

SOK Corporation

Interim Report 1 January – 30 June 2017

Development of the operating environment

In the previous year, Finnish economy achieved growth of 1.4 per cent, and the growth has strengthened even further during the first months of the year. The strongest economic growth in the spring was largely based on growth in private consumption. A low inflation rate, low interest rates and a slight increase in real salaries have increased consumption with regard to durables and services in particular. However, household purchasing power is still developing slowly, and inflation is predicted to surpass the rise in wage levels this year. Consumption has partly been based on debt, as household saving rate is exceptionally low. The export industry is expected to be the driver of new growth; signs of growth have been seen in the industry.

During the first half of the year, as a part of general economic growth, retail sales grew 1.9 per cent compared to the previous year. The growth of June compared to previous year was 3.7 per cent. After the growth last year, while other retail sectors are growing, sales in department stores have again taken a slight downward turn as digitalisation is still posing challenges to department stores and consumer goods sales.

The Finnish economy is expected to grow by around 2 per cent in 2017. The growth is expected to slow during 2018 and 2019 to approximately 1.5 per cent.

During the first half of the year, exports have grown clearly as economies in export markets have grown, and this, together with the high level of business confidence, has increased the amount of investments by export companies. In nearby areas, rising world-market prices of oil and other raw materials have helped the Russian economy to recover slightly. However, economic sanctions by Western countries are still hampering growth. Growth has not yet significantly affected Russian household purchasing power, which is still expected to remain weak in the near future.

The level of confidence in economic growth among both consumers and businesses has still risen during the first half of the year. The confidence indicators are above the long-term average level. Unemployment is expected to fall and to continue to go down next year, which will improve purchasing power. The government deficit is expected to decrease as the economy grows, but this will not solve the existing structural problems, and government debt is still expected to increase.

S Group's performance 1 January – 30 June 2017

S Group comprises the cooperatives and SOK with its subsidiaries. S Group's retail sales excluding taxes in January–June were EUR 5,464 million, showing an increase of 2.4 per cent compared to the previous year.

S Group and Stockmann have signed an agreement for the transfer of the operations of the Stockmann department store's Delicatessen department in Finland to the cooperatives of S Group. The operations that will be transferred to the SOK Corporation are the chain operations of the Delicatessen department and the production of Stockmann Meals. The store operations of the Delicatessen department in the Helsinki region, in Turku and in Tampere transfer to HOK-Elanto, the Turun Osuuskauppa cooperative and the Pirkanmaan Osuuskauppa cooperative, respectively. A precondition for the transaction is approval from the Finnish Consumer and Competition Authority. The goal is to acquire the approval during 2017.

S Group's retail sales excluding taxes by business area	**EUR million**	**+/- % prev. year**
Prisma*	1,677	+1.4
S-Market	1,642	+0.9
Sale and Alepa	495	+3.1
Other supermarket trade	2	-7.2
Supermarket trade total*	3,816	+1.4
Hardware trade	92	-11.4
Service station store and fuel sales	791	+7.7
Department stores and speciality stores	143	+5.1
Travel industry and hospitality business*	382	+1.5
Automotive trade and accessories	193	+10.9
Agricultural trade	37	-1.5
Other	8	-3.1
S Group total*	**5,464**	**+2.4**

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

At the end of June, S Group had 1,630 outlets (1,647 on 30 June 2016).

On 30 June 2017, there were 20 regional cooperatives and seven local cooperatives.

In January–June, a total of 36,443 new members joined the cooperatives participating in the Bonus system. The total number of co-op members was 2,295,749 at the end of June. Co-op members were paid EUR 162 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.

Financial development

SOK's operations

SOK is the parent company of SOK Corporation. In accordance with its statutes, SOK is the central organisation of S Group, promoting and developing the operations of the cooperatives and other organisations belonging to S Group, and managing and

supervising the Group's overall resources for maximum efficiency while also monitoring the operations and seeing to the interests of S Group and its segments.

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

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

SOK Corporation's financial development 1 January – 30 June 2017

SOK Corporation's net sales in January–June 2017 were EUR 3,449 million, showing an decrease of 0.5 per cent compared to the corresponding period of the previous year.

SOK Corporation's operating loss was EUR -5.2 million (EUR 13.5 million). The reasons behind the result being weaker compared to the previous year are the non-recurring costs related to the rundown 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 6.4 per cent of net sales (6.3 per cent), or EUR 221 million.

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

SOK Corporation	**30 Jun 2017**	**30 Jun 2016**	**30 Jun 2015**
Net sales, EUR million	3,449	3,466	3,432
Operating profit, EUR million	-5.2	13.5	4.7
Operating profit, %	-0.2	0.4	0.1
Return on equity, %	-0.7	1.9	1.6
Equity ratio, %	36.9	39.2	41.7

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	194	-1.9	-20.5	-7.1
Travel industry and hospitality business	128	+5.5	+10.1	+3.2
Procurement and service business	3,137	-0.4	+1.9	+1.3
Real estate business	41	-1.0	+9.6	+0.6
Result from banking			+3.2	-2.4
Elimination for the retail and wholesale and other items	-54	+17.5	+1.0	+0.5
SOK Corporation total	**3,447**	**-0.5**	**+5.2**	**-3.9**

Funding

SOK Corporation's financial situation has remained good throughout the first half of the year. SOK Corporation's interest-bearing net liabilities amounted to EUR 181.3 million at the end of June (EUR 27.3 million) and its gearing was 29.1 per cent (4.3 per cent). SOK Corporation's equity ratio was 36.9 per cent (39.2 per cent).

At the end of June, SOK Corporation's liquid assets amounted to EUR 44.7 million (EUR 128.5 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 25.0 million in the first half of the year (EUR 50.4 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 0.1 million in the review period (EUR 33.5 million).

Personnel

SOK Corporation's average number of personnel in full-time equivalents was 5,560 during January–June 2017 (1 January – 30 June 2016: 5,629).

At the end of June, SOK Corporation's personnel numbered 6,708, of whom 1,355 (20 per cent) were employed by SOK and 5,353 (80 per cent) by its subsidiaries. At the end of the review period, a total of 3,104 people (46 per cent) of the Corporation's personnel worked abroad.

Compared to the end of the previous year, SOK Corporation's number of personnel decreased by 14 (0 per cent). Compared

to the corresponding period of the previous year, the number of personnel increased by 104 (2 per cent).

Development of the business areas

Supermarket trade

The supermarket trade for the first half of the year included the business operations in Estonia, Latvia, Lithuania and Russia. At the beginning of May, SOK Liiketoiminta Oy decided to divest its unprofitable operations in Latvia and Lithuania, and the business operations were discontinued at the end of May. At the same time, it was decided to allocate resources to Estonia and St. Petersburg. In Estonia, SOK Corporation has five Prisma stores in Tallinn, two stores in Tartu and one in Narva. In addition, it has 16 Prisma stores in St Petersburg.

In Riga, Latvia, the Group operated three Prisma stores, and in Lithuania, the Group had two Prisma stores in Vilnius and two in Kaunas. The personnel of the Latvian and Lithuanian companies have been given notice, and the properties will be handed over to their owners at the end of July.

Net sales from the supermarket trade totalled EUR 194 million. Net sales decreased by 2 per cent year-on-year, mainly due to lower net sales of the companies in Latvia and Lithuania. The decrease in net sales is explained by the closure of one store in Latvia in May 2016, the closure of one store in Russia in February 2017 and by the divestment of the companies in Latvia and Lithuania in May 2017. The operating result of the supermarket trade was weaker than in the previous year due to the above-mentioned reasons. Investments made in the supermarket trade totalled EUR 1.0 million and were mostly related to the replacement of equipment.

Travel industry and hospitality business

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

Sokotel Oy's net sales increased by 3.5 per cent year-on-year. Demand in the travel industry and hospitality business developed favourably during the first half of the year, but at the same time, supply has increased, especially in the Helsinki region. The strong market and net sales development are expected to continue during the latter part of the year. Sokotel Oy's operating result improved year-on-year because of a strong development of net sales.

The market share of AS Sokotel, which operates hotels in Tallinn, decreased during the first half of the year due to increase in supply. Its net sales was at the previous year's level. The operating result of AS Sokotel was weaker than in the previous year due to a significant increase in the cost level.

The euro-denominated net sales of OOO Sokotel, which operates hotels in St Petersburg, increased by 26.9 per cent year-on-year. Its net sales in roubles increased by 4.8 per cent. The operating result of OOO Sokotel improved considerably due to favourable development of net sales and the strengthening of the rouble.

In the first half of 2017, investments by the travel industry and hospitality business totalled EUR 4.5 million and were related to unit renovations. Of this total, EUR 4.4 million was related to Finland and EUR 0.1 million to its neighbouring regions.

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 3,137 million and remained at the level of the previous year. The operating result of the procurement and service business was EUR 1.9 million, which was slightly better than in the previous year.

In the first half of 2017, investments by the procurement and service business totalled EUR 12 million. The investments mainly consisted of information system acquisitions.

Real estate business

Net sales from the real estate business consist of rental and property service income from properties owned by SOK Corporation. Net sales from the real estate business were EUR 41 million, representing an increase of 1 per cent year-on-year. The operating result of the real estate business was slightly better than in the previous year and showed a clear profit.

In the first half of 2017, investments by the real estate business were EUR 6 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.

In line with the goals of the S Group, S-Bank's goal is to provide insuperably easy and useful services. That is why S-Bank is focusing heavily on developing its mobile services. The S-mobiili app, which combines bank and store services, passed the threshold of

a million downloads in January. In March, S-mobiili was supplemented by the Siirto service, which allows the transfer of funds in real time between banks with a mobile phone using only a phone number. In April, the Tunnistus service was implemented. It is a service through which the nearly three million customers of S-Bank can use services requiring an online banking ID with their fingerprint or with a PIN code they have chosen themselves.

In April, S-Bank signed an agreement to transfer its small business and farm operations to the Oma Säästöpankki bank as of 1 December 2017.

S-Bank's total funds on deposit were EUR 4,850.9 million at the end of June (4,483.0) and total lending was EUR 3,720.3 million (3,156.1). S-Bank Group's capital adequacy ratio was 15.0 per cent (14.9). At the end of June, S-Bank Group's operating result was EUR 7.8 million (EUR 15.4) The IRFS-adjusted result corresponding to SOK Corporation's shareholding (37.5%) was EUR 3.2 million.

In January – June 2017, the net sales of the fuel procurement company North European Oil Trade Group were around EUR 2,504 million. Its net sales increased by 29 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 expected to be EUR 0.8 million, which is in line with its budget. 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 6.9 million (EUR 7.6 million).

Changes in the group structure

In May, SOK Autokauppa Oy (automotive trade) merged with SOK Liiketoiminta Oy.

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. Jouko Vehmas resigned from the Board at the end of 2016.

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 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 new responsibility programme. 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 environmental considerations and the related measures are described in S Group's Annual Responsibility Report, which was published in spring 2017 at www.s-kanava.fi/web/s-ryhma/vuosikatsaus.

Outlook for the remainder of 2017

The development of the general economic situation in Finland and its neighbouring regions is a significant factor for the success of SOK Corporation's operations. The Finnish economy is expected to grow by more than 2 per cent in 2017. The emphasis of the growth is moving from private consumption towards exports and industrial investments. However, low interest rates and decreasing unemployment still support private consumption, and the interest rates are not expected to rise very much during the latter part of the year.

The Finnish economy is finally on the path of growth, though it is still lagging behind the rest of Europe. However, uncertainty factors in the global economy may shake the growth, despite the good start. If a strong global corrective action or another event with negative impact on economy occurs, it could slow down the growth of exports and weaken consumer confidence. This could stop the budding economic growth.

Fort the first half of the year, the result of the travel industry and hospitality business in Finland has been good, and expectations for the rest of the year are also positive. However, this year's result is burdened by investments, which will be more extensive than in the previous year.

This year, the Russian economy is expected to grow by approximately 1 per cent, and wage levels are expected to rise more quickly than inflation. In the first half of the year, tourism has picked up in the St. Petersburg area. This together with active sales and marketing activities has had a positive impact on the result in the travel industry and hospitality business in Russia during the first half of the year, and even the full-year result is expected to be better than in the previous year. Despite the favourable economic development, demand in the retail business in St. Petersburg has not grown significantly. Hence, economic growth has, so far, not had material effects on the result of the supermarket trade in Russia. Development of the supermarket trade network will continue.

In Estonia, the competition in both the supermarket trade as well as the travel industry and hospitality business has become increasingly tough due to investments by competitors and increasing supply. This has decreased the market share of SOK's operations in Estonia.

Divestment of the unprofitable supermarket operations in Latvia and Lithuania will significantly decrease the result for the financial period 2017, but the divestment will have a positive impact on the result of the coming years for the neighbouring regions.

Operations in the groceries logistics centre in Sipoo started as planned in 2016. The operations in the old logistics centre in Espoo will end by 2018, as the majority of the operations will be moved to Sipoo during 2017.

The operating result of SOK Corporation for year 2017 is expected to decrease slightly compared to previous year due to nonrecurring costs from closing of operations in Latvia and Lithuania.

Helsinki, 17 August 2017

SOK
CORPORATION

Executive Board

Interim financial statements

Consolidated income statement, IFRS

EUR million	1.1.–30.6.2017	1.1.–30.6.2016
Revenue	3 448.9	3 465.7
Other operating income	0.5	0.9
Materials and services	-3 119.0	-3 153.4
Employee benefit expenses	-112.2	-106.1
Depreciation and impairment losses	-38.1	-29.2
Other operating expenses	-190.3	-171.8
Share of results of associated companies and joint ventures (+/-)	5.0	7.4
Operating profit/loss	**-5.2**	**13.5**
Financial income and expenses (+/-)	-0.7	-2.4
Share of results of associated companies and joint ventures (+/-)	2.0	0.3
Profit/loss before taxes	**-3.9**	**11.3**
Income taxes (+/-)	-0.3	0.6
Result for the period	**-4.2**	**11.9**
Attributable to:		
Owners of the parent	-3.0	13.1
Share of non-controlling interests	-1.1	-1.1
	-4.2	11.9

Statement of other comprehensive income

EUR million	1.1.–30.6.2017	1.1.–30.6.2016
Result for the period	-4.2	11.9
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	-2.8	5.5
Exchange differences on loans to foreign subsidiaries classified as net investments	-0.2	0.8
Cashflow hedges	-4.7	1.6
Comprehensive income items of associated companies and joint ventures	-0.9	0.7
Other comprehensive income for the period, net of tax	-8.6	8.6
Total comprehensive income for the period	**-12.8**	**20.5**
Total comprehensive income for the financial year attributable to:		
Owners of the parent	-11.6	21.6
Share of non-controlling interests	-1.1	-1.1
	-12.8	20.5

Consolidated statement of financial position, IFRS

EUR million	30.6.2017	31.12.2016
ASSETS		
Non-current assets		
Property, plant and equipment	360.2	385.9
Investment properties	30.9	37.7
Intangible assets	69.0	67.2
Interests in associated companies and joint ventures	179.3	177.5
Non-current financial assets	117.0	98.9
Deferred tax assets	25.7	27.2
Non-current assets, total	**782.1**	**794.4**
Current assets		
Inventories	191.5	182.9
Trade receivables and other current non-interest-bearing receivables	662.4	611.5
Current interest-bearing receivables	0.0	10.0
Cash and cash equivalents	44.7	150.4
Current assets, total	**898.5**	**954.9**
Assets held for sale	**15.7**	
Assets, total	**1 696.4**	**1 749.3**
EQUITY AND LIABILITIES		
Equity		
Cooperative capital	174.3	174.3
Restricted reserves	19.3	24.7
Retained earnings	426.1	442.4
Equity attributable to the the owners of the parent	**619.7**	**641.3**
Non-controlling interests	4.0	5.2
Equity, total	**623.7**	**646.5**
Non-current liabilities		
Non-current interest-bearing liabilities	162.0	169.0
Non-current non-interest-bearing liabilities	26.5	27.9
Provisions	9.9	13.5
Deferred tax liabilities	12.4	14.7
Non-current liabilities, total	**210.8**	**225.1**
Current liabilities		
Current interest-bearing liabilities	64.0	18.0
Current non-interest-bearing liabilities	91.5	112.4
Trade payables	697.8	732.8
Provisions	8.6	6.7
Tax liabilities for the financial year	0.0	7.8
Current liabilities, total	**861.9**	**877.7**
Equity and liabilities, total	**1 696.4**	**1 749.3**

Consolidated statement of cash flows, IFRS

EUR million	Reference	1.1.–30.6.2017	1.1.–30.6.2016
BUSINESS OPERATIONS			
Operating profit/loss		-5.2	13.5
Adjustments to operating result	(1)	17.5	14.3
Change in working capital	(2)	-117.7	-69.8
Cash flow from business operations before financing and taxes		**-105.4**	**-42.1**
Increase (-) / decrease (+) in current receivables		0.8	0.0
Interest paid and other financial expenses		0.0	0.0
Interest received and other financial income		0.1	0.2
Dividends received from business operations		0.1	0.1
Income taxes paid		-7.7	-4.7
Cash flow from business operations		**-112.2**	**-46.5**
INVESTMENTS			
Acquired shares in subsidiaries net of acquired cash			-7.1
Divested shares in subsidiaries net of cash held by subsidiary			0.2
Investments in shares		-0.1	
Investments in tangible assets		-9.4	-17.8
Investments in intangible assets		-15.5	-25.8
Sale of other fixed assets		0.1	33.3
Change in other long-term investments		-0.8	-6.5
Dividends received from investments		6.5	0.1
Cash flow from investments		**-19.3**	**-23.5**
FINANCING			
Repayment of long-term liabilities		0.0	
Increase (+) / decrease (-) in short-term liabilities		45.0	-0.2
Increase (+) / decrease (-) in long-term receivables		-20.2	
Increase (+) / decrease (-) in short-term receivables		10.0	0.4
Interest paid		-0.3	0.0
Interest received		2.1	1.0
Interest paid on the cooperative and supplementary cooperative capital		-10.3	-5.7
Redemption of supplementary cooperative capital			-12.8
Other decrease in equity		0.0	0.0
Other dividends			0.0
Cash flow from financing		**26.3**	**-17.3**
Decrease in cash and cash equivalents		**-105.2**	**-87.4**
Cash and cash equivalents at the beginning of the year		**150.4**	**215.1**
Foreign exchange rate effect on cash and cash equivalents		**-0.5**	**0.7**
Decrease in cash and cash equivalents		**-105.2**	**-87.4**
Cash and cash equivalents at the end of the period		**44.7**	**128.5**
Adjustments to operating profit	(1)		
Gains from the sale of fixed assets		-0.4	-0.2
Depreciation and impairment losses		38.1	29.2
Other non-cash income and expenses		-20.2	-14.7
		17.5	14.3
Change in working capital	(2)		
Change in trade and other receivables		-53.1	-18.2
Change in inventories		-8.5	-3.1
Change in non-interest-bearing liabilities		-56.1	-48.6
		-117.7	-69.8

Consolidated statement of changes in equity, IFRS

EUR million	Equity attributable to the owners of the parent								
	Cooperative capital	Fair value reserve	Reserve fund	Supervisory Board's Disposal fund	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
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**
1 Jan 2017	174.3	6.1	18.5	0.0	-9.3	451.7	641.3	5.2	646.5
Total comprehensive income		-5.3			-2.8	-3.0	-11.1	-1.1	-12.3
Interest on cooperative contributions						-10.3	-10.3		-10.3
Other changes				0.0		-0.1	-0.1		-0.1
30 June 2017	**174.3**	**0.8**	**18.5**	**0.0**	**-12.1**	**438.2**	**619.7**	**4.0**	**623.7**

Accounting policies applied to the interim Report

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. IAS and IFRS standards and SIC and IFRIC interpretations valid on 30 June 2017 have been applied to this interim report.

The interim report has been prepared in accordance with the same accounting policies as the fi-nancial statements for 2016, with the exception of the changes in the IAS/IFRS standards and inter-pretations that came into effect on 1 January 2017. The implementation of these standard and inter-pretation amendments has not had a significant effect on the Interim Report.

All figures in the tables of the Interim Report have been rounded, which is why totals of individual figures may differ from the sum presented. The key ratios have been calculated with exact values. Unless otherwise indicated, the euro-denominated figures from the income statement that are pre-sented in parentheses in the text section of the interim report refer to the corresponding period of the previous year. The figures from the balance sheet that are presented in parentheses refer to the financial statements of the previous year.

The preparation of the financial statements in compliance with IFRS calls for making 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.

Interim Report is unaudited.

The fair value hierarchy for financial assets and liabilities

EUR million	Fair Value 30 Jun 2017	Level 1	Level 2	Level 3
Assets measured at fair value				
Non-current financial assets				
Shares and participations	2.8			2.8
Loan receivables	88.4		88.4	
Non-interest-bearing loan receivables	2.5		2.5	
Other current non-interest-bearing receivables				
Cash counting service	47.4		47.4	
Derivatives assets	3.1	3.1	0.1	
Other non-interest-bearing receivables	-0.2		-0.2	
Assets held for sale	0.0			0.0
Total	**144.2**	**3.1**	**138.4**	**2.8**
Liabilities measured at fair value				
Non-current interest-bearing liabilities				
Interest-bearing loans from others	1.5		1.5	
Finance lease liabilities	166.1		166.1	
Non-current non-interest-bearing liabilities				
Cash counting service	25.9		25.9	
Other non-interest-bearing liabilities	0.5		0.5	
Current interest-bearing liabilities				
Finance lease liabilities	24.7		24.7	
Current non-interest-bearing liabilities				
Derivatives liabilities	5.6	3.1	2.5	
Total	**224.4**	**3.1**	**221.3**	**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 1.1 million (2016: EUR 3.4 million) is based on Suomen Luotto-osuuskunta cooperative's preliminary plan regarding the distribution of funds. In addition to the aforementioned, level 3 also includes EUR 1.7 million of unquoted shares (2016: 1.5 million), for which the fair value cannot be determined.

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

EUR million	Jun 2017
Opening balance, 1 Jan	4.9
Purchases	0.1
Sales	0.0
Fair value changes recognised in the income statement	**-2.3**
Closing balance, 30 Jun	**2.8**

The fair value hierarchy

EUR million	Fair Value 31 Dec 2016	Level 1	Level 2	Level 3
Assets measured at fair value				
Non-current financial assets				
Shares and participations	4.9			4.9
Loan receivables	67.4		67.4	
Non-interest-bearing loan receivables	3.0		3.0	
Other current non-interest-bearing receivables				
Loan receivables	42.7		42.7	
Derivatives assets	5.7	3.4	2.3	
Current interest-bearing receivables				
Loan receivables	10.0		10.0	
Total	**133.9**	**3.4**	**125.5**	**4.9**
Liabilities measured at fair value				
Supplementary cooperative capital	0.0		0.0	
Non-current interest-bearing liabilities				
Interest-bearing loans from others	1.5		1.5	
Finance lease liabilities	178.0		178.0	
Non-current non-interest-bearing liabilities				
Cash counting service	23.7		23.7	
Other non-interest-bearing liabilities	0.6		0.6	
Current interest-bearing liabilities				
Finance lease liabilities	25.8		25.8	
Current non-interest-bearing liabilities				
Derivatives liabilities	3.5	3.4	0.1	
Total	**233.1**	**3.4**	**229.7**	**0.0**

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

EUR million	Dec 2016
Opening balance, 1 Jan	1.6
Sales	0.0
Change of fair value of holdings in Suomen Luotto-Osuuskunta	3.3
Closing balance, 31 Dec	4.9

Segment information 30.6.2017

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.

EUR million	Supermarket trade	Travel and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	**194.4**	**127.8**	**3 137.3**	**40.8**		**-53.5**	**3 446.8**
Operating result	**-20.5**	**10.1**	**1.9**	**9.6**	**3.2**	**1.0**	**5.2**
Investments	**1.0**	**4.5**	**12.9**	**6.6**		**0.0**	**25.0**
Divestments	**0.0**	**0.0**	**0.1**	**0.0**			**0.1**
Working capital	**7.1**	**6.3**	**60.0**			**-3.9**	**69.4**

Reconciliation of the revenue	
Management accounting revenue to be reported	3 446.8
Eliminations	2.1
Revenue IFRS	3 448.9
Reconciliation of the result	
Operating result of the segments to be reported	5.2
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	5.3
Operational result of the segments to be reported	10.5
Gains and losses on the sale of property, plant and equipment	0.1
Other operating income and expenses, and other items	-7.1
Valuation gains and losses on derivatives	-0.4
Impairment losses on tangible and intangible assets	-7.1
IFRS adjustments	0.2
Profit before taxes for the period IFRS	-3.9
Additional information at SOK Corporation level, external income	
Finland	3 230.1
Foreign countries	218.8
Revenue, total	3 448.9
Supermarket trade	194.3
Tourism and bospitality business	129.7
Procurement and services business	3 084.1
Real estate business	40.8
Revenue, total	3 448.9
Additional data at SOK Corporation level, fixed assets	
Finland	416.7
Foreign countries	43.5
Fixed assets, total	460.1

Segment information 30.6.2016

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.

EUR million	Supermarket trade	Travel and hospitality business	Procurement and services business	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	**198.2**	**121.1**	**3 148.4**	**41.2**		**-45.6**	**3 463.4**
Operating result	**-13.4**	**6.9**	**0.5**	**9.0**	**5.6**	**0.5**	**9.1**
Investments	**0.9**	**3.8**	**10.4**	**35.6**		**-0.3**	**50.4**
Divestments	**0.1**	**0.0**	**33.3**	**0.2**			**33.5**
Working capital	**9.2**	**3.6**	**-1.9**			**-2.5**	**8.4**

Reconciliation of the revenue	
Management accounting revenue to be reported	3 463.4
Other differences	2.3
Revenue from continuing operations IFRS	3 465.7
Reconciliation of the result	
Operating result of the segments to be reported	9.1
Items excluded from the operating result within SOK Corporation:	
Financial income and expenses (FAS)	1.1
Operational result of the segments to be reported	10.2
Gains and losses on the sale of property, plant and equipment	-0.1
Decrease in provisions	0.7
Other operating income and expenses, and other items	0.2
Valuation gains and losses on derivatives	0.0
Impairment losses on tangible and intangible assets	-0.3
Other differences (IFRS result without change of deferred taxes)	0.6
Profit before taxes for the period from continuing operations IFRS	11.3
Additional information at SOK Corporation level, external income	
Finland	3 245.9
Foreign countries	219.8
Revenue, total	3 465.7
Supermarket trade	198.2
Tourism and bospitality business	123.0
Procurement and services business	3 103.3
Real estate business	41.2
Revenue, total	3 465.7
Additional data at SOK Corporation level, fixed assets	
Finland	361.2
Foreign countries	64.5
Fixed assets, total	425.7

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	-3.2		-1.2
Increases	12.1	0.0	12.9
Decreases	-25.7		-11.5
Transfers between items	1.8	0.5	-2.3
Transfer to assets held for sale [1)]	-12.1	-7.6	
Acquisition cost, 30 June 2017	**651.5**	**91.6**	**182.1**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2017	-292.7	-60.9	-116.9
Translation differences	0.2		2.0
Accumulated depreciation on deducted and transferred items	25.9	-0.2	11.5
Depreciation for the period	-21.1	-1.9	-8.1
Impairment losses [2)]	-5.2		-1.5
Transfer to assets held for sale [1)]	1.6	2.4	
Accumulated depreciation, 30 June 2017	**-291.3**	**-60.7**	**-113.0**
Carrying amount, 1 Jan 2017	**385.9**	**37.7**	**67.3**
Carrying amount, 30 June 2017	**360.2**	**30.9**	**69.1**

[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.

Acquisition cost			
Acquisition cost, 1 Jan 2016	581.3	90.7	181.4
From business combinations	11.7		0.0
Translation differences	9.2		
Increases	24.9	0.0	6.1
Decreases	-8.2	-1.4	-25.2
Transfers between items	0.2		-0.2
Acquisition cost, 30 June 2016	**619.2**	**89.3**	**162.0**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2016	-263.3	-55.8	-123.4
From business combinations	-3.1		
Translation differences	-3.9		
Accumulated depreciation on deducted and transferred items	7.7	1.1	25.3
Depreciation for the period	-19.7	-1.8	-7.8
Impairment losses	0.0		0.0
Accumulated depreciation, 30 June 2016	**-282.3**	**-56.6**	**-105.9**
Carrying amount, 1 Jan 2016	**318.0**	**34.8**	**57.9**
Carrying amount, 30 June 2016	**336.9**	**32.7**	**56.1**

Related party transactions

Transactions and balances with associated companies and joint ventures:

EUR million	**30.6.2017**	**30.6.2016**	**31.12.2016**
Sales	10.0	7.0	20.1
Purchases	185.2	180.2	355.4
Financial income and expenses	2.5	0.2	1.6
Trade and other receivables	1.1	1.2	0.7
Loan receivables	34.8	17.0	33.4
Trade payables and other liabilities	60.5	28.9	61.4

Pledges and contingent liabilities

Contingent liabilities, EUR million	**30.6.2017**	**31.12.2016**	**Change**	**30.6.2016**
Pledges given and contingent liabilities				
Pledges	0.1	0.1	0.0	0.1
Guarantees	2.5	3.8	-1.3	3.8
Total	**2.6**	**3.9**	**-1.3**	**3.9**
Security given on behalf of others				
Guarantees for liabilities of joint ventures enterprises	89.9	87.5	2.4	63.6
Guarantees for liabilities of cooperative enterprises	7.4	7.4	0.0	7.4
Total	**97.2**	**94.9**	**2.4**	**71.0**
Other contingent liabilities				
Guarantees for liabilities of joint ventures enterprises	21.8	2.4	19.4	24.0
Total	**21.8**	**2.4**	**19.4**	**24.0**
Other liabilities				
Letter of credit liabilities	0.3	0.4	0.0	0.4
Repurchase liabilities [1]	30.5	31.4	-0.9	31.4
Underwriting [2]	10.7	10.7	0.0	10.4
Total	**41.2**	**42.1**	**-0.9**	**41.8**

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

EUR million	**30.6.2017**	**31.12.2016**	**Change**	**30.6.2016**
In one year	127.3	132.4	-5.1	128.7
In one to five years	588.4	595.9	-7.5	429.2
Over five years	822.2	751.6	70.6	350.8
Total	**1 537.8**	**1 479.9**	**57.9**	**908.6**

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

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

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 61.2 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 6.8 million (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 8.7 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 fixed costs is determined based on the energy the shareholder uses. The liability for the company's variable 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 30 Jun 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 (80.5 milj. euroa 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:	30.6.2017	30.6.2016	30.6.2015
Revenue, EUR million	3 448.9	3 465.7	3 431.7
Operating profit, EUR million	-5.2	13.5	4.7
% of revenue	-0.2	0.4	0.1
Profit before taxes, EUR million	-3.9	11.3	5.3
% of revenue	-0.1	0.3	0.2
SOK Corporation:			
Equity ratio, %	36.9	39.2	41.7
Return on equity, %	-0.7	1.9	1.6
Gearing, %	29.1	-2.7	-11.8

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 %