to currency derivatives hedging SOK Corporation’s equity investments.

29. 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	**2016**	**2015**
CEO and SOK's Corporate Management Team salaries and remuneration	2.7	2.1
SOK's Executive Board and Supervisory Board salaries and remuneration	0.3	0.3
CEO and SOK's Corporate Management Team supplementary pension costs	1.7	0.9
Total	**4.8**	**3.3**

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 2015-2016. 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	**2016**	**2015**
Sales	20.1	20.4
Purchases	355.4	338.5
Financial income and expenses	1.6	0.9
Trade and other receivables	0.7	1.1
Loan receivables	33.4	37.5
Trade payables and other liabilities	61.4	35.5

30. Contingent liabilities

EUR million	**2016**	**2015**
Pledges given and contingent liabilities		
Other liabilities		
Pledges	0.1	0.1
Guarantees	3.8	4.0
Total	**3.9**	**4.1**
Security given on behalf of others		
Guarantees for liabilities of joint ventures enterprises	87.5	69.4
Guarantees for liabilities of cooperative enterprises	7.4	7.4
Total	**94.9**	**76.8**
Other contingent liabilities		
Guarantees for liabilities of joint ventures enterprises	2.4	21.0
Guarantees for liabilities of cooperative enterprises		0.1
Total	**2.4**	**21.1**

Other liabilities		
Letter of credit liabilities	0.4	0.5
Repurchase liabilities [1]	31.4	33.9
Underwriting [2]	10.7	10.7
Other liabilities [3]		9.8
Total	**42.1**	**54.4**

[1] Repurchase liabilities consist of an obligation to purchase the targets of the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries, at the amount of the fund's remaining liabilities. SOK's ownership share in the property fund company is 20 per cent.

[2] The underwriting obligation consists of an obligation to invest capital inputs in the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries.

[3] Estimated cost of exercising a purchase option on a real estate which SOK has committed into using. The purchase option belongs to a hotel property in which SOK is a tenant.

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 39.4 million (EUR 39.9 million 31 Dec 2015) 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 2015).

In addition, SOK has given letters of support for the guarantees granted by SOK-Takaus Oy. The amount of the letters of support is EUR 8.9 million (EUR 71.9 million on 31 Dec 2015).

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 8.7 million (EUR 6.5 million on 31 Dec 2015).

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

In accordance with the so-called Mankala principle, the shareholders are responsible for S-Voima Oy's commitments. This principle states that the liability for the company's variable costs is determined based on the energy the shareholder uses. The liability for the company's fixed costs, also including loan repayments and interests as well as depreciations, is distributed in proportion to the share series owned by the shareholder. The company's series A shares are related to the acquisition of market electricity; series B and B1 shares to the acquisition of wind power electricity; and series C shares to the acquisition of nuclear power electricity in which S Group has decided not to participate.

Furthermore, the shareholders of S-Voima Oy have also agreed in the shareholder agreement on a mutual obligation to finance the company's investments in production companies through equity, in which case the liability will by default be distributed by share series in the proportion of shareholding. There are not left liabilities based on equity financing in decisions already made. It is estimated that liabilities financing by the company's shareholders is not needed.

Additionally SOK has pledged to provide loan funding. SOK has at 30 June 2015 the following open commitments: To provide EUR 50.0 million (EUR 60.0 million 31 Dec 2015) shareholder loan and EUR 80,5 million long term loan (0,0 milj. euroa 31.12.2015) to S-ryhmän logistiikkakeskukset Oy, and to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2015) conditional subordinated loan to North European Oil Trade Oy.

31. Subsidiaries and associated companies

Companies owned by SOK Corporation and SOK 31.12.2016	Country	SOK Corporation´s shareholding %	SOK Corporation´s voting rates %	SOK´s shareholding %
Group companies				
Commercial				
A/S Prisma Latvija	Latvia	100	100	
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	
RB Int Oy	Finland	100	100	100
Rekla Oy	Finland	100	100	100
SOK-Liiketoiminta Oy	Finland	100	100	100
Sokotel Oy	Finland	100	100	
SOK Autokauppa Oy	Finland	100	100	
SOK Fashion Retail Oy	Finland	51	51	51
SOK Fund Management Oy	Finland	100	100	100
SOK Real Estate Int Oy	Finland	100	100	99
SOK Retail Int Oy	Finland	100	100	
SOK-Takaus Oy	Finland	100	100	100
Suomen Spar Oy	Finland	100	100	100
S-Business Oy	Finland	100	100	100
S-Verkkopalvelut Oy	Finland	61	61	61
S-Yrityspalvelu Oy	Finland	100	100	100
UAB Prisma LT	Lithuania	100	100	
UAB Viršuliškių Prekybos Centras	Lithuania	100	100	100
Commercial, 28 companies				
Real-estate companies, 22 companies				
Total Group companies, 50 companies				
Joint ventures				
Kauppakeskus Mylly Oy	Finland	50	50	50
Kiinteistö Oy Kuloisten Kauppakeskus	Finland	50	50	
North European BioTech Oy	Finland	50	50	50
North European Oil Trade Oy	Finland	51	51	51
Total joint ventures, 4 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 Oyj	Finland	38	19	
FIM Pääomarahastot	Finland	38	19	
FIM Kiinteistö Oy	Finland	30	15	
FIM varainhoito Oy	Finland	38	19	
Russian and Baltics Retail Properties Ky	Finland	20	20	20
Total associated companies, 11 companies				

32. Events after the balance sheet date

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

SOK Corporation Key Ratios 2012–2016

SOK Corporation continuing operations	**IFRS 2016**	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Revenue, EUR million	**7 074.0**	7 038.4	7 285.5	7 317.3	10 634.0
Operating profit, EUR million	**27.0**	11.1	43.1	-7.9	-7.2
% of revenue	**0.4**	0.2	0.6	-0.1	-0.1
Profit/loss before taxes, EUR million	**22.8**	9.4	39.7	-13.2	-27.1
% of revenue	**0.3**	0.1	0.5	-0.2	-0.3
SOK Corporation *)					
Return on equity, %	**1.8**	0.1	5.5	0.8	-3.9
Return on investment, %	**3.5**	2.5	11.2	3.0	-0.1
Equity ratio, %	**37.0**	37.0	38.3	36.3	29.3
Gross investments in fixed assets, EUR million	**93.1**	48.2	68.6	99.7	124.4
% of revenue	**1.3**	0.7	0.9	1.4	1.2
Gearing, %	**0.4**	-12.9	-11.3	0.7	41.7
The average number of the personnel during the financial year	**6 756**	8 287	9 203	9 819	10 447
Converted to full-time personnel	**5 849**	7 778	8 232	9 099	9 572
Non-interest-bearing liabilities, EUR million	**873.2**	847.3	847.2	860.4	821.3

* The key indicators contain both discontinued and continuing operations.

CALCULATION OF KEY RATIOS

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

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

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

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

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

The average number of the personnel during the financial year The average number of personnel and the number converted to full-time equivalents has been calculated 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. - 31.12.2016		1.1. - 31.12.2015	
Net turnover			**6 245.0**		6 167.7
Other operating income	(1)		**21.8**		13.6
Materials and services					
Raw materials and consumables	(2)	**5 659.4**		5 585.5	
External services		**298.6**	**5 958.0**	294.6	5 880.1
Personnel costs	(3)				
Salaries and remuneration		**78.0**		75.6	
Other personnel costs		**20.6**	**98.7**	18.7	94.2
Depreciation and impairment	(4)		**13.2**		14.6
Other operating expenses					
Facilities rent		**25.0**		25.1	
Other expenses	(5)	**132.3**	**157.3**	137.5	162.6
Operating profit			**39.5**		29.8
Financial income and expenses (+/-)	(8)		**11.8**		18.2
Profit before appropriations and taxes			**51.3**		47.9
Appropriations (+/-)	(10)		**-0.5**		-3.2
Income taxes (+/-)	(11)		**-4.4**		-3.6
Profit for the financial year			**46.4**		41.2

Balance sheet of SOK, FAS

ASSETS EUR million	Note		**31.12.2016**		31.12.2015
NON-CURRENT ASSETS					
Intangible assets	(12)	**51.4**		38.2	
Tangible assets	(13)	**2.6**		3.5	
Shares in Group companies	(14)	**381.7**		372.6	
Other investments	(14)	**469.8**	**905.6**	428.8	843.1
CURRENT ASSETS					
Inventories	(15)	**131.7**		114.2	
Long-term receivables	(16)	**2.1**		2.1	
Short-term receivables	(17)	**553.2**		525.4	
Cash in hand and at bank		**116.6**	**803.7**	184.6	826.3
			1 709.3		1 669.4

LIABILITIES EUR million		**31.12.2016**		31.12.2015	
CAPITAL AND RESERVES	(18)				
Cooperative capital		**174.3**		172.0	
Supplementary cooperative capital		**12.8**		12.8	
Fair value reserve		**4.5**		0.5	
Legal reserve		**18.5**		18.5	
Supervisory Board's disposal fund		**0.0**		0.0	
Profit for the previous financial years		**548.1**		525.6	
Profit for the financial year		**46.4**	**804.5**	41.2	770.5
ACCUMULATED APPROPRIATIONS	(19)		**6.4**		4.8
PROVISIONS	(20)		**7.6**		11.9
LIABILITIES					
Long-term liabilities	(21)	**0.5**		0.7	
Short-term liabilities	(22)	**890.4**	**890.9**	881.5	882.2
			1 709.3		1 669.4

Cash flow statement of SOK, FAS

EUR million	Note	**1.1.–31.12.2016**	1.1.–31.12.2015
BUSINESS OPERATIONS			
Operating profit		**39.5**	29.8
Adjustments to operating profit	(1)	**-12.3**	-2.0
Change in working capital	(2)	**4.6**	31.7
Cash flow from business operations before financing and taxes		**31.8**	59.4
Interest paid and other financial expenses		**-2.9**	-23.9
Interest received and other financial income		**10.8**	31.0
Dividends received from business operations		**2.0**	10.0
Direct taxes paid		**-3.5**	0.0
Cash flow from business operations		**38.2**	76.5
CASH FLOW FROM INVESTMENTS			
Investments in fixed assets		**-26.1**	-13.0
Acquisition of shares		**-19.2**	-22.1
Sale of fixed assets		**33.3**	24.0
Loans issued		**-100.5**	-88.9
Repayment of loan receivables		**70.8**	105.3
Dividends received from investments		**0.1**	0.7
Cash flow from investments		**-41.5**	6.2
FINANCING			
Increase (+) / decrease (-) in short-term creditors		**-25.2**	-15.6
Increase (+) / decrease (-) in long-term receivables		**-10.0**	
Increase (-) / decrease (+) in short-term debtors		**-10.0**	
Increase in cooperative capital and supplementary cooperative capital		**2.3**	2.6
Interest paid on the cooperative capital and supplementary cooperative capital		**-5.9**	-0.2
Redemption of supplementary cooperative capital		**-12.8**	
Group contributions paid		**-3.1**	-11.4
Other decrease in equity		**0.0**	0.0
Cash flow from financing		**-64.7**	-24.6
Increase (+) / decrease (-) in cash and cash equivalents		**-68.0**	58.1
Cash and cash equivalents at the beginning of the year		**184.6**	126.5
Cash and cash equivalents at the end of the year		**116.6**	184.6
Adjustments to operating profit	(1)		
Gains (-) and losses (+) from the sale of fixed assets		**-21.3**	-13.3
Depreciation and value adjustments		**13.2**	14.8
Income and expenses which do not involve payment		**-4.2**	-3.5
		-12.3	-2.0
Change in working capital	(2)		
Change in trade receivables		**-15.6**	6.0
Change in inventories		**-17.5**	2.2
Change in short-term interest-free creditors		**37.6**	23.5
		4.6	31.7

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 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 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 variable 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 straight-line 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 instruments are classified as financial assets or liabilities measured at fair value through profit and loss, available-for-sale financial assets, loans and receivables and other financial liabilities.

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 value 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 counterparty's quoted price has been used in the valuation of interest rate options. The fair value of currency forwards has been calculated by measuring the forward contracts at the forward rate of the balance sheet date. Electricity derivatives are measured at the fair value by using the market quotations of the balance sheet date. Financial assets and liabilities at fair value have been measured using average rates.

Derivative contracts in which hedge accounting is not applied are recognised in financial assets and liabilities to be 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 items recognised in available-for-sale financial assets are debt securities and other domestic and foreign securities and participations that are not classified as financial assets at fair value through profit and loss, investments held to maturity, or loans and other receivables. Financial assets available for sale are measured at fair value. The fair value of publicly traded investments is defined on the basis of their market values. The change in fair value is recorded in equity in the fair value reserve. 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. Investments that are not publicly quoted are measured at cost if their fair values cannot be reliably determined.

Loans and other receivables include such financial assets unquoted on an active financial market, for which the payments are fixed or determinable and which do not belong to financial assets measured at fair value through profit and loss, financial assets held to maturity, or available-for-sale financial assets. The transaction costs of liabilities and receivables are included in the amortised acquisition cost calculated using the effective interest method and amortised through profit and loss for the term-to-maturity of the receivable. After the initial recognition, liabilities and receivables are measured at amortised acquisition cost using the effective interest method.

An item belonging to other financial liabilities is recognised in the balance sheet at its nominal value when its fair value at the time of its entry corresponds to 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. Other financial liabilities are measured at the amortised cost on the balance sheet date using the effective interest method.

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 IAS 39 standard is not applied.

Impairment of financial assets

At the end of the reporting period, the Corporation assesses whether there is any objective evidence that the value of items other than those classified as financial assets at fair value through profit and loss are impaired. Objective evidence is considered to be, for example, a customer's delay in payment, insolvency or bankruptcy, reorganisation or consolidation of debt, as well as a major change in the credit rating. If there is objective evidence of impairment, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, including the fair value of any collateral. The discount rate applied is the original effective interest rate of the receivable. The difference is recognised as an impairment loss in the income statement, and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

If the amount of an impairment loss subsequently decreases and the change can be attributed to an event that has taken place after the recognition of the impairment loss, the impairment loss is reversed through profit and loss.

When there is objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss that was recognised in equity is recognised in the income statement as an impairment loss. The impairment loss is determined as being the difference between the carrying amount and the present value of estimated future cash flows discounted at the market yield of a similar item on the reporting date. If the fair value of notes or bonds classified as available-for-sale later increases and the increase can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised through profit and loss. If the fair value of a share later increases, the increase in value is recognised in equity in the fair value reserve.

EUR million	**2016**	2015
1. Other operating income		
Profits on sale of fixed assets	**21.6**	13.5
Other operating income	**0.1**	0.1
Total	**21.8**	13.6
2. Raw materials and consumables		
Purchases during the financial year	**5676.5**	5583.3
Change in inventories (+/-)	**-17.1**	2.2
Total	**5659.4**	5585.5
3. Personnel costs		
Salaries and remuneration	**78.0**	75.6
Pension costs	**16.2**	14.6
Other personnel expenses	**4.4**	4.1
Total	**98.7**	94.2
Average number of personnel	**1334**	1357

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	**1.0**	0.8
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	**12.9**	11.2
Impairment	**0.3**	3.4
Total	**13.2**	14.6

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	**2.6**	2.3
Property, equipment and supplies expenses	**112.4**	119.3
Marketing, administration and other operating expenses	**17.3**	15.9
Total	**132.3**	137.5

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

EUR million	2016	2015
6. Auditor's fees		
Audit expenses KPMG Oy Ab	**0.2**	0.2
Tax consulting		0.0
Other services	**0.1**	0.1
Total	**0.3**	0.4
7. Increase (-) / decrease (+) in provisions for liabilities and charges		
Increases related to partially vacant premises	**-0.2**	-0.4
Decreases related to partially vacant premises	**4.0**	2.8
Other mandatory provisions increases		-0.3
Other mandatory provisions decreases	**0.5**	0.6
Total	**4.3**	2.7
8. Financial income and expenses		
Dividend income from group companies	**2.0**	10.0
Dividend yield from others and interest on cooperative capital	**0.1**	0.7
Dividend yield and interest on cooperative capital from investments in non-current assets, total	**2.1**	10.7
Interest income from other non-current assets		
From group companies	**5.2**	5.2
From others	**2.3**	1.6
Other interest and financial income		
From group companies	**2.2**	2.2
From others	**0.5**	3.1
Total interest and financial income	**10.2**	12.1
Impairment decrease and increase from investments in non-current assets		-0.1
Interest and other financial expenses		
To group companies	**0.1**	1.7
To others	**0.5**	2.8
Total interest and other financial expenses	**0.6**	4.5
Total financial income and expenses	**11.8**	18.2
9. Appropriations		
Increase (-) / decrease (+) in accelerated depreciation	**-1.6**	0.0
Group contribution	**1.1**	-3.1
Total	**-0.5**	-3.2
10. Income taxes		
Income taxes on ordinary operations for the financial year (+/-)	**4.4**	4.2
Income taxes for the previous financial years (+/-)	**0.0**	0.0
Income taxes on extraordinary items for the financial year (+/-)		-0.6
Total	**4.4**	3.6
Deferred tax liabilities	**-0.4**	1.6

EUR million	2016	2015
NOTES CONCERNING ASSETS IN THE BALANCE SHEET		
Intangible and tangible assets		
11. Intangible assets		
Intangible rights		
Acquisition cost at 1 Jan	**56.1**	40.5
Increases	**0.5**	2.0
Decreases	**-6.7**	-0.1
Transfers	**10.6**	13.7
Acquisition cost at 31 Dec	**60.5**	56.1
Accumulated depreciation at 1 Jan	**34.4**	23.2
Accumulated depreciation on decreases and transfers	**-6.7**	-0.1
Depreciation for the financial year	**10.6**	8.1
Impairment	**0.3**	3.2
Accumulated amortisation at 31 Dec	**38.6**	34.4
Book value at 31 Dec	**21.9**	21.7
Other long-term expenditure		
Acquisition cost at 1 Jan	**17.0**	16.6
Increases	**0.3**	0.4
Decreases	**-0.3**	-0.1
Transfers		0.1
Acquisition cost at 31 Dec	**17.0**	17.0
Accumulated depreciation at 1 Jan	**8.1**	6.0
Accumulated depreciation on decreases and transfers	**-0.3**	-0.1
Depreciation for the financial year	**1.4**	1.5
Accumulated amortisation at 31 Dec	**9.2**	7.4
Book value at 31 Dec	**7.8**	9.6
Advance payments of intangible assets		
Acquisition cost at 1 Jan	**7.5**	6.7
Increases	**24.8**	9.8
Decreases	**0.0**	
Transfers	**-10.6**	-13.8
Book value at 31 Dec	**21.7**	2.8
Intangible assets total	**51.4**	34.1

EUR million	2016	2015
12.Property, plant and equipment		
Land and water areas		
Acquisition cost at 1 Jan	**1.1**	2.3
Decreases	**-0.4**	-1.2
Acquisition cost at 31 Dec	**0.7**	1.1
Accumulated impairment at 1 Jan	**0.2**	0.1
Impairment		0.1
Accumulated depreciation on decreases and transfers	**-0.1**	
Accumulated impairment at 31 Dec	**0.1**	0.2
Book value at 31 Dec	**0.7**	0.9
Buildings and structures		
Acquisition cost at 1 Jan	**5.8**	6.6
Decreases	**-4.2**	-0.8
Acquisition cost at 31 Dec	**1.5**	5.8
Accumulated depreciation at 1 Jan	**5.4**	6.0
Accumulated depreciation on decreases and transfers	**-4.1**	-0.8
Depreciation for the financial year	**0.1**	0.1
Impairment		0.1
Accumulated depreciation at 31 Dec	**1.4**	5.4
Book value at 31 Dec	**0.2**	0.4
Machinery and equipment		
Acquisition cost at 1 Jan	**6.8**	6.3
Increases	**0.4**	0.7
Decreases	**-0.1**	-0.2
Acquisition cost at 31 Dec	**7.0**	6.7
Accumulated depreciation at 1 Jan	**5.1**	3.9
Accumulated depreciation on decreases and transfers	**-0.1**	-0.2
Depreciation for the financial year	**0.8**	1.5
Accumulated depreciation at 31 Dec	**5.8**	5.1
Book value at 31 Dec	**1.2**	1.6
Other tangible assets		
Acquisition cost at 1 Jan	**0.6**	0.6
Increases	**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	**2.6**	3.4

EUR million	2016	2015
13. Investments		
Shares in Group companies		
Acquisition cost at 1 Jan	**375.1**	389.9
Increases	**9.6**	0.6
Decreases	**-1.2**	
Acquisition cost at 31 Dec	**383.5**	390.5
Accumulated impairment at 1 Jan	**2.5**	2.4
Accumulated impairment on decreases and transfers	**-0.7**	
Impairment		0.1
Accumulated impairment at 31 Dec	**1.8**	2.5
Book value at 31 Dec	**381.7**	387.9
Shares in Group companies total	**381.7**	387.9
Receivables from Group companies		
Amount at 1 Jan	**251.9**	277.1
Increases	**82.0**	110.0
Decreases	**-51.6**	-135.2
Amount at 31 Dec	**282.3**	251.9
Participations in participating interest companies		
Acquisition cost at 1 Jan	**130.4**	118.4
Increases	**9.6**	21.5
Decreases	**-11.2**	-9.5
Acquisition cost at 31 Dec	**128.8**	130.4
Accumulated impairment at 1 Jan	**0.1**	8.6
Accumulated impairment at 31 Dec	**0.1**	8.6
Book value at 31 Dec	**128.7**	121.7
Receivables from participating interest companies		
Amount at 1 Jan	**24.0**	16.0
Increases	**5.0**	12.0
Decreases	**-12.0**	-4.0
Amount at 31 Dec	**17.0**	24.0
Capital loan receivables from participating interest companies		
Amount at 1 Jan	**13.5**	5.5
Increases	**3.5**	8.0
Amount at 31 Dec	**17.0**	13.5
Receivables from participating interest companies, total	**34.0**	37.5

EUR million	2016	2015
Other shares and participations		
Acquisition cost at 1 Jan	**1.2**	1.2
Increases	**0.0**	0.0
Decreases	**0.0**	
Acquisition cost at 31 Dec	**1.2**	1.2
Measurement at fair value	**3.1**	0.1
Book value at 31 Dec	**4.3**	1.4
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	**7.2**	14.5
Increases	**20.0**	
Decreases	**-7.2**	-7.2
Amount at 31 Dec	**20.0**	7.2
Investments total	**851.6**	808.2

14. Inventories

Supplies	**131.1**	114.0
Other inventories	**0.0**	0.0
Prepayments	**0.6**	0.2
Total	**131.7**	114.2

15. Long-term receivables

Other long term receivables	**2.1**	2.1
Total long-term receivables	**2.1**	2.1

16. Short-term receivables

EUR million	2016	2015
Trade receivables	**490.4**	472.3
Receivables from group companies		
Trade receivables	**5.1**	5.5
Other receivables	**22.0**	20.2
Prepayments and accrued income	**3.3**	1.8
Total	**30.4**	27.5
Receivables from participating interest companies		
Trade receivables	**0.4**	0.7
Loan receivables	**10.0**	
Prepayments and accrued income	**1.3**	0.7
Total	**11.7**	1.4
Other receivables	**0.3**	0.4
Prepayments and accrued income	**20.3**	23.8
Total short-term receivables	**553.2**	525.4
Specification of prepayments and accrued income		
Financial items	**8.0**	7.6
Other	**16.9**	18.8
Total prepayments and accrued income	**24.9**	26.4

NOTES CONCERNING LIABILITIES IN THE BALANCE SHEET

17. Capital and reserves

Cooperative capital at 1 Jan	**172.0**	169.4
Increase	**2.3**	2.6
Cooperative capital at 31 Dec	**174.3**	172.0

Cooperative capital consists of the cooperative payments which the cooperative societies make to Suomen Osuuskauppojen Keskuskunta (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 3.3 million on 31 December 2015 (EUR 5.8 million unpaid cooperative payments on 31 December 2014).

On 31 December 2015, the number of cooperative enterprises was 27, and the number of shares was 350 568.
On 31 December 2015, the number of cooperative enterprises was 28, and the number of shares was 350 290.

Supplementary cooperative capital at 1 Jan	**12.8**	12.8
Supplementary cooperative capital at 31 Dec	**12.8**	12.8

The supplementary cooperative capital consists of voluntary investments which the cooperative societies make to Suomen Osuuskauppojen Keskuskunta (SOK). The cooperative societies have the right to a return on their supplementary cooperative capital contributions in the manner and subject to the conditions specified in the Cooperative Societies Act and SOK's statutes.

EUR million	2016	2015
Fair value reserve at 1 Jan	**0.5**	1.5
Derivative instruments used to hedge cash flow		
Value change during the period	**1.4**	0.4
Amount excluded from equity to income statement	**-0.4**	-1.0
Financial assets held for sale		
Value changes during the financial period	**3.0**	-0.3
Fair value reserve at 31 Dec [1]	**4.5**	0.5

[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.

Legal reserve at 1 Jan	**18.5**	18.5
Legal reserve at 31 Dec	**18.5**	18.5
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	**0.0**	0.0
Profit for the previous financial years 1 Jan	**566.8**	525.8
Transfer to Supervisory Board's disposal fund	**-0.1**	-0.1
Interest on supplementary cooperative capital	**-5.9**	-0.2
Redemption of supplementary cooperative capital	**-12.8**	
Profit for the previous financial years 31 Dec	**548.1**	525.6
Profit for the financial year	**46.4**	41.2
Total capital and reserves	**804.5**	770.5
Distributable funds at 31 Dec		
Profit for the previous financial years	**548.1**	525.6
Profit for the financial year	**46.4**	41.2
Total	**594.5**	566.8

EUR million	2016	2015
18. Accumulated appropriations		
Accelerated depreciation		
Intangible rights	**4.7**	3.6
Other capitalised expenditure	**3.0**	2.7
Buildings and constructions	**-0.2**	-0.3
Machinery and equipment	**-1.2**	-1.2
Total	**6.4**	4.8
19. Provisions		
Partially vacant premises	**7.4**	11.2
Other mandatory provisions	**0.3**	0.7
Total	**7.6**	11.9
20. Long-term liabilities		
Other long-term liabilities	**0.5**	0.7
Total long-term liabilities	**0.5**	0.7
21. Short-term liabilities		
Trade payables	**572.2**	554.7
Liabilities to group companies		
Trade payables	**32.5**	24.7
Other short-term liabilities	**146.2**	173.8
Accruals and deferred income	**6.1**	7.7
Total	**184.8**	206.3
Amounts owed to participating interest companies		
Trade payables	**49.0**	40.5
Total	**49.0**	40.5
Other short-term liabilities	**11.2**	7.4
Accruals and deferred income	**73.1**	72.5
Total short-term liabilities	**890.4**	881.5
Specification of accruals and deferred income		
Personnel costs	**24.3**	22.5
Financial items	**3.5**	5.8
Other	**51.3**	51.9
Total accruals and deferred income	**79.2**	80.3

EUR million	2016	2015

22. Related party transactions

Related party transactions

Sales of goods	**60.3**	56.3
Service revenue	**40.4**	39.7
Facility rents	**29.0**	28.4
Total	**129.7**	124.3
Purchase of goods	**231.4**	234.5
Purchase of service	**256.8**	252.0
Total	**488.2**	486.5

SECURED ASSETS AND CONTINGENT LIABILITIES

23. Contingent liabilities

Pledges and contingent liabilities

Other collateral provided		
Pledges	**0.1**	0.1
Financial guarantees	**0.4**	0.4
Pledges provided as collateral total	**0.4**	0.4
Securities given on behalf of Group companies		
Pledges	**0.0**	
Financial guarantees	**201.6**	221.0
Total	**201.6**	221.0
Security given on behalf of others' liabilities		
Financial guarantees on joint ventures' debt	**87.5**	19.4
Guarantees for liabilities of cooperative enterprises	**7.4**	
Total	**94.9**	19.4
Other collateral provided for others		
Financial guarantees on joint ventures' responsibilities	**2.4**	21.0
Total	**2.4**	21.0
Other contingent liabilities		
Letters of credit	**0.4**	0.5
Total	**0.4**	0.5
Leasing liabilities:		
Payable next year	**17.8**	29.0
Payable in more than one year	**37.8**	81.6
Total	**55.6**	110.6

EUR million	2016	2015
Minimum lease payments on non-cancellable operating leases:		
Payable next year	**3.9**	5.7
Payable in more than one year	**23.6**	32.9
Total	**27.5**	38.6
Repurchase liabilities [1]	**31.4**	33.9
Underwriting [2]	**10.7**	10.7
Other contingent liabilities		9.8
Total	**42.1**	54.4

[1] Repurchase liabilities consist of an obligation to purchase the targets of the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries, at the amount of the fund's remaining liabilities. SOK's ownership share in the property fund company is 20 per cent.

[2] The underwriting obligation consists of an obligation to invest capital inputs in the property fund which invests in the Prisma stores in St. Petersburg and the Baltic countries.

In addition, SOK has given letters of support on behalf of SOK-Takaus Oy. The amount of the letters of support was EUR 8.9 million 31.12.2016 (EUR 71.9 million 31.12.2015).

Other financial liabilities:
The Group is obligated to revaluate the value added tax deductions it has made on real estate investments if the taxable use of the property decreases during the period being audited. The maximum amount of the liability is EUR 1.2 million on 31 Dec 2016 (EUR 1.5 million on 31 Dec 2015).

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

In accordance with the so-called Mankala principle, the shareholders are responsible for S-Voima Oy's commitments. This principle states that the liability for the company's variable costs is determined based on the energy the shareholder uses. The liability for the company's fixed costs, also including loan repayments and interests as well as depreciations, is distributed in proportion to the share series owned by the shareholder. The company's series A shares are related to the acquisition of market electricity; series B shares to the acquisition of wind power electricity; and series C shares to the acquisition of nuclear power electricity in which S Group has decided not to participate.

Additionally SOK has pledged to provide loan funding. SOK has at 30 June 2015 the following open commitments: To provide EUR 50.0 million (EUR 60.0 million 31 Dec 2015) and long term debt EUR 80,5 (EUR 0,0 million 31 Dec 2015) and shareholder loan to S-ryhmän logistiikkakeskukset Oy, to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2015) 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.

Derivatives are primarily used for hedging against financial risks. For purposes other than hedging, derivatives trading is only carried out within the risk limits approved by SOK's Executive Board.

Interest rate risk is monitored at the SOK Corporation level for the Group's external items only.

Currency risk refers to uncertainties in SOK Corporation's cash flow, result and balance sheet caused by changes in exchange rates. The magnitude of currency risk is reviewed for each currency. The goal is to minimise uncertainties caused by an open position currency risk, while taking into account the costs of hedging. SOK Funding is responsible for centrally managing SOK Corporation's currency risk. SOK Corporation's currency risk is monitored via the ALM accounting position, which illustrates the currency risk of the entire Group. If the currency risk changes by 10 per cent, the ALM position risk must not exceed EUR 2 million.

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 2016**	**Underlying item values 2015**	**Fair values 2016**	**Fair values 2015**
Forward exchanges, hedge accounting	30.2	18.3	1.5	0.4
Forward exchanges, no hedge accounting	10.8	19.3	0.7	0.3
Total	41.0	37.6	2.2	0.7

The forward exchanges will mature in 2017.

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

	€
Profit indicated in the income statement	46 366 521.86
Profit for the previous financial years	548 106 502.48
Total	594 473 024.34
The Executive Board proposes that the profit for the financial year of EUR 46 366 521,86 be used as follows:	
– distributed as interest on cooperative contributions paid by the cooperative enterprises by the beginning of the financial period	10 321 966.00
– transferred to the Supervisory Board's disposal fund	50 000.00
– left in the retained earnings account	35 994 555.86
Providing that the Cooperative Meeting approves the above proposal, SOK's capital and reserves will be:	
Cooperative capital	174 282 500.00
Supplementary cooperative capital	12 750 000.00
Fair value reserve	4 473 023.50
Legal reserve	18 473 154.85
Supervisory Board's disposal fund	87 634.97
Profit for the previous financial years	584 101 058.34
Total	794 167 371.66

Helsinki, 10 February 2017

Taavi Heikkilä

Heikki Hämäläinen

Tapio Kankaanpää

Hannu Krook

Timo Mäki-Ullakko

Matti Niemi

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 31 December, 2016. 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 scepticism 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, 17 March 2017

KPMG OY AB

Jukka Rajala
Authorised Public Accountant. KHT

Statement by the Supervisory Board

According to Clause 1 of Subsection 1 of Section 13 of the SOK Corporation's statutes, the Supervisory Board has today inspected the financial statements and consolidated financial statements prepared by the Executive Board for 2016, and has familiarised itself with the auditors report.

The Supervisory Board proposes that the cooperative meeting confirm the financial statements and the consolidated financial statements and that the Executive Board's proposal concerning the fiscal year's result and equity be approved.

The following members are resigning from the Supervisory Board due to their three year term ending: Jorma Bergholm, Matti Timonen, Maija-Liisa Lindqvist, Mika Marttila, Anne Mäkelä, Pekka Ritvanen and Ilkka Ojala. The Supervisory Board proposes that the cooperative meeting choose seven new members to replace the above mentioned for the next three years.

Helsinki, 30 March 2017

SUOMEN OSUUSKAUPPOJEN
KESKUSKUNTA

On behalf of the Supervisory Board

Matti Pikkarainen Chairman	Seppo Kuitunen Secretary

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