# SOK Corporation's 2018

Financial Statements 1 Jan –31 Dec 2018

# SOK Corporation's Financial Statements 2018


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# Executive board report on operations

## Development of the operating environment

The overall development of the Finnish national economy and the of private consumption, in particular, have a considerable effect on the result of SOK Corporation and the entire S Group. The favourable growth that started in the Finnish economy in 2016 has slowed down slightly but continued in 2018, and S-Bank forecasts GDP growth of 2.3 per cent year-on-year during this growth period.

Private consumption has been supported by the continued fairly low interest rate level, income level growth that has surpassed the growth of consumer prices, as well as the continued decrease in unemployment and increase in the employment rate. However, consumer confidence in the economy has clearly weakened from the peak levels of 2017. In spite of this, private household consumption has continued to grow and has been a driver of growth, supporting S Group's sales. The value of total retail sales thus grew by 2.7 per cent from the previous year, while sales volumes increased by 1.7 per cent.

### S Group's business development 1 January – 31 December 2018

S Group comprises the cooperative enterprises SOK and its subsidiaries, as well as the companies owned jointly by them. In 2018, S Group's retail sales excluding taxes was EUR 11 523 million, showing an increase of 2.2 per cent year-on-year.

| S Group's retail sales excluding taxes by business area | EUR million | +/- % prev. year |
|---|---|---|
| Prisma* | 3,467 | -0.7 |
| S-market | 3,460 | +3.2 |
| Sale and Alepa | 1,066 | +4.5 |
| Herkku | 96 | |
| Other supermarket trade | 6 | +51.6 |
| Supermarket trade total* | 8,096 | +2.9 |
| Hardware trade | 135 | -23.4 |
| Service station store and fuel sales | 1,729 | +5.9 |
| Department stores and specialised trade | 294 | -5.2 |
| Travel industry and hospitality business* | 816 | +0.6 |
| Automotive trade and accessories | 407 | +7.3 |
| Agricultural trade | 25 | -67.4 |
| Others: | 20 | +6.1 |
| **S Group total*** | **11,523** | **+2.2** |

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

At the end of the year, S Group had 1,841 outlets, compared with 1,843 outlets year-on-year.

On 31 December 2018, there were 20 regional cooperatives and six local cooperatives.

A total of 80,294 new members joined the cooperatives participating in the Bonus system in 2018. The total number of co-op members was 2,398,295 at the end of December. Co-op members were paid EUR 329 million in Bonus rewards.

S Group's investments amounted to EUR 589 million, compared with EUR 525 million in the previous year.

S Group's combined non-consolidated result before appropriations and taxes was positive EUR 346 million, compared with EUR 297 million in the previous year. The cooperatives' combined result before appropriations and taxes showed a profit of EUR 290 million, compared with EUR 292 million in the previous year. SOK Corporation's result before taxes (IFRS) showed a profit of EUR 55.4 million, compared with EUR 5.0 million in the previous year.

### General Data Protection Regulation

The General Data Protection Regulation took effect on 25 May 2018. S Group implemented an extensive data protection project in 2017 and 2018 to determine how the requirements of the General Data Protection Regulation apply to S Group and to identify development needs, and managed the activity to meet these requirements.

The project outcomes included S Group's data protection principles and an operating and management model for data protection. In addition, the roles and responsibilities related to the implementation of data protection were defined for the S Group organisations. A data protection officer in accordance with the General Data Protection Regulation was also appointed to S Group. Going forward, S Group's data protection development team will prepare, monitor and promote effective implementation of privacy protection at S Group level.

## Financial development

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

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

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

### SOK Corporation's financial development 1 January – 31 December 2018
Net sales of the SOK Corporation for the period 1 January – 31 December 2018 were EUR 7,303.5 million, up 3.4 per cent from the previous year.

SOK Corporation's operating profit (IFRS) was EUR 60.7 million (5.9 million). The main reasons for the improved result compared with the previous year included measures launched last year related to the development and profitability of the network of supermarket trade outlets in neighbouring countries, as well as the positive development of the travel industry and hospitality business from last year. Foreign operations accounted for EUR 4.6 per cent (5.8%) of net sales, or EUR 332.9 million.

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

| **SOK Corporation** | **31 December 2018** | **31 December 2017** | **31 December 2016** |
|---|---|---|---|
| Net sales, EUR million | 7,303.5 | 7,063.6 | 7,074.0 |
| Operating profit, EUR million | 60.7 | 5.9 | 27.0 |
| Operating profit, % | 0.8 | 0.1 | 0.4 |
| Return on equity, % | 7.5 | 0.3 | 1.8 |
| Equity ratio, % | 38.4 | 36.5 | 37.0 |

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

| **SOK Corporation** | **31 December 2018** | **31 December 2017** | **31 December 2016** |
|---|---|---|---|
| Operating result, EUR million | 59.4 | 41.5 | 28.8 |

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

| | **Net sales EUR million** | **+/- % prev. year** | **Operating result, EUR million** | **Change, EUR million** |
|---|---|---|---|---|
| Supermarket trade | 283.7 | -20.3 | -6.3 | +19.3 |
| Travel industry and hospitality business | 270.1 | +0.2 | +32.6 | +1.7 |
| Procurement and service business | 6,792.0 | +5.1 | +12.0 | +5.1 |
| Real estate business | 85.1 | +3.8 | +17.8 | +2.8 |
| Result from banking | | | +3.9 | -2.7 |
| Elimination for the retail and wholesale and other items | -131.3 | +20.4 | -1.2 | -1.9 |
| **SOK Corporation, total** | **7,299.7** | **+3.4** | **+58.9** | **+24.2** |

### Funding
SOK Corporation's funding level was good during the financial period. SOK Corporation's interest-bearing net liabilities amounted to EUR 2.6 million at the end of the year (EUR 74.6 million), and gearing was 0.4 per cent (11.8 per cent). SOK Corporation's equity ratio was 38.4 per cent (36.5 per cent).

At the end of the year, SOK Corporation's liquid assets amounted to EUR 172.6 million (EUR 120.6 million). In addition, the Group had unused committed long-term credit limits of EUR 100.0 million (100.0 million) and account limits of EUR 57.0 million (57.0 million). The implementation of IFRS 16 on 1 January 2019 will increase the Group's interest-bearing liabilities considerably. However, the IFRS standards used in the calculation of financial covenants related to SOK Corporation's financing agreements have been frozen to the agreement date, so any IFRS standards taking effect later will not impact reporting on the covenants.

## Investments and divestments

SOK Corporation's non-current asset procurement (i.e., investments in fixed assets) totalled EUR 113.2 million (EUR 57.9 million). Significant investments were made in information systems, logistics and terminal properties, and domestic travel industry and hospitality business units. Additional capital was also invested in the S-Pankki associated company.

The divestment of non-current assets amounted to EUR 23.0 million in the review period (EUR 3.5 million).

## Personnel

SOK Corporation's average number of personnel, converted to full-time equivalents, was 5,491 people during the financial period (2017: 5,411; 2016: 5,849).

At the end of 2018, SOK Corporation's number of personnel in active em-ployment relationships was 6,197, of whom 1,529 (25 per cent) were employed by SOK and 4,668 (75 per cent) by the subsidiaries. The total number of employees working abroad was 2,106 (34 per cent).

The number of personnel increased by 80 people (1.5 per cent) year-on-year.

# Development of the business areas

## Supermarket trade

The supermarket trade includes business operations in Estonia and Russia. In Estonia, there are five Prisma stores in Tallinn, two stores in Tartu and one in Narva. In St Petersburg, there are 13 Prisma stores. Four stores were closed and one new store was opened during the year.

Net sales from the supermarket trade were EUR 283.7 million. Compared with the previous year, net sales decreased by 20 per cent, which was primarily due to the discontinuation of business operations in Latvia and Lithuania last year. The operating result of the supermarket trade was at a considerably better level than in the previous year. Investments by the supermarket trade totalled EUR 2.5 million and were mostly equipment replacement investments.

## Travel industry and hospitality business

In 2018, the travel industry and hospitality business in the SOK Corporation was operated by Sokotel Oy in Finland, AS Sokotel in Estonia, and OOO Sokotel in Russia.

Global growth in the travel industry continued in 2018, which was indicated by the positive development of demand in all market areas. Growth also continued in the hospitality business, supported by the positive economic situation.

Net sales of the SOK hotel business totalled EUR 270.1 million and grew by 0.2 per cent from the previous year. The operating result was EUR 32.6 million, which showed an increase of 5.6 per cent compared to the previous year.

In 2018, Sokotel Oy's net sales were EUR 221.4 million, showing an increase of 0.7 per cent from the previous year. Sokotel Oy's operating result improved clearly from the previous year, primarily as a result of the good development of net sales in the accommodation business and good expense management.

Net sales of AS Sokotel, engaging in the travel industry and hospitality busi-ness in Tallinn, was EUR 18.8 million, decreasing by 2.9 per cent from the previous year. The operating result of AS Sokotel weakened from the previous year. The weakening of net sales and the operating result was partly due to the restaurant reforms carried out at the beginning of the year, during which the majority of restaurant operations were inactive.

Net sales of OOO Sokotel, which engages in the travel industry and hospitality business in St Petersburg, was EUR 29.9 million, a decrease of 1.8 per cent from the previous year. In local currency, net sales increased by 10.1 per cent. The average operating result of OOO Sokotel was slightly weaker than in the previous year due to the weakening of the rouble.

In 2018, the investments by the travel industry and hospitality business totalled EUR 12.8 million, with EUR 11.9 million targeting Finland. The investments consisted mainly of renovations of hotel units.

## Procurement and service business

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

Net sales from the procurement and service business totalled EUR 6,792.0 million. Net sales remained at the previous year's level. The operating result of the procurement and service business was EUR  million, which was better than the previous year.

Net sales from the procurement and service business totalled EUR 6,792.0 million. The increase in net sales was primarily due to the growth in SOK's procurement operations. The most significant factors that contributed to the improvement of the operating result were the improved results of S-Verkkopalvelu and Rekla, which provides money calculation services to S Group.

The 2018 investments by the procurement and service business totalled approximately EUR 42.4 million. The investments consisted mainly of information system investments. Additional capital was also invested in the S-Pankki associated company.

### Real estate business

Net sales from the real estate business consists of rental and property service income from properties owned by SOK Corporation. Net sales were EUR 85.1 million, which was slightly higher than the previous year. The operating result of the real estate business showed a profit.

The 2018 investments in the real estate business were EUR 55.4 million. The largest investments were into logistics and terminal properties, and purchase of the former associate company real estate fund RBRP Ky which owned Prisma properties in Estonia and Russia.

### Development of associated companies and joint ventures

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd., which operates in the banking sector. Growth of S-Bank's balance sheet continued to be strong. The total funds on deposit grew by 16.5 per cent from the end of the previous year and were EUR 5.8 billion at the end of the year (5.0 billion). Lending grew by 12.4 per cent and was EUR 4.2 billion at the end of the year (3.7 billion). S-Bank Group's capital adequacy ratio was 16.8 per cent (16.7 per cent). At the end of the year, S-Bank Group's operating result was EUR 11.6 million (EUR 16.0 million). The comparable operating result was EUR 13.2 million (14.4 million). These figures take into consideration the nonrecurring items recognised in expenses in 2018 and the income from the divestment of small business and farm operations included in the result in the previous year. The IFRS-adjusted share of the result for the financial year corresponding to SOK Corporation's shareholding (37.5 per cent) was EUR 3.9 million.

Net sales of the fuel procurement company North European Oil Trade Oy were EUR 5,391 million. Net sales grew by 8.5 per cent from the previous year due to the increase in the world market price of oil. The volume of the Group's business operations has remained at the same level as the previous year. SOK's shareholding in North European Oil Trade Oy is 50.77 per cent. Due to the shared controlling interest based on the associated company agreement, the company is treated as a joint venture using the equity method.

In addition to S-Bank and North European Oil Trade Oy, SOK Corporation's other associated companies and joint ventures include Finnfrost Oy (specialising in the procurement and logistics of frozen products), an associated company of SOK's subsidiary Inex Partners Oy, the Raisiobased Kauppakeskus Mylly Oy shopping centre and the inter-Nordic procurement company Coop Trading A/S.

The combined effect of all SOK Corporation's associated companies and joint ventures on its result was EUR 7.3 million in total (EUR 11.7 million).

## Changes in the group structure

Two Finnish housing companies, Koy Zatelliitintie and Koy Siilinjärven Takojantie, were sold in January, and Lithuanian housing company UAB Viršuliškių prekybos centras was sold in June.

At the end of February, SOK acquired all shares of its associated company Russian and Baltics Retail Properties Ky real estate fund (RBRP). As a result of the acquisition, the RBRP subsidiary purchased three housing companies in Russia and one in Estonia, as well as their administrative holding compa-nies. Two of the housing companies, OOO Itis and OOO Itis 3, were sold on to external parties in May. The foreign holding companies of the real estate fund group were dissolved during the financial period, with the exception of RBRP Holding BV, which was dissolved in January 2019.

The SOK Takaus Oy company was dissolved in October.

UAB Prisma LT, which had discontinued its operations in 2017, was merged with SOK Liiketoiminta Oy in December.

## Management and future outlook

### Management and changes in management

Taavi Heikkilä was Chairman of SOK's Executive Board in 2018. In addition to the CEO, the Executive Board in 2018 consisted of the following members: Managing Director Heikki Hämäläinen, Managing Director Hannu Krook, Managing Director Timo Mäki-Ullakko, Managing Director Olli Vormisto and, as new members, Managing Director Juha Kivelä and Managing Director Veli-Matti Liimatainen. Hannu Krook is the Executive Board's Vice Chairman.

In April 2018, Doctor of Theology Matti Pikkarainen was re-elected as Chairman of SOK's Supervisory Board, and lawyer Timo Santavuo was elected as new Vice Chair. Antti Määttä was re-elected as second Vice Chair.

The auditor in the financial year 2018 is 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 a one-year term beginning on 1 January 2019: Managing Director Hannu Krook (vice chairman), Managing Director Kim Biskop, Managing Director Juha Kivelä, Managing Director Veli-Matti Liimatainen, Managing Director Kimmo Simberg, Managing Director Olli Vormisto, Professor Rita Järventie-Thesleff and Managing Director Nermin Hairedin. 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 2018, the Corporate Management Team consisted of Arttu Laine, Deputy CEO of SOK and Executive Vice President, S Group Chain Management, Procurement and Logistics; Jari Annala, CFO, SOK Finance and Administration; Susa Nikula, Executive Vice President, SOK Human Resources; Sebastian Nyström, Chief Strategy Officer; 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, worked as secretary to the Corporate Management Team. From the start of year 2019 Jari Annala will be responsible for SOK Consumer Goods and Jorma Vehviläinen for Finance and Administration.

### Near-term risks and uncertainties

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

S Group's strategic risks are examined annually by SOK's Corporate Management Team and confirmed by SOK's Executive Board. In 2018, S Group's strategic risks were reviewed, with the focus on the short (3 years) and long term (10 years), and strategic risk analyses were prepared for the business areas.

The most significant short-term risks and uncertainties in S Group are associated with securing the competitiveness of the grocery trade and the profitability of the consumer goods trade in the transformation of the retail sector and the tightening competitive situation. There are several development projects underway in S Group, related to resource planning, logistics and quality improvement among other areas. Implementing these successfully will ensure the efficiency of the value chain and customer satisfaction in the future. In the long-term, the most significant risks are related to the realisation of the changes central from S Group's point of view, including digitalisation and technological development, workforce and competence, centralisation of population and changes in consumption behaviour. Responding to these changes and seizing the opportunities successfully are key to securing S Group's future competitiveness.

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

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

## RESPONSIBILITY

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

The implementation of S Group's Best Place to Live sustainability programme continued in 2018. The programme has four themes: for the good of society, climate change and the circular economy, ethical operating culture and human rights, as well as well-being and health. The programme includes 100 responsibility acts.

S Group is committed to promoting the objectives of 'Finland 2050', the Society's commitment to sustainable development, through a number of different commitments.

S Group is committed to science-based objectives concerning the reduction of emissions in its own operations and has also invited its suppliers and customers to join the efforts to mitigate climate change in the Big Deal campaign. The Group's objective is to reduce its climate emissions by 60 per cent from the 2015 level by 2030. S Group's additional objective, with its partners, is to reduce emissions by a million tonnes by 2030. In Carbon Disclosure Project's international climate change assessment, S Group received a score of A-. The score equals the Leadership level among climate work pioneers.

S Group's plastics policy updated in 2018 includes tangible objectives and acts to promote sustainable use of plastics.

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

S Group has been developing a new Radical Transparency research concept to identify the root causes of human rights risks in supply chains. The first pilot of the research model was carried out during the tomato harvesting season in the Foggia region of Southern Italy in 2018.

In 2018, S Group's chains were again ranked highly in the Sustainable Brand Index, the largest brand study on sustainability in the Nordic countries. Finnish consumers ranked Prisma, Sokos Hotels and S-Bank as the most responsible companies in their sectors. The Kotimaista brand was ranked Finland's second most responsible brand.

In the 2018 Luottamus & Maine ('Reliability and reputation') survey, S Group's public image as a responsible company had improved from the previous year.

The results and objectives of S Group's responsibility work will be described in greater detail in the annual review and responsibility review to be published in March 2019, available at www.s-ryhmä.fi.

## Outlook for the current year

The development of the economic situation in Finland and its neighbouring countries is a significant factor for the success of SOK Corporation's operations. According to S-Bank's forecasts, economic growth in Finland will decrease to less than two per cent, at 1.7 per cent in both 2019 and 2020. Income level growth is forecast to continue to exceed the growth in consumer prices, which, together with the declining unemployment rate, will support the growth of private consumption. However, growth will be weaker than in the current year 2018, which may be reflected in the development of S Group's sales. In addition, interest rates, which were close to zero for many years, are expected to take an upward turn as the European Central Bank will gradually raise key interest rates during 2019 and 2020. The new grocery trade logistics centre was commissioned according to schedule in 2018. The new centre will improve the competitiveness of S Group's grocery trade in the coming years.

The result of S Group's business operations is expected to improve slightly from last year. The overall demand in the travel industry is expected to continue to be good, but the result of the travel industry and hospitality business in Finland will be burdened in 2019 by investments in opening new hotels and renovating existing ones. Despite the challenging competitive situation in the supermarket trade in Estonia and St Petersburg, the result is expected to improve compared with the previous year through development programmes.

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

SOK's distributable surplus is EUR 553,199,561.49 (the loss for the financial year is EUR -4,346,075.51). The Executive Board proposes that EUR 27,549,407.11 be paid as interest on cooperative capital and that EUR 50,000.00 be transferred to the Supervisory Board's contingency fund.

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

Helsinki, 7 February 2019

SOK
CORPORATION
Executive Board

# Consolidated Financial Statements, IFRS

## Consolidated income statement, IFRS

| EUR million | Note | 1.1.-31.12.2018 | 1.1.-31.12.2017 |
|---|---|---|---|
| Revenue | | 7,303.5 | 7,063.6 |
| Other operating income | 2 | 2.6 | 1.6 |
| | | | |
| Materials and services | | -6,548.9 | -6,362.7 |
| Employee benefit expenses | 3 | -253.2 | -235.6 |
| Depreciation and impairment losses | 4 | -61.2 | -76.8 |
| | | | |
| Other operating expenses | 5 | -389.0 | -394.0 |
| Share of results of associated companies and joint ventures (+/-) | 14 | 6.9 | 9.8 |
| | | | |
| **Operating profit (-loss)** | | **60.7** | **5.9** |
| Financial income and expenses (+/-) | 7 | -5.7 | -2.9 |
| Share of results of associated companies and joint ventures (+/-) | 14 | 0.4 | 1.9 |
| | | | |
| **Profit before taxes** | | **55.4** | **5.0** |
| | | | |
| Income taxes (+/-) | 9 | -6.7 | -3.0 |
| **Result for the financial year** | | **48.7** | **1.9** |
| | | | |
| Attributable to: | | | |
| Owners of the parent | | 50.3 | 2.8 |
| Share of non-controlling interests | | -1.5 | -0.9 |
| | | 48.7 | 1.9 |

## Statement of other comprehensive income

| EUR million | Note | 1.1.-31.12.2018 | 1.1.-31.12.2017 |
|---|---|---|---|
| Result for the financial year | | 48.7 | 1.9 |
| Other comprehensive income: | | | |
| Items that may be Reclassified Subsequently to Profit and | | | |
| Exchange differences on translating foreign operations | | -9.5 | -3.5 |
| Available-for-sale financial assets | | | |
| Exchange differences on loans to foreign subsidiaries classified as net investments. | | -0.6 | -0.3 |
| Cashflow hedges | | -0.1 | -3.3 |
| Comprehensive income items of associated companies and joint ventures | | -3.1 | -0.3 |
| Other comprehensive income for the financial year, net of tax | | -13.3 | -7.4 |
| **Total comprehensive income for the financial year** | | **35.4** | **-5.4** |
| | | | |
| Total comprehensive income for the financial year attributable to: | | | |
| Owners of the parent | | 36.9 | -4.5 |
| Share of non-controlling interests | | -1.5 | -0.9 |
| | | 35.4 | -5.4 |

# Consolidated statement of financial position, IFRS

| EUR million | Note | **31.12.2018** | **31.12.2017** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 353.4 | 356.0 |
| Investment properties | 11 | 24.1 | 27.5 |
| Intangible assets | 12 | 82.7 | 70.4 |
| Interests in associated companies and joint ventures | 14 | 196.6 | 181.8 |
| Non-current financial assets | 15 | 72.4 | 102.4 |
| Deferred tax assets | 16 | 18.0 | 27.0 |
| **Non-current assets, total** | | **747.2** | **765.1** |
| | | | |
| **Current assets** | | | |
| Inventories | 17 | 160.8 | 192.6 |
| Trade receivables and other current non-interest-bearing receivables | 18 | 650.0 | 655.7 |
| Current interest-bearing receivables | 19 | 0.0 | 0.0 |
| Cash and cash equivalents | 20 | 172.4 | 120.5 |
| **Current assets, total** | | **983.1** | **968.9** |
| assets held for sale | | | 12.8 |
| **Assets, total** | | **1,730.3** | **1,746.8** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Cooperative capital | 21 | 172.0 | 172.0 |
| Restricted reserves | 21 | 15.9 | 21.4 |
| Invested non-restricted equity reserve | | 21.5 | 4.4 |
| Retained earnings | | 450.9 | 433.9 |
| **Equity attributable to the the owners of the parent** | | **660.3** | **631.7** |
| **Non-controlling interests** | | **0.4** | **2.0** |
| **Equity, total** | | **660.7** | **633.7** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilities | 23 | 137.2 | 147.0 |
| Non-current non-interest-bearing liabilities | 24 | 36.3 | 34.5 |
| Provisions | 26 | 6.8 | 7.1 |
| Deferred tax liabilities | 16 | 12.1 | 13.5 |
| **Non-current liabilities, total** | | **192.3** | **202.0** |
| | | | |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 23 | 38.3 | 47.1 |
| Current non-interest-bearing liabilities | 24 | 144.9 | 123.9 |
| Trade payables | 24 | 693.3 | 719.4 |
| Provisions | 26 | 0.6 | 18.3 |
| Tax liabilities for the financial year | | 0.1 | 2.3 |
| **Current liabilities, total** | | **877.3** | **911.1** |
| **Equity and liabilities, total** | | **1,730.3** | **1,746.8** |

## Consolidated statement of cash flows, IFRS

| EUR million | Note / Reference | **31.12.2018** | **31.12.2017** |
|---|---|---|---|
| **BUSINESS OPERATIONS** | | | |
| Operating result from continuing operations | | 60.7 | 5.9 |
| Adjustments to operating result | (A) | 26.9 | 46.2 |
| Change in working capital | (B) | 36.8 | -54.2 |
| **Cash flow from business operations before financing and taxes** | | **124.5** | **-2.0** |
| Increase (-) / decrease (+) in current receivables | 18 | 0.3 | 2.9 |
| Interest paid and other financial expenses | 7 | 0.0 | -0.1 |
| Interest received and other financial income | 7 | 0.2 | 0.3 |
| Dividends received from business operations | 7 | 0.1 | 0.1 |
| Income taxes paid | 9 | -1.6 | -9.3 |
| **Cash flow from business operations** | | **123.5** | **-8.2** |
| | | | |
| **INVESTMENTS** | | | |
| Acquired shares in subsidiaries net of acquired cash | | -47.0 | |
| Divested shares in subsidiaries net of cash held by subsidiary | | 14.3 | |
| Investments in shares | 14.15 | -15.1 | -0.2 |
| Investments in tangible assets | 10 | -26.6 | -29.1 |
| Investments in intangible assets | 12 | -18.6 | -28.6 |
| Sale of other fixed assets | 10.12 | 8.1 | 3.5 |
| Change in other long-term investments | 15 | | 14.0 |
| Dividends received from investments | 7 | 1.7 | 6.5 |
| **Cash flow from investing activities** | | -83.1 | -34.0 |
| | | | |
| **FINANCING** | | | |
| Repayment of long-term liabilities | 22 | -1.5 | |
| Increase (+) / decrease (-) in short-term liabilities | 22 | -4.5 | 28.4 |
| Increase (-) / decrease (+) in long-term receivables | 15 | 30.2 | -20.2 |
| Increase (-) / decrease (+) in short-term receivables | 19 | | 10.0 |
| Interest paid | 7 | -2.9 | -1.2 |
| Interest received | 7 | 2.5 | 4.3 |
| Increase in cooperative capital | 21 | | 2.2 |
| Interest paid on the cooperative capital | | -16.6 | -10.3 |
| Other changes in equity | 21 | 4.3 | |
| **Cash flow from financing** | | **11.5** | **13.3** |
| | | | |
| **Increase / Decrease in cash and cash equivalents** | | **51.9** | **-28.9** |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | 20 | **120.8** | **150.4** |
| **Foreign exchange rate effect on cash and cash equivalents** | | **-0.3** | **-0.9** |
| **Increase / Decrease in cash and cash equivalents** | | **51.9** | **-28.9** |
| **Cash and cash equivalents at the end of the year** | 20 | **172.4** | **120.5** |
| | | | |
| Adjustments to operating profit | (A) | | |
| Gains from the sale of fixed assets | | 1.1 | 0.9 |
| Depreciation and impairment losses | | 61.2 | 76.8 |
| Other non-cash income and expenses | | -35.3 | -31.5 |
| | | 26.9 | 46.2 |
| Change in working capital | (B) | | |
| Change in trade and other receivables | | 5.0 | -47.0 |
| Change in inventories | | 31.8 | -9.7 |
| Change in non-interest-bearing liabilities | | 0.0 | 2.5 |
| | | 36.8 | -54.2 |

The loan period of short term loans is less than 3 months.

# Consolidated statement of changes in equity, IFRS

| EUR million | Equity attributable to the owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cooperative capital | Fair value reserve | Other restricted reserves | Invested non-restricted equity reserve | Translation differences | Retained earnings | Total | Non-controlling interests | **Equity, total** |
| **Equity** | | | | | | | | | |
| **1 Jan 2017** | 174.3 | 6.1 | 18.5 | 0.0 | -9.3 | 451.7 | 641.3 | 5.2 | 646.5 |
| Total comprehensive income | | -3.2 | | | -4.1 | 2.8 | -4.5 | -0.9 | -5.4 |
| Increase in cooperative capital | -2.3 | | | 4.4 | | | 2.2 | | 2.2 |
| Change of non-controlling interests, which did not result in a change in the controlling interest | | | | | | 2.3 | 2.3 | -2.3 | 0.0 |
| Interest on cooperative contributions | | | | | | -10.3 | -10.3 | | -10.3 |
| Other changes | | | 0.0 | | | 0.8 | 0.8 | | 0.8 |
| **31 Dec 2017** | **172.0** | **2.9** | **18.5** | **4.4** | **-13.4** | **447.3** | **631.7** | **2.0** | **633.7** |
| | | | | | | | | | |
| **Change in accounting policies IFRS 15 [1)]** | | | | | | **-0.3** | **-0.3** | | **-0.3** |
| **Change in accounting policies IFRS 9 [2)]** | | | | | | **-0.4** | **-0.4** | | **-0.4** |
| | | | | | | | | | |
| **1 Jan 2018** | 172.0 | 2.9 | 18.5 | 4.4 | -13.4 | 446.5 | 631.0 | 2.0 | 633.0 |
| Total comprehensive income | | -5.6 | | | -7.8 | 50.3 | 36.9 | -1.5 | 35.4 |
| Increase in cooperative capital | 0.0 | | | 17.1 | | -12.8 | 4.3 | | 4.3 |
| Interest on cooperative contributions | | | | | | -16.6 | -16.6 | | -16.6 |
| Other changes | | | 0.0 | | | 4.6 | 4.6 | 0.0 | 4.5 |
| **31 Dec 2018** | **172.0** | **-2.7** | **18.5** | **21.5** | **-21.2** | **472.1** | **660.3** | **0.4** | **660.7** |

1) The Group has adopted standard IFRS 15 Revenue from Contracts with Customers in line with the cumulative effect method. An adjustment related to discounts has been recognised in the opening balance of retained earnings on the date of the implementation of the standard.

2) The Group has adopted the IFRS 9 Financial Instruments standard. An adjustment related to the amount of credit losses for anticipated receivables has been recognised in the opening balance of retained earnings on the date of the implementation of the standard.

# 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 2018 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.

SOK Corporation's associated company 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 2018 financial period

On 1 January 2018, the Group adopted new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Overall, the new or amended IFRS standards applied during the 2018 financial period did not have any significant impact on the consolidated financial statements. The impact of the adoption of IFRS 9 and IFRS 15 are described in greater detail below.

### IFRS 9 Financial Instruments:

The IFRS 9 standard has replaced 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 have remained primarily the same. The Group updated the recognition and hedge accounting of financial instruments in accordance with the new standard. The new standard only changed the recognition of shares and participations included in non-current financial assets at fair value within the Group.

Starting from 1 January 2018, shares and participations are recognised at fair value through profit and loss. As a result, an increase of EUR 0.9 million was recognised in the opening balance of retained earnings on the day on which the new standard was adopted. Previously, the change in the fair value of shares and participations was presented in the fair value reserve.

As a result of the adoption of IFRS 9, the impairment of receivables is based on the model of expected credit losses, in which the impairment is estimated for all items within the scope of application of the impairment regulations of IFRS 9. Relating to impairment, a decrease of EUR 0.4 million was recognised in the opening balance of retained earnings on the day on which the new standard was adopted. The Notes concerning financial assets and liabilities have been updated to comply with IFRS 9.

## The reclassification of financial instruments resulting from the application of IFRS

| | Valuation class | |
|---|---|---|
| | Original (IAS 39) | New (IFRS 9) |
| **Financial assets** | | |
| **Non-current financial assets** | | |
| Shares and participations | Available-for-sale financial assets | At fair value through profit or loss |
| Loan receivables | Loans and other receivables (amortized cost) | Amortized cost |
| Non-interest-bearing loan receivables | Loans and other receivables (amortized cost) | Amortized cost |
| **Sales receivables and other current non-interest-bearing receivables** | | |
| Sales receivables | Loans and other receivables (amortized cost) | Amortized cost |
| Other non-interest-bearing receivables | Loans and other receivables (amortized cost) | Amortized cost |
| Prepayments and accrued income in financial items | Loans and other receivables (amortized cost) | Amortized cost |
| Derivative assets, hedge accounting | Derivatives under hedge accounting | At fair value through other items of comprehensive income |
| Derivative assets, other | Financial assets at fair value through profit or loss | At fair value through profit or loss |
| **Cash and cash equivalents** | | |
| Cash on hand and deposits | Loans and other receivables (amortized cost) | Amortized cost |
| **Financial liabilities** | | |
| **Non-current interest-bearing liabilities** | | |
| Financial leasing liabilities | Financial liabilities at amortized cost | Amortized cost |
| **Non-current non-interest-bearing liabilities** | | |
| Cash counting service | Financial liabilities at amortized cost | Amortized cost |
| Other non-interest-bearing liabilities | Financial liabilities at amortized cost | Amortized cost |
| **Current interest-bearing liabilities** | | |
| Interest-bearing loans from others | Financial liabilities at amortized cost | Amortized cost |
| Financial leasing liabilities | Financial liabilities at amortized cost | Amortized cost |
| **Current non-interest-bearing liabilities** | | |
| Derivative liabilities, hedge accounting | Derivatives for hedge accounting | At fair value through other items of comprehensive income |
| Derivative liabilities, other | Financial liabilities at fair value through profit or loss | At fair value through profit or loss |
| **Trade payables** | Financial liabilities at amortized cost | Amortized cost |

The reclassification of financial instruments did not have a significant impact on the financial statements of SOK Corporation. On 1 January 2018, the change in the fair value of shares and participations, EUR 0.9 million, was transferred from the fair value reserve to retained earnings.

### IFRS 15 Revenue from Contracts with Customers:

The standard IRFS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to recognising revenue earned from customer contracts; the new standard replaced 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 was 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.

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. In contracts also do not contain significant financing components.

The transaction price includes considerations that change often, such as volume and cash discounts. The changing considerations are measured by using the method of the most probable value unless they have not been realised yet at the end of the reporting period

IFRS 15 was adopted by following the cumulative effect method and by applying the standard to agreements not fully closed at the time of the transition. Relating to customer discounts in the travel industry and hospitality business, a decrease of EUR 0.3 million was recognised in the opening ba-lance of retained earnings on the day on which the new standard was adopted. Reference periods were not adjusted on the day of the adoption of the new standards. The Notes concerning sales gains have been updated to comply with IFRS 15.

## 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.

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

Assumptions and key uncertainties related to determining the fair value of financial instruments are described in Note 24, Fair values of financial assets and liabilities. Additional information on deferred taxes and provisions are provided in Notes 16 Deferred taxes and 25 Provisions.

## Principles of consolidation

The consolidated financial statements include the parent cooperative and all subsidiaries in which the parent cooperative has controlling interest. Controlling interest is generated when the Corporation has the right to control the principles of the company's finances and operations in order to gain benefits from its operations. In addition to Finland, the parent cooperative had subsidiaries in Russia and Estonia during the financial year 2017.

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 finance lease liabilities and liabilities to others. 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. Current interest-bearing liabilities consist of current finance lease liabilities and current liabilities to cooperative enterprises and others. Current non-interest-bearing liabilities, which are included in financial liabilities, comprise derivative liabilities as well as accruals and deferred income related to financial items.

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

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

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

The changes in the fair value of 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.

Financial assets held in order to collect cash flows and sales gains based on agreement are classified as financial assets measured at fair value through items of other comprehensive income. In addition, the cash flows of the aforementioned agreements are only payments of interest on the capital and the remaining capital amount. The change in the fair value is recognised through other comprehensive income in the fair value reserve of equity.

When the financial instrument is sold, the cumulative change in fair value cumulated in equity, together with accrued interest and capital gains or losses, is recognised in the income statement as a change in classification.

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

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

## Hedge accounting

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

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

## Impairment of financial assets

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

If the credit risk related to the financial instrument has not considerably increased after the original recognition, the deductible item is calculated for 12 months, corresponding to the expected credit losses. If the credit risk related to the financial instrument in question has considerably increased after the original recognition, the deductible item to be recognised is an amount that corresponds to the expected credit losses for the entire agreement validity period. If it is observed on a reporting date to be reviewed later that the credit risk has no longer increased compared to the original situation, the deductible item will, going forward, be recognised for 12 months, corresponding to the expected credit losses.

## Principles of income recognition

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

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

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

## Government grants

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

## Other operating income

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

## Employee benefit expenses

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

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

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

## Operating profit

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

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

## Income taxes

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

Deferred tax liabilities and assets are recognised on the temporary differences between the carrying amount and tax base of assets and liabilities. No deferred tax liabilities have been calculated on goodwill to the extent that goodwill is not tax deductible. The main temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, and investment properties (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. The recognition prerequisites are assessed on each closing date of the reporting period.

## Goodwill and other intangible assets

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

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

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

## Property, plant and equipment

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

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

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

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

## Impairment losses

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

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

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

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

## 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

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

## Provisions

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

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

## Assets held for sale and discontinued operations

An asset that is part of a plan of sale or a disposal group is classified as an asset held for sale when the recoverable amount primarily comes from the sale of the asset and not from its continuous use. An asset or group of assets classified as held for sale is measured at the lower of its carrying amount or fair value less estimated selling costs. 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

IFRS 16 Leases (effective as of 1 January 2019) 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. The standard will be implemented by means of retroactive adjustment, in which lease agreements are calculated retroactively, as if the new standard had been applied from the beginning of the lease agreements and by recognising the cumulative effect in retained earnings on the date on which the standard was adopted. The adoption will increase the non-current assets of the balance sheet by EUR 929,7 million, deferred tax assets by EUR 22,1 million and the interest-bearing liabilities of the balance sheet by EUR 1 040,2 million. The impact of the retroactive calculation to be recognised in retained earnings decrease the retained earnings by EUR 88,4 million. Moreover, the split of lease expenses in the consolidated financial statements into depreciation and interest expense will change the structure of the consolidated income statement and result in an estimated expense of EUR 0,7 million in the consolidated result for 1 January–31 December 2019.

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.

## SOK Corporation's segments to be reported are

### Supermarket trade

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

### Tourism and hospitality business

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

### Real estate business

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

### Procurement and Services Business

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

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

### Banking

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

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

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

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

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

## Segment information 31.12.2018

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

| | |
|---|---|
| **Reconciliation of the revenue** | |
| Management reporting revenue to be reported | 7,299.7 |
| Eliminations | 3.8 |
| Revenue IFRS | 7,303.5 |
| | |
| **Reconciliation of the result** | |
| Operating result of the segments to be reported | 58.9 |
| Items excluded from the operating result within SOK Corporation: | |
| Financial income and expenses (FAS) | 0.5 |
| Operational result of the segments to be reported | 59.4 |
| Gains and losses on the sale of property, plant and equipment | -1.4 |
| Other operating income and expenses | -0.4 |
| Changes in provisions | 0.0 |
| Valuation gains and losses on derivatives | 0.4 |
| Impairment losses on tangible and intangible assets | -4.4 |
| IFRS adjustments | 1.8 |
| Profit before taxes for the period IFRS | 55.4 |
| | |
| **Additional data at SOK Corporation level, external income** | |
| Sales to S-Group | 6,335.1 |
| Other sales in Finland | 631.6 |
| Foreign | 333.0 |
| Revenue, total | 7,299.7 |
| | |
| Supermarket Trade | 283.7 |
| Tourism and Hospitality Business | 274.0 |
| Procurement and services Business | 6,660.8 |
| Real estate business | 85.1 |
| Revenue, total | 7,303.5 |
| | |
| **Additional information at SOK Corporation level, fixed assets** | |
| Finland | 410.1 |
| Foreign | 50.1 |
| Fixed assets, total | 460.2 |

## Segment information 31.12.2017

| 2017 EUR million | Supermarket trade | Travel industry and hospitality business | Procurement and services business | Real estate business | Banking | Internal eliminations and other | Management reporting, total |
|---|---|---|---|---|---|---|---|
| **Revenue** | 355.9 | 269.7 | 6,461.2 | 82.0 | | -109.0 | 7,059.7 |
| **Operating result** | -25.5 | 30.9 | 6.9 | 15.1 | 6.6 | 0.8 | 34.7 |
| **Investments** | 1.6 | 8.7 | 32.8 | 14.8 | | 0.0 | 57.9 |
| **Divestments** | 0.1 | 0.0 | 3.4 | 0.0 | | | 3.5 |

| | |
|---|---|
| **Reconciliation of the revenue** | |
| Management reporting revenue to be reported | 7,059.7 |
| Eliminations | 3.8 |
| Revenue IFRS | 7,063.6 |
| | |
| **Reconciliation of the result** | |
| Operating result of the segments to be reported | 34.7 |
| Items excluded from the operating result within SOK Corporation: | |
| Financial income and expenses (FAS) | 6.8 |
| Operational result of the segments to be reported | 41.5 |
| Gains and losses on the sale of property, plant and equipment | -1.5 |
| Other operating income and expenses * | -14.4 |
| Changes in provisions * | -11.1 |
| Valuation gains and losses on derivatives | -0.5 |
| Impairment losses on tangible and intangible assets | -9.8 |
| IFRS adjustments | 0.8 |
| Profit before taxes for the period IFRS | 5.0 |
| | |
| **Additional data at SOK Corporation level, external income** | |
| Sales to S-Group | 6,052.7 |
| Other sales in Finland | 601.4 |
| Foreign | 405.7 |
| Revenue, total | 7,059.7 |
| | |
| Supermarket Trade | 355.7 |
| Tourism and Hospitality Business | 273.5 |
| Procurement and services Business | 6,352.3 |
| Real estate business | 82.0 |
| Revenue, total | 7,063.6 |
| | |
| **Additional information at SOK Corporation level, fixed assets** | |
| Finland | 411.3 |
| Foreign | 42.7 |
| Fixed assets, total | 454.0 |

* Other operating income and expenses and provisions are mainly one off costs of closing down the operations in nearby areas.

## 2. Other operating income

| EUR million | 2018 | 2017 |
|---|---|---|
| Gains on sale of property, plant and equipment | 2.3 | 0.9 |
| Other income | 0.3 | 0.7 |
| **Total** | **2.6** | **1.6** |

## 3. Employee benefit expenses

| EUR million | 2018 | 2017 |
|---|---|---|
| Salaries and remuneration | 206.5 | 189.3 |
| Pension expenses, defined contribution plan | 36.1 | 34.2 |
| Pension expenses, defined-benefit plan | | -0.7 |
| Other personnel expenses | 10.6 | 12.8 |
| **Total** | **253.2** | **235.6** |

| **Average number of personnel by segment** | **2018** | **2017** |
|---|---|---|
| Supermarket trade | 1,688 | 2,371 |
| Tourism and hospitality business | 1,533 | 1,555 |
| Procurement and services business | 3,013 | 2,567 |
| **Total** | **6,234** | **6,493** |

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 2017 the supplementary defined-benefit pension plans were dissolved and changed to payment based pension plans.

**Defined-benefit pension plans**

| EUR million | 2018 | 2017 |
|---|---|---|
| **The defined-benefit pension expense in the income statement is determined as follows** | | |
| Expenses based on the work performance in the financial period | | |
| Net interest expenses | | |
| Returns on dissolving of the benefit plan. | | -0.7 |
| **Total pension and interest expenses in the income statement** | **0.00** | **0.7** |
| | | |
| **Changes of the pension obligations** | | |
| Obligations included in the plan at the beginning of the financial period | | 6.4 |
| Fulfilled obligations | | -6.4 |
| **Obligations included in the plan at the end of the financial period** | **0.0** | **0.0** |
| | | |
| **Changes in the plan assets** | | |
| Fair values of the assets included in the plan at the beginning of the financial period | | 5.8 |
| Plan premium¸s in the financial period | | -0.1 |
| Fulfilled obligations | | -5.7 |
| **Fair values of the assets included in the plan at the end of the financial period** | **0.0** | **0.0** |

## 4. Depreciation and impairment

| EUR million | 2018 | 2017 |
|---|---|---|
| **Depreciation** | | |
| Property, plant and equipment | | |
| Buildings and structures | 21.1 | 21.4 |
| Machinery and equipment | 12.8 | 16.0 |
| Other property, plant and equipment | 0.3 | 0.3 |
| Intangible assets | | |
| Other intangible assets | 18.1 | 22.8 |
| Investment properties | 3.4 | 3.7 |
| **Total** | **55.7** | **64.3** |
| | | |
| **Impairment** | | |
| Property, plant and equipment | | |
| Land and water areas | | |
| Buildings and structures | 4.1 | 7.1 |
| Machinery and equipment | 0.5 | 3.8 |
| Other tangible assets | 0.0 | 0.0 |
| Intangible assets | | |
| Other intangible assets | 0.0 | 1.5 |
| Other long term expenses | 0.7 | |
| Investment properties | 0.2 | |
| **Total** | **5.5** | **12.5** |

Impairments of property plant and equipment are related to discontinuation of business operations in Latvia and Lithuania and closing of a store in Russia.

| | | |
|---|---|---|
| **Depreciation and impairment, total** | **61.2** | **76.8** |

## 5. Other operating expenses

| EUR million | 2018 | 2017 |
|---|---|---|
| Rental expenses | 138.1 | 130.3 |
| Marketing expenses | 9.4 | 8.8 |
| Administrative expenses | 18.1 | 19.6 |
| Equipment and supplies | 155.0 | 142.5 |
| Property maintenance expenses | 39.2 | 40.3 |
| Other business expenses | 29.2 | 52.6 |
| **Total** | **389.0** | **394.0** |

## 6. Auditor's fees

| EUR million | 2018 | 2017 |
|---|---|---|
| Audit fees | 0.4 | 0.5 |
| Certificates and statements | 0.0 | 0.0 |
| Tax consulting | 0.0 | 0.0 |
| Other services | 0.4 | 0.1 |
| **Total** | **0.8** | **0.6** |

## 7. Financial income and expenses

| EUR million | 2018 | 2017 |
|---|---|---|
| **Financial income** | | |
| Interest income from loans and receivables | 2.7 | 3.6 |
| Dividend income from available-for-sale investments | 0.1 | 2.4 |
| Gains on derivatives held for trading | 1.0 | 0.0 |
| Other financial income | 0.5 | 0.0 |
| **Total** | **4.3** | **6.0** |
| | | |
| **Financial expenses** | | |
| Interest expenses on financial liabilities measured at amortised cost | 7.5 | 8.2 |
| Expenses on derivatives held for trading | 0.4 | 0.0 |
| Other financial expenses | 2.1 | 0.8 |
| **Total** | **10.0** | **9.0** |
| | | |
| **Financial income and expenses, total** | **-5.7** | **-2.9** |

## 8. Financial instrument items recognised in the income statement

| EUR million | 2018 | 2017 |
|---|---|---|
| **In other operating income** | | |
| Capital gain on shares and participations | 0.4 | 0.1 |
| | | |
| **In purchases of materials and services** | | |
| Net exchange differences on trade payables | -0.1 | 0.5 |
| Net expenses for derivatives held hedge accounting | 1.7 | -1.6 |
| | | |
| **In financial income and expenses** | | |
| Dividend yields from shares and participations | 0.1 | 2.3 |
| Interest income on loans and receivables | 2.7 | 3.6 |
| Net exchange differences on loans and receivables | -1.0 | -0.7 |
| Net income from derivatives held for hedging | 0.2 | 0 |
| Interest expenses on other financial liabilities | -7.7 | -8.1 |
| Net exchange differences on other liabilities | 0 | 0 |
| **Total** | -3.8 | -4.0 |

| **Summary in IFRS 9 categories** | **2018** | **2017** |
|---|---|---|
| Financial assets at amortized cost | 1.6 | 2.9 |
| Financial assets valued at fair value through other comprehensive income (IAS39) | | 2.5 |
| Financial assets and liabilities at fair value through profit or loss | 2.9 | -3.0 |
| Financial liabilities valued at amortized cost | -7.8 | -7.7 |
| Financial liabilities at fair value through profit or loss | | |
| Derivative contracts subject to hedge accounting | -0.6 | 1.4 |
| **Total** | **-3.9** | **-4.0** |

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 | 2018 | 2017 |
|---|---|---|
| Current tax | -2.1 | -3.9 |
| Taxes for previous financial years | 2.3 | 0.1 |
| Changes in deferred taxes | -6.8 | 0.8 |
| **Total** | **-6.7** | **-3.0** |

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

| EUR million | 2018 | 2017 |
|---|---|---|
| Profit before taxes | 55.4 | 5.0 |
| Taxes at parent company's tax rate | -11.1 | -1.0 |
| Effect of different tax rates in foreign subsidiaries | -0.1 | -1.7 |
| Effect of tax-free income | 0.7 | 0.3 |
| Effect of non-deductible expenses | -0.3 | -0.4 |
| Share of results of associated companies and joint ventures net of tax | 1.5 | 2.3 |
| Deferred tax assets not booked on losses | -2.3 | -2.7 |
| Taxes for previous financial years | 2.3 | 0.1 |
| From business combinations | 2.8 | |
| Other items | -0.2 | 0.1 |
| **Taxes in the income statement** | **-6.7** | **-3.0** |

**Taxes related to other comprehensive income items**

**2018**

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

**2017**

| EUR million | Before tax | Tax effect | After tax |
|---|---|---|---|
| Cashflow hedges | -4.2 | 0.8 | -3.3 |
| Total | -4.2 | 0.8 | -3.3 |

## 10. Property, plant and equipment

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

1) Three real estates are presented in assets held for sale.
2) Impairments were booked from discontinued operations in Latvia and Lithuania and closing of one Prisma store in Russia.

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

| 31 Dec 2018<br>EUR million | Buildings and structures | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition cost | 217.5 | 14.6 | **232.1** |
| Accumulated depreciation | -93.9 | -11.5 | **-105.4** |
| Carrying amount | 123.6 | 3.1 | **126.7** |

| 2017<br>EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Construction in progress and advance payments | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| Acquisition cost, 1 Jan | 8.7 | 494.1 | 165.7 | 6.3 | 8.2 | 683.0 |
| Translation differences | 0.0 | -4.5 | 0.2 | | 0.0 | -4.3 |
| Increases | 0.1 | 5.6 | 7.0 | 2.0 | 16.2 | 31.0 |
| Decreases | | -12.8 | -39.2 | | | -52.0 |
| Transfers between items | 0.0 | 17.4 | 6.8 | 0.1 | -20.5 | 3.7 |
| Transfer to assets held for sale[1)] | | -12.2 | -0.1 | | | -12.3 |
| **Acquisition cost, 31 Dec** | **8.8** | **487.6** | **140.4** | **8.4** | **3.8** | **649.1** |
| **Accumulated depreciation** | | | | | | |
| Accumulated depreciation, 1 Jan | -0.2 | -178.4 | -115.9 | -1.0 | | -295.5 |
| Translation differences | | 1.9 | -1.0 | | | 0.9 |
| Accumulated depreciation on deducted and transferred items | | 12.7 | 36.6 | | | 49.3 |
| Depreciation for the period | | -26.8 | -14.2 | -0.3 | | -41.3 |
| Impairment losses | | -7.1 | -3.8 | 0.0 | | -10.9 |
| Transfer to assets held for sale[1)] | | 4.5 | 0.0 | | | 4.5 |
| **Accumulated depreciation, 31 Dec** | **-0.2** | **-193.1** | **-98.4** | **-1.4** | **0.0** | **-293.0** |
| **Carrying amount, 1 Jan 2017** | **8.6** | **315.7** | **49.7** | **5.3** | **8.2** | **387.5** |
| **Carrying amount, 31 Dec 2017** | **8.6** | **294.5** | **42.0** | **7.1** | **3.8** | **356.0** |

1) Three real estates are presented in assets held for sale.
2) Impairments were booked from discontinued operations in Latvia and Lithuania and closing of one Prisma store in Russia.

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

| 31 Dec 2017<br>EUR million | Buildings and structures | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition cost | 217.5 | 13.9 | **231.5** |
| Accumulated depreciation | -84.3 | -10.0 | **-94.3** |
| Carrying amount | 133.3 | 3.9 | **137.2** |

## 11. Investment properties

| EUR million | 2018 | 2017 |
|---|---|---|
| Acquisition cost, 1 Jan | 87.1 | 94.2 |
| Increases | 0.4 | 0.0 |
| Decreases | 0.0 | |
| Transfers between items | 0.0 | 0.5 |
| Transfer to assets held for sale | | -7.6 |
| **Acquisition cost, 31 Dec** | **87.5** | **87.1** |
| Accumulated depreciation, 1 Jan. | -59.6 | -58.1 |
| Accumulated depreciation on deducted and transferred items | 0.0 | -0.2 |
| Depreciation for the period | -3.5 | -3.9 |
| Transfer to assets held for sale | | 0.0 |
| **Accumulated depreciation, 31 Dec** | **-63.1** | **-62.2** |
| **Carrying amount, 1 Jan** | **27.5** | **36.1** |
| **Carrying amount, 31 Dec** | **24.3** | **25.0** |
| **Fair value** [1)] | **91.5** | **111.9** |

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

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

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

## 12. Intangible assets

| 2018<br>EUR million | Goodwill | Other intangible rights | Construction in progress and advance payments | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Acquisition cost, 1 Jan | 9.5 | 126.8 | 39.4 | 175.7 |
| Translation differences | | -1.5 | | -1.5 |
| Increases | | 1.1 | 28.7 | 29.8 |
| Decreases and group reserve increases | | -9.7 | | -9.7 |
| Transfers between items | 1.7 | 7.3 | -12.0 | -3.0 |
| **Acquisition cost, 31 Dec** | **11.2** | **124.1** | **56.1** | **191.3** |
| Accumulated amortization | | | | |
| Accumulated amortisation and impairment, 1 Jan | -1.2 | -104.0 | | -105.3 |
| Translation differences | | 0.3 | | 0.3 |
| Accumulated depreciation on deducted and transferred items | | 9.7 | | 9.7 |
| Depreciation for the period | | -13.3 | | -13.3 |
| Impairment losses and income recognitions of group reserve | | 0.0 | | -16.5 |
| **Accumulated amortisation, 31 Dec** | **-1.2** | **-107.4** | | **-108.7** |
| **Carrying amount, 1 Jan 2018** | **8.2** | **22.8** | **39.4** | **70.4** |
| **Carrying amount, 31 Dec 2018** | **9.9** | **16.6** | **56.1** | **82.7** |

| 2017<br>EUR million | Goodwill | Other intangible rights | Construction in progress and advance payments | Total |
|---|---|---|---|---|
| **Acquisition cost** | | | | |
| Acquisition cost, 1 Jan | 14.0 | 147.4 | 22.7 | 184.1 |
| Translation differences | | -0.2 | | -0.2 |
| Increases | | 1.0 | 26.2 | 27.2 |
| Decreases and group reserve increases | -4.5 | -26.7 | | -31.3 |
| Transfers between items | | 5.3 | -9.5 | -4.2 |
| **Acquisition cost, 31 Dec** | **9.5** | **126.8** | **39.4** | **175.7** |
| Accumulated amortisation | | | | |
| Accumulated amortisation and impairment, 1 Jan | -5.8 | -111.1 | | -116.9 |
| Translation differences | | 0.2 | | 0.2 |
| Accumulated depreciation on deducted and transferred items | 2.2 | 26.7 | | 28.9 |
| Depreciation for the period | | -16.0 | | -16.0 |
| Impairment losses and income recognitions of group reserve | 2.3 | -3.9 | | -1.5 |
| **Accumulated amortization, 31 Dec** | **-1.2** | **-104.0** | | **-105.3** |
| **Carrying amount, 1 Jan 2017** | **8.2** | **36.3** | **22.7** | **67.2** |
| **Carrying amount, 31 Dec 2017** | **8.2** | **22.8** | **39.4** | **70.4** |

## 13. Impairment testing of goodwill

| EUR million | 2018 | Discount rate, % | 2017 | Discount rate, % |
|---|---|---|---|---|
| Sokos Hotels chain | 7.4 | 6.1 | 7.4 | 8.2 |
| S-Herkkukeittiö | 1.7 | | | |
| LB Kiel Tampere Ab / Kiinteistö Oy Hotelli Tammer | 0.8 | | 0.8 | |
| **Total** | **9.9** | | **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 2016–2017 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 | 2018 | 2017 |
|---|---|---|
| Carrying amount, 1 Jan | 181.8 | 177.5 |
| Share of result for the period | 7.3 | 11.7 |
| Dividends received | -1.7 | -4.2 |
| Increases/decreases | 12.2 | -3.0 |
| Translation differences | -3.1 | -0.3 |
| **Carrying amount, 31 Dec** | **196.6** | **181.8** |

### 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.

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

## Financial information summary of the essential associated companies

| EUR million | S-Bank Ltd 2018 | S-Bank Ltd 2017 | Russian and Baltics Retail Properties Ky 2018 | Russian and Baltics Retail Properties Ky 2017 |
|---|---|---|---|---|
| Current assets | 1,745.5 | 1,543.9 | | 6.3 |
| Non-current assets, total | 4,718.6 | 4,140.5 | | 39.8 |
| Current liabilities | 6,002.9 | 5,245.6 | | 32.0 |
| Non-current liabilities | 2.9 | 11.2 | | |
| Revenue [1)] | 74.0 | 73.3 | | 7.3 |
| Result for the financial year | 10.2 | 17.6 | | 1.2 |
| Other comprehensive income for the financial year | -5.5 | 0.1 | | -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 | 458.3 | 427.7 | | 14.1 |
| Group ownership, % | 38% | 38% | | 20% |
| Group's share of the net assets | 171.9 | 160.4 | | 2.8 |
| Other adjustments | 1.8 | -0.1 | | |
| Associated company's balance sheet value in the consolidated balance sheet | 173.7 | 160.3 | | 2.8 |

## Other associated companies

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

| 2017<br>EUR million | Assets | Liabilities | Revenue | Result | Share holding % |
|---|---|---|---|---|---|
| Finnfrost Oy | 48.1 | 43.7 | 439.0 | 0.3 | 50.0% |
| Coop Trading A/S | 10.8 | 0.9 | 12.1 | 0.0 | 25.0% |
| Others | 4.9 | 0.2 | 0.5 | 0.0 | |

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

## Most significant joint ventures

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

## Financial information summary of the essential associated companies

| EUR million | North European Oil Trade Oy 2018 | 2017 |
|---|---|---|
| Current assets | 896.2 | 428.9 |
| Cash and cash equivalents included in current assets | 25.4 | 22.2 |
| Non-current assets, total | 0.1 | 7.7 |
| Current liabilities | 883.3 | 428.0 |
| Financial liabilities included in current liabilities | 345.5 | 297.9 |
| Non-current liabilities | | |
| Revenue | 5,477.5 | 2,521.9 |
| Depreciation | | 1.3 |
| Interest and financial income | | 6.1 |
| Interest and financial expenses | | 13.1 |
| Income tax expense (+) or income (-) | | 0.0 |
| Result for the financial year | | 0.0 |
| 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 | 12.9 | 8.6 |
| Group ownership, % | 51,% | 51,% |
| Group's share of the net assets | 6.6 | 4.4 |
| Other adjustments | 3.6 | 5.6 |
| Joint ventures balance sheet value in the consolidated balance sheet | 10.2 | 9.9 |

| 2018<br>EUR million | Assets | Liabilities | Revenue | Result | Share holding % |
|---|---|---|---|---|---|
| Kauppakeskus Mylly Oy | 137.2 | 110.8 | 20.0 | 6.0 | 50.0% |

| 2017<br>EUR million | Assets | Liabilities | Revenue | Result | Share holding % |
|---|---|---|---|---|---|
| Kauppakeskus Mylly Oy | 137.3 | 113.6 | 19.4 | 5.9 | 50.0% |

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

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

S-Bank and Kauppakeskus Mylly were consolidated as Groups.

## 15. Non-current financial assets

| Available-for-sale financial assets<br>EUR million | 2018 | 2017 |
|---|---|---|
| **Shares and participations** | | |
| Carrying amount, 1 Jan | 39.1 | 41.0 |
| Increases | 0.3 | 0.2 |
| Decreases | 0.0 | -2.1 |
| **Carrying amount, 31 Dec** | **39.4** | **39.1** |

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<br>EUR million | 2018 | 2017 |
|---|---|---|
| Receivables from associated companies | 20.0 | 20.0 |
| Capital loan receivables from others | 0.6 | 0.6 |
| Non-current loan receivables | 10.0 | 40.2 |
| Other non-current receivables | 2.4 | 2.5 |
| **Loans and other receivables total** | **33.0** | **63.3** |
| | | |
| **Non-current financial assets, total** | **72.4** | **102.4** |

## 16. Deferred taxes

**Changes in deferred taxes in 2018**

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

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

| Changes in deferred taxes in 2017<br><br>Deferred tax assets<br>EUR million | 1 Jan 2017 | Recognised in the income statement | Items recognised in the statement of comprehensive income | Foreign exchange differences | 31 Dec 2017 |
|---|---|---|---|---|---|
| Confirmed losses | 15.9 | -0.2 | | | 15.8 |
| Provisions and impairment losses | 4.1 | 1.0 | | | 5.1 |
| Internal margin on inventories and property, plant and equipment | 1.8 | 0.1 | | | 1.9 |
| Finance lease liabilities | 2.6 | 0.2 | | | 2.7 |
| Other items | 2.8 | -1.3 | | 0.1 | 1.6 |
| **Total** | **27.2** | **-0.2** | | **0.1** | **27.0** |
| **Deferred tax liabilities**<br>**EUR million** | | | | | |
| Cumulative depreciation difference | 4.7 | -0.2 | | | 4.6 |
| Business combinations | 0.8 | | | | 0.8 |
| Fair value reserve | 0.9 | | -0.8 | | 0.1 |
| Retained earnings of Estonian companies | 5.8 | 0.6 | | | 6.5 |
| Other items | 2.4 | -0.8 | | 0.0 | 1.6 |
| **Total** | **14.7** | **-0.4** | **-0.8** | **0.0** | **13.5** |

The Group had EUR 17.6 million (EUR 15.3 million on 31 December 2017) of confirmed losses, for which no deferred tax assets have been recognised, since it is not likely that the Group will accrue taxable income against which the losses could be utilised before the losses expire.

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

## 17. Inventories

| EUR million | 2018 | 2017 |
|---|---|---|
| Raw materials and consumables | 2.3 | 2.2 |
| Supplies | 157.0 | 189.1 |
| Other inventories | 1.5 | 1.3 |
| **Total** | **160.8** | **192.6** |

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

| EUR million | 2018 | 2017 |
|---|---|---|
| Trade receivables | 528.7 | 552.0 |
| Non-interest-bearing loan and other receivables | 86.2 | 65.6 |
| Derivative assets | 3.4 | 2.3 |
| Prepayments and accrued income in financial items | 1.9 | 1.4 |
| Other prepayments and accrued income | 29.7 | 34.5 |
| **Trade receivables and other current non-interest-bearing receivables, total** | **650.0** | **655.7** |

| Material items included in other prepayments and accrued income. | | |
|---|---|---|
| Personnel expenses | 2.7 | 3.0 |
| Others | 27.0 | 31.5 |
| **Other prepayments and accrued income, total** | **29.7** | **34.5** |

## 19. Current interest-bearing receivables

| EUR million | 2018 | 2017 |
|---|---|---|
| Loan receivables | 0.0 | 0.0 |
| **Current interest-bearing receivables, total** | **0.0** | **0.0** |

## 20. Cash and cash equivalents

| EUR million | 2018 | 2017 |
|---|---|---|
| Cash on hand and deposits | 172.4 | 120.5 |

## 21. Equity

| EUR million | 2018 | 2017 |
|---|---|---|
| Cooperative capital, 1 Jan | 172.0 | 174.3 |
| Cooperative contributions paid | 0.0 | -2.3 |
| **Cooperative capital, 31 Dec** | **172.0** | **172.0** |

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

### Restricted reserves

### Fair value reserve

The fair value reserve includes changes in the fair values of derivative instruments used to hedge available-for-sale investments and cash flow as well as a share of change in S-Bank's fair value reserve. Value of the reserve is EUR 2.7 million (EUR 2.9 million on 31 Dec 2017). The share of S-Bank's fair value reserve is EUR -2.8 million (EUR 2.7 million on 31 December 2017).
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 2017).

### 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 2017).

### Non-restricted reserves

### Invested non-restricted equity reserve

According to new co-operative rules of Suomen Osuuskauppojen Keskusosuuskunta the increases of cooperative capital paid by cooperative enterprises are booked into invested non-restricted equity reserve. Value of the reserve is EUR 21.5 million (EUR 4.4 million on 31 Dec 2017).

## 22. Interest-bearing liabilities

| Non-current interest-bearing liabilities<br>EUR million | 2018 | 2017 |
|---|---|---|
| Finance lease liabilities | 133.5 | 147.0 |
| Other non-current interest-bearing liabilities | 3.4 | 3.1 |
| **Non-current interest-bearing liabilities, total** | **136.8** | **150.1** |

| Current interest-bearing liabilities<br>EUR million | 2018 | 2017 |
|---|---|---|
| Finance lease liabilities | 14.3 | 16.6 |
| Other current interest-bearing liabilities | 24.0 | 28.5 |
| **Current interest-bearing liabilities, total** | **38.3** | **45.1** |

| Finance lease liabilities<br>EUR million | 2018 | 2017 |
|---|---|---|
| Finance lease liabilities – total amount of minimum lease payments | | |
| In one year | 20.6 | 23.6 |
| In one to five years | 59.1 | 66.2 |
| Over five years | 122.1 | 134.6 |
| **Minimum lease payments, total** | **201.7** | **224.4** |

| Finance lease liabilities<br>EUR million | 2018 | 2017 |
|---|---|---|
| Finance lease liabilities – present value of minimum lease payments | | |
| In one year | 14.3 | 16.6 |
| In one to five years | 39.3 | 44.5 |
| Over five years | 94.2 | 102.4 |
| **Present value of minimum lease payments, total** | **147.8** | **163.6** |
| **Accrued financial expenses** | **53.9** | **60.9** |
| **Minimum lease payment profits from subleases** | **21.7** | **48.4** |

Finance lease agreements consist primarily of lease agreements on properties.

## 23. Non-interest-bearing liabilities

| Non-current interest-bearing liabilities<br>**EUR million** | **2018** | **2017** |
|---|---|---|
| | | |
| Non-current non-interest-bearing liabilities | 36.3 | 31.4 |
| **Non-current non-interest-bearing liabilities, total** | **36.3** | **31.4** |
| | | |
| **Trade payables, total** | **693.3** | **719.4** |
| | | |
| Advances received | 10.1 | 6.7 |
| Current liabilities | 28.6 | 27.8 |
| Derivative financial instruments | 2.9 | 3.4 |
| Accruals and deferred income | 103.3 | 86.1 |
| **Current non-interest bearing liabilities, total** | **144.9** | **123.9** |
| | | |
| Material items included in current accruals and deferred income | | |
| Personnel expenses | 56.4 | 51.6 |
| Financing items | 0.0 | 0.0 |
| Accruals of S-publications | 19.9 | 12.3 |
| Others | 26.9 | 22.1 |
| **Current accruals and deferred income, total** | **103.3** | **86.1** |

## 24. Fair values of financial assets and liabilities

| EUR million | Note | Financial assets and liabilities at fair value through profit and loss | Hedge accounting derivatives | Financial assets and liabilities to be measured at amortised cost | Carrying amount 2018 | Fair value 2018 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| **Non-current financial assets** | **15** | | | | | |
| Shares and participations | | 3.3 | | | 3.3 | 3.3 |
| Loan receivables | | | | 30.6 | 30.6 | 36.4 |
| Non-interest-bearing loan receivables | | | | 2.3 | 2.3 | 2.2 |
| Trade receivables | | | | | | |
| **Trade receivables and other current non-interest-bearing receivables** | **18** | | | | | |
| Trade receivables | | | | 530.4 | 530.4 | 530.4 |
| Other non-interest bearing receivables | | | | 83.9 | 83.9 | 83.5 |
| Prepayments and accrued income in financial items | | | | 1.9 | 1.9 | 1.9 |
| Derivatives assets | | 1.7 | 0.4 | | 2.1 | 2.1 |
| **Cash and cash equivalents** | **20** | | | | | |
| Cash in hand and deposits | | | | 172.6 | 172.6 | 172.6 |
| **Financial assets, total** | | **5.0** | **0.4** | **821.7** | **827.2** | **832.5** |
| **Financial liabilities** | | | | | | |
| **Non-current interest-bearing liabilities** | **22** | | | | | |
| Finance lease liabilities | | | | 133.6 | 133.6 | 147.8 |
| **Non-current non-interest-bearing liabilities** | **23** | | | | | |
| Cash counting service | | | | 33.4 | 33.4 | 33.4 |
| Other non-interest-bearing liabilities | | | | 0.4 | 0.4 | 0.4 |
| **Current interest-bearing liabilities** | **22** | | | | | |
| Interest-bearing loans from others | | 24 | | | 24.0 | 24.0 |
| Finance lease liabilities | | | | 14.3 | 14.3 | 20.6 |
| **Current non-interest-bearing liabilities** | **23** | | | | | |
| Accruals and deferred income in financial items | | | | 0.0 | 0.0 | 0.0 |
| Derivatives liabilities | | 3.1 | 0.0 | | 3.2 | 3.2 |
| **Trade payables** | **23** | | | 693.3 | 693.3 | 693.3 |
| **Financial liabilities, total** | | **27.1** | **0.0** | **875.1** | **902.3** | **922.8** |

| 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 2017 | Fair value 2017 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| | | | | | | | | |
| **Non-current financial assets** | **15** | | | | | | | |
| Shares and participations | | | | 3.0 | | | 3.0 | 3.0 |
| Loan receivables | | | 60.8 | | | | 60.8 | 67.2 |
| Non-interest-bearing loan receivables | | | 2.5 | | | | 2.5 | 2.3 |
| Trade receivables | | | | | | | 0.0 | 0.0 |
| **Trade receivables and other current non-interest-bearing receivables** | **18** | | | | | | | |
| Trade receivables | | | 554.3 | | | | 554.3 | 554.3 |
| Other non-interest bearing receivables | | | 60.4 | | | | 60.4 | 60.6 |
| Prepayments and accrued income in financial items | | | 1.5 | | | | 1.5 | 1.5 |
| Derivatives assets | | 2.3 | | | 0.0 | | 2.3 | 2.3 |
| **Cash and cash equivalents** | **20** | | | | | | | |
| Cash in hand and deposits | | | 120.6 | | | | 120.6 | 120.6 |
| | | | | | | | | |
| **Financial assets, total** | | **2.3** | **800.0** | **3.0** | **0.0** | | **805.3** | **811.8** |
| | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| | | | | | | | | |
| **Non-current interest-bearing liabilities** | **22** | | | | | | | |
| Interest-bearing loans from others | | | | | | 0.0 | 0.0 | 0.0 |
| Finance lease liabilities | | | | | | 147.1 | 147.1 | 161.5 |
| **Non-current non-interest-bearing liabilities** | **23** | | | | | | | |
| Cash counting service | | | | | | 28.0 | 28.0 | 28.0 |
| Other non-interest-bearing liabilities | | | | | | 0.4 | 0.4 | 0.4 |
| **Current interest-bearing liabilities** | **22** | | | | | | | |
| Interest-bearing loans from others | | 27.0 | | | | 1.5 | 28.5 | 28.5 |
| Finance lease liabilities | | | | | | 16.5 | 16.5 | 23.6 |
| **Current non-interest-bearing liabilities** | **23** | | | | | | | |
| Accruals and deferred income in financial items | | | | | | 0.0 | 0.0 | 0.0 |
| Derivatives liabilities | | 2.9 | | | 0.5 | | 3.4 | 3.4 |
| **Trade payables** | **23** | | | | | 719.4 | 719.4 | 719.4 |
| | | | | | | | | |
| **Financial liabilities, total** | | **29.9** | | | **0.5** | **912.9** | **943.3** | **964.7** |

## The fair value hierarchy

| EUR million | Note | Fair Value 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| **Assets measured at fair value** | | | | | |
| **Non-current financial assets** | **15** | | | | |
| Shares and participations | | 3.3 | | | 3.3 |
| Loan receivables | | 36.4 | | 36.4 | |
| Non-interest-bearing loan receivables | | 2.2 | | 2.2 | |
| **Other current non-interest-bearing receivables** | **18** | | | | |
| Loan receivables | | 83.5 | | 83.5 | |
| Derivatives assets | | 2.1 | 2.1 | 0.0 | |
| **Current interest-bearing receivables** | **19** | | | | |
| Loan receivables | | 0.0 | | 0.0 | |
| Other receivables | | 0.0 | | 0.0 | |
| **Total** | | **127.6** | **2.1** | **122.2** | **3.3** |
| **Liabilities measured at fair value** | | | | | |
| **Non-current interest-bearing liabilities** | **22** | | | | |
| Interest-bearing loans from financial institutions | | | | | |
| Interest-bearing loans from others | | | | | |
| Finance lease liabilities | | 147.8 | | 147.8 | |
| **Non-current non-interest-bearing liabilities** | **23** | | | | |
| Cash counting service | | 33.4 | | 33.4 | |
| Other non-interest-bearing liabilities | | 0.4 | | 0.4 | |
| **Current interest-bearing liabilities** | **22** | | | | |
| Interest-bearing loans from others | | 24.0 | | 24.0 | |
| Finance lease liabilities | | 20.6 | | 20.6 | |
| **Current non-interest-bearing liabilities** | **23** | | | | |
| Derivatives liabilities | | 3.2 | 2.1 | 1.1 | |
| **Total** | | **229.4** | **2.1** | **227.3** | **0.0** |

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

Fair values on hierarchy level 1 are based on the quoted prices of completely identical asset items or liabilities in an active market. The 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 1.5 million (2017: EUR 1.3 million) is based on Suomen Luotto-osuuskunta cooperative's preliminary plan regarding the distribution of funds in 2018. In addition to the aforementioned, level 3 also includes EUR 1.8 million of unquoted shares (2017: 1.7 million), for which the fair value cannot be determined. Unquoted shares and holdings presented on level 3 were realised in 2018 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 | 2018 |
|---|---|
| | |
| Opening balance, 1 Jan | 3.0 |
| Purchases | 0.3 |
| Sales | 0.0 |
| Impairments in the income statement | -0.1 |
| | |
| Fair value changes recognised in the income statement | 0.0 |
| Closing balance, 31 Dec | 3.3 |

| EUR million | Note | Fair Value 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| | | | | | |
| **Assets measured at fair value** | | | | | |
| | | | | | |
| **Non-current financial assets** | **15** | | | | |
| Shares and participations | | 3.0 | | | 3.0 |
| Loan receivables | | 67.2 | | 67.2 | |
| Non-interest-bearing loan receivables | | 2.3 | | 2.3 | |
| **Other current non-interest-bearing receivables** | **18** | | | | |
| Loan receivables | | 60.6 | | 60.6 | |
| Derivatives assets | | 2.3 | 2.3 | 0.0 | |
| **Current interest-bearing receivables** | **19** | | | | |
| Loan receivables | | 0.0 | | 0.0 | |
| Other receivables | | | | | |
| **Total** | | **135.5** | **2.3** | **130.2** | **3.0** |
| | | | | | |
| **Liabilities measured at fair value** | | | | | |
| | | | | | |
| **Non-current interest-bearing liabilities** | **22** | | | | |
| Interest-bearing loans from financial institutions | | | | | |
| Interest-bearing loans from others | | 0.0 | | 0.0 | |
| Finance lease liabilities | | 161.5 | | 161.5 | |
| **Non-current non-interest-bearing liabilities** | **23** | | | | |
| Cash counting service | | 28.0 | | 28.0 | |
| Other non-interest-bearing liabilities | | 0.4 | | 0.4 | |
| **Current interest-bearing liabilities** | **22** | | | | |
| Interest-bearing loans from others | | 28.5 | | 28.5 | |
| Finance lease liabilities | | 23.6 | | 23.6 | |
| **Current non-interest-bearing liabilities** | **23** | | | | |
| Derivatives liabilities | | 3.4 | 2.1 | 1.1 | |
| **Total** | | **245.3** | **2.1** | **243.0** | **0.0** |

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

| EUR million | 2017 |
|---|---|
| Opening balance, 1 Jan | 4.9 |
| Purchases | 0.2 |
| Sales | 0.0 |
| Impairments in the income statement | 0.0 |
| | |
| Changes in the fair value of assets held for sale | 0.2 |
| Fair value changes recognised in the income statement | -2.3 |
| Closing balance, 31 Dec | 3.0 |

## 25. Provisions

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

| **Breakdown of provisions** | |
|---|---|
| Non-current | 6.8 |
| Current | 0.6 |

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

| EUR million | Unprofitable lease agreements | Maintenance provisions of leased facilities | Other provisions | Total |
|---|---|---|---|---|
| Provisions, 1 Jan 2017 | 19.4 | 0.5 | 0.4 | 20.2 |
| Increases in provisions | | 0.6 | 11.2 | 11.8 |
| Provisions used | -5.8 | 0.0 | 0.0 | -5.9 |
| Reversals of unused provisions | 0.0 | -0.5 | -0.2 | -0.7 |
| **Provisions, 31 Dec 2017** | **13.5** | **0.6** | **11.3** | **25.4** |

| **Breakdown of provisions** | |
|---|---|
| Non-current | 7.1 |
| Current | 18.3 |

## 26. 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 | 2018 | 2017 |
|---|---|---|
| In one year | 144.8 | 133.6 |
| In one to five years | 567.8 | 599.3 |
| Over five years | 789.6 | 822.9 |
| **Total** | **1,502.2** | **1,555.8** |

**Group as lessor**

Minimum lease payments on non-cancellable operating leases:

| EUR million | 2018 | 2017 |
|---|---|---|
| In one year | 9.1 | 9.1 |
| In one to five years | 7.8 | 31.8 |
| Over five years | 4.8 | 7.5 |
| **Total** | **21.7** | **48.4** |

## 27. Management of financial and commodity price risks

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

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

| Outstanding derivative contracts EUR million | Underlying item values 2018 | Underlying item values 2017 | Fair Value 2018 | Fair Value 2018 |
|---|---|---|---|---|
| Contracts to which hedge accounting in accordance with IFRS 9 is applied | 23.9 | 24.4 | 0.4 | -0.5 |
| Forward exchange contracts | 23.9 | 24.4 | 0.4 | -0.5 |
| | | | | |
| Hedging contracts to which hedge accounting is not applied | 23.8 | 29.8 | 0.2 | -0.6 |
| Forward exchange contracts | 19.6 | 25.2 | 0.2 | -0.6 |
| Electrical derivatives | 4.2 | 4.6 | 0.0 | 0.0 |

All derivatives contracts will mature in 2019.

## LIQUIDITY RISK

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

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

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

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

SOK Corporation has concluded agreements on committed credit facilities to an amount of EUR 100 million (2017: EUR 100 million). The credit facilities have not been secured by collateral. 70 million of the committed credit facilities will fall due in 2021, 30 million of the committed credit facilities will fall due in 2022. Credit facilities have not been utilised during year 2018 or 2017. 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 57 million uncommitted credit limits and an EUR 250 million commercial paper programme of which an average of EUR 14.0 (2017: 22.0) million was in use.

| **Maturity analysis of SOK Corporation's agreement-based cash flows from financial liabilities and derivative contracts EUR million** | **Note** | **Book value 2018** | **Agreement-based cash flows (*** | **On demand** | **Less than 3 mon.** | **3–12 mon.** | **1–2 years** | **2–5 years** | **over 5 years** |
|---|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | | | | | | | | | |
| **Non-current interest-bearing liabilities** | 22 | | | | | | | | |
| Finance lease liabilities | | 133.6 | 181.2 | | | | 18.8 | 40.3 | 122.1 |
| **Non-current non-interest-bearing liabilities** | 23 | | | | | | | | |
| Cash counting service | | 33.4 | 33.4 | 33.4 | | | | | |
| Other non-interest-bearig liabilities | | 0.4 | 0.4 | | | | 0.4 | | |
| **Current interest-bearing liabilities** | 22 | | | | | | | | |
| Interest-bearing loans from others | | 24.0 | 24.0 | | 24.0 | 0.0 | | | |
| Finance lease liabilities | | 14.3 | 20.6 | | 5.4 | 15.2 | | | |
| **Trade payables** | 23 | 693.3 | 693.3 | | 690.9 | 2.4 | 0.0 | | |
| **Off-balance liabilities** | 0 | | | | | | | | |
| Nominal value of guarantee liabilities | | 148.4 | 148.4 | 148.4 | | | | | |
| **Non-derivative financial assets, total** | | **1,047.5** | **1,101.3** | **181.8** | **720.3** | **17.6** | **19.2** | **40.3** | **122.1** |
| | | | | | | | | | |
| **Derivatives liabilities** | 22, 26 | | | | | | | | |
| Derivatives included in hedge accounting | | 0.0 | -0.1 | | 0.0 | -0.1 | | | |
| Currency derivatives | | 0.0 | -0.1 | | 0.0 | -0.1 | | | |
| Commodity derivatives | | 2.1 | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Derivatives assets** | 20, 22 | | | | | | | | |
| Derivatives included in hedge accounting | | 0.4 | 0.6 | | 0.4 | 0.1 | | | |
| Currency derivatives | | 0.2 | 0.8 | | 0.7 | 0.1 | | | |
| Interest rate derivatives | | | | | | | | | |
| Commodity derivatives | | 2.1 | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Net derivatives liabilites, total** | | **-0.5** | **-1.5** | **0.0** | **-1.1** | **-0.4** | **0.0** | **0.0** | **0.0** |
| | | | | | | | | | |
| **Total** | | **1,046.9** | **1,099.9** | **181.8** | **719.2** | **17.3** | **19.2** | **40.3** | **122.1** |

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

All the instruments in effect on 31 December 2018 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. The cash flows presented for electricity derivatives are the fair value at the balance sheet date in the maturity corresponding to the due date.

| EUR million | Note | Book value 2017 | Agreement-based cash flows (* | On demand | Less than 3 mon. | 3–12 mon. | 1–2 years | 2–5 years | over 5 years |
|---|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | | | | | | | | | |
| **Non-current interest-bearing liabilities** | 22 | | | | | | | | |
| Interest-bearing loans to others | | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | |
| Finance lease liabilities | | 147.1 | 201.0 | | | | 20.4 | 46.0 | 134.6 |
| **Non-current non-interest-bearing liabilities** | 23 | | | | | | | | |
| Cash counting service | | 28.0 | 28.0 | 28.0 | | | | | |
| Other non-interest-bearig liabilities | | 0.4 | 0.4 | | | | 0.4 | | |
| **Current interest-bearing liabilities** | 22 | | | | | | | | |
| Interest-bearing loans from others | | 0.0 | 0.0 | | | 0.0 | | | |
| Finance lease liabilities | | 16.5 | 23.6 | | 6.2 | 17.4 | | | |
| **Trade payables** | 23 | 719.4 | 719.4 | | 712.2 | 7.2 | | | |
| **Off-balance liabilities** | 0 | | | | | | | | |
| Nominal value of guarantee liabilities | | 148.4 | 148.4 | 148.4 | | | | | |
| **Non-derivative financial assets, total** | | **1,059.8** | **1,120.6** | **176.3** | **718.4** | **24.5** | **20.8** | **46.0** | **134.6** |
| | | | | | | | | | |
| **Derivatives liabilities** | 22, 26 | | | | | | | | |
| Derivatives included in hedge accounting | | 0.5 | 0.1 | | | 0.1 | | | |
| Currency derivatives | | 0.6 | 0.5 | | 0.3 | 0.2 | | | |
| Interest rate derivatives | | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | |
| Commodity derivatives | | 2.3 | 3.4 | 0.0 | 0.4 | 0.9 | 1.1 | 1.0 | 0.0 |
| **Derivatives assets** | 20, 22 | | | | | | | | |
| Derivatives included in hedge accounting | | 0.4 | 0.0 | | 0.0 | 0.0 | | | |
| Currency derivatives | | 0.0 | 0.0 | | 0.0 | 0.0 | | | |
| Interest rate derivatives | | 0.1 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | |
| Commodity derivatives | | 2.1 | 2.3 | 0.0 | 0.0 | 1.1 | 1.1 | 0.0 | 0.0 |
| **Net derivatives liabilites, total** | | **0.8** | **1.7** | **0.0** | **0.7** | **0.0** | **0.0** | **1.0** | **0.0** |
| | | | | | | | | | |
| **Total** | | **1,060.6** | **1,122.3** | **176.3** | **719.1** | **24.5** | **20.8** | **47.0** | **134.6** |

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

## Credit risk

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

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

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

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

| **Maximum amount of credit risk for financial assets**<br>**EUR million** | **2018** | **2017** |
|---|---|---|
| **Non-current financial assets** | | |
| Loan receivables | 30.6 | 60.8 |
| Non-interest-bearing loan receivables | 2.3 | 2.5 |
| Trade receivables | 0.0 | 0.0 |
| **Trade receivables and other current non-interest-bearing receivables** | | |
| Trade receivables | 530.4 | 554.3 |
| Other non-interest bearing receivables | 83.9 | 60.4 |
| Prepayments and accrued income in financial items | 1.9 | 1.5 |
| Derivatives assets | 2.1 | 2.3 |
| **Current interest-bearing receivables** | | |
| Loan receivables | | |
| Other receivables | | |
| **Cash and cash equivalents** | 172.6 | 120.6 |
| **Off-balance sheet liabilities** | | |
| Nominal value of warranty liabilities | 148.4 | 148.4 |
| **Total** | **972.2** | **950.7** |

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 33. 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 1.1 million (2017: EUR 3.1 million) and bank guarantees 0.0 million as counter-guarantees for collaterals given on behalf of the cooperative enterprises.

SOK Corporation used credit insurance to reduce the credit risk of trade receivables. The value of the insured trade receivables was 7.3 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 0.5 million (2017: 0.5 million) to reduce the credit risk of trade receivables and rental receivables.

## Expected credit losses from receivables

| | |
|---|---|
| Opening balance, 1 Jan | 0.4 |
| Change in financial year | 0.7 |
| Closing balance, 31 Dec | 1.1 |

Expected credit losses from receivables in accordance with IFRS 9 have been entered for sales and loan receivables as well as for guarantees. The expected credit losses from sales receivables are based on actual incurred credit losses and the amount of mature receivables on the balance sheet date and the estimated probability of credit losses. As for other items, the amounts of expected credit losses are based on the counterparties' credit ratings and the probabilities of credit losses based on those ratings. Based on credit ratings, no expected credit loss risk is associated with the counterparties of bank accounts and current bank deposits. The expected credit loss risks associated with non-current receivables were calculated using the probabilities of credit loss for the next 12 months, as the credit risk has not increased significantly since the original estimate.

| Ageing of loan and trade receivables<br>EUR million | Note | 2018 | Of which not reduced in value or due at the balance sheet date | Of which reduced in value at the balance sheet date, but having fallen due in the following periods | | | Impairment losses recorded in the financial period |
|---|---|---|---|---|---|---|---|
| | | | | 1-30 days | 31 - 90 days | over 90 days | |
| **Loan receivables** | | | | | | | |
| due in less than one year | 21 | | | | | | |
| due in over one year | 17 | 32.9 | 32.9 | | | | |
| **Trade receivables** | | | | | | | |
| due in less than one year | 20 | 530.4 | 526.4 | 3.7 | 0.2 | 0.1 | |
| due in over one year | 17 | | | | | | |
| **Total** | | 563.3 | 559.3 | 3.7 | 0.2 | 0.1 | |

| Reconciliation of the credit loss accounts<br>EUR million | 2018 | 2017 |
|---|---|---|
| Realised credit losses | 0.9 | 0.8 |
| Returned credit losses | -0.2 | -0.2 |
| Impairment recognised for the financial year | | |
| **Closing balance, 31 Dec** | 0.7 | 0.7 |

| Ageing of loan and trade receivables<br>EUR million | Note | 2017 | Of which not reduced in value or due at the balance sheet date | Of which reduced in value at the balance sheet date, but having fallen due in the following periods | | | Impairment losses recorded in the financial period |
|---|---|---|---|---|---|---|---|
| | | | | 1-30 days | 31 - 90 days | over 90 days | |
| **Loan receivables** | | | | | | | |
| due in less than one year | 21 | | | | | | |
| due in over one year | 17 | 63.3 | 63.3 | | | | |
| **Trade receivables** | | | | | | | |
| due in less than one year | 20 | 554.3 | 545.7 | 7.6 | 0.7 | 0.3 | |
| due in over one year | 17 | | | | | | |
| **Total** | | 617.6 | 608.9 | 7.6 | 0.7 | 0.3 | |

| Reconciliation of the credit loss accounts<br>EUR million | 2017 | 2016 |
|---|---|---|
| Realised credit losses | 0.8 | 0.4 |
| Returned credit losses | -0.2 | -0.3 |
| Impairment recognised for the financial year | | |
| **Closing balance, 31 Dec** | 0.7 | 0.1 |

| Quality analysis of debt securities | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| **EUR million** | **Note** | **Value** | **Share of receivables** | **Value** | **Share of receivables** |
| Junior loans | 15 | 20.0 | 100.0% | 20.0 | 100.0% |
| **Total** | | **20.0** | **100.0%** | **20.0** | **100.0%** |
| **Debt securities by credit rating** | | | | | |
| Unclassified, S-Bank | 15 | 20.0 | 100.0% | 20.0 | 100.0% |
| **Total** | | **20.0** | **100.0%** | **20.0** | **100.0%** |

| **Risk concentrations**<br>**Geographical distribution of receivables 2017**<br>**EUR million** | **Finland** | **Nordic countries** | **Other EU countries** | **Other countries** |
|---|---|---|---|---|
| Loan receivables | 32.1 | | 0.1 | 0.7 |
| Other receivables | | | | |
| Trade receivables | 525.0 | 0.7 | 3.5 | 1.2 |
| Other non-interest bearing receivables | 83.9 | | | |
| Cash and cash equivalents | 148.0 | 3.4 | 9.5 | 11.7 |
| Other items | 4.1 | | | |
| **Total** | **793.0** | **4.1** | **13.0** | **13.7** |
| **Geographical distribution of receivables 2017** | | | | |
| Loan receivables | 62.3 | | 0.1 | 1.0 |
| Other receivables | | | | |
| Trade receivables | 549.6 | 1.1 | 2.6 | 1.0 |
| Other non-interest bearing receivables | 60.4 | | | |
| Cash and cash equivalents | 88.0 | 12.4 | 10.8 | 9.4 |
| Other items | 4.1 | | | |
| **Total** | **764.3** | **13.5** | **13.5** | **11.4** |

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

## Deducting financial assets and liabilities from each other in 2018

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

| **Derivative contracts**<br>**EUR million** | **Kirjatut rahoitusvarat** | **Kirjatut rahoitusvelat** | **Nettoarvo** |
|---|---|---|---|
| 2018 | 0.5 | -0.1 | 0.5 |
| 2017 | 0.0 | -0.5 | -0.5 |

## Interest rate risk

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

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

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

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

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

## Interest rate sensitivity analysis

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

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

| | | | | Effect on the income statement | | Effect on equity | |
|---|---|---|---|---|---|---|---|
| **2018<br>EUR million** | **Note** | **Position exposed to risk** | **Duration** | **1 percentage point rise** | **1 percentage point fall** | **1 percentage point rise** | **1 percentage point fall** |
| **Interest-bearing receivables** | 17. 21 | | | | | | |
| EUR | | 162.4 | 0.1 | 0.9 | -0.6 | | |
| USD | | 4.0 | 0.1 | 0.0 | 0.0 | | |
| RUB | | 9.0 | 0.1 | 0.1 | -0.1 | | |
| Other currencies | | 0.8 | 0.2 | 0.0 | 0.0 | | |
| **Derivatives assets and liabilities** | 20. 26 | | | | | | |
| EUR | | -49.1 | 0.2 | 0.1 | -0.1 | 0.0 | 0.0 |
| USD | | 42.5 | 0.2 | -0.1 | 0.1 | | |
| Muut valuutat | | 5.8 | 0.1 | 0.0 | 0.0 | | |
| **Interest-bearing liabilities** | 22 | | | | | | |
| EUR | | 1.5 | 0.0 | 0.0 | 0.0 | | |
| **Total** | | **163.1** | | **0.9** | **-0.6** | **0.0** | **0.0** |

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

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

| | | | | Effect on the income statement | | Effect on equity | |
|---|---|---|---|---|---|---|---|
| **2017 EUR million** | **Note** | **Position exposed to risk** | **Duration** | **1 percentage point rise** | **1 percentage point fall** | **1 percentage point rise** | **1 percentage point fall** |
| **Interest-bearing receivables** | 17. 21 | | | | | | |
| EUR | | 181.6 | 0.1 | 1.3 | -1.3 | | |
| USD | | 1.4 | 0.1 | 0.0 | 0.0 | | |
| RUB | | 11.3 | 0.1 | 0.1 | -0.1 | | |
| Other currencies | | 1.4 | 0.1 | 0.0 | 0.0 | | |
| **Derivatives assets and liabilities** | 20. 26 | | | | | | |
| EUR | | -41.6 | 0.3 | 0.1 | -0.1 | 0.0 | 0.0 |
| USD | | 40.7 | 0.3 | -0.1 | 0.1 | | |
| Other currencies | | 1.7 | 0.2 | 0.0 | 0.0 | | |
| **Interest-bearing liabilities** | 22 | | | | | | |
| EUR | | 24.0 | 0.1 | 0.0 | 0.0 | | |
| **Total** | | **206.5** | | **1.3** | **-1.3** | **0.0** | **0.0** |

## Currency risk

SOK Corporation’s revenue still comes mainly from Finland.

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

SOK Finance is in charge of the management of SOK Corporation’s currency risk in a centralised manner. SOK Corporation’s currency risk is monitored through the ALM cost centre, which depicts the entire Group’s currency risk. ALM position risk may not exceed EUR 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.

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

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

| 2017<br>EUR million | Position exposed to risk | Effect on the income statement<br>Appreciation of the euro, 10% | <br>Depreciation of the euro, 10% |
|---|---|---|---|
| USD | 23.0 | -2.3 | 2.3 |
| RUB | -10.2 | 1.0 | -1.0 |
| Other currencies | 7.1 | -0.7 | 0.7 |
| **Total** | **19.9** | **-2.0** | **2.0** |

| 2017<br>EUR million | Position exposed to risk | Effect on equity<br>Appreciation of the euro, 10% | <br>Depreciation of the euro, 10% |
|---|---|---|---|
| RUB | 39.3 | -3.9 | 3.9 |
| USD | 24.4 | -2.4 | 2.4 |
| **Total** | **63.7** | **-6.4** | **6.4** |

## 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.

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

| **Fair values of the electricity derivatives used as hedge instruments**<br>**EUR million** | **2018** | **2017** |
|---|---|---|
| **Derivatives liabilities** | | |
| Forward exchange contracts | 0.0 | 0.5 |
| **Total** | 0.0 | 0.5 |
| **Derivatives receivables** | | |
| Forward exchange contracts | 0.4 | 0.0 |
| **Total** | **0.4** | **0.0** |
| **Changes recognised in Group equity from cash flow hedge** | | |
| Changes recognised in Group equity from cash flow hedge | 0.0 | 1.4 |
| Profits and losses from valuing at fair value | 0.2 | -0.6 |
| Amount included in the income statement | 0.6 | -1.4 |
| **Closing balance, 31 Dec** | **0.8** | **-0.6** |

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

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

## 28. Related party transactions

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

| **Paid Management employee benefit expenses EUR million** | **2018** | **2017** |
|---|---|---|
| CEO and SOK's Corporate Management Team salaries and remuneration | 3.4 | 3.3 |
| SOK's Executive Board and Supervisory Board salaries and remuneration | 0.4 | 0.4 |
| CEO and SOK's Corporate Management Team supplementary pension costs | 0.8 | 0.8 |
| **Total** | **4.6** | **4.5** |

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** | **2018** | **2017** |
|---|---|---|
| Sales | 23.6 | 19.1 |
| Purchases | 389.7 | 369.8 |
| Financial income and expenses | 0.6 | 1.5 |
| Trade and other receivables | 1.5 | 1.9 |
| Loan receivables | 20.0 | 20.0 |
| Trade payables and other liabilities | 10.6 | 9.2 |

## 29. Contingent liabilities

| EUR million | 2018 | 2017 |
|---|---|---|
| | | |
| **Other liabilities** | | |
| Pledges | 0.1 | 0.1 |
| Mortgages | 0.7 | 0.7 |
| Guarantees | 2.5 | 2.5 |
| **Total** | **3.3** | **3.2** |
| | | |
| **Security given on behalf of others** | | |
| Guarantees for liabilities of joint ventures enterprises | 120.1 | 96.9 |
| Guarantees for liabilities of cooperative enterprises | | 7.4 |
| **Total** | **120.1** | **104.3** |
| | | |
| **Other contingent liabilities** | | |
| Guarantees for liabilities of joint ventures enterprises | 25.8 | 20.6 |
| **Total** | **25.8** | **20.6** |
| | | |
| **Other liabilities** | | |
| Letter of credit liabilities | 0.2 | 1.3 |
| | | |
| Repurchase liabilities 1) | | 30.5 |
| **Total** | **0.0** | **30.5** |

1) Repurchase liabilities consisted of an obligation to purchase the targets of the property fund which invested 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 was 20 per cent.

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 95.9 million (EUR 67.4 million 31 Dec 2017) 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 2016).

### 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 10.2 million on 31 Dec 2017).

### Other contingent liabilities:

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

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

Additionally SOK has pledged to provide loan funding. SOK has at 31 Dec 2018 the following open commitments: To provide EUR 0.0 million (EUR 50.0 million 31 Dec 2017) shareholder loan and EUR 0.0 million long term loan (EUR 15.3 million 31 Dec 2017) to S-ryhmän logistiikkakeskukset Oy, and to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2017) conditional subordinated loan to North European Oil Trade Oy.

## 30. Subsidiaries and associated companies

| Companies owned by SOK Corporation and SOK 31.12.2018 | Country | SOK Corporation´s shareholding % | SOK Corporation´s voting rates % | SOK´s share-holding % |
|---|---|---|---|---|
| **Group companies** | | | | |
| **Commercial** | | | | |
| AS Sokotel | Estonia | 100 | 100 | |
| Inex Partners Oy | Finland | 100 | 100 | 100 |
| Inex Export Oy | Finland | 100 | 100 | 100 |
| Jollas-Opisto Oy | Finland | 100 | 100 | 100 |
| Meira Nova Oy | Finland | 100 | 100 | 100 |
| OOO Itis 2 | Russia | 100 | 100 | |
| OOO SOK Service Center RUS | Russia | 100 | 100 | |
| OOO Otel Plus | Russia | 100 | 100 | |
| OOO Prisma | Russia | 100 | 100 | |
| OOO Sokotel | Russia | 100 | 100 | |
| Prisma Peremarket AS | Estonia | 100 | 100 | |
| Rekla Oy | Finland | 100 | 100 | 100 |
| S-Herkkukeittiö Oy | Finland | 100 | 100 | 100 |
| SOK-Liiketoiminta Oy | Finland | 51 | 51 | 51 |
| Sokotel Oy | Finland | 100 | 100 | 100 |
| SOK Fashion Retail Oy | Finland | 100 | 100 | 100 |
| SOK Fund Management Oy | Finland | 100 | 100 | |
| SOK Real Estate Int Oy | Finland | 100 | 100 | 99 |
| SOK Retail Int Oy | Finland | 100 | 100 | |
| Suomen Spar Oy | Finland | 100 | 100 | 100 |
| S-Business Oy | Finland | 100 | 100 | 100 |
| S-Verkkopalvelut Oy | Finland | 100 | 100 | 100 |
| S-Yrityspalvelu Oy | Finland | 100 | 100 | 100 |
| Commercial, 23 companies | | | | |
| | | | | |
| Real-estate companies, 24 companies | | | | |
| Total Group companies, 47 companies | | | | |
| | | | | |
| **Joint ventures** | | | | |
| Kauppakeskus Mylly Oy | Finland | 50 | 50 | 50 |
| Kiinteistö Oy Kuloisten Kauppakeskus | Finland | 50 | 50 | |
| North European Oil Trade Oy | Finland | 51 | 51 | 51 |
| Total joint ventures, 3 companies | | | | |
| | | | | |
| **Associated companies** | | | | |
| Asunto Oy Kauniaisten Kirkkomäki | Finland | 39 | 39 | 39 |
| Coop Trading A/S | Denmark | 25 | 25 | 25 |
| Finnfrost Oy | Finland | 50 | 50 | |
| Keskuskorttelin Huolto Oy | Finland | 32 | 32 | 32 |
| S-Pankki Oy | Finland | 38 | 38 | 38 |
| S-Asiakaspalvelu Oy | Finland | 38 | 38 | |
| FIM Oyj | Finland | 38 | 19 | |
| FIM Pääomarahastot | Finland | 38 | 19 | |
| FIM Kiinteistö Oy | Finland | 30 | 15 | |
| FIM varainhoito Oy | Finland | 38 | 19 | |
| | | | | |
| Total associated companies, 10 companies | | | | |

## 31. Events after the balance sheet date

After the financial period, SOK will acquire a minority share of SOK Fashion Retail that manages the Marks & Spencer business from HOK-Elanto.

# SOK Corporation Key Ratios 2014-2018

| SOK Corporation continuing operations | IFRS 2018 | IFRS 2017 | IFRS 2016 | IFRS 2015 | IFRS 2014 |
|---|---|---|---|---|---|
| **Revenue, EUR million** | **7,303.5** | **7,063.6** | **7,074.0** | 7,038.4 | 7,285.5 |
| **Profit/loss before taxes, EUR million** | **60.7** | **5.9** | **27.0** | 11.1 | 43.1 |
| % of revenue | **0.8** | **0.1** | **0.4** | 0.2 | 0.6 |
| **Profit/loss before taxes, EUR million** | **55.4** | **5.0** | **22.8** | 9.4 | 39.7 |
| %:a liikevaihdosta | **0.8** | **0.1** | **0.3** | 0.1 | 0.5 |
| **SOK Corporation *)** | | | | | |
| **Return on equity, %** | **7.5** | **0.3** | **1.8** | 0.1 | 5.5 |
| **Return on investment, %** | **7.9** | **1.7** | **3.5** | 2.5 | 11.2 |
| **Equity ratio, %** | **38.4** | **36.5** | **37.0** | 37.0 | 38.3 |
| **Gearing. %** | **-0.1** | **11.8** | **5.7** | -12.9 | -11.3 |
| **The average number of the personnel during** | | | | | |
| **the financial year** | **6,234** | **6,493** | **6,756** | 8,287 | 9,203 |
| **Converted to full-time personnel** | **5,474** | **5,411** | **5,849** | 7,778 | 8,232 |
| **Non-interest-bearing liabilities, EUR million** | **874.6** | **877.8** | **873.2** | 847.3 | 847.2 |

* 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, %** $= \dfrac{\text{Total equity}}{\text{Total assets - advances received}}$

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

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

**The average number of the personnel during the financial year**

The average number of personnel and the number converted to full-time 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. - 31.12.2018 | | 1.1. - 31.12.2017 | |
|---|---|---|---|---|---|
| **Net turnover** | | | **6,462.3** | | 6,248.7 |
| Other operating income | (1) | | **2.8** | | 0.5 |
| Materials and services | | | | | |
| Raw materials and consumables | (2) | **5,845.0** | | 5,613.1 | |
| External services | | **298.0** | **6,143.0** | 336.1 | 5,949.2 |
| Personal costs | (3) | | | | |
| Salaries and remuneration | | **90.9** | | 84.6 | |
| Other personals costs | | **20.3** | **111.2** | 20.4 | 105.0 |
| Depreciation and impairment | (4) | | **12.1** | | 15.6 |
| Other operating expenses | | | | | |
| Facilities rent | | **23.3** | | 23.3 | |
| Other expenses | (5) | **151.9** | **175.2** | 135.6 | 158.9 |
| **Operating profit** | | | **23.7** | | 20.5 |
| Financial income and expenses (+/-) | (8) | | **-3.0** | | -5.2 |
| **Profit before appropriations and taxes** | | | **20.7** | | 15.3 |
| Appropriations (+/-) | (10) | | **-25.0** | | -26.2 |
| Income taxes (+/-) | (11) | | **0.0** | | 0.0 |
| **Profit for the financial year** | | | **-4.3** | | -10.9 |

## Balance sheet of SOK, FAS

| **ASSETS** EUR million | Note | **31.12.2018** | | 31.12.2017 | |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Intangible assets | (12) | **71.1** | | 61.7 | |
| Tangible assets | (13) | **3.2** | | 3.8 | |
| Shares in Group companies | (14) | **404.8** | | 392.3 | |
| Other investments | (14) | **440.6** | **919.8** | 479.5 | 937.3 |
| **CURRENT ASSETS** | | | | | |
| Inventories | (15) | **124.5** | | 149.7 | |
| Long-term receivables | (16) | **1.7** | | 1.5 | |
| Short-term receivables | (17) | **535.9** | | 569.0 | |
| Cash in hand and at bank | | **144.2** | **806.3** | 93.4 | 813.7 |
| | | | **1,726.0** | | 1,751.0 |

| **LIABILITIES** EUR million | Note | **31.12.2018** | | 31.12.2017 | |
|---|---|---|---|---|---|
| **CAPITAL AND RESERVES** | (18) | | | | |
| Cooperative capital | | **172.0** | | 172.0 | |
| Supplementary cooperative capital | | **0.0** | | 12.8 | |
| Fair value reserve | | **0.2** | | 0.3 | |
| Legal reserve | | **18.5** | | 18.5 | |
| Invested non-restricted equity reserve | | **21.5** | | 4.4 | |
| Supervisory Board's disposal fund | | **0.0** | | 0.0 | |
| Profit for the previous financial years | | **557.5** | | 584.1 | |
| Profit for the financial year | | **-4.3** | **765.5** | -10.9 | 781.2 |
| **ACCUMULATED APPROPRIATIONS** | (19) | | 6.0 | | 6.7 |
| **PROVISIONS** | (20) | | 6.7 | | 6.9 |
| **LIABILITIES** | | | | | |
| Long-term liabilities | (21) | 0.3 | | 0.3 | |
| Short-term liabilities | (22) | 947.6 | **947.9** | 955.9 | 956.2 |
| | | | **1,726.0** | | 1,751.0 |

## Cash flow statement of SOK, FAS

| **ASSETS** EUR million | Note | **1.1.-31.12.2018** | 1.1.-31.12.2017 |
|---|---|---|---|
| **BUSINESS OPERATIONS** | | | |
| Operating profit | | **23.7** | 20.5 |
| Adjustments to operating profit | (1) | **11.3** | 14.8 |
| Change in working capital | (2) | **21.3** | -46.2 |
| **Cash flow from business operations before financing and taxes** | | **56.3** | -10.8 |
| Interest paid and other financial expenses | | **-1.7** | -0.6 |
| Interest received and other financial income | | **4.2** | 9.1 |
| Direct taxes paid | | **0.0** | -4.4 |
| **Cash flow from business operations** | | **58.8** | -6.8 |
| | | | |
| **CASH FLOW FROM INVESTMENTS** | | | |
| Investments in fixed assets | | **-21.5** | -27.0 |
| Acquisition of shares | | **-33.5** | -29.3 |
| Sale of fixed assets | | **2.8** | 3.4 |
| Loans issued | | **-57.6** | -126.9 |
| Repayment of loan receivables | | **106.5** | 112.3 |
| Dividends received from investments | | **1.7** | 6.4 |
| **Cash flow from investments** | | **-1.6** | -61.1 |
| | | | |
| **FINANCING** | | | |
| Increase (+) / decrease (-) in short-term creditors | | **25.2** | 52.8 |
| Increase (-) / decrease (+) in short-term debtors | | **5.7** | -1.0 |
| Increase in cooperative capital and supplementary cooperative capital | | **0.0** | 2.2 |
| Interest paid on the cooperative capital and supplementary cooperative capital | | **-16.6** | -10.3 |
| Other decrease in equity | | **5.1** | 0.0 |
| Group contributions paid | | **-25.9** | 1.1 |
| **Cash flow from financing** | | **-6.4** | 44.7 |
| | | | |
| **Increase (+) / decrease (-) in cash and cash equivalents** | | **50.7** | -23.2 |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | | **93.4** | 116.6 |
| **Cash and cash equivalents at the end of the year** | | **144.2** | 93.4 |
| | | | |
| Adjustments to operating profit | (1) | | |
| Gains (-) and losses (+) from the sale of fixed assets | | **-0.6** | 0.0 |
| Depreciation and value adjustments | | **12.1** | 15.6 |
| Income and expenses which do not involve payment | | **-0.2** | -0.7 |
| | | **11.3** | 14.8 |
| Change in working capital | (2) | | |
| Change in trade receivables | | **31.5** | -29.4 |
| Change in inventories | | **25.2** | -18.0 |
| Change in short-term interest-free creditors | | **-35.4** | 1.2 |
| | | **21.3** | -46.2 |

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 direct costs incurred by the acquisition less depreciation according to plan.

Depreciation according to plan has been calculated in accordance with the predefined depreciation plan as 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 | 20-35 |
| Lightweight structures and equipment in buildings | 5-15 |
| Machinery and equipment | 3-10 |
| Motor vehicles and servers | 3-5 |

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

Financial assets held in order to collect cash flows and sales gains based on agreement are classified as financial assets measured at fair value through items of other comprehensive income. In addition, the cash flows of the aforementioned agreements are only payments of interest on the capital and the remaining capital amount. The change in fair value is recognised through other comprehensive income in the fair value reserve of equity. When the financial instrument is sold, the cumulative change in fair value cumulated in equity, together with accrued interest and capital gains or losses, is recognised in the income statement as a change in classification.

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

All financial liabilities, with the exception of derivative liabilities, are classified for measurement at amortized cost by means of the effective interest method. Items to be measured at amortized cost are entered in the balance sheet at their nominal value when the fair value of the balance sheet date equals the nominal value. If the debt capital received is less or more than the nominal value of the liability, the debt is 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.

## Hedge accounting

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

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

| EUR million | 2018 | 2017 |
|---|---|---|
| **1. Other operating income** | | |
| Profits on sale of fixed assets | **2.2** | 0.0 |
| Other operating income | **0.6** | 0.4 |
| **Total** | **2.8** | 0.5 |
| | | |
| **2. Raw materials and consumables** | | |
| Purchases during the financial year | **5819.7** | 5630.4 |
| Change in inventories (+/-) | **25.4** | -17.3 |
| **Total** | **5845.0** | 5613.1 |
| | | |
| **3. Personnel costs** | | |
| Salaries and remuneration | **90.9** | 84.6 |
| Pension costs | **16.9** | 16.4 |
| Other personnel expenses | **3.4** | 3.9 |
| **Total** | **111.2** | 105.0 |
| | | |
| **Average number of personnel** | **1484** | 1369 |
| | | |
| 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 | **1.2** | 1.2 |
| Members of the Supervisory Board | **0.2** | 0.3 |
| | | |
| **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 | **12.0** | 14.3 |
| Impairment | **0.1** | 1.3 |
| **Total** | **12.1** | 15.6 |
| | | |
| 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 | **3.7** | 3.2 |
| Property, equipment and supplies expenses | **127.6** | 113.8 |
| Marketing, administration and other operating expenses | **20.5** | 18.6 |
| **Total** | **151.9** | 135.6 |

| EUR million | 2018 | 2017 |
|---|---|---|
| Rents for business premises are presented as a separate item in the income statement. | | |
| **6. Auditor's fees** | | |
| Audit expenses | **0.2** | 0.2 |
| Auditors' statements | | 0.0 |
| Tax consulting | **0.0** | |
| Other services | **0.4** | 0.1 |
| **Total** | **0.6** | 0.4 |
| | | |
| **7. Increase (-) / decrease (+) in provisions for liabilities and charges** | | |
| Increases related to partially vacant premises | | -0.1 |
| Decreases related to partially vacant premises | **0.1** | 0.7 |
| Other mandatory provisions decreases | **0.1** | 0.1 |
| **Total** | **0.2** | 0.7 |
| | | |
| **8. Financial income and expenses** | | |
| Dividend yield from others and interest on cooperative capital | **1.7** | 6.4 |
| Dividend yield and interest on cooperative capital from investments in non-current assets, total | **1.7** | 6.4 |
| | | |
| **Interest income from other non-current assets** | | |
| From group companies | **4.3** | 4.5 |
| From others | **1.2** | 2.3 |
| | | |
| **Other interest and financial income** | | |
| From group companies | **-1.2** | 0.2 |
| From others | **1.5** | 0.2 |
| Total interest and financial income | **5.9** | 7.1 |
| | | |
| **Impairment decrease and increase from investments in non-current assets** | **-9.4** | -18.2 |
| | | |
| **Interest and other financial expenses** | | |
| To group companies | **0.1** | 0.0 |
| To others | **1.2** | 0.5 |
| Total interest and other financial expenses | **1.3** | 0.5 |
| | | |
| **Total financial income and expenses** | **-3.0** | -5.2 |
| | | |
| **9. Appropriations** | | |
| Increase (-) / decrease (+) in accelerated depreciation | **-0.7** | 0.4 |
| Group contribution | **25.7** | 25.9 |
| **Total** | **25.0** | 26.2 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **10. Income taxes** | | |
| Income taxes on ordinary operations for the financial year (+/-) | **0.0** | 0.0 |
| Income taxes for the previous financial years (+/-) | **0.0** | 0.0 |
| **Total** | **0.0** | 0.0 |
| | | |
| Deferred tax receivables (+) / -liabilities (-) which have not been booked into balance sheet | **0.3** | 0.2 |
| | | |
| **NOTES CONCERNING ASSETS IN THE BALANCE SHEET** | | |
| | | |
| **Intangible and tangible assets** | | |
| | | |
| **11. Intangible assets** | | |
| | | |
| **Intangible rights** | | |
| Acquisition cost at 1 Jan | **63.5** | 60.5 |
| Increases | **0.4** | 2.3 |
| Decreases | **-3.6** | -3.8 |
| Transfers | **6.8** | 4.6 |
| Acquisition cost at 31 Dec | **67.1** | 63.5 |
| | | |
| Accumulated depreciation at 1 Jan | **47.8** | 38.6 |
| Accumulated depreciation on decreases and transfers | **-3.6** | -3.8 |
| Depreciation for the financial year | **9.7** | 11.7 |
| Impairment | | 1.3 |
| Accumulated amortisation at 31 Dec | **53.9** | 47.8 |
| | | |
| Book value at 31 Dec | **13.3** | 15.7 |
| | | |
| **Other long-term expenditure** | | |
| Acquisition cost at 1 Jan | **16.6** | 17.0 |
| Increases | **0.3** | 1.4 |
| Decreases | **-0.7** | -1.8 |
| Acquisition cost at 31 Dec | **16.2** | 16.6 |
| | | |
| Accumulated depreciation at 1 Jan | **9.0** | 9.2 |
| Accumulated depreciation on decreases and transfers | **-0.2** | -1.8 |
| Depreciation for the financial year | **1.5** | 1.6 |
| Accumulated amortisation at 31 Dec | **10.4** | 9.0 |
| | | |
| Book value at 31 Dec | **5.9** | 7.6 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **Advance payments of intangible assets** | | |
| Acquisition cost at 1 Jan | **38.4** | 21.7 |
| Increases | **20.5** | 21.3 |
| Transfers | **-6.8** | -4.6 |
| Book value at 31 Dec | **52.0** | 38.4 |
| | | |
| **Intangible assets total** | **71.1** | 61.7 |
| | | |
| **12. Property, plant and equipment** | | |
| | | |
| **Land and water areas** | | |
| Acquisition cost at 1 Jan | **0.7** | 0.7 |
| Increases | **0.0** | |
| Decreases | **0.0** | 0.0 |
| Acquisition cost at 31 Dec | **0.7** | 0.7 |
| | | |
| Accumulated impairment at 1 Jan | **0.1** | 0.1 |
| Accumulated depreciation on decreases and transfers | **0.0** | |
| Accumulated impairment at 31 Dec | **0.1** | 0.1 |
| | | |
| Book value at 31 Dec | **0.6** | 0.7 |
| | | |
| **Buildings and structures** | | |
| Acquisition cost at 1 Jan | **1.5** | 1.5 |
| Acquisition cost at 31 Dec | **1.5** | 1.5 |
| | | |
| Accumulated depreciation at 1 Jan | **1.4** | 1.4 |
| Depreciation for the financial year | **0.0** | 0.0 |
| Accumulated depreciation at 31 Dec | **1.4** | 1.4 |
| | | |
| Book value at 31 Dec | **0.1** | 0.1 |
| | | |
| **Machinery and equipment** | | |
| Acquisition cost at 1 Jan | **7.4** | 7.0 |
| Increases | **0.4** | 2.1 |
| Decreases | **-0.3** | -1.7 |
| Acquisition cost at 31 Dec | **7.5** | 7.4 |
| | | |
| Accumulated depreciation at 1 Jan | **5.0** | 5.8 |
| Accumulated depreciation on decreases and transfers | **-0.1** | -1.7 |
| Depreciation for the financial year | **0.8** | 0.9 |
| Accumulated depreciation at 31 Dec | **5.7** | 5.0 |
| | | |
| Book value at 31 Dec | **1.9** | 2.4 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **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** | **3.2** | 3.8 |
| | | |
| **13. Investments** | | |
| | | |
| **Shares in Group companies** | | |
| Acquisition cost at 1 Jan | **412.4** | 383.5 |
| Increases | **23.9** | 29.1 |
| Decreases | **-9.9** | -0.3 |
| Transfers | **5.3** | |
| Acquisition cost at 31 Dec | **431.7** | 412.4 |
| | | |
| Accumulated impairment at 1 Jan | **20.0** | 1.8 |
| Accumulated impairment on decreases and transfers | **-2.5** | |
| Impairment | **9.4** | 18.2 |
| Accumulated impairment at 31 Dec | **26.8** | 20.0 |
| | | |
| Book value at 31 Dec | **404.8** | 392.3 |
| | | |
| **Shares in Group companies total** | **404.8** | 392.3 |
| | | |
| **Receivables from Group companies** | | |
| Amount at 1 Jan | **296.7** | 282.3 |
| Increases | **73.7** | 93.2 |
| Decreases | **-98.5** | -84.7 |
| Amount at 31 Dec | **272.0** | 290.7 |
| | | |
| **Participations in participating interest companies** | | |
| Acquisition cost at 1 Jan | **125.7** | 128.8 |
| Increases | **15.0** | |
| Decreases | **0.0** | -3.1 |
| Transfers | **-5.3** | |
| Acquisition cost at 31 Dec | **135.4** | 125.7 |

| EUR million | 2018 | 2017 |
|---|---|---|
| Accumulated impairment at 1 Jan | **0.1** | 0.1 |
| Accumulated impairment at 31 Dec | **0.1** | 0.1 |
| | | |
| Book value at 31 Dec | **135.3** | 125.6 |
| | | |
| **Receivables from participating interest companies** | | |
| Amount at 1 Jan | **20.0** | 17.0 |
| Increases | | 3.0 |
| Amount at 31 Dec | **20.0** | 20.0 |
| | | |
| **Capital loan receivables from participating interest companies** | | |
| Amount at 1 Jan | | 17.0 |
| Increases | | 0.8 |
| Decreases | | -17.8 |
| **Amount at 31 Dec** | | 0.0 |
| | | |
| **Receivables from participating interest companies, total** | **20.0** | 20.0 |
| | | |
| **Other shares and participations** | | |
| Acquisition cost at 1 Jan | **1.4** | 1.2 |
| Increases | **0.1** | 0.2 |
| Decreases | | 0.0 |
| Acquisition cost at 31 Dec | **1.5** | 1.4 |
| Measurement at fair value | **1.2** | 0.9 |
| Book value at 31 Dec | **2.7** | 2.4 |
| | | |
| **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 | **40.2** | 20.0 |
| Increases | **10.1** | 62.6 |
| Decreases | **-40.2** | -42.4 |
| Amount at 31 Dec | **10.0** | 40.2 |
| | | |
| **Investments total** | **845.4** | 871.8 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **14. Inventories** | | |
| Supplies | **123.0** | 148.4 |
| Other inventories | **0.0** | 0.0 |
| Prepayments | **1.5** | 1.3 |
| Total | **124.5** | 149.7 |
| | | |
| **15. Long-term receivables** | | |
| Other long term receivables | **1.7** | 1.5 |
| **Total long-term receivables** | **1.7** | 1.5 |
| | | |
| **16. Short-term receivables** | | |
| | | |
| **Trade receivables** | **475.5** | 506.9 |
| | | |
| **Receivables from group companies** | | |
| Trade receivables | **7.6** | 7.1 |
| Loan receivables | **5.3** | 11.0 |
| Other receivables | **13.4** | 10.8 |
| Prepayments and accrued income | **4.4** | 1.4 |
| Total | **30.7** | 30.4 |
| | | |
| **Receivables from participating interest companies** | | |
| Trade receivables | **1.2** | 1.6 |
| Prepayments and accrued income | **0.1** | 0.1 |
| Total | **1.3** | 1.7 |
| | | |
| **Other receivables** | **0.2** | 0.2 |
| **Prepayments and accrued income** | **28.3** | 29.9 |
| **Total short-term receivables** | **535.9** | 569.0 |
| | | |
| **Specification of prepayments and accrued income** | | |
| Financial items | **5.7** | 4.0 |
| Other | **27.0** | 27.4 |
| **Total prepayments and accrued income** | **32.7** | 31.4 |

## NOTES CONCERNING LIABILITIES IN THE BALANCE SHEET

| | | |
|---|---|---|
| **17. Capital and reserves** | | |
| Cooperative capital at 1 Jan | **172.0** | 172.0 |
| Decreases | **0.0** | |
| Cooperative capital at 31 Dec | **172.0** | 172.0 |

| EUR million | 2018 | 2017 |
|---|---|---|

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

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

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

| | | |
|---|---|---|
| Supplementary cooperative capital at 1 Jan | **12.8** | 12.8 |
| Decreases | **-12.8** | |
| Supplementary cooperative capital at 31 Dec | **0.0** | 12.8 |

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

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

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

| | | |
|---|---|---|
| Fair value reserve at 1 Jan | **0.3** | 4.5 |
| Derivative instruments used to hedge cash flow | | |
| Value change during the period | **0.2** | -0.6 |
| Amount excluded from equity to income statement | **0.6** | -1.4 |
| Financial assets held for sale | | |
| Transfer caused by a change to the accounting principle to retained earnings | **-0.9** | |
| Value changes during the financial period | | 0.2 |
| Amounts written off from shareholders' equity and presented in the income statement | | -2.3 |
| **Fair value reserve at 31 Dec** [1] | **0.2** | 0.3 |

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

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

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

| EUR million | 2018 | 2017 |
|---|---|---|
| Legal reserve at 1 Jan | **18.5** | 18.5 |
| **Legal reserve at 31 Dec** | **18.5** | 18.5 |
| | | |
| Invested non-restricted equity reserve 1.1. | **4.4** | 2.3 |
| Increase | **17.1** | 2.2 |
| **Invested non-restricted equity reserve 1.1.** | **21.5** | 4.4 |
| | | |
| 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 | **573.2** | 594.5 |
| Transfer to Supervisory Board's disposal fund | **-0.1** | -0.1 |
| Interest on supplementary cooperative capital | **-16.6** | -10.3 |
| Redemption of supplementary cooperative capital | **0.0** | -12.8 |
| Change to the accounting principle (adoption of IFRS 9) | | |
| Transfer of valuation accumulated in shares and participations, related to the adoption of IFRS 9, from the fair value reserve to retained earnings | **0.9** | |
| Profit for the previous financial years 31 Dec | **557.5** | 584.1 |
| Profit for the financial year | **-4.3** | -10.9 |
| **Total capital and reserves** | **765.5** | 781.2 |
| | | |
| **Distributable funds at 31 Dec** | | |
| Invested non-restricted equity reserve | **21.5** | 4.4 |
| Profit for the previous financial years | **557.5** | 584.1 |
| Profit for the financial year | **-4.3** | -10.9 |
| Total | **574.7** | 577.7 |
| | | |
| **18. Accumulated appropriations** | | |
| Accelerated depreciation | | |
| Intangible rights | **3.4** | 4.4 |
| Other capitalised expenditure | **3.7** | 3.4 |
| Buildings and constructions | **-0.2** | -0.2 |
| Technical equipment of buildings | **0.0** | 0.0 |
| Machinery and equipment | **-0.8** | -0.9 |
| Total | **6.0** | 6.7 |
| | | |
| **19. Provisions** | | |
| Partially vacant premises | **6.6** | 6.7 |
| Other mandatory provisions | **0.1** | 0.2 |
| Total | **6.7** | 6.9 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **20. Long-term liabilities** | | |
| Other long-term liabilities | **0.3** | 0.3 |
| Total long-term liabilities | **0.3** | 0.3 |
| | | |
| **21. Short-term liabilities** | | |
| **Advances received** | **7.5** | 4.1 |
| **Trade payables** | **570.5** | 598.1 |
| | | |
| **Liabilities to group companies** | | |
| Trade payables | **8.8** | 9.4 |
| Other short-term liabilities | **218.5** | 187.9 |
| Accruals and deferred income | **15.2** | 27.9 |
| Total | **242.6** | 225.2 |
| | | |
| **Amounts owed to participating interest companies** | | |
| Trade payables | **5.8** | 19.0 |
| Total | **5.8** | 19.0 |
| | | |
| **Other short-term liabilities** | **43.8** | 46.4 |
| **Accruals and deferred income** | **77.4** | 63.2 |
| **Total short-term liabilities** | **947.6** | 955.9 |
| | | |
| **Specification of accruals and deferred income** | | |
| Personnel costs | **33.4** | 29.9 |
| Financial items | **2.9** | 3.4 |
| Other | **56.2** | 57.8 |
| Total accruals and deferred income | **92.6** | 91.1 |
| | | |
| **22. Related party transactions** | | |
| **Related party transactions** | | |
| | | |
| Sales of goods | **68.2** | 71.0 |
| Service revenue | **40.3** | 43.8 |
| Facility rents | **31.0** | 30.4 |
| **Total** | **139.5** | 145.3 |
| | | |
| Purchase of goods | **245.7** | 236.0 |
| Purchase of service | **245.1** | 286.9 |
| **Total** | **490.8** | 522.9 |

| EUR million | 2018 | 2017 |
|---|---|---|
| **SECURED ASSETS AND CONTINGENT LIABILITIES** | | |
| **22. Contingent liabilities** | | |
| **Pledges and contingent liabilities** | | |
| **Other collateral provided** | | |
| Pledges | **0.1** | 0.1 |
| Pledges provided as collateral total | **0.1** | 0.1 |
| **Securities given on behalf of Group companies** | | |
| Pledges | **0.0** | 0.0 |
| Financial guarantees | **125.4** | 140.9 |
| **Total** | **125.4** | 140.9 |
| **Security given on behalf of others' liabilities** | | |
| Financial guarantees on joint ventures' debt | **120.1** | 96.9 |
| Guarantees for liabilities of cooperative enterprises | | 7.4 |
| **Total** | **120.1** | 104.3 |
| **Other collateral provided for others** | | |
| Financial guarantees on joint ventures' responsibilities | **25.8** | 20.6 |
| Total | **25.8** | 20.6 |
| **Other contingent liabilities** | | |
| Letters of credit | **0.2** | 1.3 |
| Total | **0.2** | 1.3 |
| Leasing liabilities: | | |
| Payable next year | **12.1** | 17.5 |
| Payable in more than one year | **71.7** | 87.3 |
| Total | **83.9** | 104.8 |
| Minimum lease payments on non-cancellable operating leases: | | |
| Payable next year | **4.0** | 3.9 |
| Payable in more than one year | **15.9** | 19.6 |
| Total | **19.9** | 23.6 |
| Repurchase liabilities [1)] | | 30.5 |
| Total | | 30.5 |

1) Repurchase liabilities consisted of an obligation to purchase the targets of the property fund which invested 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 was 20 per cent.

**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 0.8 million on 31 Dec 2018 (EUR 1.1 million on 31 Dec 2017).

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

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

Additionally SOK has pledged to provide loan funding. SOK has at 31 Dec 2017 the following open commitments: To provide EUR 0.0 million (EUR 50.0 million 31 Dec 2017) and long term debt EUR 0.0 (EUR 15.4 million 31 Dec 2017) sekä shareholder loan to S-ryhmän logistiikkakeskukset Oy, to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2017) 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.

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 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 2018** | Underlying item values 2017 |
|---|---|---|
| Forward exchanges, hedge accounting | **23.9** | 24.4 |
| Forward exchanges, no hedge accounting | **19.6** | 25.2 |
| Electrical derivatives | **4.2** | 4.6 |
| Total | **51.9** | 58.8 |

| | **Fair values 2018** | Fair values 2017 |
|---|---|---|
| Forward exchanges, hedge accounting | **0.4** | -0.5 |
| Forward exchanges, no hedge accounting | **0.2** | -0.6 |
| Electrical derivatives | **0.0** | 0.0 |
| Total | **0.5** | -1.1 |

The forward exchanges will mature in 2019.

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

| | € |
|---|---:|
| Invested non-restricted equity reserve | 21,542,500.00 |
| Loss indicated in the income statement | -4,346,075.51 |
| Profit for the previous financial years | 557,545,637.00 |
| Total | 574,742,061.49 |

The Executive Board proposes that the distributable surplus of EUR 574 742 061,49 be used as follows:

| | |
|---|---:|
| - distributed as interest on cooperative contributions paid by the cooperative enterprises by the beginning of the financial period | 27,549,407.11 |
| - transferred to the Supervisory Board's disposal fund | 50,000.00 |

Providing that the Cooperative Meeting approves the above proposal, SOK's capital and reserves will be:

| | |
|---|---:|
| Cooperative capital | 172,001,000.00 |
| Fair value reserve | 188,494.56 |
| Legal reserve | 18,473,154.85 |
| Invested non-restricted equity reserve | 21,542,500.00 |
| Supervisory Board's disposal fund | 97,634.97 |
| Profit for the previous financial years | 525,600,154.39 |
| Total | 737,902,938.77 |

Helsinki, 7 February 2019

Taavi Heikkilä

Kim Biskop

Nermin Hairedin

Rita Järventie-Thesleff

Juha Kivelä

Hannu Krook

Veli-Matti Liimatainen

Kimmo Simberg

Olli Vormisto

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

# 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, 2017. 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, 19 March 2019

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 2018, 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 distributable equity be approved.

Helsinki, 28 March 2019

SUOMEN OSUUSKAUPPOJEN
KESKUSKUNTA

On behalf of the Supervisory Board

Matti Pikkarainen
Chairman

Seppo Kuitunen
Secretary

In its meeting on 28 March 2019, the Supervisory Board of SOK Corporation approved these financial statements for publication. According to the Finnish Cooperatives Act, the Annual Cooperative Meeting can approve or reject the financial statements in the ordinary Council of Representatives' meeting to be held after the publication of the financial statements. The ordinary Council of Representatives' meeting may also decide on amending the financial statements.