

SOK Corporation

Financial statements bulletin
1 January – 31 December 2017

Excecutive board report on operations

Development of the operating environment

Finland's GNP grew 1.9 per cent during year 2016, and the strong growth has continued in year 2017 as well. According to S-Bank's forecast, the growth for the entire year will be 3.2 per cent. The low interest rates, moderate increase in consumer prices and decreased unemployment have supported private consumption, but the actual drivers of growth are exports and industrial investments, for both of which the forecast growth is more than 8 per cent compared to the previous year.

The development of private consumption is of key importance for the development of sales in S Group. Strong consumer confidence in the economy and the positive economic development have upheld household consumption and generated growth of 2.2 per cent from the previous year. As part of general economic growth, retail also grew 2.2 per cent from the previous year.

Year 2017 was characterised by global growth, and it is estimated that global GNP will grow 3.5 per cent. Exports have been supported by the stronger economic growth of the export countries. Among the largest export countries, the euro region has experienced the best growth since 2007 in the current year, and the forecast growth for the entire 2017 is 2.2 per cent. GNP in the USA is also forecast to grow 2.2 per cent. Due to the economic sanctions imposed by the West, the economic development of Russia has been slightly slower and the economy there is forecast to grown 1.7 per cent. Russian exports and economic growth have been supported by the increased world market prices of oil and other raw materials.

The stronger economic growth has increased tax income and resulted in decreased economic deficit. However, this will not solve the existing structural problems in the public economy.

S Group's business development 1 January – 31 December 2017

S Group comprises the cooperatives and SOK with its subsidiaries. S Group's retail sales excluding taxes in 2017 were EUR 11,273 million, showing an increase of 2.3 per cent compared to the previous year.

S Group's retail sales excluding taxes by business area	EUR million	+/- % prev. year
Prisma*	3,490	+1.1
S-Market	3,358	+1.3
Sale and Alepa	1,018	+4.1
Other supermarket trade	4	-7.3
Supermarket trade total*	7,870	+1.5
Hardware trade	177	-11.3
Service station store and fuel sales	1,633	+5.8
Department stores and speciality stores	310	+3.2
Travel industry and hospitality business*	811	+2.2
Automotive trade and accessories	379	+11.7
Agricultural trade	75	+2.6
Others	19	+1.2
S Group total*	**11,273**	**+2.3**

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

At the end of year, S Group had 1,631 outlets (1,633 on 31 December 2016).

On 31 December 2017, there were 20 regional cooperatives and seven local cooperatives.

A total of 109,584 new members joined the cooperatives participating in the Bonus system in 2017. The total number of co-op members was 2,355,963 at the end of December. Co-op members were paid EUR 334 million in Bonus rewards. The principal reason for the lower amount of Bonus paid last year is the change in tobacco law due to which Bonus is no longer paid for tobacco products in 2017.

S Group's investments amounted to EUR 492 million, compared to EUR 510 million in the previous year.

S Group's combined non-consolidated result before appropriations and taxes was EUR 296 million positive, whereas the result was EUR 292 million in the previous year. The cooperatives' combined result before appropriations and taxes showed a profit of EUR 291 million, whereas the result was EUR 269 million in the previous year. SOK Corporation's result before taxes (IFRS) showed a profit of EUR 5,0 million, whereas it was EUR 22,8 million in the previous year.

The transfer agreed between S Group and Stockmann of the Stockmann Delicatessen department's business operations to S Group cooperatives was approved by the Finnish Consumer and Competition Authority. The operations that were transferred to the SOK Corporation were the chain operations of the Delicatessen department and the production of Stockmann Meals. The store operations of the Delicatessen department in the Helsinki region, Turku and Tampere were transferred to HOK-Elanto, the Turun Osuuskauppa cooperative and the Pirkanmaan Osuuskauppa cooperative, respectively.

Financial development

SOK's operations

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

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

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

SOK Corporation's financial development 1 January – 31 December 2017

SOK Corporation's net sales 1 January – 31 December 2017 were EUR 7,063.6 million, showing a decrease of 0.5 per cent compared to the corresponding period of the previous year.

SOK Corporation's operating profit was EUR 5.9 million (EUR 27.0 million). The reasons behind the result being weaker compared to the previous year are the non-recurring costs related to the run-down of the supermarket trade business areas in Latvia and Lithuania, and the lower result in banking operations compared to the previous year. International operations accounted for 5.8 per cent of net sales (6.3 per cent), or EUR 410.2 million.

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

SOK Corporation	31 Dec 2017	31 Dec 2016	31 Dec 2015
Net sales, EUR million	7,063.6	7,074.0	7,038.4
Operating profit, EUR million	5.9	27.0	11.1
Operating profit, %	0.1	0.4	0.2
Return on equity, %	0.3	1.8	0.1
Equity ratio, %	36.5	37.0	37.0

SOK Corporation's operating result

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

SOK Corporation	31 Dec 2017	31 Dec 2016	31 Dec 2015
Operating result, EUR million	41.5	28.8	16.9

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

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

	Net sales, EUR million	+/- % prev. year	Operating result, EUR million	Change, EUR million
Supermarket trade	355.9	-10.3	-25.5	+0.8
Travel industry and hospitality business	269.7	+5.7	+30.9	+6.8
Procurement and service business	6,461.2	+0.5	+6.9	+3.8
Real estate business	82.0	-0.6	+15.1	-2.1
Result from banking			+6.6	-1.6
Internal eliminations and other items	-109.0	+17.8	+0.8	+0.4
SOK Corporation total	**7,059.7**	**-0.1**	**+34.7**	**+8.1**

Funding

SOK Corporation's financial situation has remained good throughout the year. SOK Corporation's interest-bearing net liabilities amounted to EUR 74.6 million at the end of the year (EUR 36.6 million) and its gearing was 11.8 per cent (5.7 per cent). SOK Corporation's equity ratio was 36.5 per cent (37.0 per cent).

At the end of June, SOK Corporation's liquid assets amounted to EUR 120.6 million (EUR 150.4 million). In addition, the Group had EUR 100.0 million in unused long-term binding credit facilities (EUR 60.0 million) and EUR 57.0 million in unused account limits (EUR 57.0 million).

Investments and divestments

SOK Corporation's non-current asset procurement, or investments in fixed assets, amounted to EUR 57.9 million (EUR 93.1 million). Major investments were related to information systems, logistics and terminal properties, as well as travel industry and hospitality business units in Finland.

Sales of non-current assets amounted to EUR 3.5 million in the review period (EUR 33.9 million).

Personnel

SOK Corporation's average number of personnel, converted to full-time equivalents, (active employment relationships) was 5,411 people during the financial period (2016: 5,849; 2015: 7,778).

At the end of 2017, SOK Corporation's number of personnel in active employment relationships was 6,095, of whom 1,388 (23 per cent) were employed by SOK and 4,707 (77 per cent) by the subsidiaries. The total number of employees working abroad was 2,408 (40 per cent).

The number of personnel decreased by 627 persons (9 per cent) compared to the corresponding period in the previous year. The decrease was due to the discontinuation of the operations of the local companies in Latvia and Lithuania. By contrast, the number of personnel in Finland increased slightly during the current year.

Responsibility

Responsibility in S Group covers all business areas and it is managed jointly with business management at the Group level. SOK's Responsibility unit is in charge of the S Group-level strategic development, management and reporting of responsibility.

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 2018, available at www.s-ryhmä.fi.

Development of the business areas

Supermarket trade

SOK Liiketoiminta Oy engages in supermarket trade in St Petersburg and Estonia through its subsidiaries. At the end of the financial year, it has 16 Prisma stores in St Petersburg. In Estonia, there are five Prisma stores in Tallinn, two stores in Tartu and one in Narva. A decision was made during the year to discontinue the business operations in Latvia and Lithuania. The operations ended in these countries at the end of May.

Net sales from the supermarket trade were EUR 355.9 million. Net sales decreased by 10.3 per cent year-on-year, mainly due to the discontinuation of the operations in Latvia and Lithuania. The operating result in the supermarket trade was at the previous year's level and its investments were EUR 1.5 million, mostly related to the replacement of equipment. The result for the 2017 financial period includes costs incurred by the discontinuation of the business operations in Latvia and Lithuania.

Travel industry and hospitality business

In 2017, SOK Corporation's travel industry and hospitality business was conducted by Sokotel Oy in Finland, AS Sokotel in Estonia, and OOO Sokotel in Russia.

In addition to the global growth in the travel industry, economic development was favourable in countries in which SOK conducts travel industry and hospitality business operations, resulting in considerable growth in the travel industry market in 2017. The level of growth in the catering business was also good, supported by the positive economic situation and due to the events organised to celebrate Finland's 100 years of independence.

The net sales of SOK's hotel business totalled EUR 269.7 million and increased by 5.7 per cent from the previous year. The operating result was EUR 31.2 million, which showed an increase of 28.9 per cent compared to the previous year.

In 2017, Sokotel Oy's net sales were EUR 219.8 million, showing an increase of 4.2 per cent from the previous year. Sokotel Oy's operating result improved considerably from the previous year mainly due to a good development of the comparable net sales in the hospitality business and cost management measures.

The net sales of AS Sokotel, engaging in the travel industry and hospitality business in Tallinn, saw an increase of 4.7 per cent from the previous year, to EUR 19.4 million. The operating result of AS Sokotel improved slightly from the previous year. The cost development continues to be strong in Estonia.

The net sales of OOO Sokotel, engaging in the travel industry and hospitality business, was EUR 30.5 million, with an increase of 19.0 per cent from the previous year. In the local currency, the net sales increased by 7.4 percent. The operating result of OOO Sokotel was considerably better than in the previous year.

In 2017, the investments by the travel industry and hospitality business totalled EUR 8.7 million, with EUR 8.5 million targeting Finland. The investments consisted mainly of hotel unit renovations.

Procurement and service business

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

Net sales from the procurement and service business totalled EUR 6,461.2 million, Net sales remained at the level of the previous year. The operating result of the procurement and service business was EUR 6.9 million, which was better than in the previous year.

In year 2017, investments by the procurement and service business totalled EUR 32.8 million. The investments mainly consisted of information system acquisitions.

Real estate business

Net sales from the real estate business consist of rental and property service income from properties owned by SOK Corporation. The net sales were EUR 82.0 million, which was slightly lower than in the previous year. The operating profit of the real estate business showed a profit.

In 2017, investments by the real estate business were EUR 14.8 million and were mainly related to logistics and terminal properties.

Development of associated companies and joint ventures

Among the associated companies engaging in business operations within SOK Corporation, the most significant is S-Bank Ltd, which operates in the banking sector.

Growth of S-Bank's balance sheet continued to be strong. The total funds on deposit grew by 10.1 per cent from the end of the previous year and were EUR 5,005.8 million at the end of the year (EUR 4,547.0 million). Correspondingly, lending grew by 6.7 per cent and was EUR 3,724.9 million at the end of the year (EUR 3,492.2 million). S-Bank Group's capital adequacy ratio was 16.7 per cent (14.8 per cent). At the end of the year, S-Bank Group's operating result was EUR 16.0 million (EUR 22.3 million). The comparable operating result grew by EUR 7.2 million, taking into consideration the sales gain from the shares of Visa Europe Ltd., which was included in the net income for the previous year. The IFRS-adjusted result corresponding to SOK Corporation's shareholding (37.5 per cent) was EUR 6.6 million.

In January–December 2017, the net sales of the fuel procurement company North European Oil Trade Group were around EUR 4,968 million. Its net sales increased by 9.4 per cent from the previous year due to the rise in the world market price of oil. The volume of the Group's business operations has remained at the previous year's level. North European Oil Trade Group's full-year result for 2017 is EUR 1.0 million. SOK's shareholding

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

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

The total impact of SOK Corporation's associated companies and joint ventures on SOK Corporation's result was EUR 11.7 million (EUR 11.8 million).

Changes in the group structure

As Prisma Latvija and SOK Autokauppa Oy merged with SOK Liiketoiminta Oy, and RB-Int Oy merged with SOK Takaus Oy. A new Group company, S-Herkkukeittiö Oy, was also established during the financial year.

In addition, SOK purchased the shares of S-Verkkopalvelut Oy from the cooperatives. Following the purchase, SOK owns all the shares of the company.

Management and future outlook

Management and changes in management

Taavi Heikkilä was Chairman of SOK's Executive Board in 2017. In addition to the CEO, the Executive Board in 2017 consisted of the following members: Managing Director Heikki Hämäläinen, Managing Director Tapio Kankaanpää, Managing Director Hannu Krook, Managing Director Matti Niemi, Managing Director Timo Mäki-Ullakko and, as a new member, Managing Director Olli Vormisto. Matti Niemi was the Vice-Chairman of the Executive Board.

In April 2017, Doctor of Theology Matti Pikkarainen was re-elected as Chairman of SOK's Supervisory Board, and lawyer Timo Santavuo was elected as a new Vice Chair. Antti Määttä was re-elected as a second Vice Chair. Maija-Liisa Lindqvist left the Committee of Presiding Officers and the Supervisory Board.

The auditor in the financial year 2017 was KPMG Oy Ab, Authorised Public Accountants, with APA Jukka Rajala as the principal auditor.

SOK's Supervisory Board appointed the following persons to SOK's Execu-tive Board for the one-year term beginning on 1 January 2018: Managing Di-rector Hannu Krook (Vice-Chairman), Managing Director Heikki Hämäläinen, Managing Director Juha Kivelä, Managing Director Veli-Matti Liimatainen, Managing Director Timo Mäki-Ullakko and Managing Director Olli Vormisto. SOK's Chief Executive Officer Taavi Heikkilä is 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 2017, 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, served as secretary to the Corporate Management Team.

Near-term risks and uncertainties

SOK Corporation's risk management policy is based on S Group's joint risk management principles. SOK Corporation's Executive Board has discussed and approved the company's risk management policy, which describes the purpose and goals of risk management, as well as key implementation methods and responsibilities related to risk management. Within SOK Corporation, risk management is implemented continuously and throughout the management process. Risks are reviewed in a comprehensive manner, taking into consideration strategic, financial, operative, and loss or damage risks. Through risk management procedures, SOK and its subsidiaries aim to anticipate and control risk factors that affect their ability to reach their goals, and use the potential related to risks in their business operations.

S Group's strategic risks are reviewed by SOK's Corporate Management Team annually and confirmed by SOK's Executive Board. S Group's most significant near-term risks and uncertainty factors are related to the profitability and competitiveness of the grocery trade and to ensuring the profitability of the consumer goods trade in the changing retail sector. Digitisation is providing the sector with new opportunities, and appropriate timing and targeting play a key role in making use of these opportunities. Operational efficiency is being developed through the introduction of a new logistics centre for the grocery trade, as well as major information system projects. SOK supports these projects by means of active, extensive risk management. With regard to the risk factors related to changes in regulation, SOK is preparing for the implementation of the new EU data protection regulation in particular. With regard to SOK's own business operations, the key near-term risks are related to profitability development, particularly in the Baltic countries and Russia.

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

The responsibility risks related SOK Corporation's business operations have been identified and analysed by business area. The key themes and the related risks and opportunities, as well as their significance in terms of business operations, were identified during the process of preparing the Best Place to Live responsibility programme. Risks are assessed from the perspective of regulation, physical operating environment, consumer behaviour, changes 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. The most significant risks in terms of the environment are related to climate change and its impacts, both in SOK's own operations and in the supply chain. Risks are addressed by means of the objectives and acts defined in S Group's responsibility programme. S Group's responsibility work will be described in greater detail in S Group's annual review and responsibility review to be published in March 2018, 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. S-Bank forecasts that growth in the Finnish economy will continue and be 2.8 per cent in 2018 and 2.4 per cent in 2019. Industrial investments and exports are forecast to continue to drive growth, although their growth will be slightly slower than in 2017. By contrast, growth in private consumption is not showing signs of weakening. Increasing employment and salary increases will support households' purchasing power and consumption, while inflation will remain fairly moderate. The continued low interest rates will support households' purchases.

Growth in the euro region is also forecast to be more than 2 per cent in both 2018 and 2019. The continued expansionary monetary policy by the European Central Bank will keep the interest rates low, which will promote investments and consumption. The fairly low inflation together with the increasing salaries will promote the increase in household consumption. Economic growth in Russia is expected to improve slightly and amount to 1.8 per cent in 2018 and 2019. The stabilisation of the price of crude oil will support the Russian economy and imports. Despite the positive economic outlook, the consumers' purchasing power has weakened in Russia, and in accordance with the preliminary assessments, the same will also happend in Estonia at the end of the year. The expansion of the tax base and the increases of indirect taxes are the primary reasons for this. No considerable changes are expected in the development of the purchasing power at the beginning of 2018.

The result for SOK Corporation's continuing business operations is expected to develop positively, compared to the past year. In addition, the total result will be improved by the discontinuation of the supermarket trade in Latvia and Lithuania in 2017. The result for the travel industry and hospitality business in Finland will be burdened by the investments in the network development that will be more extensive in 2018 than in the previous year. Despite the challenging competitive situation of the supermarket trade in Estonia and St Petersburg, the result is expected to improve compared to the previous year due to the development of competitiveness and the streamlining programmes.

The commissioning of the groceries logistics centre in Sipoo will continue as planned, as the operations are gradually transferred from the Kilo logistics centre in Espoo to the Sipoo logistics centre. The whole S-groups result is expected to stay at the same level as previous year.

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

SOK's distributable surplus is EUR 573,205,365.70 (the deficit for the finan-cial year is EUR -10,895,692.66). The Executive Board proposes that EUR 16,557,372.59 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 the proposed distribution of surplus does not endanger SOK's solvency, in the view of the Executive Board.

Helsinki, 8 February 2018

SOK CORPORATION

Board of Directors

Consolidated financial statements

Consolidated income statement, IFRS

EUR million	1.1.–31.12.2017	1.1.–31.12.2016
Revenue	7 063.6	7 074.0
Other operating income	1.6	1.5
Materials and services	-6 362.7	-6 424.7
Employee benefit expenses	-235.6	-214.2
Depreciation and impairment losses	-76.8	-61.9
Other operating expenses	-394.0	-359.4
Share of results of associated companies and joint ventures (+/-)	9.8	11.6
Operating profit (-loss)	5.9	27.0
Financial income and expenses (+/-)	-2.9	-4.4
Share of results of associated companies and joint ventures (+/-)	1.9	0.2
Profit before taxes	5.0	22.8
Income taxes (+/-)	-3.0	-11.2
Result for the financial year	**1.9**	**11.6**
Attributable to:		
Owners of the parent	2.8	13.7
Share of non-controlling interests	-0.9	-2.1
	1.9	11.6

Statement of other comprehensive income

EUR million	1.1.–31.12.2017	1.1.–31.12.2016
Result for the financial year	1.9	11.6
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	-3.5	10.5
Exchange differences on loans to foreign subsidiaries classified as net investments	-0.3	2.7
Cashflow hedges	-3.3	3.5
Comprehensive income items of associated companies and joint ventures	-0.3	2.5
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/losses		-0.4
Other comprehensive income for the financial year, net of tax	-7.4	18.7
Total comprehensive income for the financial year	**-5.4**	**30.3**
Total comprehensive income for the financial year attributable to:		
Owners of the parent	-4.5	32.4
Share of non-controlling interests	-0.9	-2.1
	-5.4	30.3

Consolidated statement of financial position, IFRS

EUR million	31.12.2017	31.12.2016
ASSETS		
Non-current assetst		
Property, plant and equipment	354.4	385.9
Investment properties	29.1	37.7
Intangible assets	70.4	67.2
Interests in associated companies and joint ventures	181.8	177.5
Non-current financial assets	102.4	98.9
Deferred tax assets	27.0	27.2
Non-current assets, total	**765.1**	**794.4**
Current assets		
Inventories	192.6	182.9
Trade receivables and other current non-interest-bearing receivables	655.7	611.6
Current interest-bearing receivables	0.0	10.0
Cash and cash equivalents	120.5	150.4
Current assets, total	**968.9**	**954.9**
Assets held for sale	**12.8**	
Assets, total	**1 746.8**	**1 749.3**
EQUITY AND LIABILITIES		
Equity		
Cooperative capital	172.0	174.3
Restricted reserves	21.4	24.6
Invested unrestricted equity fund	4.5	
Retained earnings	433.9	442.4
Equity attributable to the the owners of the parent	**631.7**	**641.3**
Non-controlling interests	**2.0**	**5.2**
Equity, total	**633.7**	**646.5**
Non-current liabilities		
Non-current interest-bearing liabilities	147.0	169.0
Non-current non-interest-bearing liabilities	34.5	27.9
Provisions	7.1	13.5
Deferred tax liabilities	13.5	14.7
Non-current liabilities, total	**202.0**	**225.1**
Current liabilities		
Current interest-bearing liabilities	47.1	18.0
Current non-interest-bearing liabilities	123.9	112.4
Trade payables	719.4	732.8
Provisions	18.3	6.7
Tax liabilities for the financial year	2.3	7.8
Current liabilities, total	**911.1**	**877.7**
Equity and liabilities, total	**1 746.8**	**1 749.3**

Consolidated statement of cash flows, IFRS

EUR million	Note/Reference	1.1.–31.12.2017	1.1.–31.12.2016
BUSINESS OPERATIONS			
Operating result from continuing and discontinued operations		5.9	27.0
Adjustments to operating result	(A)	46.2	25.8
Change in working capital	(B)	-54.2	-56.1
Cash flow from business operations before financing and taxes		**-2.0**	**-3.3**
Increase (-) / decrease (+) in current receivables		2.9	-0.7
Interest paid and other financial expenses		-0.1	0.0
Interest received and other financial income		0.3	0.4
Dividends received from business operations		0.1	0.1
Income taxes paid		-9.3	-4.6
Cash flow from business operations		**-8.2**	**-8.2**
INVESTMENTS			
Acquired shares in subsidiaries net of acquired cash			-23.7
Divested shares in subsidiaries net of cash held by subsidiary			0.2
Investments in shares		-0.2	-9.6
Investments in tangible assets		-29.1	-25.9
Investments in intangible assets		-28.6	-34.0
Sale of other fixed assets		3.5	33.7
Change in other long-term investments		14.0	0.7
Dividends received from investments		6.5	0.2
Cash flow from investing activities		**-34.0**	**-58.3**
FINANCING			
Repayment of long-term liabilities		0.0	
Increase (+) / decrease (-) in short-term liabilities		28.4	-0.2
Increase (+) / decrease (-) in long-term receivables		-20.2	-10.0
Increase (+) / decrease (-) in short-term receivables		10.0	-10.0
Interest paid		-1.2	-2.8
Interest received		4.3	4.5
Increase in cooperative capital		2.2	2.3
Redemption of supplementary cooperative capital			-12.8
Interest paid on the cooperative capital		-10.3	-5.9
Other changes in equity			0.0
Cash flow from financing		**13.3**	**-34.8**
Increase / Decrease in cash and cash equivalents		**-28.9**	**-101.4**
Cash and cash equivalents at the beginning of the year		**150.4**	**249.4**
Foreign exchange rate effect on cash and cash equivalents		**-0.9**	**2.3**
Increase / Decrease in cash and cash equivalents		**-28.9**	**-101.4**
Cash and cash equivalents at the end of the year		**120.5**	**150.4**
Adjustments to operating profit	(A)		
Gains from the sale of fixed assets		0.9	-0.4
Depreciation and impairment losses		76.8	61.9
Other non-cash income and expenses		-31.5	-35.6
		46.2	25.8
Change in working capital	(B)		
Change in trade and other receivables		-47.0	-66.7
Change in inventories		-9.7	-19.7
Change in non-interest-bearing liabilities		2.5	30.3
		-54.2	-56.1

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

Consolidated statement of changes in equity, IFRS

	Equity attributable to the owners of the parent								
EUR million	Cooperative capital	Cooperative capital	Other restricted reserves	Invested unrestricted equity fund	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
Equity									
1 Jan 2016	172.0	1.1	18.5	0.0	-23.4	442.5	610.7	5.8	616.5
Total comprehensive income		5.1			14.1	13.7	32.9	-2.1	30.8
Increase in cooperative capital	2.3						2.3		2.3
Change of non-controlling interests, which did not result in a change in the controlling interest							0.0	1.5	1.5
Interest on cooperative contributions						-5.6	-5.6		-5.6
Other changes			0.0			1.0	1.0		1.0
31 Dec 2016	**174.3**	**6.1**	**18.5**	**0.0**	**-9.3**	**451.7**	**641.3**	**5.2**	**646.5**
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**

Accounting policies applied to the income statement and balance sheet

This Financial Statements Bulletin has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. The same accounting principles were adhered to in the preparation of the Financial Statements Bulletin as in the 2016 Financial Statements, and, furthermore, the IAS/IFRS standard and interpretation amendments that came into effect in the financial year 2017 were also adhered to. The implementation of these standard and interpretation amendments has not had a material effect on the Consolidated Financial Statements.

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.

This Financial Statements Bulletin is unaudited.

Segment information 31.12.2017

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

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**		**0.0**	**3.5**
Working capital	**0.7**	**3.5**	**24.9**	**0.0**		**-1.6**	**27.5**

Reconciliation of the revenue	
Management accounting revenue to be reported	7 059.7
Eliminations	3.8
Revenue from continuing operations 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 from continuing operations IFRS	**5.0**

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

Additional data at SOK Corporation level, external income	
Finland	6 656.6
Foreign	407.0
Revenue, total	7 063.6
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	424.0
Foreign	42.7
Fixed assets, total	466.7

Segment information 31.12.2016

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

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	**396.7**	**255.0**	**6 428.5**	**82.5**		**-92.6**	**7 070.2**
Operating result	**-26.3**	**24.1**	**3.1**	**17.2**	**8.2**	**0.3**	**26.6**
Investments	**1.7**	**9.7**	**35.6**	**45.9**		**0.3**	**93.1**
Divestments	**0.1**	**0.1**	**33.4**	**0.3**			**33.9**
Working capital	**0.0**	**3.2**	**-22.8**	**0.0**		**-2.6**	**-22.2**

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

Tangible and intangible assets

EUR million	Tangible assets	Investment properties	Intangible assets
Acquisition cost			
Acquisition cost, 1 Jan 2017	678.6	98.6	184.2
Translation differences	-4.3		-0.2
Increases	31.0	0.0	27.2
Decreases	-52.0	0.0	-31.3
Transfers between items	3.7	0.5	-4.2
Transfer to assets held for sale	-12.3	-7.6	
Acquisition cost, 31 December 2017	**644.7**	**91.6**	**175.7**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2017	-292.7	-60.9	-116.9
Translation differences	0.9		0.2
Accumulated depreciation on deducted and transferred items	49.3	-0.2	28.9
Depreciation for the period	-18.8	-3.9	-19.1
Impairment losses	-33.5		1.6
Transfer to assets held for sale	4.5	2.5	
Accumulated depreciation, 31 December 2017	**-290.2**	**-62.5**	**-105.3**
Carrying amount, 1 Jan 2017	**385.9**	**37.7**	**67.2**
Carrying amount, 31 December 2017	**354.4**	**29.1**	**70.4**
Acquisition cost			
Acquisition cost, 1 Jan 2016	581.3	90.7	181.4
From business combinations	11.7		
Translation differences	28.2		0.5
Increases	93.8	0.1	31.1
Decreases	-25.9	-6.0	-25.4
Transfers between items	-10.6	13.9	-3.3
Acquisition cost, 31 December 2016	**678.6**	**98.6**	**184.2**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2016	-263.3	-55.8	-123.4
From business combinations	-3.1		
Translation differences	-14.2		-0.3
Accumulated depreciation on deducted and transferred items	28.7	-1.5	25.4
Depreciation for the period	-40.4	-3.6	-18.5
Impairment losses	-0.4		0.0
Accumulated depreciation, 31 December 2016	**-292.7**	**-60.9**	**-116.9**
Carrying amount, 1 Jan 2016	**318.0**	**34.8**	**57.9**
Carrying amount, 31 December 2016	**385.9**	**37.7**	**67.2**

Related party transactions

Transactions and balances with associated companies and joint ventures:

EUR million	**31.12.2017**	**31.12.2016**
Sales	19.1	20.1
Purchases	369.8	355.4
Financial income and expenses	1.5	1.6
Trade and other receivables	1.9	0.7
Loan receivables	20.0	33.4
Trade payables and other liabilities	9.2	61.4

Pledges and contingent liabilities

Contingent liabilities, EUR million	**31.12.2017**	**31.12.2016**	**Change**
Pledges given and contingent liabilities			
Pledges	0.1	0.1	0.0
Guarantees	2.5	3.8	-1.3
Total	**2.6**	**3.9**	**-1.3**
Security given on behalf of others			
Guarantees for liabilities of joint ventures enterprises	96.9	87.5	9.4
Guarantees for liabilities of cooperative enterprises	7.4	7.4	0.0
Total	**104.3**	**94.9**	**9.4**
Other contingent liabilities			
Guarantees for liabilities of joint ventures enterprises	20.6	2.4	18.1
Other liabilities			
Letter of credit liabilities	1.3	0.4	0.9
Repurchase liabilities	30.5	31.4	-0.9
Underwriting		10.7	-10.7
Total	**30.5**	**42.1**	**-11.6**

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

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

EUR million	**31.12.2017**	**31.12.2016**	**Change**
In one year	133.9	132.4	1.5
In one to five years	599.6	595.9	3.7
Over five years	822.9	751.6	71.3
Total	**1 556.5**	**1 479.9**	**76.5**

The guarantees granted consist mainly of the guarantees on behalf of joint venture North European Oil Trade Oy and its subsidiary North European Oil Trade AB on a loan and other liabilities of 64.4 million (EUR 39.4 million 31 Dec 2016) 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).

In addition, SOK has given letters of support for the guarantees granted by SOK-Takaus Oy. The amount of the letters of support is EUR 0.0 million on 31 December 2017 (EUR 8.9 million on 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 10.2 million (EUR 8.7 million on 31 Dec 2016).

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

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

Additionally SOK has pledged to provide loan funding. SOK has at 31 Dec 2017 the following open commitments: To provide EUR 50.0 million (EUR 50.0 million 31 Dec 2016) shareholder loan and EUR 15.3 million long term loan (EUR 80.5 million 31 Dec 2016) to S-ryhmän logistiikkakeskukset Oy, and to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2016) conditional subordinated loan to North European Oil Trade Oy.

Key ratios

SOK Corporation:	31.12.2017	31.12.2016
Revenue, EUR million	7 063.6	7 074.0
Operating profit, EUR million	5.9	27.0
% of revenue	0.1	0.4
Profit before taxes, EUR million	5.0	22.8
% of revenue	0.1	0.3
SOK Corporation:		
Equity ratio, %	36.5	37.0
Return on equity, %	0.3	1.8
Gearing, %	11.8	5.7

Calculation of key ratios

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

Gearing, % = $\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Total equity}}$ x 100 %

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