

SOK-CORPORATION

Interim Report 1 January – 30 June 2019

Development of the operating environment

The overall development of the Finnish national economy and that of private consumption, in particular, has a considerable effect on the result of SOK Corporation and the entire S Group. Consumer confidence in personal finances has decreased due to the trade war, Brexit and weaker economic growth. Employment has remained at a good level, even though its growth rate seems to have peaked. A good employment rate would facilitate private consumption if consumers regained confidence. A resolution of the trade war and measures implemented by central banks play a decisive role in resum-ing economic growth.

Finland's GDP grew by 1.7% in 2018, which was less than expected. The forecast for 2019 is 1.5%, and slightly higher for 2020. Global economic growth has peaked, which is reflected in a decrease in investments in the Finnish economy.

S Group's performance 1 January – 30 June 2019

S Group comprises the cooperatives and SOK with its subsidiaries. S Group's retail sales excluding taxes in January–June were EUR 5,665 million, showing an increase of 1.0% year-on-year.

S Group's retail sales excluding taxes by business area	EUR million	+/- % previous year
Supermarket trade total*	3,991	+0.8
Hardware trade	71	+0.9
Service station store and fuel sales	833	+1.3
Department stores and speciality stores	134	-3.5
Travel industry and hospitality business*	398	+3.0
Automotive trade and accessories	220	+1.8
Agricultural trade	9	-23.7
Others	9	+31.5
S Group total*	**5,665**	**+1.0**

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

At the end of June, S Group had 1,841 outlets (1,836 on 30 June 2018).

On 30 June 2019, there were 20 regional cooperatives and six local cooper-atives.

In January–June, a total of 34,782 new members joined the cooperatives participating in the Bonus system. The total number of co-op members was 2,407,987 at the end of June. Co-op members were paid EUR 164 million in Bonus rewards.

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 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 – 30 June 2019

SOK Corporation's net sales in January–June 2019 were EUR 3,644.7 million, showing an increase of 1.7% year-on-year.

SOK Corporation's operating profit was EUR 44.0 million (EUR 16.7 million). The improvement is mainly due to the good performance of SOK Corporation's companies and more efficient operations. Foreign operations accounted for EUR 4.3% (4.8%) of net sales, or EUR 157 million.

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

SOK Corporation	30 June 2019	30 June 2018	30 June 2017
Net sales, EUR million	3,644.7	3,581	3,449
Operating profit/loss, EUR million	44.0	16.7	-5.2
Operating profit, %	1.2	0.5	-0.2
Return on equity, %	4.4	2.4	-0.7
Equity ratio, %	21.6	37.9	36.9

SOK Corporation's operating result

The operating result is used to monitor the result of the operative business after financial items excluding non-recurring items and IFRS items. The improvement in the operating result is mainly due to more efficient supermarket trade, the stronger result of the travel industry and hospitality business, and overall operational development.

SOK Corporation	30 June 2019	30 June 2018	30 June 2017
Operating result, EUR million	28.8	19.6	10.5

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

SOK Corporation's operating 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. The operating result differs from the official IFRS operating result, with the difference being equal to the non-recurring items and IFRS items.

	Net sales, EUR million	Change, EUR million	Operating result, EUR million	Change, EUR million
Supermarket trade	134.1	-10 .5	-2.5	+2.6
Travel industry and hospitality business	132.4	+4.4	+11.9	-0.2
Procurement and service business	3,434.8	+117.4	+9.3	+2.5
Real estate business	42.5	+0.5	+9.4	-0.3
Result from banking			+4.7	+2.4
Elimination for the retail and wholesale and other items	-101.0	-47.7	-5.8	+1.5
SOK Corporation, total	**3,642.8**	**+63.3**	**+27.0**	**+8.6**

Funding

The adoption of IFRS 16 on 1 January 2019 increased the Group's interestbearing 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 financial situation has remained good throughout the first half of the year. SOK Corporation's interest-bearing net liabilities amounted to EUR 1,078.7 million at the end of June (EUR 87.4 million), and its gearing was 177.7% (13.9%). SOK Corporation's equity ratio was 21.6% (37.8%).

At the end of June, SOK Corporation's liquid assets amounted to EUR 145.7 million (EUR 159.1 million). In addition, the Group had EUR 100.0 million in unused longterm committed credit facilities (EUR 100.0 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 29.4 million in the first half of the year (EUR 70.9 million). The most significant investments were related to the acquisition of property companies, the renovation of stores and the development of IT systems.

Sales of non-current assets amounted to EUR 0.7 million in the review period (EUR 21.6 million).

Personnel

SOK Corporation's average number of personnel in full-time equivalents was 5,625 in January–June 2019 (January–June 2018: 5,492).

At the end of June, SOK Corporation's personnel numbered 6,669, of whom 1,643 (25%) were employed by SOK and 5,026 (75%) by its subsidiaries. At the end of the review period, a total of 2,111 people (32%) of the Corporation's personnel worked abroad.

Compared with the end of the previous year, SOK Corporation's number of personnel increased by 472 (7.6%). Compared with the corresponding period in the previous year, the number of personnel increased by 83 (1.3%).

Development of business areas

Supermarket trade

The supermarket trade includes the business operations in Estonia and Russia. In Estonia, there are five Prisma stores in Tallinn, two stores in Tartu and one in Narva. In St Petersburg, there are 14 Prisma stores. The newest opened in July.

Net sales from the supermarket trade were EUR 134 million. Net sales decreased by 7% year-on-year, mainly due to the discontinuation of units in St Petersburg. The operating result of the supermarket trade was at a considerably better level than in the previous year. Investments by the supermarket trade totalled EUR 1.8 million and were mostly equipment replacement investments.

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.

Tourism continued to grow strongly in Finland and Russia during the first half of 2019. In Estonia, demand remained at the previous year's level.

Sokotel Oy's net sales increased by 4.3% year-on-year. Demand in the travel industry and hospitality business continued to develop favourably during the first half of the year, and this trend is expected to continue during the latter part of the year. Sokotel Oy's operating result improved by 6.4% year-on-year because of net sales development.

AS Sokotel's net sales were close to the previous year's level. Demand has decreased across the market due to lower numbers of Finnish travellers. The operating result was lower than in the previous year, due to increased cost levels.

OOO Sokotel's eurodenominated net sales remained at the previous year's level, but increased by 1.7% in roubles. Demand increased in St Petersburg. OOO Sokotel's operating result decreased by 21% year-on-year, due to a weaker rouble, a soft first quarter and an increase in rents.

In the first half of 2019, investments by the travel industry and hospitality business totalled EUR 7.5 million and were related to unit renovations. Of this total, EUR 7.3 million was related to Finland and EUR 0.2 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 Corporation primarily for S Group's units. Net sales generated by other services provided to S Group's units include chain fees and management service income, among other income.

Net sales from the procurement and service business totalled EUR 3,433.8 million, increasing slightly from the previous year. The operating result of the procurement and service business was EUR 8.4 million, which was better than in the previous year.

In the first half of 2019, investments by the procurement and service business totalled EUR 14 million The investments consisted mainly of information sys-tem investments.

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 43 million, representing a decrease of 2% year-on-year. The operating result of the real estate business was positive and remained at the previous year's level. In the first half of 2019, investments by the real estate business totalled EUR 6 million.

Development of associated companies and joint ventures

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

S-Bank's balance sheet remained unchanged year-on-year. The total funds on deposit grew by 10.0% year-on-year and were EUR 5.8 billion at the end of June (EUR 5.2 billion). Lending grew by 14.4% and was EUR 4.5 billion at the end of June (EUR 3.9 billion). S-Bank Group's capital adequacy ratio was 16.4% (15.9%). At the end of June, S-Bank Group's operating result was EUR 16.0 million (EUR 9.3 million). The IFRS-adjusted result corresponding to SOK Corporation's shareholding (37.5%) was EUR 4.7 million.

Net sales of the fuel procurement company North European Oil Trade Oy were around EUR 2,595 million in the first half of the year.

Net sales grew by 0.1% year-on-year, due to changes 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%. 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 Kauppakeskus Mylly Oy shopping centre in Raisio and the inter-Nordic procurement company Coop Trading A/S, among other companies.

The total impact of SOK Corporation's associated companies and joint ventures on SOK Corporation's result was EUR 6.8 million (EUR 4.7 million).

CHANGES IN GROUP STRUCTURE

Suomen Spar Oy was merged with SOK, the parent company, in March. In June, SOK acquired all shares in SOK Fashion Retail from HOK-Elanto.

Management and future outlook

Management and changes in management

Taavi Heikkilä is serving as Chairman of SOK's Executive Board in 2019. 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 was elected as its new Vice Chair. Managing Director Tapio Kankaanpää was elected as its new second Vice Chair.

The auditor in the financial year 2019 is 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 2019, 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, which describes the purpose, objectives, key implementation methods and responsibilities of the Group's risk management. Within SOK Corporation, risk management is implemented continuously and throughout the entire management process. Risks are reviewed in a comprehensive manner considering strategic, financial, operative, and loss or damage risks. Through risk management procedures, SOK and its subsidiaries aim to anticipate and control risk factors that affect their ability to reach their goals, and use the potential related to risks in their business operations.

S Group's strategic risks are examined annually over the short term (3 years) and long-term (10 years) by SOK's Corporate Management Team, and are confirmed by SOK's Executive Board The most significant short-term risks and uncertainties in S Group are associated with securing the competitiveness of the grocery trade and the profitability of the consumer goods trade in the transformation of the retail sector and the tightening competitive situation. There are several development projects underway in S Group, related to resource planning, logistics and quality improvement among other areas. Implementing these successfully will ensure the efficiency of the value chain and customer satisfaction in the future. In the long-term, the most significant risks are related to the realisation of the changes central from S Group's point of view, including digitalisation and technological development, workforce and competence, centralisation of population and changes in consumption behaviour. Responding to these changes and seizing the opportunities successfully are key to securing S Group's future competitiveness.

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

Responsibility

Responsibility in S Group covers all business areas and is managed at the Group level. SOK's Responsibility unit is in charge of the 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 at the beginning of 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 promotes the objectives of Society's Commitment to Sustainable Development, "The Finland we want by 2050", 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 committed to do and follow acts of reducing carbon emissions

As part of the implementation of S Group's guidelines on the use of plastic, S Group's private label (Xtra and Rainbow) plastic juice concentrate bottles were made refundable. Through this arrangement, S Group is seeking to increase the recycling of plastic and environmental benefits.

S Group is a member of amfori, an organisation focusing on developing international trade. The organisation recognised S Group as its member company of the year. In addition, S Group's Director of Corporate Responsibility was re-elected as a member of amfori's Board of Directors, and will serve as Vice Chair during the Board's forthcoming term of office.

S Group has been developing a new Radical Transparency research concept to identify the root causes of human rights risks in supply chains. The first pilot of the research model was carried

out during the tomato harvesting season in the Foggia region of Southern Italy in 2018. As a further measure, S Group has joined the ETI (Ethical Trading Initiative) working group for Italian tomatoes. The purpose of the group is to address issues related to tomato production in Italy. As a part of responsibility program S Group will become the first Finnish retail operator that only uses sustainably produced cotton in its private-label and imported products

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 rated S-market the most sustainable grocery store, and Prisma the second most sustainable. S Group's chains also ranked highly in a comparison of all consumer brands, with S-market placing third and Prisma fourth. In addition, Sokos Hotels and S-Bank were rated as the most sustainable operators in their respective fields.

The results and objectives of S Group's responsibility work are described in more detail in the annual review and responsibility review, which was published in March 2019 and is available at www.s-ryhmä.fi.

S Group has identified key responsibility themes in connection with creating its Best Place to Live sustainability programme. Risks and opportunities related to these, as well as changes in the operating environment, are assessed annually. Risks are examined in terms of regulation, the physical operating environment, changes in consumer behaviour and reputation. The most significant responsibility risks are related to human rights and climate considerations. S Group has identified and assessed human rights risks that may arise from its operations, and has determined measures to minimise these risks. S Group has also identified climate risks which, if they materialise, may have considerable financial effects on its operations. These risks are being addressed through the objectives and measures defined in S Group's sustainability programme.

Outlook for the remainder of 2019

The global economy and the Finnish economy have passed the peak of the cycle. Even though the employment rate has remained good, consumer confidence has decreased, which is causing challenges for continued good sales development.

Demand in the travel industry and hospitality business is expected to develop favourably in Finland during the second half of the year. In Finland, the EU Presidency and good overall demand will strengthen the outlook. The result of the travel industry and hospitality business is expected to be at the previous year's level, although the result will be burdened by hotel renovation projects implemented according to plan.

The growth of the Russian economy is expected to continue in 2018. Tourism is expected to increase slightly in the St Petersburg area year-on-year. The result is expected to be at the previous year's level.

In Estonia, demand and the competitive situation in the travel industry and hospitality business continue to be challenging. The alcohol tax decision in Estonia is expected to increase demand slightly. However, the result will be burdened by a strong increase in expenses.

In the supermarket trade, the expansion of operations continues, and the first supermarket-sized unit in Estonia will be opened in August. In addition, new units are expected to be opened in St Petersburg during 2019. The result of the supermarket trade is expected improve year-on-year.

All business areas considered, SOK Corporation's operating result is expected to be positive in 2019 and better than in the previous year.

Helsinki, 22 August 2019

SOK
CORPORATION

Executive Board

Interim financial statements

Consolidated income statement, IFRS

EUR million	1.1.–30.6.2019	1.1.–30.6.2018
Revenue	3,644.7	3,581.4
Other operating income	1.6	1.2
Materials and services	-3,255.4	-3,220.6
Employee benefit expenses	-133.2	-122.6
Depreciation and impairment losses	-81.3	-32.5
Other operating expenses	-138.7	-194.2
Share of results of associated companies and joint ventures (+/-)	6.3	4.0
Operating profit / loss	**44.0**	**16.7**
Financial income and expenses (+/-)	-18,2	-3.1
Share of results of associated companies and joint ventures (+/-)	0.5	0.7
Profit / loss before taxes	**26.3**	**14.3**
Income taxes (+/-)	1.3	-1.5
Result for the period	**27.6**	**12.8**
Attributable to:		
Owners of the parent	27.6	13.3
Share of non-controlling interests	0.0	-0.5
	27.6	12.8

Statement of other comprehensive income

EUR million	1.1.–30.6.2019	1.1.–30.6.2018
Result for the period	27.6	12.8
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	5.4	-3.8
Exchange differences on loans to foreign subsidiaries classified as net investments	0.6	-0.3
Cashflow hedges	-0.3	0.4
Comprehensive income items of associated companies and joint ventures	1.9	0.5
Other comprehensive income for the period, net of tax	7.7	-3.2
Total comprehensive income for the period	**35.3**	**9.5**
Total comprehensive income for the financial year attributable to:		
Owners of the parent	35.3	10.0
Share of non-controlling interests	0.0	-0.5
	35.3	9.5

Consolidated statement of financial position, IFRS

EUR million	30 June 2019	30 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	1,351.1	353.4
Investment properties	22.4	24.1
Intangible assets	115.3	82.7
Interests in associated companies and joint ventures	198.5	196.6
Non-current financial assets	72.5	72.4
Deferred tax assets	33.2	18.0
Non-current assets, total	**1,792.9**	**747.2**
Current assets		
Inventories	196.5	160.8
Trade receivables and other current non-interest-bearing receivables	691.9	650.0
Current interest-bearing receivables	58.5	0.0
Cash and cash equivalents	87.3	172.4
Current assets, total	**1,034.1**	**983.1**
Assets, total	**2,827,0**	**1,730.3**
EQUITY AND LIABILITIES		
Equity		
Cooperative capital	172.0	172.0
Restricted reserves	19.2	15.9
Invested non-restricted equity reserve	21.5	21.5
Retained earnings	393.6	450.9
Equity attributable to the the owners of the parent	**606.3**	**660.3**
Non-controlling interests	**0.8**	**0.4**
Equity, total	**607.1**	**660.7**
Non-current liabilities		
Non-current interest-bearing liabilities	1,109.1	137.2
Non-current non-interest-bearing liabilities	36.4	36.3
Provisions	7.1	6.8
Deferred tax liabilities	10.5	12.1
Non-current liabilities, total	**1,163.1**	**192.3**
Current liabilities		
Current interest-bearing liabilities	115.3	38.3
Current non-interest-bearing liabilities	163.1	144.9
Trade payables	778.2	693.3
Provisions	0.1	0.6
Tax liabilities for the financial year	0.0	0.1
Current liabilities, total	**1,056.8**	**877.3**
Equity and liabilities, total	**2,827.0**	**1,730.3**

Consolidated statement of cash flows, IFRS

EUR million	Reference	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018
BUSINESS OPERATIONS			
Operating profit/loss		44.0	16.7
Adjustments to operating result	(1)	75.3	2.4
Change in working capital	(2)	-1.4	-11.8
Cash flow from business operations before financing and taxes		**117.9**	**7.3**
Increase (-) / decrease (+) in current receivables		-47.5	0.3
Interest paid and other financial expenses		0.0	0.0
Interest received and other financial income		0.1	0.1
Dividends received from business operations		0.9	0.1
Income taxes paid		-1.2	-3.4
Cash flow from business operations		**70.2**	**4.4**
INVESTMENTS			
Acquired shares in subsidiaries net of acquired cash			-47.0
Divested shares in subsidiaries net of cash held by subsidiary			14.3
Investments in shares		-0.1	0.0
Investments in tangible assets		-16.6	-5.1
Investments in intangible assets		-12.7	-10.8
Sale of other fixed assets			12.8
Dividends received from investments		3.2	1.7
Cash flow from investments		-26.2	-34.1
FINANCING			
Repayment of long-term liabilities			-0.7
Increase (+) / decrease (-) in short-term liabilities		-102.2	16.0
Increase (+) / decrease (-) in long-term receivables			30.2
Interest paid		-4.4	-0.6
Interest received		3.1	0.1
Interest paid on the cooperative and supplementary cooperative capital		-27.5	-16.6
Cash flow from financing		**-131.0**	**28.4**
Decrease in cash and cash equivalents		**-87.0**	**-1.3**
Cash and cash equivalents at the beginning of the year		**172.6**	**121.2**
Foreign exchange rate effect on cash and cash equivalents		**1.7**	**-0.7**
Decrease in cash and cash equivalents		**-87.0**	**-1.3**
Cash and cash equivalents at the end of the period		**87.3**	**119.2**
Adjustments to operating profit			
Profits (-) and losses (+) from the sale of fixed assets		-0.9	0.5
Depreciation and impairment losses		81.3	32.5
Other non-cash income and expenses		-5.1	-30.5
		75.3	2.4
Change in working capital			
Change in trade and other receivables		-44.1	12.6
Change in inventories		-35.7	23.4
Change in non-interest-bearing liabilities		78.4	-49.4
		-1.4	-13.4

Consolidated statement of changes in equity, IFRS

EUR million	Cooperative capital	Fair value reserve	Other restricted reserves	Invested non-restricted equity reserve	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
	Cooperative capital								
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
Interest on cooperative contributions						-16.6	-16.6		-16.6
Other changes			0.0			4.6	4.6	0.0	4.5
31 Dec 2018	**172.0**	**-2.7**	**18.5**	**21.5**	**-21.2**	**472.1**	**660.3**	**0.4**	**660.7**
Change in accounting policies IFRS 15 [1)]						**-48.4**	**-48.4**		**-48.4**
1 Jan 2019	172.0	-2.7	18.5	21.5	-21.2	423.7	611.9	0.4	612.2
Total comprehensive income		1.6			8.7	27.6	38.0	0.0	38.0
Interest on cooperative contributions						-27.5	-27.5		-27.5
Other changes			1.7			-17.7	-16.0	0.4	-15.6
30 June 2019	**172.0**	**-1.0**	**20.2**	**21.5**	**-12.4**	**406.0**	**606.3**	**0.8**	**607.1**

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

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 2019 have been applied to this interim report.

On 1 January 2019, the Group adopted the new IFRS 16 Leases standard. The information for the comparison period in 2018 has not been adjusted. Because nearly all leases are now recognised on the balance sheet, non-current assets on the balance sheet increased by EUR 997 million, and interest-bearing liabilities increased by EUR 1,049 million compared with 30 June 2019. 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 - 3 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. The effects of the adoption of the IFRS 16 standard on 1 January 2019 are reported in the financial statements for 2018.

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 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 presented 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

Fair values of financial assets and liabilities

Milj. €	Financial assets and liabilities measured at fair value through profit and loss	Hedge accounting derivatives	Financial assets and liabilities to be measured at amortised cost	Carrying amount June 2019	Fair value June 2019
Financial assets					
Non-current financial assets	3.2	0.0	33.1	36.2	42.54
Shares and participations	3.2			3.2	3.2
Loan receivables			30.6	30.6	37.0
Non-interest-bearing loan receivables			2.5	2.5	2.3
Trade receivables				0.0	0.0
Trade receivables and other current non-interest-bearing receivables	0.5	0.3	658.6	659.4	659.8
Trade receivables			584.0	584.0	584.0
Other non-interest bearing receivables			72.2	72.2	72.5
Prepayments and accrued income in financial items			2.4	2.4	2.4
Derivatives assets	0.5	0.3		0.8	0.8
Cash equivalents	5.0	0.0	53.5	58.5	58.6
Cash	0.0	0.0	87.3	87.3	87.4
Financial assets, total	**8.7**	**0.3**	**832.4**	**841.4**	**848.3**
Financial liabilities					
Non-current interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0
Trade payables			0.0	0.0	0.0
Non-current non-interest-bearing liabilities	0.0	0.0	30.7	30.7	30.7
Cash counting service			30.3	30.3	30.3
Other non-interest-bearing liabilities			0.4	0.4	0.4
Current interest-bearing liabilities	0.6	0.1	0.0	0.8	0.8
Accruals and deferred income in financial items			0.0	0.0	0.0
Derivatives liabilities	0.6	0.1		0.8	0.8
Trade payables			778.2	778.2	778.2
Financial liabilities, total	**0.6**	**0.1**	**808.9**	**809.7**	**809.7**

The table does not include lease liabilities of carrying amount 1,145.1 million eur.

The fair value hierarchy

EUR million	Fair Value June 2019	Level 1	Level 2	Level 3
Assets measured at fair value				
Non-current financial assets				
Shares and participations	3.2			3.2
Other current non-interest-bearing receivables				
Derivative assets	0.8	0.5	0.3	
Current interest-bearing receivables				
Loan receivables	5.0	5.0		
Total	**9.0**	**5.5**	**0.3**	**3.2**
Liabilities measured at fair value				
Current non-interest-bearing liabilities				
Derivatives liabilities	0.8	0.5	0.3	
Total	**0.8**	**0.5**	**0.3**	**0.0**

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

Fair values on hierarchy level 1 are based on the quoted prices of completely identical asset items or liabilities in an active market. The Group has used valuations by Nasdaq OMX Stockholm as pricing sources in determining the fair value of these instruments.

The fair values of level 2 instruments are to a significant extent based on inputs other than quoted prices included in level 1. However they are based on information that is observable for the said asset item either directly or indirectly. In determining the fair value of these instruments, the Group uses generally accepted valuation models in which the input is to a significant extent based on verifiable market information.

The fair values of level 3 instruments are based on inputs concerning the asset item or liability which is not based on verifiable market information.

The holdings in Suomen Luotto-osuuskunta cooperative are presented in level 3 due to inaccuracies in the measurement of the fair value. The fair value of the holdings, EUR 1.5 million (2018: EUR 1.5 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 1.6 million of unquoted shares (2018: 1.8 million), for which the fair value cannot be determined. Unquoted shares and holdings presented on level 3 were realised in 2019 at the acquisition cost of EUR 0.2 million.

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

EUR million	30 June 2019
Opening balance, 1 Jan	3.4
Purchases	0.1
Sales	-0.3
Impairments in the income statement	-0.1
Fair value changes recognised in the income statement	0.0
Closing balance, 31 Dec	3.1

The fair value hierarchy

EUR million	Fair Value June 2019	Level 1	Level 2	Level 3
Assets measured at fair value				
Non-current financial assets				
Shares and participations	3.3			3.3
Other current non-interest-bearing receivables				
Derivative assets	2.9	2.8	0.1	
Total	**6.2**	**2.8**	**0.1**	**3.3**
Liabilities measured at fair value				
Current non-interest-bearing liabilities				
Derivatives liabilities	3.9	2.8	1.1	
Total	**3.9**	**2.8**	**1.1**	**0.0**

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

EUR million	2018
Opening balance, 1 Jan	3.0
Purchases	0.3
Sales	0.1
Impairments in the income statement	-0.1
Fair value changes recognised in the income statement	0.3
Closing balance, 31 Dec	3.6

Segment information 30 June 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.

EUR million	Supermarket trade	Tourism and hospitality business	Procurement and servicesbusiness	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	134.1	132.4	3,434.8	42.5		-101.0	3,642.8
Operating result	-2.5	11.9	9.3	9.4	4.7	-5.8	27.0
Investments	1.8	7.5	13.5	6.2		0.4	29.4
Divestments	0.0	0.0	0.7				0.8
Reconciliation of the revenue							
Management accounting revenue to be reported				3,642.8			
Eliminations				1.9			
Revenue IFRS				3,644.7			
Reconciliation of the result							
Operating result of the segments to be reported				27.0			
Items excluded from the operating result within SOK Corporation:							
Financial income and expenses (FAS)				1.8			
Operational result of the segments to be reported				28.8			
Operating result of the segments to be reported				28.8			
Gains and losses on the sale of property, plant and equipment				0.6			
Other operating income and expenses, and other items				0.6			
Valuation gains and losses on derivatives				0.0			
Impairment losses on tangible and intangible assets				0.0			
IFRS adjustments				-2.4			
Profit before taxes for the period IFRS				27.6			
Additional information at SOK Corporation level, external income							
Sales to S-Group				3,180.3			
Other sales in Finland				304.4			
Foreign countries				158.1			
Revenue, total				3,642.8			
Supermarket trade				134.1			
Tourism and bospitality business				132.4			
Procurement and services business and other				3,333.8			
Real estate business				42.5			
Revenue, total				3,642.8			
Additional data at SOK Corporation level, fixed assets							
Finland				1,438.5			
Foreign countries				50.3			
Fixed assets, total				1,488.8			

Segment information 30.6.2018

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 inaccordance with Finnish accounting legislation are used. In SOK Corporation's management reporting, assets are not allocated orreported on, except for working capital.

EUR million	Supermarket trade	Tourism and hospitality business	Procurement and servicesbusiness	Real estate business	Banking	Internal eliminations and other	Management reporting, total
Revenue	144.6	128.0	3,317.4	43.0	0.0	-53.3	3,579.5
Operating result	-5.1	12.1	6.8	9.7	2.3	7.3	18.4
Investments	0.8	4.4	12.6	53.0			70.9
Divestments	0.1	0.0	0.2	21.3			21.5
Reconciliation of the revenue							
Management accounting revenue to be reported				3,579.5			
Eliminations				1.9			
Revenue IFRS				3,581.4			
Reconciliation of the result							
Operating result of the segments to be reported				18.4			
Items excluded from the operating result within SOK Corporation:							
Financial income and expenses (FAS)				1.2			
Operational result of the segments to be reported				19.6			
Operating result of the segments to be reported				18.4			
Gains and losses on the sale of property, plant and equipment				-0.8			
Other operating income and expenses, and other items				-0.3			
Valuation gains and losses on derivatives				1.0			
Impairment losses on tangible and intangible assets				-5.3			
IFRS adjustments				3.7			
Profit before taxes for the period IFRS				16.7			
Additional information at SOK Corporation level, external income							
Sales to S-Group				3,116.4			
Other sales in Finland				294.8			
Foreign countries				168.3			
Revenue, total				3,579.5			
Supermarket trade				144.5			
Tourism and bospitality business				129.9			
Procurement and services business and other				3,264.1			
Real estate business				43.0			
Revenue, total				3,581.4			
Additional data at SOK Corporation level, fixed assets							
Finland				408.7			
Foreign countries				37.7			
Fixed assets, total				446.4			

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	1,119.2		18.9
Translation differences	7.1	0.0	0.6
Increases	15.6	0.1	18.2
Decreases	-0.3	0.0	-0.5
Transfers between items	-0.2	-0,2	0.4
Acquisition cost, 30 June 2019	**1,806.5**	**87.4**	**228.9**
Accumulated depreciation			
Accumulated depreciation, 1 Jan 2019	-311.6	-63.1	-108.7
From business combinations		0.0	
IFRS 16	-61.6	0.0	-0.2
Translation differences	-3.7	0.0	-0.5
Accumulated depreciation on deducted and transferred items	0.2	0.0	0.1
Depreciation for the period	-78.8	-1.8	-4.4
Impairment losses [1)]	0.1	0.0	0.0
Accumulated depreciation, 30 June 2019	**-455.4**	**-64.9**	**-113.6**
Carrying amount, 1 Jan 2019	**353.4**	**24.3**	**82.7**
Carrying amount, 30 June 2019	**1,351.1**	**22.4**	**115.3**

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
IFRS 16			
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 losses [2)]	-0.1		
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**

1) The impairment is related to consolidated goodwill concerning the properties of the Prisma stores closed down in Russia during the financial period.

Related party transactions

Transactions and balances with associated companies and joint ventures: EUR million	30 June 2019	30 June 2018	31 Dec 2018
Sales	8.7	8.6	23.6
Purchases	40.2	195.2	389.7
Financial income and expenses	1.0	0.3	0.6
Trade and other receivables	2.9	1.5	1.5
Loan receivables	25.0	20.0	20.0
Trade payables and other liabilities	0.7	27.4	10.6

Pledges and contingent liabilities

Contingent liabilities EUR million	30 June 2019	31 Dec 2018	Change	30 June 2018
Pledges given and contingent liabilities				
Pledges	0.1	0.1	0.0	0.1
Mortgages	0.7	0.7	0.0	0.7
Guarantees	2.5	2.5	0.0	2.5
Total	**3.3**	**3.3**	**0.0**	**3.2**
Security given on behalf of others				
Guarantees for liabilities of joint ventures enterprises	122.6	120.1	2.5	112.0
Guarantees for liabilities of cooperative enterprises			0.0	7.4
Total	**122.6**	**120.1**	**2.5**	**119.4**
Other contingent liabilities				
Pledges for liabilities of joint ventures enterprises	0.5		0.5	
Guarantees for liabilities of joint ventures enterprises	21.9	25.8	-3.9	23.5
Total	**21.9**	**25.8**	**-3.9**	**23.5**
Other liabilities				
Letter of credit liabilities		0.2	-0.2	0.4

The securities 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 95.0 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 8.7 million (EUR 8.7 million on 31 Dec 2018).

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

Additionally SOK has pledged to provide loan funding. SOK has at 30 Jun 2019 the following open commitments: 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:	30 June 2019	30 June 2018	30 June 2017
Revenue, EUR million	3,644.7	3,581.4	3,448.9
Operating profit, EUR million	44.0	16.7	-5.2
% of revenue	1.2	0.5	-0.2
Profit before taxes, EUR million	26.3	14.3	-3.9
% of revenue	0.7	0.4	-0.1
SOK Corporation:			
Equity ratio, %	21,6	37.8	36.9
Return on equity, %	4.4	2.0	-0.7
Gearing, %	177.7	13.9	29.1

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