SOK CORPORATION'S FINANCIAL STATEMENTS 2022

EXECUTIVE BOARD REPORT ON OPERATIONS

Development of the operating environment

At the start of the year, the outlook for the global and Finnish economies seemed quite positive. Finland was well on its way to a recovery from the COVID-19 pandemic, and the national economy was growing. However, the Russian invasion of Ukraine that started in February and the resulting sanctions imposed by the Western countries have caused a global shock that has significantly raised commodity and energy prices. As a result, the inflation rate in Finland began to increase exceptionally strongly, and interest rates also began to increase. This caused a significant weakening of consumers' purchasing power and slowed down economic growth.

According to Statistics Finland, Finnish consumer prices increased by an average of 7.1 percent in 2022, in particular due to the increases in energy and food prices, as well as interest rates. At its highest, inflation was at over nine per cent in late 2022. The price increases are expected to slow down during 2023. The Ministry of Finance's forecast of December 2022 estimates inflation in Finland to be around four per cent in 2023.

According to the Ministry of Finance, Finland's GDP grew by 1.9 per cent in 2022. The development was uneven. After a good early year, the rapidly increasing inflation and rising interest rates stopped economic growth in the second half of the year. According to the Ministry of Finance's forecast, Finland's GDP is expected to fall by 0.2 per cent in 2023. Private consumption is also expected to fall by 0.5 per cent year-over-year.

Consumers' purchasing power also had an effect on the retail trade in Finland. Sales volumes in the second half of the year were clearly lower than in the previous year. Rising production costs have also been reflected in consumer prices, and net sales in retail increased compared with the previous year.

The travel and hospitality business has perked up significantly since the lifting of COVID-19 restrictions in early 2022. The savings and delayed demand from the pandemic have especially increased the demand for services. Good employment rates have also supported consumption. Russia's invasion of Ukraine has significantly decreased the number of international and Asian travellers in particular, but domestic demand has kept the business area healthy despite the increased costs. The weakened purchasing power is expected to have a stronger impact in 2023. The recruitment situation in the travel and hospitality industry has slightly improved, but there are still challenges related to the availability of skilled employees. Service station stores and markets are also seeing labour shortages.

S Group's performance 1 January to 31 December 2022

S Group comprises cooperatives and SOK Corporation along with its subsidiaries. In 2022, S Group's retail sales excluding VAT were EUR 13,465 million, an increase of 9.2 per cent from the previous year.

S Group's retail sales excluding taxes by business area	EUR million	+/- % from previous year
Prisma*	4,325	+3.7
S-market	4,146	+6.4
Sale	746	-0.8
Alepa	428	+2.6
Other supermarket trade	55	-10.2
Supermarket trade total*	**9,699**	**+4.3**
Service station store and fuel sales	2,282	+28.2
Department stores and speciality stores	259	+5.9
Travel industry and hospitality business*	728	+47.4
Automotive trade and accessories	462	-2.9
Others	35	-13.6
S Group total*	**13,465**	**+9.2**

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

At the end of December, S Group had 1,984 outlets (1,909 in December 2021). There were 19 regional and six local cooperatives.

A total of 86,566 new members joined the cooperatives participating in the Bonus system in 2022. There were 2,512,159 co-op members at the end of December. The co-op members were paid a total of EUR 414 million in Bonus rewards.

S Group's investments amounted to EUR 556 million, compared to EUR 786 million in 2021.

S Group's combined non-consolidated result before appropriations and taxes showed a profit of EUR 314 million (302 million).

The cooperatives' combined result before appropriations and taxes showed a profit of EUR 309 million. In the previous year, S Group's result was EUR 314 million. SOK Corporation's result before taxes (IFRS) showed a profit of EUR 5 million. In the previous year, the result was showed a loss of EUR 12 million.

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 monitoring operations and seeing to the interests of S Group and its divisions.

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, SOK engages in supermarket trade and travel industry and hospitality business in Estonia through its subsidiaries. During the financial period, SOK has divested its operations in Russia.

SOK Corporation's financial development 1 January – 31 December 2022

SOK Corporation's net sales for 1 January – 31 December 2022 were EUR 8,434.0 million, showing an increase of 8.2 per cent compared to the previous year. Sales increased by EUR 637.4 million.

SOK Corporation's operating profit (IFRS) was EUR 24.8 million (19.7 million). Foreign operations accounted for EUR 3.1 per cent (4.0%) of net sales, or EUR 262.2 million.

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

SOK Corporation	31 Dec 2022	31 Dec 2021	31 Dec 2020
Net sales, EUR million	8,434.0	7,796.6	7,600.4
Operating profit/loss, EUR million	24.8	19.7	-2.6
Operating profit, %	0.3	0.3	0.0
Return on equity, %	-0.1	-3.1	-4.7
Equity ratio, %	21.3	21.2	21.1

SOK Corporation's operating revenue and operating result (FAS) 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 revenue million	Change, EUR million
Supermarket trade	+232.0	-50.3	-12.3	-10.0
Travel industry and hospitality business	+212.5	+88.9	-15.7	+35.2
Procurement and service business	+8,040.4	+614.9	+19.1	+5.1
Real estate business	+78.3	+6.4	+18.4	+1.9
Result from banking			+17.9	+8.1
Internal eliminations and other	-129.3	-22.4	-2.4	-1.8
SOK Corporation, total	**+8,434.0**	**+637.4**	**+24.9**	**+38.6**

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

Financing

Despite the weaker than normal performance in the last two years and the divestment of the Russian operations, the Group's financing position is stable. Covering the negative cash flow has led to a moderate increase in short-term interest-bearing liabilities. Credit loss risks have not increased, because the main customers primarily consist of regional cooperatives.

SOK Corporation's interest-bearing liabilities amounted to EUR 1,148.1 million at the end of December (1,223.2 million). EUR 1,100.8 million of the interest-bearing liabilities are lease liabilities compliant with IFRS 16 (1,201.6 million). Gearing was 178.6 per cent (191.1%). SOK Corporation's equity ratio was 21.3 per cent (21.2%).

At the end of December, SOK Corporation's liquid assets amounted to EUR 81.3 million (84.8 million). In addition, the Group had EUR 230.0 million in unused long-term committed credit facilities (230.0 million) and EUR 57.0 million in unused overdraft facilities (57.0 million). Back-up credit facilities were not used during the accounting period and there were no breaches concerning their terms.

Investments and divestments

SOK Corporation's non-current asset procurement, or investments in fixed assets, amounted to EUR 80.5 million (126.8 million). The most significant investments were related to information systems and hotel and terminal properties.

Sales of non-current assets amounted to EUR 2.4 million in the review period (3.9 million).

Personnel

SOK Corporation's average number of personnel in full-time equivalents was 5,864 at the end of the period under review, from 1 January to 31 December 2022 (5,648). At the end of December, SOK Corporation had 5,686 (6,038) employees.

34 per cent of the personnel (1,946 employees) worked for SOK and 66 per cent (3,740 employees) for the subsidiaries. At the end of the period under review, 18 per cent of SOK Corporation's personnel (1,009 employees) were working abroad.

Compared with the end of the previous year, SOK Corporation's number of personnel decreased by 352 (–5.8%). The divestment of the Russian operations has had an effect on the amount of personnel especially on the personnel working abroad.

Development of the business areas

Supermarket trade

In early 2022, SOK Corporation's supermarket trade included the business in Estonia and Russia. In March 2022, SOK decided to divest all its business operations in Russia, including OOO Prisma, which comprised 16 units in the Saint Petersburg region. All the Prisma stores in Russia were closed by 31 March 2022. SOK announced the sale of the Russian supermarket trade business in June 2022, and the transaction was finalised on 27 June 2022.

At the end of 2022, SOK Corporation's business in Estonia included 14 Prisma stores, 10 of which operate in Tallinn or its neighbouring region, two in Tartu, one in Narva and one in Rapla. Eight of the Prisma stores belong to the larger hypermarket class and six to the smaller supermarket class. Of the supermarkets, Prisma Maardu and Prisma Rapla were opened in June 2022 and Prisma Roo in September 2022.

In addition to opening new ones, the Narva, Vanalinna and Sikupilli Prisma stores were renovated. After the concept renewal of Prisma Kristiine to be implemented in the spring of 2023, all Prisma stores in Estonia will follow S Group's latest concepts.

During the whole year, the net sales of SOK Corporation's supermarket trade amounted to EUR 232 million. The net sales of the supermarket trade in Estonia grew by 7.9 per cent, but the operating result decreased from the previous year. The retail performance in Estonia was affected by the accelerating inflation and the resulting increase in costs. In particular, the increased cost of energy contributed to higher costs. In 2022, the supermarket trade's investments amounted to EUR 10.6 million. Overall, the year was weaker than expected for the supermarket trade. The investments consisted of furniture and fixtures for the new units and concept renewals for the old ones.

The sales of the supermarket trade in Estonia are expected to continue to grow in 2023. However, the high inflation is expected to have a negative impact on the volume of the supermarket trade early in the year. The increase in costs caused by inflation will particularly affect the supermarket trade in Estonia during the first half of the year.

Travel industry and hospitality business

In early 2022, SOK Corporation's travel industry and hospitality business was conducted by Sokotel Oy in Finland, AS Sokotel in Estonia and OOO Sokotel in Russia. In March 2022, SOK decided to divest all its business operations in Russia. The shutdown of the business operations was started immediately. In June 2022, SOK announced the sale of OOO Sokotel, and the operations were transferred to the buyer as of 29 June 2022.

The demand continued to be at a low level within the travel industry and hospitality business during the first quarter due to the COVID-19 restrictions in January and February. After the restrictions ended, the business began to recover in stages both in Finland and in Estonia. During the first half of the year, business development indices were more positive than in the previous year, which was largely impacted by the lighter COVID-19 restriction measures than in the comparison year. During the summer season, demand developed positively in all market areas, driven by domestic travel and several events that were postponed in the years of the COVID-19 pandemic. In the autumn, demand continued to grow as businesses and consumers began to plan their Christmas parties more actively. Particularly strong development from the previous year could be seen in meeting sales. The availability of workforce has posed challenges throughout the year. Overall, the year was better than expected for both the Finnish and Estonian business entity.

Net sales and operating result of SOK's hotel business improved from the previous year as a result of the increased demand, but the result still showed a loss. The net sales of SOK's hotel business totalled EUR 212.5 million, showing an increase of 72 per cent from the previous year. The operating result was EUR –15.7 million, showing an improvement of EUR 35.2 million from the previous year. The market share is estimated to have remained unchanged overall for the hotel business in Finland and Estonia.

In 2022, investments in the travel industry and hospitality business totalled EUR 12.4 million, with EUR 11.9 million invested in Finland. The investments included the renovations of Original Sokos Hotel Ilves, Solo Sokos Hotel Torni and Solo Sokos Hotel Helsinki, as well as the opening of the new Heymo 1 By Sokos Hotels unit.

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 to S Group's units. Net sales generated by other services provided to S Group's units include chain fees and income from administrative services. During the financial period, procurement and service operations were developed in the field of procurement collaboration with Carrefour and within the new ERP project, for example.

Net sales from the procurement and service business totalled EUR 8,040.4 million (7,425.5 million). Net sales increased by 8.3 per cent from the previous year. The operating result of the procurement and service business was EUR 19.1 million, which was better than in the previous year.

In 2022, investments in the procurement and service business totalled EUR 27.9 million. The investments consisted mainly of information system purchases.

Real estate business

Net sales from the real estate business consist of rental and property service income from properties owned by SOK Corporation. SOK Corporation's property portfolio consists mainly of properties used by S Group. Net sales for the real estate business totalled EUR 78.3 million (72.0 million). The operating result of the real estate business showed a profit. Investments in the real estate business in 2022 totalled EUR 29.6 million. The largest investments were in hotel properties and regional distribution or logistics terminals.

Development of associated companies and joint ventures

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

S Bank's balance sheet increased to EUR 9.0 billion from EUR 8.5 billion in the previous year. The total funds on deposit grew by 4.9 per cent year-on-year to EUR 8.0 billion at the end of December (7.6 billion). Lending grew by 10.0% and was EUR 6.7 billion at the end of December (6.1 billion). S-Bank Group's capital adequacy ratio was 16.3 per cent (16.3%). At the end of December, S-Bank Group's operating result was EUR 44.7 million (24.8 million).

The IFRS adjusted share of the result for the financial period corresponding to SOK Corporation's shareholding (49.99%) was EUR 17.9 million. S-Bank is owned by SOK and the regional cooperatives.

Net sales of fuel procurement company North European Oil Trade were around EUR 8,768 million during the 2022 financial period. The company's net sales grew from the previous year by nearly 66 per cent, primarily due to the strong increase in the global market prices for oil products.

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

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

The total impact of SOK Corporation's associated companies and joint ventures on SOK Corporation's result was EUR 30.7 million (14.0 million).

Changes in group structure

OOO Prisma was sold to the Russian X5 Group in June. OOO Sokotel was sold in June and OOO Service Center in July to the Russian investors Alexander Ermakov and Yury Shumakov.

Management and future outlook

Administration and changes in the administration

The chair of SOK's Executive Board (from 1 January 2023) and the CEO of SOK is Hannu Krook. In addition to the CEO, the other members of the Executive Board are Kim Biskop, Managing Director; Juha Kivelä, Managing Director; Veli-Matti Liimatainen, Managing Director; Antti Määttä, Managing Director; Nermin Hairedin, Managing Director; Harri Miettinen, Managing Director; and the new members Antti Heikkinen, Managing Director; and Katri Harra-Salonen, Chief Digital Officer. Olli Vormisto, Managing Director, and Professor Rita Järventie-Thesleff left SOK's Executive Board on 31 December 2022.

In April 2022, Timo Santavuo, Attorney, was elected as the chair of SOK's Supervisory Board; Jarkko Rautaoja, Managing Director, was elected as the first vice-chair; and Tapio Finér, Managing Director, was elected as the second vice-chair.

The auditor for this accounting period 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. The Corporate Management Team consists of Arttu Laine, Deputy CEO and Executive Vice President, S Group Chain Management, Procurement and Logistics; Jorma Vehviläinen, Executive Vice President, CFO, SOK Finance and Administration; Hanne Lehtovuori, Executive Vice President, HR; Sebastian Nyström, Executive Vice President, Loyalty, IT & Digital Development; Jari Annala, Executive Vice President, SOK Business; Päivi Anttikoski, Executive Vice President, CMO, Marketing, Communications and Sustainability; Maria Timgren, Executive Vice President, Strategy; and Seppo Kuitunen, Executive Vice President, Legal Affairs.

Near-term risks and uncertainties

S Group implements risk management according to risk management principles approved by SOK's Executive Board and SOK Corporation's risk management policy. Risk management is continuous at S Group, and it is taken into account in the different parts of the management process. SOK Corporation's risk management policy describes the purpose, objectives, key implementation methods and responsibilities of the Group's risk management. Risks are assessed holistically, considering strategic and operational 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 annually in the short term (3 years) and long term (10 years) by SOK's Corporate Management Team. SOK's Executive Board processes and confirms S Group's strategic risks and the measures used to control them.

Major changes took place in S Group's operating environment during 2022. Various short-term uncertainties have significantly increased. Russia's invasion of Ukraine, accelerating inflation and the weakening of the general economic situation have also affected S Group's operations in many ways. S Group is actively monitoring and assessing these uncertainties and preparing for and responding to them based on the assessments. In the long term, the greatest drivers of change continue to be globalisation, digitalisation and the polarisation of customer demand.

Ensuring the competitiveness of S Group's grocery trade continues to be essential as the competition intensifies. Possible operational disruptions related to supply chains and business operations, such as challenges related to the availability of energy, require special precautions. Challenges in the availability and retention of workforce affect S Group's all business areas. Digital development and success in it are fundamental to competitive success in all sectors. S Group has several active projects to manage the above-mentioned risk factors. The risks and impacts of system projects are assessed at SOK Corporation already in the investment planning phase by carrying out a risk assessment and a plan for mitigating the risks. If important projects fail or a critical service provider suffers from challenges, these may have an impact through malfunctions or additional costs. Risks are assessed throughout the projects. The balance sheet values of system investments are regularly assessed, and potential write-offs are implemented according to the relevant regulations. In addition, information security is continuously assessed and monitored.

The most significant long-term risks are related to the progress and speed of changes and trends that are essential for S Group, including changes in consumer habits and working life, technological development and the impact of demographic trends and migration on S Group's operations. Responding to these changes and seizing the opportunities successfully are key to securing S Group's future competitiveness.

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

Sustainability risks associated with SOK Corporation's business operations have been identified and analysed by business area. Key sustainability themes and the related risks and opportunities, as well as their significance for the business operations, were identified when preparing the sustainability programme. The risks are reviewed from the perspective of regulation, the physical operating environment, changes in consumer behaviour and reputation. The most significant risks related to human rights include violations of human rights in global supply chains and any shortcomings in ethical operating methods and transparency. Key environmental risks are related to climate change and loss of biodiversity, as well as their impact on the Group's own operations and on the supply chains. S Group has identified climate risks that, if realised, may have considerable financial effects on the Group's operations. Increasing regulation may require changes of the business operations or lead to additional costs. More frequent extreme weather conditions may influence the availability of products, causing disturbances in logistics and the network of outlets. The sustainability risks are addressed through the targets and measures included in the S Group sustainability programme.

Sustainability

S Group's objective is to lead the way in sustainability in all of its business areas. Work related to sustainability is managed jointly with the business management at the Group level. SOK's sustainability unit is in charge of the Group-level strategic development, management and reporting of sustainability within S Group.

S Group's sustainability work is managed through its "Together we will make a better place to live" sustainability programme, which serves as the framework for S Group's sustainability work until 2030.

S Group's ambitious climate work and emission reductions in own operations is aligned with science-based targets. S Group's climate work is being managed well, as it is currently rated B in the international CDP rating.

Sokos Hotel's customers have been able to offset the carbon footprint of their hotel stay and breakfast since November 2021, and in one year, the emission offsets totalled 21,355 nights of hotel accommodation. Sokos Hotels is the first chain in its sector in Finland to offer a compensation opportunity to its private customers.

S Group is building a new wind farm in Luvia, Eurajoki and investing in Finland's renewable electricity production. During the past decade, S Group has invested EUR 500 million in wind power, and the new wind farm is part of the cooperatives' ongoing long-term investments to increase renewable energy production. In 2022, approximately 65 per cent of the Group's electricity demand was covered with its own wind power production. Furthermore, approximately two per cent of the electricity demand was fulfilled at the local level with over 100,000 solar panels. When the new wind farm is completed, the amount of electricity produced with the Group's own renewable sources will be equal to the electricity consumption of the entire retail group.

S Group aims to build a network of electric car charging stations covering the whole of Finland between 2021 and 2024. The ABC Charging Network has more than tripled since the end of 2021. At the end of 2022, the network comprised more than 200 stations with a total of more than 1,200 charging points. The stations served thousands of charging customers each day.

To promote biodiversity, S Group is conducting a study of its operations' nature footprint, meaning the adverse effects of its operations on biodiversity. The study is being conducted by the University of Jyväskylä's JYU. Wisdom School of Resource Wisdom.

We are committed to the UN's Global Compact -initiative and support its ten human rights principals, work life principals and activities towards environment and corruption.

S Group and the Finnish Red Cross's joint collection to aid those suffering from the crisis in Ukraine started in the spring of 2022, and thanks to customers' contributions, a total of more than 925,000 euros has so far been collected for the Finnish Red Cross's Disaster Relief Fund. S Group has also donated goods to Ukrainians who have come to Finland, and S Group has also employed some Ukrainians who have come to Finland.

The annual Sustainable Brand Index, the largest such study in Europe, assesses consumers' views of the sustainability of brands. In 2022, consumers viewed S Group as the most sustainable daily consumer goods brand, and Prisma, Sokos Hotels and S Bank were all leaders in sustainability in their own business areas. T-Media's Reputation & Trust study showed S Group as Finland's eighth-most reputable company among the general public, with an increased lead over retail competitors.

The results and objectives of S Group's sustainability work are described in more detail in the annual review and sustainability review, which will be published in March 2023 and is available at www.s-ryhma.fi/en.

Outlook for the current year

The outlook for 2023 is challenging and there is a lot of uncertainty in the air. The general weakening of the economy, rising costs and an unclear outlook for the future all increase the level of caution exercised by consumers and companies. At the end of 2022, China completely reversed its COVID-19 strategy based on lockdowns. As a result, the latest Kraken variant is now spreading very fast in China and outside it, which might cause disruptions in areas such as supply chains in the short term. The lifting of restrictions in China may also have positive effects on the development of the global economy.

Although inflation in 2023 is not expected to stay in the previous year's record highs in Finland, the rising prices and interest rates is still expected to continue, especially in the first half of the year, which will have a negative impact on the purchasing power of consumers. The recession that started in 2022 will continue, and the Finnish GDP is expected to fall slightly in 2023. People's uncertainty of the future is reflected in poor trust in both personal and national economies, which may also decrease consumer demand.

In 2023, SOK Corporation's operating result is expected to improve from the previous year. The amount of operating profit is particularly dependent on general economic developments, the development of inflation and consumers' purchasing power, the recovery of the travel and hospitality business, and the performance of banking operations.

The situation of SOK Corporation's travel and hospitality business has improved, and the outlook for the early year is significantly better than in the previous year. The net sales of hotels are expected to continue to improve as a result of higher average prices and occupancy rates. There are still uncertainties related to international travel. The closure of Russian airspace is still significantly decreasing the number of foreign travellers coming to Finland, particularly travellers from Asia. The impact of inflation on the industry and consumer behaviour will likely be reflected in the service demand. The largest obstacle to sales growth for companies in the service industry is still the shortage of skilled labour, but the labour situation has improved slightly.

Other than the impact of the possible payment term changes planned for the Food Act, no significant changes compared to the previous year are expected for the procurement and service business.

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

SOK's distributable surplus is EUR 579,704,580.41 (the surplus for the financial year is EUR 2,112,898.48). The Executive Board proposes that EUR 40,000.00 be transferred to the Supervisory Board's contingency fund and that EUR 2,072,898.48 be left on the surplus account for the previous financial years.

Helsinki, 9 February 2023

SOK CORPORATION
Executive Board

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Consolidated income statement, IFRS

EUR million	Note	1 Jan –31 Dec 2022	1 Jan –31 Dec 2021
Revenue	1	8,434.0	7,796.6
Other operating income	2	8.6	4.1
Materials and services		-7,593.2	-7,059.7
Employee benefit expenses	3	-318.9	-282.1
Depreciation and impairment losses	4	-177.4	-181.0
Other operating expenses	5	-348.5	-270.2
Share of results of associated companies and joint ventures (+/-)	14	20.2	12.0
Operating profit (-loss)		**24.8**	**19.7**
Financial income and expenses (+/-)	7	-30.3	-33.7
Share of results of associated companies and joint ventures (+/-)	14	10.4	2.0
Profit before taxes		**4.9**	**-12.1**
Income taxes (+/-)	9	-5.5	-6.6
Result for the financial year		**-0.6**	**-18.6**
Attributable to:			
Owners of the parent		-0.6	-18.6
Share of non-controlling interests		0.0	0.0
		-0.6	**-18.6**

Statement of other comprehensive income

EUR million	Note	1 Jan –31 Dec 2022	1 Jan –31 Dec 2021
Result for the financial year		-0.6	-18.6
Other comprehensive income:			
Items that may be reclassified subsequently to profit			
Exchange differences on translating foreign operations		1.0	2.8
Exchange differences on translating foreign operations, transfer to income statement		5.4	0.0
Exchange differences on loans to foreign subsidiaries classified as net investments		0.0	0.2
Cashflow hedges	9	-2.2	1.9
Comprehensive income items of associated companies and joint ventures		-10.6	-0.2
Other comprehensive income for the financial year, net of tax		-6.4	4.8
Total comprehensive income for the financial year		**-6.9**	**-13.9**
Total comprehensive income for the financial year attributable to:			
Owners of the parent		-6.9	-13.9
Share of non-controlling interests		0.0	0.0
		-6.9	**-13.9**

Consolidated statement of financial position, IFRS

EUR million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,279.1	1,403.4
Investment properties	11	26.0	27.1
Intangible assets	12	99.9	96.8
Interests in associated companies and joint ventures	14	304.9	287.8
Non-current financial assets	15	43.0	43.2
Deferred tax assets	16	25.1	30.9
Non-current assets, total		**1,778.0**	**1,889.2**
Current assets			
Inventories	17	252.1	210.2
Trade receivables and other current non-interest-bearing receivables	18	689.0	646.0
Current interest-bearing receivables	19	0.0	0.0
Cash and cash equivalents	20	78.2	84.8
Current assets, total		**1,019.4**	**941.0**
Assets of non-current assets held for sale		**21.6**	
Assets, total		**2,818.9**	**2,830.2**
EQUITY AND LIABILITIES			
Equity			
Cooperative capital	21	172.0	172.0
Restricted reserves	21	4.5	17.3
Invested non-restricted equity reserve	21	45.0	36.4
Retained earnings		375.1	369.3
Equity attributable to the the owners of the parent		**596.6**	**595.0**
Non-controlling interests		**0.9**	**0.8**
Equity, total		**597.5**	**595.8**
Non-current liabilities			
Non-current interest-bearing liabilities	22	984.3	1,073.4
Non-current non-interest-bearing liabilities	23	13.4	31.3
Provisions	24	4.7	5.9
Deferred tax liabilities	16	5.4	6.9
Non-current liabilities, total		**1,007.8**	**1,117.5**
Current liabilities			
Current interest-bearing liabilities	22	163.8	149.8
Current non-interest-bearing liabilities	23	219.3	198.4
Trade payables	23	823.4	767.6
Provisions	24	1.3	0.7
Tax liabilities for the financial year		0.7	0.4
Current liabilities, total		**1,208.5**	**1,117.0**
Liabilities of non-current assets held for sale		**5.1**	
Equity and liabilities, total		**2,818.9**	**2,830.2**

Consolidated statement of cash flows, IFRS

EUR million	Note / Reference	1 Jan –31 Dec 2022	1 Jan –31 Dec 2021
BUSINESS OPERATIONS			
Operating profit (-loss)		24.8	19.7
Adjustments to operating profit (-loss)	(A)	176.6	163.8
Change in working capital	(B)	-11.4	25.7
Cash flow from business operations before financing and taxes		**190.0**	**209.2**
Increase (-) / decrease (+) in current receivables	18	0.4	-0.1
Interest paid and other financial expenses	7	-0.5	-0.4
Interest received and other financial income	7	0.2	0.1
Income taxes paid	9	-1.4	-8.4
Cash flow from business operations		**188.8**	**200.4**
INVESTMENTS			
Divested shares in subsidiaries net of cash held by subsidiary		0.5	0.2
Investments in shares	14, 15	-1.4	-63.5
Investments in tangible assets	10	-54.8	-51.5
Investments in intangible assets	12	-24.3	-11.8
Sale of other fixed assets	10, 12	1.9	3.7
Dividends received from investments	7	6.3	1.3
Cash flow from investing activities		**-71.9**	**-121.6**
FINANCING			
Increase (+) / decrease (-) in short-term liabilities	22	25.8	6.5
Payments of lease liabilities		-155.0	-166.0
Interest paid	7	-3.8	-5.6
Interest received	7	4.0	0.8
Other changes in equity	21	8.6	3.5
Cash flow from financing		**-120.4**	**-160.8**
Increase / Decrease in cash and cash equivalents		**-3.5**	**-82.0**
Cash and cash equivalents at the beginning of the year	20	**84.8**	**166.8**
Increase / Decrease in cash and cash equivalents		**-3.5**	**-82.0**
Cash and cash equivalents at the end of the year	20	**81.3**	**84.8**
Adjustments to operating profit (-loss)	(A)		
Gains from the sale of fixed assets		23.0	-0.2
Depreciation and impairment losses		177.4	181.0
Other non-cash income and expenses		-23.8	-16.9
		176.6	**163.8**
Change in working capital	(B)		
Change in trade and other receivables		-36.2	-22.5
Change in inventories		-41.9	-0.4
Change in non-interest-bearing liabilities		66.8	48.6
		-11.4	**25.7**

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

Consolidated statement of changes in equity, IFRS

EUR million	Equity attributable to the owners of the parent								
	Cooperative capital	Fair value reserve	Other restricted reserves	Invested non-restricted equity reserve	Translation differences	Retained earnings	Total	Non-controlling interests	**Equity, total**
Equity									
1 Jan 2021	172.0	-3.0	18.5	32.9	-23.0	413.6	611.0	0.8	611.8
Total comprehensive income		1.7			2.8	-18.6	-14.1	0.0	-14.1
Interest on cooperative contributions							0.0	0.0	0.0
Costs of implementing cloud services						-4.4	-4.4	0.0	-4.4
Other changes			0.0	3.5		-1.1	2.4	0.0	2.4
31 Dec 2021	**172.0**	**-1.2**	**18.5**	**36.4**	**-20.2**	**389.5**	**595.0**	**0.8**	**595.8**
1 Jan 2022	172.0	-1.2	18.5	36.4	-20.2	389.5	595.0	0.8	595.8
Total comprehensive income		-12.8			6.4	-0.6	-6.9		-6.9
Interest on cooperative contributions							0.0		0.0
Costs of implementing cloud services							0.0		0.0
Other changes			0.0	8.5		0.0	8.5	0.1	8.6
31 Dec 2022	**172.0**	**-14.0**	**18.5**	**45.0**	**-13.8**	**388.9**	**596.6**	**0.9**	**597.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

According to SOK's rules, the SOK Group is called SOK Corporation. SOK Corporation consists of Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries. SOK's domicile is Helsinki and its registered office address is Fleminginkatu 34, FI-00510 Helsinki, Finland.

SOK's objective is to create competitive advantages for S Group's business operations. SOK carries out this objective by developing and guiding S Group's strategies, value chain and chain operations together with the cooperatives. SOK meets S Group's needs by providing shared services that increase competitive advantages and by carrying out business operations in Finland and nearby regions that provide synergy and financial added value to S Group while growing profitably.

A copy of the consolidated financial statements is available at the web address www.s-ryhma.fi/en

Accounting policies applied to the consolidated financial statements

Accounting policy basis

The consolidated financial statements have been drafted in accordance with the International Financial Reporting Standards (IFRS), which are approved for use in the European Union, and following the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2022. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation No 1606/2002 and embodied in the Finnish Accounting Act and statutes enacted under it.

The financial statement data is presented in millions of euros, and the data is based on original acquisition costs unless otherwise specified. SOK's financial period is the calendar year. The figures in parentheses refer to the corresponding period in 2021, unless otherwise stated.

All the presented figures are rounded, which is why some total sums of the individual figures may deviate from the totals presented. The key figures have been calculated using exact values.

Operating environment

The Russian invasion of Ukraine that started in February and the resulting sanctions imposed by the Western countries have caused a global shock that has significantly raised commodity and energy prices. As a result, the inflation rate in Finland began to increase exceptionally strongly, and interest rates also began to increase. This caused a significant weakening of consumers' purchasing power and slowed down economic growth. Possible operational disruptions related to supply chains and business operations, such as challenges related to the availability of energy, require special precautions. As part of the group, SOK Corporation is actively monitoring and assessing the aforementioned uncertainties, preparing for and responding to them based on the assessments.

Key environmental risks are related to climate change and deteriorating biodiversity, as well as their impact on the Group's own operations and on the supply chains. S Group has identified climate risks that, if realised, may have considerable financial effects on the Group's operations. Increasing regulation may require changes of the business operations or lead to additional costs. More frequent extreme weather conditions may influence the availability of products, causing disturbances in logistics and the network of outlets. The sustainability risks are addressed through the targets and measures included in the S Group sustainability programme.

S Group's climate work is committed to science-based ambitious emission reduction targets in its own operations. The plan is to reduce emissions by 90% of the level of 2015 by 2030 and make the Group's own operations carbon negative by the end of 2025. S Group's climate work is being managed well, as it is currently rated B in the international CDP rating.

New and amended standards and interpretations adopted in the 2022 financial period

The IAS/IFRS standard and interpretation amendments applied during the 2022 financial period did not have any significant impact on the consolidated financial statements. SOK has not applied any new or amended standard before the date of its entry into effect.

Use of estimates

The preparation of the financial statements in compliance with the IFRS calls for making estimates and for judgement in applying accounting policies. The estimates are based on the management's best judgement on the date of the financial statements, but it is possible that the actual outcome will differ from the estimates made. Any changes to the estimates and assumptions are recorded for the financial period during which the estimate or assumption is corrected.

The factors of uncertainty regarding essential assumptions and estimates for the future that may cause a risk of the carrying value of assets or liabilities changing significantly within the next financial period are related to the measuring of fair value, impairment tests, deferred tax assets and provisions of level three financial instruments.

For significant business arrangements, the Group will use an external advisor for the evaluation of the fair value of tangible and intangible assets, and for the purpose of these valuations, comparisons have been made regarding the market prices of equivalent assets.

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

The assumptions and essential uncertainty factors related to the evaluation of the fair value of financial instruments are described further in note 26. Fair values of financial assets and liabilities. The presenting of lease agreements is described in particular in notes 10. Property, plant and equipment and 22. Interest-bearing liabilities. Deferred taxes and provisions are described in further detail in notes 16. Deferred taxes and 24. Provisions.

Consolidation policies

The consolidated financial statements include the parent cooperative society and all subsidiaries where the parent cooperative society has control. Control is defined as the Group having the right to make orders regarding the company's finances and operational principles to benefit from its operations. During the financial period, there were subsidiaries in Finland, Estonia and Russia. The supermarket trade and the travel and hospitality business in Russia were divested during the 2022 financial period.

Acquired subsidiaries are included in the financial statements with an acquisition method whereby the separately identifiable assets and liabilities of the acquired company are valued at their fair value at the time of acquisition. The goodwill is recorded as the amount of the total of the consideration paid, shares of non-controlling interests in the acquired company and the previously owned share that exceeds the fair value of the net assets acquired. The costs related to the acquisition, excluding costs of external capital, are recognised as expenses.

Joint ventures where the Group has joint control and associated companies where the Group's ownership of the number of votes is 20–50 per cent and where the Group has significant influence, but not control, have been combined using the equity method. A share equivalent to the Group's ownership of the changes recognised in joint ventures' and associated companies' other items of comprehensive income has been recognised in the Group's other items of comprehensive income. If the Group's share of the losses of a joint venture or associated company exceeds the carrying value of investment, the investment is recognised in the balance sheet with zero value, and no excess losses are recognised unless the Group has obligations related to the joint ventures or associated companies. The result share of a joint venture or associated company acquired for investment purposes is presented below the operating profit. Conversely, the result of joint ventures and associated companies serving the Group's actual business operations are presented before the operating profit.

Companies acquired or established during the financial year are combined in the consolidated financial statements starting from the date of acquisition or establishment. Sold subsidiaries, joint ventures and associated companies are combined in the consolidated financial statements until the date when the control, joint control or significant influence ends. Changes of ownership in a subsidiary company that do not lead to a loss of controlling interest are treated as transactions concerning the shareholders' equity.

The Group's internal business transactions, receivables, liabilities, non-realised profit margins and internal profit distribution have been eliminated from the consolidated financial statements. The profit or loss and the total comprehensive income for the financial period are distributed to the parent company's owners and non-controlling interests. Non-controlling interests are initially valued at their proportional share of the separately identifiable net assets of the acquired entity at the time of acquisition. Non-controlling interest is presented as its own item in the Group's equity.

Joint-stock real estate companies are combined (for the assets and liabilities that a shareholder is liable for) as a joint function by share of ownership for each item.

Net sales and result policies

SOK Corporation's net sales consists of the cooperative societies' invoicing related to goods procurement, SOK's centrally-produced shared services and the retail trade of SOK's subsidiaries. The sales to the cooperative societies are carried out through invoicing. The retail trade primarily consists of cash and credit card sales. Typical customer agreements concerning the sales of products form one performance obligation.

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

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

Subsidies

Subsidies received from the state or other parties are recognised in the profit and loss account when the costs related to the subject of the subsidy are recognised as expenses. Subsidies related to the acquisition of tangible and intangible assets are deducted from the carrying value of the assets in question. These subsidies are recognised within the economic life of the asset.

Other income from business operations

Items presented as other income from business operations consist of income not related to sales from the actual business operations, such as the sales income from fixed assets, income from the divestment of business operations, income from damages and received subsidies and benefits that were not granted for financing a specific investment or participating in a specific expense.

Employee benefits

Pension plans are categorised as defined-benefit and defined-contribution plans. Defined-contribution plans involve fixed payments to separate companies without a legal or constructive obligation to provide additional payments if the recipient of the payments cannot pay the pension benefits in question. All plans that do not correspond to this definition are categorised as defined-benefit plans.

Payments to contribution-based plans are recognised as expenses in the profit and loss account of the financial period they are allocated to. Costs arising from defined-benefit pension plans are recognised as expenses for the persons' time in employment, based on calculations made by qualified actuaries. Liabilities or receivables following from defined-benefit plans are recognised in the balance sheet at the liability's present value less the fair value of the pension plans on the closing date. Items related to re-determining the net liability of the benefit plan are recognised in other comprehensive income items for the financial period when they are generated. SOK Corporation did not have defined-benefit pension plans in the 2022 financial year.

Expenses based on prior work performance are recognised as expenses through profit or loss in the earliest of the following: when the plan was changed or reduced, or when the related restructuring expenses are recognised, or when the benefits related to the termination of an employment relationship are recognised. Based on the duration of their employment relationships, personnel accumulate seniority and age benefits. A seniority and age provision is recognised in the seniority and age benefit.

Operating profit

According to SOK's view, the operating profit is a significant subtotal. The operating profit is not defined in the IFRS standards, so SOK has defined it as follows:

The operating profit consists of net sales and other operating income after the deduction of the financial period's material, equipment and asset purchases, external services, employee benefit expenses, depreciation and amortisation expenses, potential impairment of tangible and intangible assets, and other operating expenses, and after the addition or deduction of the result of joint ventures and associated companies serving the Group's actual business operations. All items of the profit and loss account not listed above are presented below the operating profit.

Currency exchange rate differences and changes to the fair value of derivatives are included in operating profit if they are from items related to business operations; otherwise, such items are recognised as financial income and expenses.

Income taxes

The profit and loss account's income taxes include taxes calculated on the basis of the taxable profit of the financial period, corrections to the taxes of the previous financial periods and the changes in deferred taxes. However, the tax effect of items recognised directly in equity or comprehensive income is recorded in the respective items. The period's income taxes are calculated with the tax basis valid on the date of the financial statements for each country.

Deferred tax liabilities and assets are calculated based on the temporary differences between the accounting and taxation. Deferred taxes have not been calculated for goodwill in such cases where the goodwill is not tax-deductible. The most significant temporary differences are due to the differences between the carrying values and taxation values of tangible fixed assets and investment properties (lease agreements, depreciation difference, the Group's internal profit margins and sales gains), fair value valuations and unused taxable losses. The undistributed profit assets of foreign subsidiaries are not recognised as deferred tax liabilities if the profit distribution is unlikely in the foreseeable future. Deferred taxes are calculated with the tax basis valid on the date of the financial statements or, if the tax basis changes, with the tax basis that is approved in practice by the end of the reporting period.

The consolidated balance sheet includes the aforementioned foreign subsidiaries' undistributed profit assets, excluding deferred tax liabilities in full, deferred tax assets to the extent that is likely to be able to be utilised for future taxable income. The recognition criteria are assessed on the last day of each reporting period.

Goodwill and other intangible assets

The goodwill from combining businesses consists of the difference of the compensation paid at fair value and the identifiable acquired net assets at fair value at the time of acquisition. No depreciations are recognised for the goodwill values, and they are instead tested annually for impairment. The goodwill is allocated to the units generating cash flow. The goodwill of joint ventures and associated companies is included in the acquisition expenses of the investment.

Other intangible assets include software licences and copyrights. Other intangible assets are valued at the original acquisition cost and depreciated on a straight-line basis over their financial period of effect. Other than goodwill, SOK Corporation has no intangible assets with an unlimited economic life.

Depreciation periods of other intangible assets:	**Years**
Software licences	3-5
Other intangible assets	3-10

Tangible fixed assets

Tangible fixed assets are valued on the basis of the accumulated depreciation and possible impairments deducted from the original acquisition cost.

Tangible fixed assets are depreciated on a straight-line basis based on their estimated useful lives. No depreciations are made for land areas.

Depreciation periods of tangible fixed assets:	**Years**
Buildings	15–35
Light structures and building equipment	5–15
Office and storage equipment	5–10
Storage, maintenance and processing machines	5–10
Restaurant and hotel equipment	3–10
Retail store equipment	3–7
Motor vehicles and servers	3–5
Modernisation costs of premises	3–10

The depreciations of tangible fixed assets are concluded when the tangible fixed asset is classified as an asset held for sale. The divestment and decommissioning gains or losses from tangible fixed assets are recognised in other income or losses from business operations.

Impairment

The carrying values of intangible or tangible fixed assets are evaluated annually to determine any indications of impairment. If indications of impairment are found, the asset's recoverable value is determined. The recoverable value is also evaluated annually for the following assets regardless of any indications of impairment: goodwill, finite intangible assets and intangible assets with an unlimited economic life. An impairment loss is recognised if the balance sheet value of the asset or unit generating cash flow exceeds its recoverable value. The impairment loss is recognised in the profit and loss statement.

The impairment loss of a unit generating cash flow is allocated first to reduce the goodwill allocated to the unit generating cash flow and then equally to reduce the unit's other assets.

The recoverable amount is determined as the higher of either fair value, less costs to sell or value in use. When determining the value in use, estimated future cash flows are discounted against the current value based on the discount rates reflecting the average fixed-capital costs before taxes of the unit generating cash flow.

A previously recognised impairment loss is cancelled if there are changes to the values used to determine the recoverable value. An impairment loss may be cancelled up to the amount that would have been determined as the carrying value of the asset less impairments if impairments had not been recognised for it in the previous years. Impairment losses for goodwill will not be cancelled. The impairment testing of goodwill is described in further detail in note 13. Impairment testing of goodwill.

Lease agreements

The Group as the lessee:

A lease is an agreement or a part of an agreement giving the right to use an identifiable asset during a defined period of time in exchange for a defined consideration, thereby giving the right to control the use of the asset for a fixed term.

Lease agreements are entered in the balance sheet in compliance with IFRS 16, Leases, as a right-of-use asset and as a corresponding lease liability. Fair value or a lower present value of future lease payments is recognised at the start of the lease period in the tangible fixed assets or investment properties in the balance sheet (more information on investment properties below) and any obligations resulting from the agreement in interest-bearing liabilities. Payable lease payments are distributed into interest expenses and repayment of the lease liability. Interest expenses are recognised in the profit and loss statement during the lease period such that the remaining liability maintains an equal interest rate percentage. Assets acquired through a lease agreement are subject to depreciations and possible impairment losses. Depreciations are recognised over the depreciation periods of the Group's fixed assets, or over the lease period, if shorter.

The Group does not separate service contract components from actual lease agreement components. A lease agreement component and the related service contract component are treated as a single lease agreement component.

Lease agreements with a term of 12 months or less or lease agreements of low value are not entered in the balance sheet.

When calculating the present value of leases, the discount rate primarily applied is the interest rate implicit in the lease agreement or the lessee's incremental borrowing rate, which describes the interest rate the lessee would pay if borrowing the funds needed for purchasing the asset at the date of the lease agreement with similar securities.

The balance sheet values of right-of-use assets are regularly assessed, and potential write-offs are implemented according to the relevant regulations.

Options for continuation are not taken into account unless a binding decision has been made regarding them. The basic principle is that exercising the option for continuing the lease is not considered probable before the Board of Directors has approved proposal of the business line to continue the agreement. The options for continuation will therefore be taken into account when a binding decision regarding them has been made by the Board of Directors or another decision-making body.

The Group as the lessor:
As the lessor, SOK Corporation classifies agreements as either financial leases or operating leases according to whether the risks and rewards incidental to the ownership of the asset subject to the agreement have been substantially transferred. For financial leases, the lessor recognises a receivable corresponding to its net investment in the lease and equal to the total current value of lease payments to be received and unguaranteed residual value. If the lease is classified as an operating lease, the lessor recognises the object on its balance sheet. Lease agreements in which SOK Corporation is the lessor have been classified as operating leases.

Investment properties

Investment properties are properties used by business operations outside the Group that the Group owns primarily to produce rental income and/or an increase in the property's value. Investment properties are valued at the acquisition price less the accumulated depreciation and any impairments on the basis of the same policies as properties recognised as tangible fixed assets.

The fair value of investment properties is determined through both a market-value based valuation carried out by an external property valuer and self-valuation of the yield value of the property. Rental income from investment properties is recognised in net sales.

Inventories

Inventories are valued at the acquisition cost or the net realisable value, if lower. The acquisition cost is determined using the FIFO or weighted average cost method, and it includes all direct costs resulting from the acquisition. The net realisable value is the estimated sales price in normal business operations, less any estimated costs incurred in completing the product and the estimated necessary costs for concluding the sale.

Financial assets and liabilities

Financial assets are included in the following balance sheet items: non-current financial assets, sales receivables and other current non-interest-bearing receivables, current interest-bearing receivables, short-term investments and cash assets.

Non-current financial assets consist of shares, capital loan receivables, other non-current loan receivables and non-current sales receivables. Sales receivables and other current non-interest-bearing receivables recognised as financial assets include sales receivables, derivative receivables and accrued income in the financial items. Current interest-bearing receivables consist of money market investments and other current receivables. Cash assets consist of cash and highly liquid receivables from credit institutions.

Financial liabilities are included in the following items: non-current interest-bearing liabilities, non-current non-interest-bearing liabilities, current interest-bearing liabilities, current non-interest-bearing liabilities and trade payables.

Non-current interest-bearing liabilities consist entirely of lease agreement liabilities. Non-interest-bearing liabilities recognised as financial liabilities include the funds invested by regional cooperatives in SOK Corporation's cash counting services and non-current trade payables. Current interest-bearing liabilities consist of current lease agreement liabilities and other current liabilities. Current non-interest-bearing liabilities recognised as financial liabilities include derivative liabilities and accrued costs related to the financial items.

SOK Corporation recognises financial assets and liabilities on the balance sheet, using the settlement date basis. Financial assets and liabilities that are not later measured at fair value with profit impact are measured at their original fair value with direct acquisition costs included.

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

Derivative contracts to which hedge accounting is not applied as well as shares and participations are classified as financial assets or liabilities measured at fair value through profit and loss. Financial assets and liabilities measured at fair value with profit impact are measured at fair value on the date of the financial statements. The change in fair value is recorded in the profit and loss statement, so the income or costs for the financial period is recorded as the difference between the value of the financial instruments measured at fair value on the date of the financial statements and the carrying value of the previous financial statements. If a financial instrument measured at fair value was acquired during the financial period, the income or costs of the financial period is recorded as the difference between the value of the financial instrument on the date of the financial statements and the acquisition cost. The fair value of publicly traded investments is defined on the basis of their market values. Investments that are not publicly quoted are measured at acquisition cost if their fair values cannot be reliably determined.

The changes in the fair value of derivative contracts have been recognised through profit or loss, with the exception of hedge accounting. The realised and non-realised profits and losses of derivative contracts concluded to protect purchases and trade payables are recognised as purchases. Realised and non-realised gains and losses of other derivatives measured at fair value through profit or loss are recognised in financial income and financial expenses, respectively.

Financial assets held in order to collect cash flows and sales gains based on agreement are classified as financial assets measured at fair value through items of other comprehensive income. In addition, the cash flows of the aforementioned agreements are only payments of interest on the capital and the remaining capital amount. The change in fair value is recognised through other comprehensive income in the fair value reserve of equity. When a financial instrument is sold, the accrued change in fair value is recognised in equity as a reclassification for the result with the accrued interest and sales gains or losses. The financial statements do not include other financial assets measured at fair value through other items of comprehensive income.

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

All financial liabilities, with the exception of derivative liabilities, are classified for measurement at amortised cost by means of the effective interest method. Items to be measured at amortised cost are entered on the balance sheet at their nominal value when the fair value of the balance sheet date equals the nominal value. If the capital received for the liability is less or more than the nominal value of the liability, the liability is recorded in the amount received for it. The difference between the nominal value and acquisition cost of the liability recognised as income or costs for the financial period is allocated and recognised as an addition or deduction to the acquisition cost of the liability. The difference between the nominal value and acquisition cost, a liability-related remuneration cost or other cost that is part of the liability-related interest expenses is allocated over the exercise period of the liability by means of the effective interest method.

The fair value of a financial instrument is determined based on the publicly listed prices on the active market, or by means of valuation methods commonly accepted in the market. The fair values of interest rate swaps have been determined by discounting future cash flows to the present by using the market rates of the balance sheet date. The fair values of currency forwards have been determined by measuring the forward contracts at the forward rate of the balance sheet date. Financial assets and liabilities measured at fair value have been measured using average rates.

Impairment of financial assets

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

If the credit risk related to the financial instrument has not considerably increased after the original recognition, the deductible item is calculated for 12 months, corresponding to the expected credit losses. The factors describing the credit loss risk of the remaining exercise period were used for calculating the deductible item of financial assets of less than 12 months' duration. If the credit risk related to the financial instrument in question has considerably increased after the original recognition, the deductible item to be recognised is an amount that corresponds to the expected credit losses for the entire agreement validity period. If it is observed on a reporting date to be reviewed later that the credit risk has no longer increased compared to the original situation, the deductible item will, going forward, be recognised for 12 months, corresponding to the expected credit losses.

Currency-denominated items

The consolidated financial statements are presented in euros, which is the operating and presentation currency of the Group's parent cooperative society.

Transactions in foreign currencies are recorded in euros based on the transaction date's exchange rate. At the end of the financial period, any open foreign currency-denominated monetary items have been converted to euros based on the exchange rate listed by the European Central Bank on the last day of the financial period, and the exchange rate differences have been recognised with profit impact. Non-monetary items have been valued based on the transaction date's exchange rate.

As the ECB has suspended the quotation of the exchange rate of the Russian rouble in euro for the time being, the exchange rate quoted by the ECB on 1 March 2022 was exceptionally used for the recording of all transactions in roubles from 2 March 2022 to 25 April 2022. From 26 April 2022 onwards, the EUR/RUB WM exchange rate quoted by Refinitiv has been used.

Exchange rate differences resulting from the valuation of sales receivables are recognised in net sales, and exchange rate differences resulting from the valuation of trade payables are recognised as expenses above operating profit. Exchange rate gains and losses for other balance sheet receivables are recognised in financial income and, similarly, such gains and losses for other payables are recognised in financial expenses.

Figures concerning the results and financial position of the Group's foreign companies are originally handled in the respective operating environment's currency.

The profit and loss statements of foreign subsidiaries have been converted to euros based on the average exchange rate of the financial period, while the balance sheets have been converted based on the exchange rate of the date of the financial statements. Any exchange rate difference resulting from the conversion of profit and loss statement items and other items of comprehensive income based on the average exchange rate or the conversion of balance sheet items based on the exchange rate of the date of the financial statements, or any translation difference resulting from exchange rate changes for the elimination of subsidiaries' acquisition costs and equity has been recognised as its own item in other items of comprehensive income. When a foreign subsidiary, associated company or joint venture is sold, the accrued translation difference is recognised with profit impact as part of sales gains or losses.

Hedge accounting

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

The Group has derivative contracts outside of hedge accounting which, according to the Group's financial policy, are effective financial hedging instruments, but hedge accounting under IFRS 9 is not applied to them.

Payable equity interest and dividends

The equity interest and dividends paid by the Group are recognised as equity deductions for the financial period where the owners approved the equity interest or dividend to be paid.

Cooperative capital

Cooperative capital consists of the total amount of co-op contributions from the cooperative societies to Suomen Osuuskauppojen Keskuskunta. The number of cooperative society shares is determined by the number of members and annual purchases of each cooperative society.

Reservations

A reservation is recognised when the Group has a legal or constructive obligation resulting from a prior transaction, the payment obligation is likely to materialise and the amount of the obligation can be reliably estimated. Compensation related to the obligation paid by a third party is recognised in the balance sheet as a receivable when it can be considered certain. The reservation amounts are evaluated on each financial statement date and amended to reflect the best estimate at the time of review.

Reservations may be related to matters such as underutilised premises, guarantee reservations and the reorganisation of operations.

Assets held for sale and discontinued operations

Assets under a phase-out plan and groups of assets where the recoverable amount consists primarily of the sale of the asset and not its continued use are classified as assets held for sale. An asset or group of assets classified as held for sale is measured at carrying value or fair value, if lower, less any expenses resulting from selling the asset, and the depreciation of such assets is discontinued. Assets held for sale and liabilities related to them are presented in the balance sheet as separate from the assets and liabilities of continuing operations starting from the date when they have been classified as held for sale. The reference year's data will not be reclassified.

A discontinued operation is a separate and significant business operation that has been divested (or permanently decommissioned) or it has been classified as held for sale. The result of discontinued operations will be presented on its own line on the profit and loss statement after the result of continuing operations. The reference year's profit and loss statement data will also be corrected in the same way.

Standards and interpretations published by the IASB taking effect later

The preliminary assessment is that the standards and interpretations published by the IASB taking effect later are not relevant for the Group.

Assets held for sale

SOK has decided to divest all its business operations in Russia. The real estate companies in Russia OOO Otel plus, OOO Itis 2 and OOO Karelia are classified as assets held for sale. Statements related to the sale of the real estate companies are ongoing. The real estate companies assets are valued at book value, which according to our best estimate at the moment corresponds to the market value of the assets. The companies in question are included in the real estate business segment.

The effect of sale on the Group's financial position **EUR million**	**2022**	**2021**
Tangible assets	18.5	
Trade receivables and other current non-interest-bearing receivables	0.0	
Cash and cash equivalents	3.1	
Deferred tax liabilities	-0.2	
Current interest-bearing liabilities	-0.3	
Current non-interest-bearing liabilities	-4.7	
Assets and liabilities, total	**16.4**	
Net cash disposed of with the discontinued operation	3.1	
Cash flow effect	**3.1**	

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