

SOK CORPORATION

Financial statements 1 Jan–31 Dec 2019

Development of the operating environment

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

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

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

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

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

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

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

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

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

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

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

Financial development

SOK's operations

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

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

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

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

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

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

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

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

SOK Corporation's operational result

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

SOK Corporation	31.Dec. 2019	31. Dec. 2018	31. Dec. 2017
Operating result, EUR million	71.4	59.4	41.5

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

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

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

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

Funding

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

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

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

Investments and divestments

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

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

Personnel

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

At the end of 2019, SOK Corporation's number of personnel in active employment relationships was 6,505, of whom 1,634 (25 per cent) were employed by SOK and 4,871 (75 per cent) by the subsidiaries. The total number of employees working abroad was 2,155 (33 per cent).

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

Development of the business areas

Supermarket trade

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

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

Travel industry and hospitality business

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

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

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

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

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

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

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

Procurement and service business

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

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

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

Real estate business

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

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

Development of associated companies and joint ventures

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

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

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

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

Changes in the group structure

Suomen Spar Oy was merged with SOK in March

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

Management and future outlook

Management and changes in management

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

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

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

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

Near-term risks and uncertainties

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

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

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

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

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

Responsibility

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

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

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

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

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

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

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

Outlook for the current year

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

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

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

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

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

Helsinki, 6 February 2020

SOK
CORPORATION

Executive Board

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Consolidated income statement, IFRS

EUR million	1. Jan.–31. Dec. 2019	1. Jan.–31. Dec. 2018
Revenue	7,496.6	7,303.5
Other operating income	3.1	2.6
Materials and services	-6,686.2	-6,548.9
Employee benefit expenses	-273.6	-253.2
Depreciation and impairment losses	-168.9	-61.2
Other operating expenses	-281.4	-389.0
Share of results of associated companies and joint ventures (+/-)	12.5	6.9
Operating profit (-loss)	**102.2**	**60.7**
Financial income and expenses (+/-)	-37.0	-5.7
Share of results of associated companies and joint ventures (+/-)	2.0	0.4
Profit before taxes	**67.2**	**55.4**
Income taxes (+/-)	-1.9	-6.7
Result for the financial year	**65.4**	**48.7**
Attributable to:		
Owners of the parent	65.4	50.3
Share of non-controlling interests	0.0	-1.5
	65.4	48.7

Statement of other comprehensive income

EUR million	1.1.–31.12.2019	1.1.–31.12.2018
Result for the financial year	65.4	48.7
Other comprehensive income:		
Items that may be Reclassified Subsequently to Profit and		
Exchange differences on translating foreign operations	8.0	-9.5
Available-for-sale financial assets		
Exchange differences on loans to foreign subsidiaries classified as net investments	0.7	-0.6
Cashflow hedges	-0.3	-0.1
Comprehensive income items of associated companies and joint ventures	0.8	3.1
Other comprehensive income for the financial year, net of tax	9.2	13.3
Total comprehensive income for the financial year	74.5	35.4
Total comprehensive income for the financial year attributable to:		
Owners of the parent	74.5	36.9
Share of non-controlling interests	0.0	-1.5
	74.5	35.4

Consolidated statement of financial position, IFRS

EUR million	31. Dec. 2019	31. Dec. 2018
ASSETS		
Non-current assets		
Property, plant and equipment	1,338.6	353.4
Investment properties	22.8	24.1
Intangible assets	102.9	82.7
Interests in associated companies and joint ventures	205.0	196.6
Non-current financial assets	73.1	72.4
Deferred tax assets	26.8	18.0
Non-current assets, total	**1,769.2**	**747.2**
Current assets		
Inventories	205.0	160.8
Trade receivables and other current non-interest-bearing receivables	601.4	650.0
Current interest-bearing receivables	34.0	0.0
Cash and cash equivalents	172.6	172.4
Current assets, total	**1,013.1**	**983.1**
Assets, total	**2,782.3**	**1,730.3**
EQUITY AND LIABILITIES		
Equity		
Cooperative capital	172.0	172.0
Restricted reserves	16.4	15.9
Invested non-restricted equity reserve	29.4	21.5
Retained earnings	444.5	450.9
Equity attributable to the the owners of the parent	662.3	660.3
Non-controlling interests	0.8	0.4
Equity, total	**663.1**	**660.7**
Non-current liabilities		
Non-current interest-bearing liabilities	1,061.1	137.2
Non-current non-interest-bearing liabilities	39.2	36.3
Provisions	6.4	6.8
Deferred tax liabilities	10.0	12.1
Non-current liabilities, total	**1,116.7**	**192.3**
Current liabilities		
Current interest-bearing liabilities	117.7	38.3
Current non-interest-bearing liabilities	157.4	144.9
Trade payables	726.4	693.3
Provisions	0.6	0.6
Tax liabilities for the financial year	0.0	0.1
Current liabilities, total	**1,002.5**	**877.3**
Equity and liabilities, total	**2,782.3**	**1,730.3**

Consolidated statement of cash flows, IFRS

EUR million	Note/Reference	1. Jan. –31. Dec. 2019	1. Jan. –31. Dec. 2018
BUSINESS OPERATIONS			
Operating result from continuing operations		102.2	60.7
Adjustments to operating result		162.1	26.9
Change in working capital		40.3	36.8
Cash flow from business operations before financing and taxes		**304.7**	**124.5**
Increase (-)/decrease (+) in current receivables		-34.3	0.3
Interest paid and other financial expenses		-0.1	0.0
Interest received and other financial income		0.3	0.2
Dividends received from business operations		0.9	0.1
Income taxes paid		-2.2	-1.6
Cash flow from business operations		**269.3**	**123.5**
INVESTOINNIT			
Acquired shares in subsidiaries net of acquired cash		0.0	-47.0
Acquired shares in subsidiaries net of acquired cash		0.0	14.3
Investments in shares		0.0	-15.1
Investments in tangible assets		-48.5	-26.6
Investments in intangible assets		-24.7	-18.6
Sale of other fixed assets		1.0	8.1
Dividends received from investments		3.3	1.7
Cash flow from investing activities		**-69.0**	**-83.1**
FINANCING			
Repayment of long-term liabilities		0.0	-1.5
Increase (+)/decrease (-) in short-term liabilities		-183.8	-4.5
Increase (-)/decrease (+) in long-term receivables		0.0	30.2
Increase (-)/decrease (+) in short-term receivables			0.0
Interest paid		-3.0	-2.9
Interest received		6.6	2.5
Increase in cooperative capital			0.0
Interest paid on the cooperative capital		-27.5	-16.6
Other changes in equity		7.8	4.3
Cash flow from financing		**-200.0**	**11.5**
Increase/Decrease in cash and cash equivalents		**0.3**	**51.9**
Cash and cash equivalents at the beginning of the year		**172.4**	**120.8**
Foreign exchange rate effect on cash and cash equivalents		**0.0**	**-0.3**
Increase/Decrease in cash and cash equivalents		**0.3**	**51.9**
Cash and cash equivalents at the end of the year		**172.6**	**172.4**
Adjustments to operating profit	(A)		
Gains from the sale of fixed assets		-1.2	1.1
Depreciation and impairment losses		168.9	61.2
Other non-cash income and expenses		-5.6	-35.3
		162.1	26.9
Change in working capital	(B)		
Change in trade and other receivables		44.0	5.0
Change in inventories		-44.3	31.8
Change in non-interest-bearing liabilities		40.3	0.0
		40.3	36.8

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 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
Osuusmaksun korot						-16.6	-16.6		-16.6
Other changes			0.0			4.6	4.6	0.0	4.5
31 Dec 2018	**172.0**	**-2.7**	**18.5**	**21.5**	**-21.2**	**472.1**	**660.3**	**0.4**	**660.7**
Change in accounting policies IFRS 16 [1)]						**-50.5**	**-50.5**		**-50.5**
1 Jan 2019	172.0	-2.7	18.5	21.5	-21.2	421.6	609.8	0.4	610.2
Total comprehensive income		0.5			8.6	65.4	74.5	0.0	74.5
Interest on cooperative contributions						-27.5	-27.5		-27.5
Other changes			0.0	7.9		-2.3	5.6	0.4	6.0
31 Dec 2019	**172.0**	**-2.2**	**18.5**	**29.4**	**-12.5**	**457.1**	**662.3**	**0.8**	**663.1**

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

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 2018 Financial Statements, and, furthermore, the IAS/IFRS standard and interpretation amendments that came into effect in the financial year 2019 were also adhered to.

On 1 January 2019, the SOK Corporation adopted new standard IFRS 16 Leases. Since the information for the comparison period in 2018 has not been adjusted in conjunction with the implementation of the IFRS 16, the income statement and the balance sheet for the financial year 2019 are not comparable specifically in terms of the rental expenses included in other operating expenses, or financial expenses, tangible assets included in non-current assets and interest-bearing liabilities.

Because leases are now recognised on the balance sheet, non-current assets on the balance sheet increased by EUR 996 million, and interest-bearing liabilities increased by EUR 1,009 million compared with 31 December 2018. Correspondingly, the division of rental expenses into depreciation and interest expenses meant that the adoption of the standard improved the operating profit. However, financial expenses have also increased. The adoption of the standard had an effect of EUR – 5 million on the result for the review period. In terms of key indicators, the standard has caused the return on capital employed ratio, gearing and the equity ratio to decrease. The adoption of the standard had no material effect on the return on equity ratio. Concerning the Group's cash flow statement, IFRS 16 improves cash flow from operating activities and decreases cash flow from financing activities. IFRS 16 does not affect the net change in financial assets.

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

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 31.12.2019

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.

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

Reconciliation of the revenue	
Management reporting revenue to be reported	7,496.6
Eliminations	0.0
Revenue IFRS	7,496.6
Reconciliation of the result	
Operating result of the segments to be reported	66.8
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	4.6
Gains and losses on the sale of property, plant and equipment	1.1
Other operating income and expenses	1.2
Changes in provisions	0.2
Valuation gains and losses on derivatives	0.0
Impairment losses on tangible and intangible assets	-0.1
IFRS adjustments	-6.6
Profit before taxes for the period IFRS	67.2
Additional data at SOK Corporation level, external income	
Sales to S-Group	6,514.8
Other sales in Finland	655.5
Foreign	326.3
Revenue, total	7,496.6
Supermarket Trade	276.1
Tourism and Hospitality Business	281.1
Procurement and services Business	6,855.3
Real estate business	84.2
Revenue, total	7,496.6
Additional information at SOK Corporation level, fixed assets	
Finland	1,406.3
Foreign	58.1
Fixed assets, total	1,464.3

Segment information 31.12.2018

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.

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

Tangible and intangible assets

EUR million	Tangible assets	Investment properties	Intangible assets
Acquisition cost			
Acquisition cost, 1 Jan 2019	665.0	87.5	191.3
From business combinations	0.0	0.0	0.0
IFRS 16 impact	1,119.2		18.9
Translation differences	8.3		0.7
Increases	77.8	0.2	7.2
Decreases	-5.6	-0.8	
Transfers between items	3.5	0.9	4.0
Acquisition cost, 31 December 2019	**1,868.2**	**87.8**	**222.1**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2019	-311.6	-63.1	-108.7
From business combinations			
IFRS16	-61.6		-0.2
Translation differences	-4.6		-0.6
Accumulated depreciation on deducted and transferred items	4.3	0.1	1.2
Depreciation for the period	-156.1	-1.9	-10.8
Impairment losses	0.1		
Accumulated depreciation, 31 December 2019	**-529.6**	**-65.0**	**-119.2**
Carrying amount, 1 Jan 2019	**353.4**	**24.3**	**82.6**
Carrying amount, 31 December 2019	**1,338.6**	**22.8**	**102.9**

EUR million	Tangible assets	Investment properties	Intangible assets
Acquisition cost			
Acquisition cost, 1 Jan 2018	649.1	87.1	175.7
From business combinations	28.2	0.0	0.0
Translation differences	-8.9		-1.5
Increases	24.1	0.4	29.8
Decreases	-30.6	0.0	-9.7
Transfers between items	3.0	0.0	-3.0
Acquisition cost, 31 December 2018	**665.0**	**87.5**	**191.3**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2018	-293.0	-59.6	-105.3
From business combinations	-1.7		
Translation differences	4.7		0.3
Accumulated depreciation on deducted and transferred items	22.3	0.0	9.7
Depreciation for the period	-39.7	-3.5	-13.3
Impairment losse	-4.2		
Accumulated depreciation, 31 December 2018	**-311.6**	**-63.1**	**-108.7**
Carrying amount, 1 Jan 2018	**356.0**	**27.5**	**70.4**
Carrying amount, 31 December 2018	**353.4**	**24.3**	**82.7**

Related party transactions

Transactions and balances with associated companies and joint ventures: EUR million	31. Dec. 2019	31. Dec. 2018
Sales	17.0	23.6
Purchases	36.7	389.7
Financial income and expenses	1.4	0.6
Trade and other receivables	0.8	1.5
Loan receivables	25.0	20.0
Trade payables and other liabilities	0.1	10.6

Pledges and contingent liabilities

Contingent liabilities, EUR million	31. Dec. 2019	31. Dec. 2018	Change
Pledges given and contingent liabilities			
Pledges	0.1	0.1	-0.1
Mortgages	0.8	0.7	-0.7
Guarantees	2.5	2.5	-2.5
Total	**3.4**	**5.6**	**-0.1**
Security given on behalf of others			
Guarantees for liabilities of joint ventures enterprises	145.4	120.1	-5.2
Total	**145.4**	**120.1**	**-5.2**
Other contingent liabilities			
Guarantees for liabilities of joint ventures enterprises	20.7	25.8	-25.8
Total	**20.7**	**25.8**	**20.6**
Other liabilities			
Letter of credit liabilities	0.1	0.2	-0.1

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 116.5 million (EUR 95.9 million 31 Dec 2018) and of the guarantees on behalf of joint venture Kauppakeskus Mylly Oy on a loan of EUR 50.0 million (EUR 50.0 million 31 Dec 2018).

Other financial liabilities:

The Group is obligated to audit valued added tax depreciations it has made on a property investment if the taxable use of the property decreases during the auditing period. The maximum amount of the responsibility is EUR 9.4 million (EUR 8.7 million on 31 Dec 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: and to provide EUR 5.0 million (EUR 5.0 million 31 Dec 2018) conditional subordinated loan to North European Oil Trade Oy.

KEY RATIOS

SOK Corporation:	31.12.2019	31.12.2018
Revenue, EUR million	7 496.6	7 303.5
Operating profit, EUR million	102.2	60.7
% of revenue	1.4	0.8
Profit before taxes, EUR million	67.2	55.4
% of revenue	0.9	0.8
SOK Corporation:		
Equity ratio, %	24.0	38.4
Return on equity, %	9.9	7.5
Gearing, %	146.6	-0.1

Calculation of key ratios

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

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

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