



SUOMEN  
OSUUSKAUPPOJEN  
KESKUSKUNTA  

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SOK CORPORATION

ANNUAL

REPORT

1995

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*Gunnar Uotila's "Lynx", 1960  
Ässäkeskus entrance hall, Helsinki*

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## PURPOSE OF THE S GROUP



THE PURPOSE  
OF THE S GROUP IS  
TO PROVIDE BENEFITS FOR  
COMMITTED CUSTOMER-  
OWNERS.



THE S GROUP CONSISTS  
OF THE COOPERATIVE SOCIETIES  
AND SOK WITH THEIR  
SUBSIDIARIES.



THE SOK CORPORATION  
CONSISTS OF SOK AND  
ITS SUBSIDIARIES.

# DESCRIPTION OF THE S GROUP

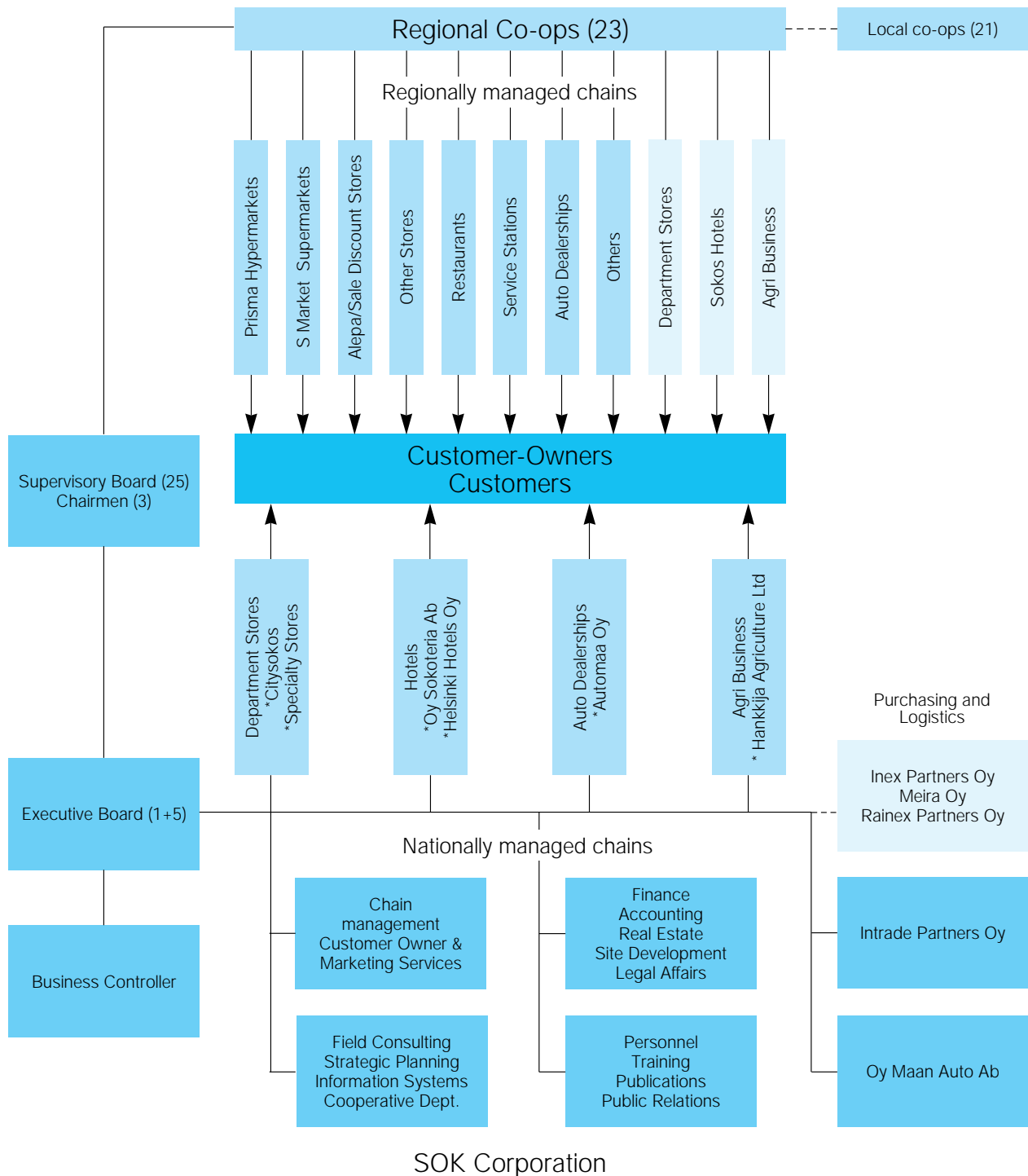
The S Group operates through regional structures, the basic units of which are the regional cooperatives and the SOK Corporation.

The regional cooperatives are owned by their members, the customer-owners. The purpose of a regional society is to produce the services that meet the basic needs of customer-owners through locally managed chains in its area of op-

erations. These are primarily the Prisma, S Market, Sale and Alepa chains, service stations and restaurants.

The SOK Corporation consists of the secondary cooperative SOK, owned by the cooperatives, and its subsidiaries. Its purpose is to produce the support functions and services required by the regional societies. Through its own business operations, the Corporation further

strengthens the competitiveness of the S Group. It provides the services that meet the special needs of the societies' customer-owners through nationally managed chains. These are primarily the Citysokos department stores, specialty stores, Sokos hotels and Agrimarkets.



## SOK CORPORATION IN BRIEF

	1995	1994
Net sales, FIM million	10 325	11 206
Operating profit after depreciation, FIM million	316	307
Profit after financial items, FIM million	91	73
Investments, FIM million	245	254
Total assets, FIM million	6 211	6 349
Return on investment %	9.3	8.8
Equity ratio %	21.9	19.6
Personnel	4 061	4 864

## CEO'S REVIEW



*Jere Lahti*

For the second year running, total output in Finland increased by over 4 %, and private consumption by almost as much. The continued strong upsurge in exports enabled a significant increase in the current account surplus. Interest rates tumbled and inflation remained fairly subdued. Despite these positive developments, the problems of the deficit in central government financing and high unemployment left over from the recession await effective solution. Retail trade volumes were still a fifth down on the peak year of 1989, but due to improved structures and resource pruning, profits rose in all areas.

This was a successful year for the S Group, which improved its market shares and profits. The turnover of the SOK Corporation in 1995 amounted to FIM 10.3 billion. This was 7.9 % less than the previous year due to the restructuring of operations, reduced prices in the agricultural business, and a fall in grain volumes.

Retail sales for the whole S Group totalled FIM 24.1 billion, a drop of 2.9 %. Excluding the grain trade, sales grew by 4.2 %. Growth was most marked in the car trade and service station operations, but also supermarket, hotel and restaurant sales showed a healthy improvement. Despite price reductions following membership of the European Union, Group food and grocery sales expanded by 4.4 %. As a result, the S Group managed to improve its market position for the fifth year running. According to an official report, the S Group was the most effective in adjusting to EU prices.

The Corporation's operating profit was FIM 316 million, compared

with FIM 307 million for the previous year. The profit before extraordinary items, reserves and taxes, was FIM 91 million, whereas the comparable figure for the year before was FIM 73 million. Investments amounted to FIM 245 million and the book value of divested assets to FIM 116 million. Liquidity remained good throughout the year. The cooperative societies also enjoyed a record year with an operating profit of about FIM 400 million, up FIM 150 million.

During the autumn, indicators for 1996 became ever more uncertain. It appears increasingly obvious that it will not be possible to close the gap in growth caused by the recession as quickly as had been imagined. Many forecasts have been over-optimistic and deviations from them have been felt as setbacks, which have also diminished consumers' faith in the future. A realistic analysis, however, shows that these economic indicators have not been misleading. We cannot advance from this low level by leaps, but gradually, step by step.

The outlook can, however, be considered reasonable because Finland has the fastest rate of growth in Europe and the lowest level of inflation. Furthermore, the moderate 2-year collective bargaining agreement has provided a secure operating environment for

business. Although the public debt continues to grow, it does so within a known framework. There is a clear consensus on reducing unemployment, though not on how to achieve it. As the problem will not be solved through normal economic growth, new attitudes and instruments must be developed. We shall have to dismantle labour market structures, laws and agreements to accord with the demands of today and especially tomorrow.

As a trading group owned by its customers, the purpose of the S Group is to provide the services they require and benefits from their use. The commitment of customer-owners to their regional cooperative societies has again increased significantly. Concrete recognition of this was the FIM 151 million returned in bonuses on their purchases.

I wish to thank the S Group's customer-owners, elected officials, cooperative societies and all our interest groups for their dedication throughout the year. Likewise my thanks go to the entire personnel of the societies and the Corporation for their stalwart and successful work.

*Helsinki, March 14, 1996*

*Jere Lahti*

# REPORT OF THE EXECUTIVE BOARD

## The business environment

Finland's first year as a member of the European Union passed without any great surprises. For the man in the street the most noticeable changes were reduced prices for foodstuffs and agricultural produce. In business, companies continued their adjustment to integration within the internal markets of the EU. The major preoccupations of member states in the near future concern preparations for economic and monetary union (EMU) and the inter-governmental conference in spring 1996 on EU structures, powers and operational efficiency.

The growth in total output in Finland slowed down in the second half of the year and was 4.4 % or about the same as in 1994. The strongest increase was in the metal industry, but also the wood, paper and forest industries as well as the retail trade showed clear signs of growth. Agricultural output, however, decreased by 7 % from the previous year.

Foreign trade continued to expand strongly. With the increase in domestic demand, imports grew more rapidly than exports. Due to the large trading surplus and the improvement in the balance of payments, the surplus was an all-time record of FIM 19 billion.

There was a growth in both investments and private consumption. Investments in machines and equipment increased by as much as a quarter. The slump in the building trade continued, particularly in respect to housing. Due to improved income formation and tax refunds, real household disposable income grew by over 7 %. Although savings increased compared with the year before, private consumption still rose by 4.7 %. The growth in consumer durables was 11 %, but even the demand for semi-durables and services increased by 4 %. With short-life goods, like food and fuel, the improvement was only 2.5 %.

Consumer prices increased by an average of only 1.0 %. The fall in food prices reduced the rate of inflation by more than one percentage point. Expenditure on food during the year fell by about 7.3 %, and by as much as 11 % between September 1994 and December 1995.

Expenditure on transportation increased the most, by 3.9 %.

The growth in the retail trade, as well as the hotel and restaurant business, was faster than the year before, but still slower than expected. The increase in the retail trading volume was 3.6 %. Taking into account the changes in compiling statistics for alcoholic beverages, the comparable figure was over 4 %. Growth was most marked in domestic appliances, cars, books and sports equipment. Department store and supermarket sales rose by about 3 %. Retail prices rose by about one per cent, but there was a clear drop in the average price level in predominantly food-selling stores. The volume of hotel sales increased by about 4 % and licensed restaurant sales by almost 3 %.

## Structural changes

Under an agreement on the redivision of operations between SOK and HOK, the Helsinki cooperative society, SOK's subsidiary Helsinki Hotels Oy purchased at the end of 1994 HOK's hotel operations, while SOK's subsidiary Ässä Partners Oy sold its supermarket operations to the HOK subsidiary Uusi Ässä Partners Oy. At the end of 1995 ownership of the subsidiaries was clarified by dissolving mutual associate company relationships. At 31.12.1995 SOK owned 90 % of the shares of Helsinki Hotels Oy and 10 % of the shares of Ässä Partners Oy. Also at the end of 1994 the SOK subsidiary, Hämeenmaan Hotellit Oy, purchased the hotel operations from the Hämeenmaa cooperative society's subsidiaries, while SOK, at the beginning of 1995, purchased the share capital of Hämeenmaan Auto Oy and of Hämeenmaan Maatalous Oy.

During the first half of the year shareholdings in the following companies were sold: Kiinteistö Oy Käpy, Kiinteistö Oy Joensuu Käpykeskus, Kiinteistö Oy Kuopion Valtakulma and Palvelu Oy Kulmala.

During the year Vanha Ässä Partners Oy was merged with SOK and Hämeenmaan Auto Oy with Automa Oy.

Three associate company relationships were dissolved, one by selling the

shares and two by dissolving the companies. In addition there were minor changes in SOK's shareholdings in a few subsidiaries and associated companies.

## Sales

The SOK Corporation's net sales totalled FIM 10 325 million, down by 7.9 % from the previous year. This was mainly due to the agreement on the redivision of operations between SOK and the Helsinki cooperative society. Another reason was the reduction in prices for agricultural produce and the significant fall in volumes in the grain trade following membership of the EU.

Sales of the Corporation's agricultural subsidiary Hankkija Agriculture Ltd declined by 21.1 % as a result of the factors mentioned above. Sales volumes in the agricultural supplies trade, however, increased.

The Corporation's sales of consumer goods grew. Sales by the Citysokos Group, the department store chain, increased by 2.1 % and by Intrade Partners Oy, the consumer goods sourcing company, by 18.2 %.

Sales by subsidiaries in the hotel and restaurant branch increased by FIM 297 million or 89 % to FIM 631 million. This was due not only to a healthy growth in sales, but also the above mentioned arrangements with the Helsinki and Hämeenmaa cooperative societies.

The Corporation's car business improved by slightly under the national average of 18.9 %. Growth was impeded by delays in deliveries of Peugeot 406 cars.

SOK's sales totalled FIM 5 430 million, up 5.8 % over the year before. Good progress by S Group market chains could be seen in increased invoicing for goods which domestic manufacturers delivered direct to chain units. The invoiced value was FIM 3 728 million, an increase of 9.5 %.

Retail sales for the S Group fell by 2.9 % to FIM 24 099 million. This was chiefly due to reduced prices for foodstuffs and agricultural produce following membership in the EU, as well as lower volumes in the grain trade. Excluding the grain trade, the increase in sales would have been 4.2 %. The

cooperatives' retail sales amounted to FIM 18 297 million, up 10 % (the above mentioned structural changes + 1.7 %). The cooperatives and their subsidiaries accounted for 76 % of S Group retail sales and the SOK Corporation for 24 %.

### Financial results

The SOK Corporation showed an operating profit, before extraordinary items, reserves and taxes, of FIM 91 million, a healthy improvement over the figure of FIM 73 million for the year before. The operating profit included other income and expenses from business operations, the share of associated companies' results, one-time depreciation, depreciation on investments and changes in compulsory reserves. Excluding these items the profit would have been FIM 105 million (FIM 117 million the previous year).

One-time depreciation included depreciation on land, buildings, machinery and equipment. Depreciation on investments included write-downs of FIM 51 million on a loan given to the Hämeenmaa cooperative society, FIM 19 million on Polar Group shares, FIM 24 million on real estate and other shares, and FIM 28 million on eliminating the margin on property sold to associated companies.

Gross income grew both in value and as a percentage of net sales, as did fixed expenses. There was an increase in all expense items except personnel costs. The growth in both gross income and expenses was mainly due to increased share of hotel and restaurant operations in the Corporation and the decline of the grocery trade. Depreciation according to plan contracted due to lower net investments.

There was a reduction of FIM 10 million in financial income and expenses, of which net interest accounted for FIM 24 million. Interest expenses fell as the result of a positive cash flow and slightly lower interest rates.

The reduction of FIM 19 million in accumulated depreciation was primarily due to dismantled accumulated depreciation in connection with the sale of fixed assets. The vast majority of business operations improved their perfor-

mance over 1994. The exceptions were the car trade, which was down slightly, and the Citysokos Group, whose performance was weaker and showed a loss.

The performance of individual units is dealt with in greater detail in the divisional reports.

### Investments and disinvestments

SOK Corporation investments amounted to FIM 245 million. Major projects included the refurbishing of the Helsinki Citysokos store, the extension to the Joensuu Citysokos, the renovation of the Sokos Hotels Vaakuna and Tornio in Helsinki, and a new Prisma hypermarket in Hämeenlinna. Other investments included interiors, furnishings and data systems for retail, hotel and restaurant outlets.

The book value of Corporation disinvestments was FIM 116 million. SOK sold its shares in Kiinteistö Oy Kuopion Valtakulma to Eläke-Varma, leasing the property back under a long-term agreement. The shares of the Joensuu Prisma's real estate companies were sold to the North Carelia cooperative society. SOK sold another 30 % of its shares in Ässä Partners Oy to the Helsinki society and purchased from it a further 30 % shareholding in Helsinki Hotels Oy. Other disinvestments included the sale of shares in minor real estate properties, apartments and movables.

### Finance

The SOK Corporation had a positive cash flow of FIM 342 million before financial items. Liquid investments and cash reserves at year end stood at FIM 1 685 million. Net interest expenses decreased by FIM 24 million to FIM 131 million. As a percentage of net sales they fell from 1.4 % to 1.3 %.

During the year long-term domestic interest rates fell significantly. The reduction in financial expenses was due to a positive cash flow and the interest rate structure of the loan portfolio. The Corporation was hedged throughout the year against interest rate and currency risks.

### Personnel

Corporation personnel at year end numbered 4 061, of whom 1 944 (48%) were in SOK and 2 117 (52 %) in the subsidiaries. This was 193 less than the year before. Due to the redivision of operations at the beginning of the year between SOK and the Helsinki and Hämeenmaa cooperative societies, Corporation personnel declined by another 610, bringing the total up to 803.

### Outlook for 1996

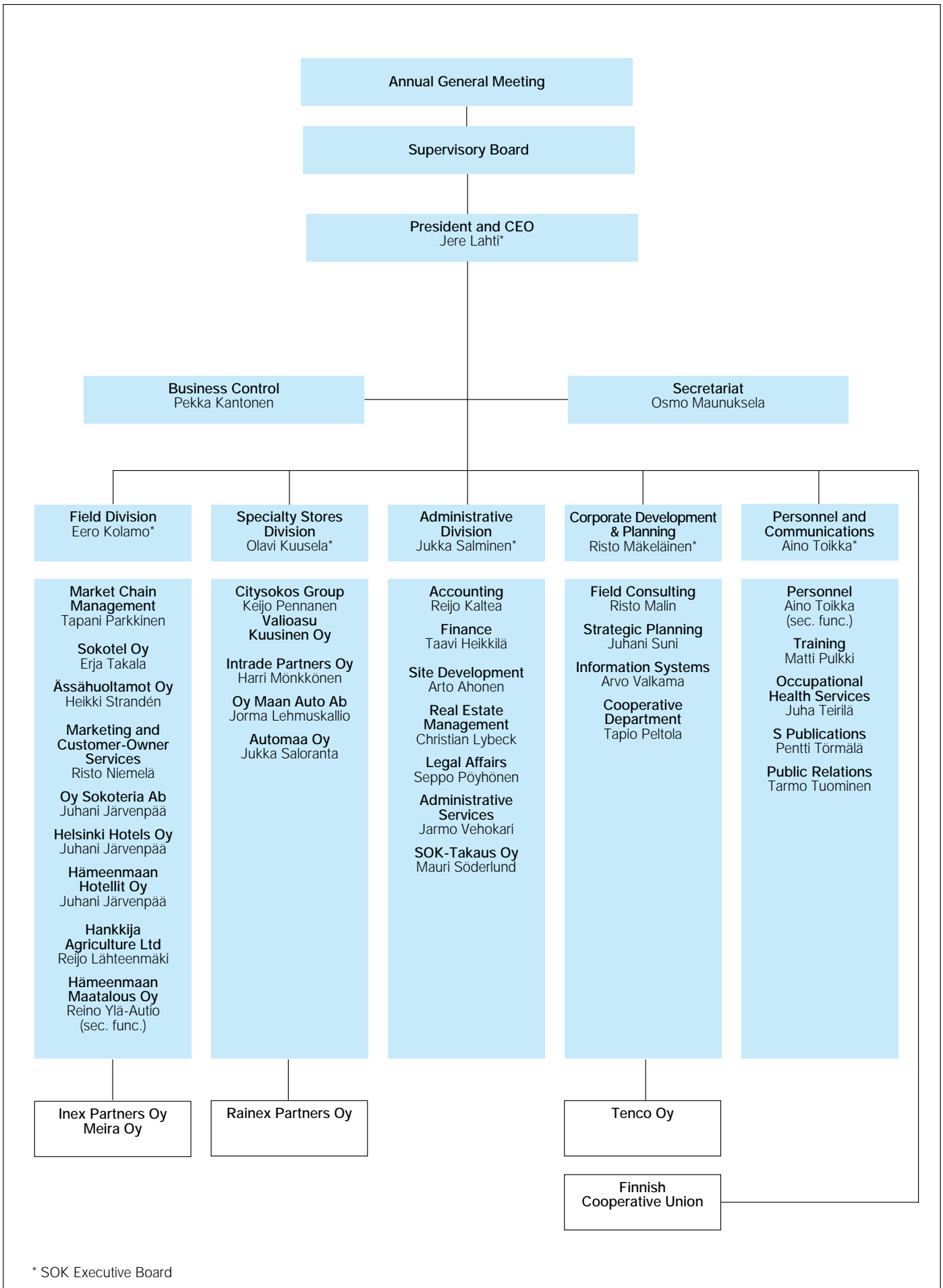
Expectations within the retail trade are contradictory. On the one hand, it is forecasted that private consumption will rise by some 3-4 % in 1996 and that consumer prices will show only a modest increase of about 1.5 %. On the other hand, unemployment remains high and any improvement in the employment situation will take much longer than anticipated. Economic growth in Europe is thought to be slowing down, which will also have a negative effect on the Finnish economy. Despite inflation adjustment and the removal of the penal loan tax, the level of private taxation remains high.

The SOK Corporation's trading performance is predicted to be about the same as in 1995. Income expectations in the agricultural business are lower than the year before, but higher in the hotel, restaurant and department store sectors.

New business arrangements are being planned with SOK and other regional societies in the area where the Hämeenmaa cooperative society is operating. These decisions, plus major changes in the distribution of EU agricultural subsidies, which would affect Hankkija Agriculture Ltd's cash flow, may well burden the Corporation's cash flow in 1996.



# SOK CORPORATION ORGANISATION 1.1.1996



\* SOK Executive Board

# FINANCIAL STATEMENTS

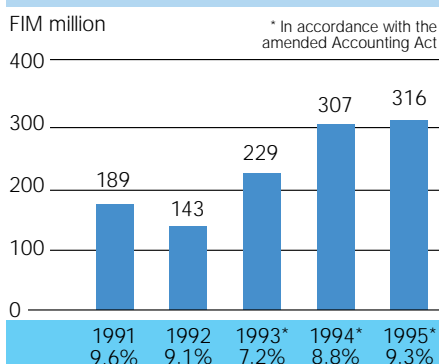
## CONSOLIDATED INCOME STATEMENT

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>Net sales (1)</b>	<b>10 324.9</b>	<b>100.0</b>	<b>11 205.7</b>	<b>100.0</b>
<b>Other operating income (2)</b>	<b>157.3</b>	<b>1.5</b>	<b>92.6</b>	<b>0.8</b>
<b>Variable expenses</b>				
Materials, supplies and products				
Purchases during the year	<b>8 405.3</b>		<b>9 170.0</b>	
Decrease (+)/increase(-) in stocks	<b>- 7.2</b>		<b>153.7</b>	
Personnel costs (3)	<b>14.7</b>		<b>16.0</b>	
Other variable expenses	<b>35.1</b>	<b>-8 447.9</b>	<b>30.2</b>	<b>-9 369.9</b>
		<b>81.8</b>		<b>83.6</b>
<b>Gross margin</b>	<b>2 034.3</b>	<b>19.7</b>	<b>1 928.4</b>	<b>17.2</b>
<b>Fixed expenses</b>				
Personnel costs (3)	<b>697.6</b>		<b>724.8</b>	
Rents	<b>244.5</b>		<b>213.0</b>	
Other fixed expenses	<b>558.1</b>		<b>462.0</b>	
Other operating expenses (2)	<b>1.6</b>	<b>-1 501.8</b>	<b>5.3</b>	<b>-1 405.1</b>
		<b>14.5</b>		<b>12.5</b>
<b>Operating profit before depreciation</b>	<b>532.5</b>	<b>5.2</b>	<b>523.3</b>	<b>4.7</b>
<b>Depreciation on fixed assets and other capitalised expenditure (4)</b>				
Depreciation according to plan	<b>155.3</b>		<b>179.3</b>	
One-time depreciation	<b>48.2</b>		<b>30.0</b>	
Depreciation on consolidated goodwill	<b>13.2</b>	<b>-216.7</b>	<b>6.6</b>	<b>-215.9</b>
		<b>2.1</b>		<b>1.9</b>
<b>Operating profit</b>	<b>315.8</b>	<b>3.1</b>	<b>307.4</b>	<b>2.8</b>
<b>Financial income and expenses (5)</b>				
Dividend income	<b>3.7</b>		<b>1.4</b>	
Interest income from non-current investments	<b>92.9</b>		<b>94.4</b>	
Other interest income	<b>96.6</b>		<b>92.6</b>	
Other financial income	<b>7.4</b>		<b>9.2</b>	
Exchange gains and losses	<b>-2.4</b>		<b>-1.5</b>	
Share of associated companies' profits	<b>35.6</b>		<b>6.2</b>	
Interest expenses	<b>320.5</b>		<b>342.1</b>	
Other financial expenses	<b>15.7</b>		<b>14.9</b>	
Depreciation on investments	<b>122.0</b>	<b>-224.4</b>	<b>79.4</b>	<b>-234.1</b>
		<b>2.2</b>		<b>2.1</b>
<b>Profit before extraordinary items, reserves and income taxes</b>	<b>91.4</b>	<b>0.9</b>	<b>73.3</b>	<b>0.7</b>
<b>Extraordinary income and expenses (6)</b>				
Extraordinary income	<b>7.5</b>		<b>3.4</b>	
Extraordinary expenses	<b>10.0</b>	<b>-2.5</b>	<b>13.1</b>	<b>-9.7</b>
		<b>0.0</b>		<b>0.1</b>
<b>Profit before reserves and income taxes</b>	<b>88.9</b>	<b>0.9</b>	<b>63.6</b>	<b>0.6</b>
<b>Funded profits on sale of fixed assets</b>			<b>-36.5</b>	<b>0.3</b>
<b>Decrease in accumulated depreciation (4)</b>	<b>19.2</b>	<b>0.2</b>	<b>95.7</b>	<b>0.8</b>
<b>Decrease in voluntary reserves (8)</b>	<b>4.6</b>		<b>7.5</b>	<b>0.1</b>
<b>Direct taxes (9)</b>	<b>-0.3</b>		<b>-0.6</b>	
<b>Minority interest</b>	<b>0.4</b>			
<b>Profit for the year</b>	<b>112.8</b>	<b>1.1</b>	<b>129.7</b>	<b>1.2</b>

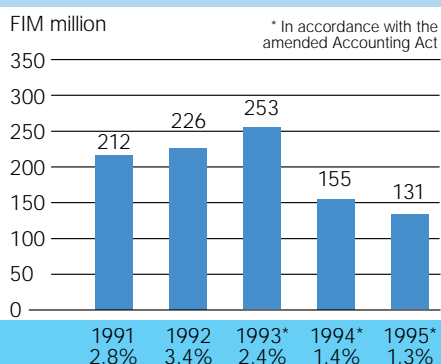
# CONSOLIDATED BALANCE SHEET

ASSETS (FIM million)	31.12.1995		31.12.1994	
<b>FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS</b>				
Intangible assets (10)				
Intangible rights	34.8		37.4	
Goodwill	28.6		34.7	
Consolidated goodwill	20.3		27.1	
Other capitalised expenditure	43.0		40.1	
Advance payments and construction in progress	27.8	154.5	21.9	161.2
Tangible assets (10)				
Land and water areas	495.8		497.0	
Buildings and constructions	1 320.3		1 421.4	
Machinery and equipment	174.0		220.6	
Other tangible assets	3.3		4.1	
Advance payments and construction in progress	146.4	2 139.8	58.1	2 201.2
Financial assets and other non-current investments				
Shares in associated companies (11-12)	309.7		336.4	
Shares and holdings (11-12)	151.6		165.2	
Loan receivables	46.4	507.7	123.2	624.8
<b>CURRENT ASSETS</b>				
Stocks				
Finished goods	650.8		634.1	
Other stocks	13.4		15.2	
Advance payments	9.6	673.8	5.6	654.9
Receivables				
Trade receivables	894.2		846.7	
Loan receivables	0.4		8.9	
Prepaid expenses and accrued income	139.7		145.9	
Other receivables	15.7	1 050.0	8.0	1 009.5
Marketable securities				
Other securities		1 470.1		1 552.8
Other current investments		7.4		6.1
Cash and bank		207.8		138.0
		<b>6 211.1</b>		<b>6 348.5</b>

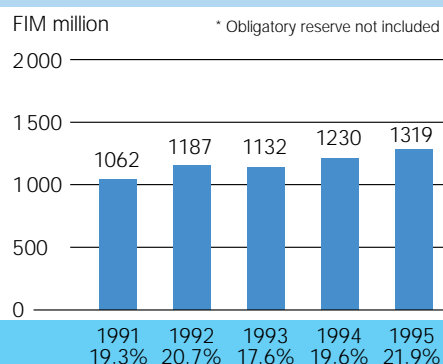
## OPERATING PROFIT 1991-1995 (Return on capital employed, %)



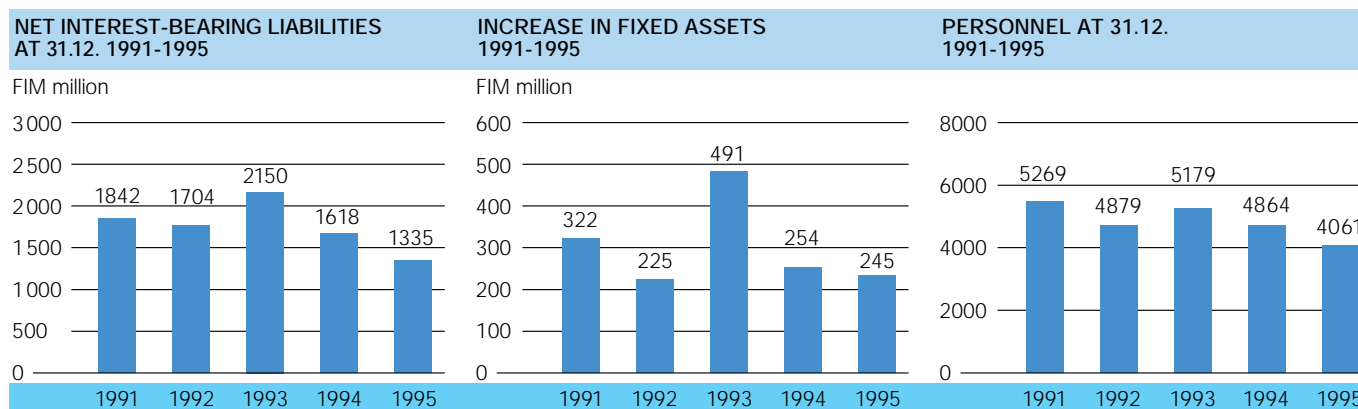
## NET INTEREST EXPENSES 1991-1995 (% of net sales)



## SHAREHOLDERS' EQUITY AND RESERVES\* 1991-1995 (Equity ratio, %)



LIABILITIES AND SHAREHOLDERS' EQUITY (FIM million)	31.12.1995		31.12.1994	
<b>SHAREHOLDERS' EQUITY (16)</b>				
Restricted equity				
Share capital	166.1		161.8	
Reserve Fund	65.1		65.1	
Revaluation Fund	622.7	853.9	623.3	850.2
Unrestricted equity				
Retained earnings	118.8		1.6	
Profit for the year	112.8	231.6	129.7	131.3
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1085.5</b>		<b>981.5</b>
<b>MINORITY INTEREST</b>		<b>91.9</b>		<b>85.2</b>
<b>UNTAXED RESERVES (17)</b>				
Accumulated depreciation		81.1		98.3
Voluntary reserves				
Other reserves		60.8		65.5
Obligatory reserves		87.7		101.0
<b>LIABILITIES (18)</b>				
Non-current				
Bonds	32.4		48.5	
Loans from financial institutions	638.9		788.9	
Pension loans	640.5		624.1	
Other non-current liabilities	305.1	1 616.9	187.6	1 649.1
Current				
Bonds	16.2			
Loans from financial institutions	234.1		762.2	
Pension loans	47.0		47.4	
Advances received	179.1		78.4	
Trade payables	1 096.5		1 046.7	
Accrued liabilities and deferred income	410.2		389.0	
Other current liabilities	1 204.1	3 187.2	1 044.2	3 367.9
		<b>6 211.1</b>		<b>6 348.5</b>



# CONSOLIDATED CASH FLOW STATEMENT

FIM million	1.1.-31.12.1995	1.1.-31.12.1994
<b>Business operations</b>		
<b>From operations</b>		
Operating profit before depreciation	523.6	523.3
Financial income and expenses	-137.8	-160.9
Extraordinary items	-2.5	-9.7
Taxes	-0.4	-0.6
<b>Total</b>	<b>382.9</b>	<b>352.1</b>
<b>Change in working capital</b>		
Increase(-)/decrease(+) in stocks	-11.1	149.0
Increase in current trade receivables	-23.9	-95.3
Increase in interest-free current liabilities*	123.1	76.7
<b>Total</b>	<b>88.1</b>	<b>130.4</b>
<b>Total cash flow from operations</b>	<b>471.0</b>	<b>482.5</b>
<b>Investments</b>		
Increase in fixed assets	245.4	254.4
Decrease in fixed assets	116.1	374.6
<b>Total</b>	<b>-129.3</b>	<b>120.2</b>
<b>Cash flow before financing</b>	<b>341.7</b>	<b>602.7</b>
<b>Financing</b>		
Decrease in non-current receivables	25.7	55.3
Increase in non-current liabilities	401.8	166.1
Decrease in non-current liabilities	809.2	715.9
Decrease in current receivables	5.9	45.7
Increase in current liabilities	22.7	120.3
Interest paid on share capital	12.9	
Increase in share capital	4.4	0.3
Decrease in shareholders' equity	0.1	0.1
Increase in minority interest	7.1	55.6
<b>Total</b>	<b>-354.6</b>	<b>-272.7</b>
<b>Changes in Corporation structure</b>		
Working capital	10.2	-5.6
Fixed assets	-5.9	-111.2
Financing	-3.0	70.8
Liquid assets	-5.3	-2.2
<b>Total</b>	<b>-4.0</b>	<b>-48.2</b>
<b>Increase(+)/decrease(-) in liquid funds</b>	<b>-16.9</b>	<b>281.8</b>
Increase(+)/decrease(-) in liquid funds		
Liquid funds at end of year	1 680.0	1 694.7
Liquid funds at beginning of year	-1 696.9	-1 412.9
<b>Total</b>	<b>-16.9</b>	<b>281.8</b>

\*Includes change in obligatory reserves

# SOK INCOME STATEMENT

FIM million	1.1.-31.12.1995		1.1.-31.12.1994	
		%		%
<b>Net sales (1)</b>	5 430.4	100.0	5 133.6	100.0
<b>Other operating income (2)</b>	70.6	1.3	69.2	1.4
<b>Variable expenses</b>				
Materials, supplies and products				
Purchases during the year	4 613.8		4 273.7	
Decrease in stocks	0.1		26.4	
Personnel costs (3)	1.8		1.8	
Other variable expenses	93.7	-4 709.4	102.2	-4 404.1
		86.7		85.8
<b>Gross margin</b>	791.6	14.6	798.7	15.6
<b>Fixed expenses</b>				
Personnel costs (3)	321.8		305.0	
Rents	203.3		198.5	
Other fixed expenses	241.7		228.4	
Other operating expenses (2)	0.3	-767.1	1.4	-733.3
		14.1		14.3
<b>Operating profit before depreciation</b>	24.5	0.5	65.4	1.3
<b>Depreciation on fixed assets and other capitalised expenditure (4)</b>				
Depreciation according to plan	43.6		53.4	
One-time depreciation	8.6	-52.2	22.5	-75.9
		1.0		1.5
<b>Operating loss</b>	-27.7	0.5	-10.5	0.2
<b>Financial income and expenses (5)</b>				
Dividend income	3.9		1.4	
Interest income from non-current investments	229.3		251.4	
Other interest income	85.3		73.9	
Other financial income	11.8		11.3	
Exchange gains	-0.5		0.6	
Interest expenses	310.2		318.5	
Other financial expenses	11.0		9.5	
Depreciation on investments	113.7	-105.1	75.1	-64.5
		1.9		1.3
<b>Loss before extraordinary items, reserves and income taxes</b>	-132.8	2.4	-75.0	1.5
<b>Extraordinary income and expenses (6)</b>				
Extraordinary income	146.1		195.4	
Extraordinary expenses	44.1	102.0	16.8	178.6
		1.8		3.5
<b>Profit/loss before reserves and income taxes</b>	-30.8	0.6	103.6	2.0
<b>Funded profits on sale of fixed assets</b>			-64.3	1.2
Decrease in accumulated depreciation (4)	8.1	0.2	58.6	1.1
Direct taxes (9)	0.2			
<b>Profit/loss for the year</b>	-22.5	0.4	97.9	1.9

# SOK BALANCE SHEET

ASSETS (FIM million)	31.12.1995		31.12.1994	
<b>FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS</b>				
Intangible assets (10)				
Intangible rights	20.3		20.1	
Goodwill	3.9		6.8	
Other capitalised expenditure	11.0		5.3	
Advance payments and construction in progress	20.4	55.6	21.5	53.7
Tangible assets (10)				
Land and water areas	89.8		90.5	
Buildings and constructions	39.3		41.3	
Machinery and equipment	67.3		76.0	
Other tangible assets	0.6		0.6	
Advance payments and construction in progress	22.0	219.0	39.4	247.8
Financial assets and other non-current investments				
Shares and holdings (11-12)	1 490.6		1 560.7	
Loan receivables	1 324.7	2 815.3	1 645.6	3 206.3
<b>CURRENT ASSETS</b>				
Stocks				
Finished goods	286.3		285.0	
Other stocks	52.0		53.3	
Advance payments		338.3	0.2	338.5
Receivables				
Trade receivables	687.2		479.8	
Loan receivables	54.0		8.4	
Prepaid expenses and accrued income	89.0		89.8	
Other receivables	15.4	845.6	7.5	585.5
Marketable securities				
Other securities		1 469.9		1 552.7
Other current investments		131.2		83.2
Cash and bank		34.8		24.9
		5 909.7		6 092.6

LIABILITIES AND SHAREHOLDERS' EQUITY (FIM million)	31.12.1995	31.12.1994
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**SHAREHOLDERS' EQUITY (16)**

Restricted equity				
Share capital	166.1		161.8	
Reserve Fund	65.1		65.1	
Revaluation Fund	72.2	303.4	72.8	299.7

Unrestricted equity				
Other Funds	1 254.5		1 254.6	
Profit from earlier years	85.0			
Profit/loss for the year	-22.5	1 317.0	97.9	1 352.5

<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1 620.4</b>		<b>1 652.2</b>
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**UNTAXED RESERVES (17)**

Accumulated depreciation		32.9		41.0
Obligatory reserves		66.0		73.2

**LIABILITIES (18)**

Non-current				
Bonds	32.3		48.5	
Loans from financial institutions	533.3		571.4	
Pension loans	554.2		492.9	
Other non-current liabilities	294.9	1 414.7	162.7	1 275.5

Current				
Bonds	16.2			
Loans from financial institutions	110.0		624.4	
Pension loans	41.8		37.1	
Advances received	10.6		10.6	
Trade payables	749.7		574.3	
Accrued liabilities and deferred income	218.0		218.2	
Other current liabilities	1 629.4	2 775.7	1 586.1	3 050.7

		<b>5 909.7</b>		<b>6 092.6</b>
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# SOK CASH FLOW STATEMENT

FIM million	1.1.-31.12.1995	1.1.-31.12.1994
<b>Business operations</b>		
<b>From operations</b>		
Operating profit before depreciation	24.5	65.4
Financial income and expenses	8.6	10.6
Extraordinary items	102.0	178.6
Taxes	0.2	
<b>Total</b>	<b>135.3</b>	<b>254.6</b>
<b>Change in working capital</b>		
Decrease in stocks	0.2	26.4
Increase in current trade receivables	-206.5	-40.0
Increase in interest-free current liabilities*	168.0	53.0
<b>Total</b>	<b>-38.3</b>	<b>39.4</b>
<b>Total cash flow from operations</b>	<b>97.0</b>	<b>294.0</b>
<b>Investments</b>		
Increase in fixed assets	141.9	346.8
Decrease in fixed assets	134.6	259.3
<b>Total</b>	<b>-7.3</b>	<b>-87.5</b>
<b>Cash flow before financing</b>	<b>89.7</b>	<b>206.5</b>
<b>Financing</b>		
Decrease in non-current receivables	258.6	201.5
Increase in non-current liabilities	386.6	199.3
Decrease in non-current liabilities	600.1	487.2
Increase(-)/decrease(+) in current receivables	-53.5	27.0
Increase(+)/decrease(-) in current liabilities	-97.5	187.8
Interest paid on share capital	12.9	
Increase in share capital	4.4	0.3
Decrease in shareholders' equity	0.1	0.1
<b>Total</b>	<b>-114.5</b>	<b>128.6</b>
<b>Increase(+)/decrease(-) in liquid funds</b>	<b>-24.8</b>	<b>335.1</b>
Increase(+)/decrease(-) in liquid funds		
Liquid funds at end of year	1 636.0	1 660.8
Liquid funds at beginning of year	-1 660.8	-1 325.7
<b>Total</b>	<b>-24.8</b>	<b>335.1</b>
*Includes change in obligatory reserves		

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

### Principles of consolidation

In accordance with the SOK Rules, the SOK group is called the SOK Corporation. The SOK Corporation consists of Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries. In addition to the parent company, the consolidated financial statements include all those companies in which SOK owns, either directly or indirectly through its subsidiaries, more than 50 % of the vote-carrying shares. Of the subsidiaries, 12 SHB housing companies and 16 non-business companies have not been consolidated. Their total book value in the parent company's balance sheet is FIM 5 million. The subsidiaries are listed under item 12 in the Notes.

Associated companies in which the Corporation's holding is 20-50 % are consolidated in the accounts, with the exception of 9 SHB companies. Their total book value in the parent company's balance sheet is FIM 1 million. The associated companies are listed under item 12 in the Notes.

The exclusion of these subsidiary and associated companies has no significant effect on the Corporation's result and unrestricted equity.

One foreign associated company has also been consolidated in the accounts.

### Changes in intra-corporate relations

During the year, one subsidiary was acquired. The share capitals of three real estate companies and one business subsidiary, as well as the shares in one associated company, were sold outside the Corporation. During the year, two

subsidiaries were merged and one associated company was dissolved. Due to the growth of indirect ownership, one company was converted into an associated company. The associated company Ässä Partners Oy was deconsolidated and the Corporation's shareholding in the subsidiary Helsinki Hotels Oy increased as the result of an exchange of shareholdings between the Helsinki cooperative society (HOK) and SOK. In addition, shareholdings in three subsidiaries changed as the result of the sale or exchange of shares.

### Consolidation of corporate companies

The consolidated financial statements are for the period 1.1. - 31.12.1995. Companies acquired during the year are included in the accounts from the time of their acquisition. Subsidiary and associated companies that were sold off are included up to the date of sale.

### Intra-corporate holdings

Intra-corporate shareholdings have been eliminated using the acquisition cost method. This means that the acquisition cost of subsidiary shares has been eliminated against subsidiary equity at the moment of acquisition. Differences arising from eliminations have been so allocated that those due to the difference between the market value and book value of properties have been taken to fixed assets and the remainder is disclosed as consolidated goodwill.

Planned depreciation on the elimination differences arising from buildings has been made since the time the subsidiaries' shares were acquired.

Consolidated goodwill treated as a single item is depreciated according to plan over its expected useful life of 5 - 10 years.

### Intra-corporate transactions and margins

All intra-corporate sales, income and expenses, dividends, margins on stocks, gains and losses on the sale of fixed assets, receivables and liabilities have been eliminated as part of the process of consolidation.

### Minority interests

Minority interests have been removed from the result and shareholders' equity, and are presented as a separate item in the income statement and balance sheet.

### Conversion differences

The figures in the financial statements for the foreign associated company have been translated into Finnish marks at the average Bank of Finland rates of exchange prevailing on the balance sheet date. The conversion difference created in eliminating the shareholders' equity has been taken to unrestricted equity in the consolidated balance sheet.

### Associated companies

Associated companies have been consolidated according to the equity method. The Corporation's share of their results is presented as a separate item under financial income and expenses. FIM 41.9 million in intra-corporate margins between SOK and one associated company was not eliminated as the

Corporation's holding of over 20 % is not considered permanent. Likewise, associated company reserves of equal size have not been added to the Corporation's equity.

#### Foreign currencies

Receivables and liabilities in foreign currencies have been translated into Finnish marks at the average Bank of Finland rates of exchange prevailing on the balance sheet date. Changes in the value of hedging operations against currency and interest risks have been entered so that the share of interest is phased throughout the duration of the agreements under interest income and expenses and exchange differences under exchange gains and losses. Exchange losses of hedged items in the balance sheet have been covered by unrealised exchange gains arising from derivative agreements. Otherwise unrealised exchange gains have not been shown. Forward exchange agreements to protect liabilities in foreign currencies totalled FIM 135 million at December 31. The net value of interest rate swap agreements with banks was FIM 43 million.

#### Stocks

Stocks are stated in the balance sheet on the FIFO basis at the lower of cost and net realisable value. Intra-corporate margins on stocks have been eliminated.

#### Fixed assets and depreciation

Fixed assets in the balance sheet are stated at cost less accumulated depreciation. The difference between planned depreciation and actual depreciation is treated in the income statement as an appropriation, and in the balance

sheet as a single item under untaxed reserves. Of the revaluation fund of FIM 623 million in the consolidated balance sheet, FIM 500 million has been treated as a revaluation item. Other revaluations of FIM 123 million were made in the companies concerned. As the required annual valuation reports show, the market value of the Corporation's fixed assets clearly exceed the total assets as stated in the consolidated balance sheet after taking the above mentioned revaluations into consideration.

Depreciation is calculated on a straight-line basis so as to write off the cost of fixed assets over their expected useful lives, which are as follows:

	Years
Buildings	30 - 35
Light constructions and building equipment	10 - 15
Office and warehouse fixtures	10
Warehouse, servicing and processing machinery	7
Hotel and restaurant furnishings	5 - 10
Shop furnishings	5 - 7
Motor vehicles and computer hardware (other than PCs)	5
Goodwill	5 - 10
Other tangible and intangible assets	As permitted by taxation laws

Following conservative accounting principles, and taking market conditions and realistic income expectations in forthcoming years into consideration, the depreciation plans for certain fixed assets in the required annual valuation reports were re-examined and one-

time depreciation carried out and permanent write downs in the values of fixed assets and other non-current investments were made. These are presented under financial items as depreciation on investments.

#### Pension arrangements

In addition to the statutory pension insurance, the SOK Corporation has had a voluntary pension fund, Eläkekassa Elonvara, operating primarily with companies belonging to the S Group.

In respect to that part of the pension liabilities not covered by the funds of Elonvara at the time when it was dissolved, members of the scheme took out additional insurance with the Tapiola Mutual Pension Insurance Company to cover the deficit with a commitment to pay within a period of ten years. Similarly, members of the scheme issued a personal surety on the payment of the additional insurance taken out by other members. In accordance with the agreement, the uncovered joint liability shall be covered at the latest by the year 2000.

Additional pension insurance has also been taken out with Tapiola for former members of the former Elonvara in the employment of the Corporation, thus securing current and future retirement benefits as stipulated in Elonvara's rules, which were previously treated as pension transactions.

Of the pension premiums paid, the pension expenses included in personnel costs were entered on the accrual basis as pensions paid for the year, and the remainder, pension expenses for earlier years, under extraordinary expenses.

## NOTES TO THE CONSOLIDATED AND SOK INCOME STATEMENT AND BALANCE SHEET

FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>1. Net sales by sector</b>				
Grocery trade		1 605.8		
Consumer goods sourcing	825.8	698.9		
Department store trade	1 369.1	1 345.8	1 369.1	1 345.8
Car trade	851.1	578.6		
Hotel and restaurant business	631.1	335.5		
Hardware and agricultural trade	2 817.0	3 470.5		
EDI invoicing	3 728.1	3 404.6	3 728.1	3 404.6
Real estate and property leasing	425.0	473.7	155.1	182.9
Other services	279.5	289.3	178.1	200.3
Eliminations	-601.8	-997.0		
Total	10 324.9	11 205.7	5 430.4	5 133.6
<b>2. Other operating income and expenses</b>				
<b>Other operating income</b>				
Profits on sale of fixed assets	118.5	64.9	33.6	69.0
Goodwill income	36.9	27.6	36.8	
Other operating income	1.9	0.1	0.2	0.2
Total	157.3	92.6	70.6	69.2
<b>Other operating expenses</b>				
Losses on sale of fixed assets	1.6	4.0	0.3	1.4
Other operating expenses		1.3		
Total	1.6	5.3	0.3	1.4
<b>3. Personnel costs</b>				
Wages and salaries	537.5	562.3	244.7	236.5
Pension costs	89.9	82.0	39.5	31.9
Other personnel costs	84.9	96.5	39.4	38.4
Total	712.3	740.8	323.6	306.8
Value of fringe benefits	8.5	8.0	3.1	3.1
Members of the SOK Board of Directors and certain of the managing directors of the subsidiary companies have the right to retire at the age of 58-62 years.				
<b>4. Depreciation</b>				
<b>Plan depreciation</b>				
Intangible rights	16.6	16.4	9.4	11.2
Goodwill	11.1	13.0	3.0	3.3
Other capitalised expenditure	10.7	10.4	1.5	4.7
Buildings and constructions	46.4	57.1	2.1	5.4
Machinery and equipment	69.7	82.0	27.6	28.8
Other tangible assets	0.8	0.4		
Total	155.3	179.3	43.6	53.4
<b>One-time depreciation</b>				
Intangible rights			0.8	
Other capitalised expenditure	1.0	0.1		
Land areas	5.1	1.0		
Buildings and constructions	38.3	6.9	7.7	3.6
Machinery and equipment	3.8	1.1	0.1	0.6
Construction in progress		20.9		18.3
Total	48.2	30.0	8.6	22.5
<b>Depreciation on consolidated goodwill</b>	13.2	6.6		
<b>Depreciation on fixed assets and other capitalised expenditure</b>	216.7	215.9	52.2	75.9
<b>Accumulated de preciation, increase(-)/decrease(+)</b>				
Intangible rights		0.8	-0.1	0.9
Goodwill	-0.9	-0.1	-0.1	-0.1
Other capitalised expenditure	-0.9	5.9	-0.7	4.9
Buildings and constructions	0.9	46.5	-0.9	40.0
Machinery and equipment	20.1	42.5	9.9	12.8
Other tangible assets		0.1		0.1
Total	19.2	95.7	8.1	58.6

FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>5. Intra-corporate financial income and expenses</b>				
Interest income from non-current investments			136.4	157.0
Other interest income			7.4	4.5
Other financial income			4.7	4.5
Exchange gains and losses				6.7
Interest expenses			-27.8	-27.2
Other financial expenses			-0.6	-0.6
<b>Total</b>			<b>120.1</b>	<b>144.9</b>
<b>6. Extraordinary income and expenses</b>				
Extraordinary income				
Contributions from subsidiaries			140.2	192.1
Other	7.5	3.4	5.9	3.3
<b>Total</b>	<b>7.5</b>	<b>3.4</b>	<b>146.1</b>	<b>195.4</b>
Extraordinary expenses				
Contributions to subsidiaries			15.5	4.0
Loss on merger			18.6	
Loss on guarantees		10.0		10.0
Other	10.0	3.1	10.0	2.8
<b>Total</b>	<b>10.0</b>	<b>13.1</b>	<b>44.1</b>	<b>16.8</b>
<b>Total extraordinary income and expenses</b>	<b>-2.5</b>	<b>-9.7</b>	<b>102.0</b>	<b>178.6</b>
<b>7. Increase(-)/decrease(+) in obligatory reserves</b>				
Increase in rent expenses against empty business premises	-22.9	-26.9	-22.1	-1.8
Decrease in rent expenses against empty business premises	35.6	23.5	29.1	21.5
Increase in other future expenses and losses	-0.4	-2.1		-0.2
Decrease in other future expenses and losses	1.0	3.1	0.2	
<b>Total</b>	<b>13.3</b>	<b>-2.4</b>	<b>7.2</b>	<b>19.5</b>
<b>8. Increase(-)/decrease(+) in voluntary reserves</b>				
Transition reserves	4.8	7.2		
Apartment block reserves	-0.2	0.3		
<b>Total</b>	<b>4.6</b>	<b>7.5</b>		
<b>9. Direct taxes</b>				
For the year	0.1			
For earlier years	0.2	0.6	-0.2	
<b>Total</b>	<b>0.3</b>	<b>0.6</b>	<b>-0.2</b>	<b>0.0</b>
<b>10. Intangible and tangible assets</b>				
<b>Intangible assets</b>				
<b>Intangible rights</b>				
Acquisition cost at 1.1.	63.2	53.7	60.2	53.5
Increase 1.1.-31.12.	15.7	9.6	10.4	6.7
Decrease 1.1.-31.12.	-4.8	-0.1	-11.7	
Other changes 1.1-31.12	29.5			
Acquisition cost at 31.12.	103.6	63.2	58.9	60.2
Accumulated plan depreciation at 31.12.	-68.8	-25.8	-38.6	-40.1
<b>Book value at 31.12.</b>	<b>34.8</b>	<b>37.4</b>	<b>20.3</b>	<b>20.1</b>
Accumulated depreciation at 1.1.				
Increase 1.1.-31.12.	6.0	6.8	3.5	4.4
Decrease 1.1.-31.12.	0.4	0.1	0.1	
Decrease 1.1.-31.12.	-0.5	-0.9		-0.9
<b>Accumulated depreciation at 31.12.</b>	<b>5.9</b>	<b>6.0</b>	<b>3.6</b>	<b>3.5</b>
<b>Goodwill</b>				
Acquisition cost at 1.1.	102.3	89.2	34.7	34.7
Increase 1.1.-31.12.	5.1	13.1		
Decrease 1.1.-31.12.	-21.6			
Acquisition cost at 31.12.	85.8	102.3	34.7	34.7
Accumulated plan depreciation at 31.12.	-57.2	-67.6	-30.8	-27.9
<b>Book value at 31.12.</b>	<b>28.6</b>	<b>34.7</b>	<b>3.9</b>	<b>6.8</b>
Accumulated depreciation at 1.1.				
Increase 1.1.-31.12.	2.8	2.7	0.1	
Increase 1.1.-31.12.	0.9	0.1	0.1	0.1
<b>Accumulated depreciation at 31.12.</b>	<b>3.7</b>	<b>2.8</b>	<b>0.2</b>	<b>0.1</b>

FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>Consolidated goodwill</b>				
Acquisition cost at 1.1.	164.4	161.8		
Increase 1.1.-31.12.	6.5	15.7		
Decrease 1.1.-31.12.	-97.3	-13.1		
Acquisition cost at 31.12.	73.6	164.4		
Accumulated plan depreciation at 31.12.	-53.3	-137.3		
Book value at 31.12.	20.3	27.1		
<b>Consolidated reserve</b>				
Acquisition cost	3.9			
Increase 1.1.-31.12.		4.0		
Decrease 1.1.-31.12.	-0.8	-0.1		
Book value at 31.12.	3.1	3.9		
Consolidated reserve is included in consolidated goodwill				
<b>Other capitalised expenditure</b>				
Acquisition cost at 1.1.	73.6	84.4	11.7	36.3
Increase 1.1.-31.12.	34.0	21.0	14.7	0.5
Decrease 1.1.-31.12.	-23.9	-31.8	-7.5	-25.1
Acquisition cost at 31.12.	83.7	73.6	18.9	11.7
Accumulated plan depreciation at 31.12.	-40.7	-33.5	-7.9	-6.4
Book value at 31.12.	43.0	40.1	11.0	5.3
Accumulated depreciation at 1.1.	1.9	7.8	0.9	5.8
Increase 1.1.-31.12.	0.9		0.7	
Decrease 1.1.-31.12.	-0.2	-5.9		-4.9
Accumulated depreciation at 31.12.	2.6	1.9	1.6	0.9
<b>Advance payments on intangible assets and construction in progress</b>				
Acquisition cost at 1.1.	21.9	6.7	21.5	6.7
Increase 1.1.-31.12.	20.4	19.0	12.3	18.6
Decrease 1.1.-31.12.	-14.5	-3.8	-13.4	-3.8
Book value at 31.12.	27.8	21.9	20.4	21.5
<b>Tangible assets</b>				
<b>Land and water areas</b>				
Acquisition cost at 1.1.	503.3	479.6	90.5	129.1
Increase 1.1.-31.12.	12.6	63.3	0.2	0.8
Decrease 1.1.-31.12.	-8.7	-39.6	-0.9	-39.4
Other changes 1.1.-31.12.	13.2			
Acquisition cost at 31.12.	520.4	503.3	89.8	90.5
Accumulated depreciation at 31.12.	-24.6	-6.3		
Book value at 31.12.	495.8	497.0	89.8	90.5
<b>Revaluations included in acquisition costs of land areas</b>				
Revaluations at 1.1.	261.5	261.7	72.5	72.7
Decrease 1.1.-31.12.	-0.7	-0.2	-0.7	-0.2
Revaluations at 31.12.	260.8	261.5	71.8	72.5
<b>Buildings and constructions</b>				
Acquisition cost at 1.1.	1 709.0	1 714.1	91.7	278.9
Increase 1.1.-31.12.	48.4	184.3	8.2	1.4
Decrease 1.1.-31.12.	-73.9	-189.4	-8.1	-188.6
Acquisition cost at 31.12.	1 683.5	1 709.0	91.8	91.7
Accumulated plan depreciation at 31.12.	-363.2	-287.6	-52.5	-50.4
Book value at 31.12.	1 320.3	1 421.4	39.3	41.3
Accumulated depreciation at 1.1.	15.5	30.6	0.3	40.3
Increase 1.1.-31.12.	7.8	12.9	0.9	
Decrease 1.1.-31.12.	-7.3	-28.0		-40.0
Accumulated depreciation at 31.12.	16.0	15.5	1.2	0.3
<b>Revaluations included in acquisition costs of buildings</b>				
Revaluations at 1.1.	366.0	366.0		
Revaluations at 31.12.	366.0	366.0		

FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>Machinery and equipment</b>				
Acquisition cost at 1.1.	665.4	628.0	269.5	260.0
Increase 1.1.-31.12.	52.8	98.1	19.6	12.1
Decrease 1.1.-31.12.	-115.7	-60.7	-12.3	-2.6
Acquisition cost at 31.12.	602.5	665.4	276.8	269.5
Accumulated plan depreciation at 31.12.	-428.5	-444.8	-209.5	-193.5
Book value at 31.12.	174.0	220.6	67.3	76.0
Accumulated depreciation 1.1.	72.0	114.6	36.2	49.0
Increase 1.1-31.12.	8.2	1.2		
Decrease 1.1.-31.12.	-27.3	-43.8	-9.9	-12.8
Accumulated depreciation at 31.12.	52.9	72.0	26.3	36.2
<b>Share of machinery and equipment of book value at 31.12.</b>	<b>6.9</b>	<b>13.0</b>		
<b>Other tangible assets</b>				
Acquisition cost at 1.1.	5.4	5.2	0.7	1.1
Increase 1.1.-31.12.	0.3	0.6	0.1	0.1
Decrease 1.1.-31.12.	-0.6	-0.4	-0.1	-0.5
Acquisition cost at 31.12.	5.1	5.4	0.7	0.7
Accumulated plan depreciation at 31.12.	-1.8	-1.3	-0.1	-0.1
Book value at 31.12.	3.3	4.1	0.6	0.6
Accumulated depreciation at 1.1.	0.1	0.2	0.0	0.1
Decrease 1.1.-31.12.	-0.1	-0.1		-0.1
Accumulated depreciation at 31.12.	0.0	0.1	0.0	0.0
<b>Advance payments and construction in progress</b>				
Acquisition cost at 1.1.	58.1	66.9	39.4	59.9
Increase 1.1.-31.12.	153.1	24.3	4.0	3.4
Decrease 1.1.-31.12.	-64.8	-33.1	-21.4	-23.9
Book value at 31.12.	146.4	58.1	22.0	39.4
<b>11. Non-current investments</b>				
<b>Shares in corporate companies</b>				
Acquisition cost at 1.1.			1 018.5	737.1
Increase 1.1.-31.12.			116.9	304.7
Decrease 1.1.-31.12.			-123.5	-23.3
Acquisition cost at 31.12.			1 011.9	1 018.5
Accumulated depreciation at 31.12.			-31.9	-31.9
Book value at 31.12.			980.0	986.6
<b>Shares in associated companies</b>				
Acquisition cost at 1.1.	397.8	514.7	453.9	489.2
Increase 1.1.-31.12.	43.2	14.0	0.2	14.0
Decrease 1.1.-31.12.	-36.7	-130.9	-22.5	-49.3
Acquisition cost at 31.12.	404.3	397.8	431.6	453.9
Accumulated depreciation at 31.12.	-94.6	-61.4	-76.0	-54.3
Book value at 31.12.	309.7	336.4	355.6	399.6
<b>Shares and holdings</b>				
Acquisition cost at 1.1.	277.0	269.8	286.3	279.4
Increase 1.1.-31.12.	32.1	38.4	17.8	36.9
Decrease 1.1.-31.12.	-17.8	-31.2	-17.5	-30.0
Acquisition cost at 31.12.	291.3	277.0	286.6	286.3
Accumulated depreciation at 31.12.	-139.7	-111.8	-131.5	-111.8
Book value at 31.12.	151.6	165.2	155.1	174.5
<b>Revaluations included in acquisition cost of shares</b>				
Revaluations at 1.1.	0.3	0.7	0.3	0.7
Decrease 1.1.-31.12.		-0.4		-0.4
Revaluations at 31.12.	0.3	0.3	0.3	0.3

12. Companies owned by the Corporation and the Parent company at 31.12.1994	share- holding %	Corporation's voting rights %	share- holders' equity FIM 1 000	SOK's share- holding %	Shares owned by SOK			profit/ loss FIM 1 000
					number	nominal value FIM 1 000	book value FIM 1 000	
<b>Corporate companies</b>								
Commercial								
Automaa Oy	100.0	100.0	22 830	100.0	13 300	13 300	17 296	8 557
Hankkija Agriculture Ltd	100.0	100.0	145 540	100.0	150 000	150 000	160 960	762
Helsinki Hotels Oy	90.0	90.0	12 421	90.0	27 000	27 000	25 586	-16 009
Hämeenmaan Hotellit Oy	100.0	100.0	-23 123	100.0	2 500	2 500	2 500	- 619
Hämeenmaan Maatalous Oy	100.0	100.0	4 223	100.0	2 000	1 000	12 036	-1 920
Intrade Partners Oy	100.0	100.0	25 028	100.0	16 660	24 990	24 995	21
Jollas-Opisto Oy	100.0	100.0	23 724	100.0	24 000	24 000	24 000	313
Kuusinen Oy	100.0	100.0	5 016	100.0	7 500	1 500	3 075	2 011
Oy Maan Auto Ab	100.0	100.0	90 809	100.0	8 000 000	80 000	102 825	2 275
Oy Sokoteria Ab	100.0	100.0	72 902	100.0	18 000	36 000	58 248	1 715
SOK-Takaus Oy	99.9	99.9	26 235	99.9	249 763	24 976	26 977	1
Sokotel Oy	57.9	57.9	2 533	9.0	394	394	400	55
Assähuoltamot Oy	90.8	90.8	1 832	90.8	18 158	1 816	1 816	2
Sokrest Oy	100.0	100.0	199	100.0	2 000	200	200	17
SOK-Business Oy	100.0	100.0	-40	100.0	150	15	15	12
Real estate companies (28 pcs)			633 916		909 927	314 847	519 098	-9 646
Total (under fixed assets)			1 044 045			702 538	980 027	-12 453
Real estate subsidiaries (76 pcs) (under stocks)			24 639			23 642	38 462	-39 315
<b>Associated companies</b>								
As. Oy Hämeenkatu 29	25.1	25.1	30	25.1	377	38	4 975	- 7
Finn-Match Oy	33.3	33.3	2 182	33.3	5	500	500	5 010
Graanin Liikekeskus Oy	50.0	50.0	1 449	50.0	10 500	11	3 765	24
Inex Group	50.0	50.0	46 903	50.0	40 000	40 000	40 000	31 846
Kiinteistö Oy Pysäköintiveturi	49.7	40.2	9 732	49.7	293	29	9 013	-1 188
Kiinteistö Oy Tullintorni	40.0	40.0	19 003	40.0	21 403	21	10 151	-955
Kiinteistö Oy Valkeakosken Liikekeskus	48.8	48.8	15 905	48.8	585 650	586	16 620	-379
Kiinteistö Oy Vilhonk. 5	50.0	50.0	39 333	50.0	50 000	18 000	0	-5 346
Malmintorin Kiinteistö Oy	41.0	41.0	62 569	41.0	4 214	6 321	74 749	0
Oy Realinvest Ab	21.9	21.9	190 701	21.9	7 520 000	188 000	188 000	1 230
Tenco Oy	50.0	50.0	284	50.0	1 000	1 000	1 000	-1 429
Tullin Parkki Oy	45.1	30.0	11 578	45.1	246	25	5 448	-796
Hotellipankki Oy	24.7	24.7	397					-2
Other real estate companies (3 pcs)			359		3 836	383	383	-3
SHB companies (9 pcs)					10 007	251	966	
Total			400 425			255 165	355 570	28 005
Other associated companies (3 pcs) (under stocks)			2 551			1 021	4 538	19
<b>Other shares owned by the Parent Company</b>								
Paper and State Housing Board Companies					10 751	5 013	5 013	-86
Keskus-Sato Oy				10.4	131 110	1 311	18 648	
Polar-Yhtymä Oy				10.2	5 305 272	53 053	49 869	
YIT-Yhtymä Oy				1.9	473 700	4 737	15 050	
Other companies					13 897 596	27 824	66 481	
Total						91 938	155 061	
Total under fixed assets						1 049 641	1 490 658	
Total under stocks						24 663	43 000	
<b>FIM million</b>								
		<b>SOK-CORPORATION</b>			<b>SOK</b>			
		1995	1994		1995		1994	
<b>13. Taxable values of fixed assets</b>								
Land and water areas		415.8	419.3		87.3		87.4	
Buildings		699.9	780.8		32.9		34.5	
Shares in corporate companies					814.2		747.3	
Shares in associated companies		353.8	280.3		353.2		280.2	
Shares and holdings		147.3	191.5		136.3		179.5	
<b>14. Non-current investments and loan receivables</b>								
<b>Corporate companies</b>								
Bonds and shares					980.0		986.6	
Loan receivables					1 279.0		1 522.7	
Total					2 259.0		2 509.3	
Commitments for stabilising corporate company liabilities					673.8		433.3	
<b>Associated companies</b>								
Bonds and shares		309.7	336.4		355.6		399.6	
Loan receivables		23.2	56.0		23.2		55.9	
Total		332.9	392.4		378.8		455.5	



FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>15. Current assets</b>				
<b>Receivables due after one year or a longer period</b>				
Trade receivables	7.8	39.5		
Prepaid expenses and accrued income	4.5	0.5	1.3	0.4
Other receivables	9.4	2.5	9.4	2.5
Total	21.7	42.5	10.7	2.9
<b>Receivables from corporate companies</b>				
Trade receivables			9.8	64.2
Loan receivables			54.0	
Prepaid expenses and accrued income			1.5	18.2
Current investments			123.8	77.0
Total			189.1	159.4
<b>Receivables from associated companies</b>				
Trade receivables	37.3	4.3	36.5	4.0
Prepaid expenses and accrued income	2.5	6.3	2.5	6.3
Current investments	5.1	3.1	5.1	3.1
Total	44.9	13.7	44.1	13.4
<b>16. Shareholders' equity</b>				
<b>Restricted equity</b>				
Share capital at 1.1.	161.8	161.5	161.8	161.5
Increase	5.6	0.3	5.6	0.3
Decrease	-1.3		-1.3	
Share capital at 31.12.*	166.1	161.8	166.1	161.8
*of which written off		4.6		4.6
Share capital due will accrue in 1996-1999	22.8		22.8	
Reserve Fund at 1.1.	65.1	65.1	65.1	65.1
Reserve Fund at 31.12.	65.1	65.1	65.1	65.1
Revaluation Fund at 1.1.	623.3	624.2	72.8	73.3
Decrease in connection with sale of fixed assets	-0.6	-0.9	-0.6	-0.5
Revaluation Fund at 31.12.	622.7	623.3	72.2	72.8
<b>Unrestricted equity</b>				
Unrestricted equity at 1.1.	131.3	52.9	1 352.5	1 190.4
Interest on share capital	-12.9		-12.9	
Effect of associated companies		-58.4		
Funded profits on sale of fixed assets		36.5		64.3
Donations	-0.1	-0.1	- 0.1	-0.1
Other change	0.5	-29.3		
Retained earnings at 31.12.	118.8	1.6	1 339.5	1 254.6
Profit for the year	112.8	129.7	-22.5	97.9
Total unrestricted equity	231.6	131.3	1 317.0	1 352.5
<b>17. Reserves</b>				
<b>Accumulated depreciation</b>				
Intangible rights	5.9	6.0	3.6	3.5
Goodwill	3.7	2.8	0.2	0.1
Other capitalised expenditure	2.6	1.9	1.6	0.9
Buildings and constructions	16.0	15.5	1.2	0.3
Machinery and equipment	52.9	72.0	26.3	36.2
Other tangible assets		0.1		
Total	81.1	98.3	32.9	41.0
<b>Voluntary reserves</b>				
Other reserves				
Transition reserves	60.6	65.5		
Housing reserves	0.2			
Total	60.8	65.5		
Tax liabilities equivalent to voluntary reserves	15.2	16.4		
<b>Obligatory reserves</b>				
Rent expenses against empty business premises	86.1	99.7	66.0	73.0
Other future expenses	1.6	1.3		0.2
Total	87.7	101.0	66.0	73.2

FIM million	SOK-CORPORATION		SOK	
	1995	1994	1995	1994
<b>18. Liabilities</b>				
<b>Liabilities due after five years or longer</b>				
Loans from financial institutions	36.4	87.2	36.1	86.2
Pension loans	468.9	427.1	414.6	368.4
Other non-current liabilities	105.0	23.0	112.5	18.8
Total	610.3	537.3	563.2	473.4
<b>Liabilities to corporate companies</b>				
Other non-current liabilities			7.5	7.5
Trade payables			95.5	95.8
Accrued liabilities and deferred income			2.6	12.5
Other current liabilities			476.2	624.4
Total			581.8	740.2
<b>Liabilities to associated companies</b>				
Trade payables	144.8	25.3	140.6	22.2
Accrued liabilities and deferred income	1.8	4.0	1.7	3.8
Other current liabilities	71.3	55.1	71.3	55.1
Total	217.9	84.4	213.6	81.1
<b>Bonds</b>				
Other variable-interest bonds, amortisations 1996-1998	48.5	48.5	48.5	48.5
<b>19. Contingent liabilities</b>				
<b>Pledges and contingent liabilities</b>				
<b>For own liabilities</b>				
Pledges	491.9	549.3	407.4	511.8
Mortgages	420.8	483.6	39.9	37.8
Total	912.7	1 032.9	447.3	549.6
<b>For corporate companies' liabilities</b>				
Pledges	65.6	64.0	65.6	64.0
Mortgages	1 227.0	1 348.4	15.3	30.2
Guarantees			615.5*	690.0*
Total	1 292.6	1 412.4	696.4	784.2
<b>For associated companies' liabilities</b>				
Mortgages	23.9	34.2	7.5	7.2
Guarantees	98.4	103.7	37.3*	41.8*
Total	122.3	137.9	44.8	49.0
* Includes liabilities to corporate companies for redemption of mortgage securities				
<b>For cooperative societies</b>				
Pledges	3.8	3.8	3.8	3.8
Guarantees	214.0	263.7	25.0	25.3
Total	217.8	267.5	28.8	29.1
<b>For others</b>				
Pledges	1.7			
Guarantees	2.4	2.5	4.1	2.5
Total	4.1	2.5	4.1	2.5
<b>Other own contingent liabilities</b>				
Leasing liabilities	20.4	20.0	6.5	5.3
Repurchasing liabilities	185.1	91.2	59.8	
Installment liabilities	73.3	90.6		
Other liabilities	1.2	0.8		
Total	280.0	202.6	66.3	5.3
<b>Pension liabilities</b>				
Uncovered joint liability on voluntary pension commitments of FIM 239.1 million (1994 FIM 342.9 million). Included as SOK's own share of FIM 51.0 million (1994 FIM 55.9 million) in SOK's balance sheet under non-current liabilities.				

# PROPOSAL OF THE EXECUTIVE BOARD

## SOK'S PROFIT FOR THE YEAR AND SHAREHOLDERS' EQUITY

The Executive Board proposes that the transfers to the reserves made in connection with the closing of the accounts be approved and that the loss for the year of FIM 22,461,860.17 plus the sum of FIM 85,015,920.81 in the profit account from earlier years, together totalling FIM 62,554,060.64, be used as follows:

- an interest of 8 % be declared on shares fully paid up by cooperative societies by the beginning of the year 12,836,400.00 FIM million
- be left in the profit account 49,717,660.64 FIM million

If the above proposal is approved by the Annual General Meeting, the shareholders' equity of SOK will be:

Share capital	166,148,400.00 FIM million
Reserve Fund	65,081,200.00 FIM million
Revaluation Fund	72,113,481.77 FIM million
Disposal Fund	1,254,275,860.08 FIM million
Supervisory Board's Disposal Fund	277,161.20 FIM million
Profit account	49,717,660.64 FIM million
Total	1,607,613,763.69 FIM million

Helsinki, March 14, 1996



Jere Lahti



Eero Kolamo



Jukka Salminen



Risto Mäkeläinen



Olavi Kuusela



Aino Toikka

# AUDITORS' REPORT

To the members of  
Suomen Osuuskauppojen  
Keskuskunta (SOK)

We have examined the financial statements, accounting records, annual report and administration of SOK for the period 1.1. - 31.12.1995. The financial statements drawn up by the Executive Board contain the income statements, balance sheets, cash flow statements and accompanying notes for both the SOK Corporation and the Cooperative. On the basis of our audit we give the following opinion on the financial statements and administration.

Our examinations were made in accordance with generally accepted auditing standards. We have also examined the on-going bookkeeping and asset auditing relating to the Cooperative's units

carried out by the Internal Auditing Section. The bookkeeping as well as the accounting principles, content and presentation were examined in sufficient depth to establish that the financial statements contain no mistakes or deficiencies of importance. In our examination of the administration, the lawfulness of the actions of the members of the Supervisory Board and the Executive Board were assessed on the basis of the Cooperative Societies Act.

In our opinion, the accounts for SOK which show a loss of FIM 22,461,860.17 and the consolidated accounts which show an unrestricted equity of FIM 231,587,698.51, have been drawn up in accordance with the Accounting Act and other relevant regulations and ordinances. The financial statements offer correct and sufficient

information concerning the performance and financial position of the Corporation and the Cooperative as intended by the Accounting Act. In our audit we find no grounds for comment on the financial statements, accounting records or other activities of the Cooperative. We recommend that the financial statements be approved and that the members of the Supervisory Board and Executive Board be discharged from liability for the year audited by us. The Executive Board's proposal concerning the use of the accumulated profit and transfers to funds is in accordance with the Cooperative Societies Act and the rules of the Cooperative.

Helsinki, March 28, 1996

Erkki Linturi

Tapani Rotola-Pukkila  
CPA

Jaakko Ukkonen  
APC

Matti Virranniemi

Jorma Jäske  
CPA

## STATEMENT OF THE SUPERVISORY BOARD

In accordance with § 17, subsection 1, paragraph 2, of the rules of SOK, the Supervisory Board has today examined the report of the Executive Board for 1995, together with the related financial statements and proposal for covering the loss, as well as the Auditors' Report. In submitting the report of the Executive Board and the Auditors' Report to the Annual General Meeting, the Supervisory Board recommends that

the financial statements be adopted and that the proposal concerning the result for the year and shareholders' equity be endorsed.

The following members of the Supervisory Board are retiring upon completion of their terms of office: Timo Sonninen, Heikki Ikonen, Antero Taanila, Kari Neillimo, Jorma Sieviläinen, Arto Arvonen, Heikki Hollo and Esa Haapaniemi. The

Annual General Meeting shall elect members to replace them for the following term of three years. In addition, Jorma Koistinen has given written notice of his intention of resigning as a member of the Supervisory Board.

Helsinki, April 2, 1996

SUOMEN OSUUSKAUPPOJEN  
KESKUSKUNTA

On behalf of the Supervisory Board

Kari Neillimo  
Chairman

Osmo Maunuksela  
Secretary

## FIELD DIVISION



Eero Kolamo

The Field Division included the SOK Corporation's subsidiaries Intrade Partners Oy, Hankkija Agriculture Ltd and Hämeenmaa Maatalous Oy, and the chain and support services for the retail outlets, hotels, restaurants and service stations of the regional societies. It also included operations related to the acquisition of business sites, as well as marketing and customer-owner services. The Division was led by Eero Kolamo.

Largely boosted by price reductions, sales of fresh foods and groceries in the country increased by almost 3 %. The S Group again showed excellent progress with sales up by 4.4 %. As the value of national sales is thought to have decreased slightly, the S Group clearly managed to improve its market position for the fifth year running, and it is now estimated to be 22 %.

Despite the clear increase in food and grocery sales, the S Group has reduced its prices more than any other trading group. According to a report by the consumer authorities, prices in all shops fell by 11% on the average between November 1994 and November 1995, whereas in the S Group stores they fell by 12.3%.

The upturn in demand for hotel and restaurant services that began in 1994 continued at a slightly higher level during 1995. The total volume of hotel, restaurant, café and staff canteen sales rose by about 3 %. Since prices increased by a good 2.5 %, the rise in sales value was almost 6 %. Due to increased supply, there was no improvement in capacity utilisation. The S Group maintained its market share and is still the market leader.

Joining the European Union had a profound effect on the agricultural trade. Output volumes declined slightly compared to the previous year. The volume of fertilizers on the market dropped by about 11 %. The total volume of feed

products, however, expanded by over 9 %. Machine sales were up by a third. The grain trade was considerably smaller than normal.

The service station business underwent major restructuring during the year. Traditional service stations lost out to the store-type and automatic petrol stations. The fuel tax was raised during the year, which caused a 1.1 % reduction in petrol consumption. Nevertheless, the S Group managed to slightly improve its market position in the fuel trade.

### Intrade Partners Oy

Intrade Partners is an SOK-owned subsidiary, responsible for sourcing consumer goods, mainly home, clothing and leisure goods, for the S Group market chains. The company's sales amounted to FIM 826 million, up 18 %. All areas of demand recorded a similar growth. Its largest client, the Prisma chain, increased its purchases by 31 %.

The company's objective is to improve the competitiveness and profitability of its client chains' consumer goods business and to generate for its owner an agreed return on capital invested. Increased market shares for the S Group chains in the grocery trade considerably boosted the company's trading volumes. The added value created was ploughed back to strengthen chain competitiveness in the consumer goods trade.

During the year the company concentrated its efforts on improving the quality, profitability and reliability of its operations, particularly in the sourcing and quality control of imported goods. An agreement on quality control was drawn up with SGS Inspection Service Oy in the spring covering the whole international sourcing network.

Under the name of Premium Trading, the company purchases shop furnishings and equipment for S Group out-

lets. Institutional fabrics and restaurant equipment were also delivered to clients outside the Group. Company sales expanded by 18 %.

Intrade Partners Oy had a staff of 102.

FIM million	1995	Change
Net sales	826	+ 127
Operating income before depreciation	11.8	+ 2.1
Operating profit after depreciation	9.0	+ 1.7
Profit after financial items	9.5	+ 3.0

### Hankkija Agriculture Ltd

Hankkija Agriculture Ltd is the SOK subsidiary for the agricultural, hardware and garden trade. At the end of the year the company had 22 Agrimarkets, 42 Agristores and 43 Rauta-Hankkija hardware stores. In addition, there were 5 Agrimarkets and 22 Agristores in the Hankkija marketing chain which belonged to the regional cooperatives. Twenty stores were refurbished in accordance with the chain concept.

The company's sales amounted to FIM 2 740 million. Due to price reductions this meant a drop of 21.1 % from the previous year. For the whole marketing chain, which includes the agri-trade of the regional societies, sales came to FIM 3 350 million.

Following membership in the EU, there was a significant decline in the prices of plant fertilizers, feeds, grain and seeds. The average price fall was about a third, and in grain more than half. With the market more competitive than ever before, this meant reduced margins in many product groups.

The volume of sales of production supplies remained unchanged. Sales of heavy-duty agricultural machines and

# **MARKET**

*Supermarkets with permanently favourable prices*

# **Sale**



*The modern corner store for the price-conscious shopper*

# **PRISMA**

*Hypermarkets with wide ranges and attractive prices*

# **alepa**

*Cash 'n carry discount stores in the Greater Helsinki area*

tools increased by a third, sales of tractors and harvesters doubled. The volume of grain sales was only half of what it was the year before.

Hardware sales grew by more than the national average. The company also strengthened its position in the expanding market for garden supplies. In the future, greater attention will be paid to product ranges and marketing in these branches. It was decided that from January 1, 1996, a bonus will be given to cooperative society customer-owners for cash purchases of hardware and garden goods, cattle-farm supplies and spare parts.

A new system of producer agreements was introduced in the grain trade which defines the forms of collaboration between producer and buyer, with the object of insuring the customer the best possible market price.

Purchasing, sales and marketing planning were reorganised in work teams to provide more efficient customer service. This will come into force on January 1, 1996. The control of business operations was combined in one Agrimarket chain.

The number of employees by year end had fallen by 30 to 679.

FIM million	1995	Change
Net sales	2 740	- 730
Operating income before depreciation	98.0	+ 16.4
Operating profit after depreciation	69.7	+ 26.6
Profit after financial items	62.8	+ 30.3

### Hämeenmaan Maatalous Oy

The share capital of Hämeenmaa Maatalous Oy was transferred to SOK at the beginning of the year. The organisational changes then carried out converted the company's sales outlets into

profit centres within the Agrimarket and Rauta-Hankkija chains, and transferred the grain trade to Hankkija Agriculture Ltd.

At year end the company decided to merge into Hankkija Agriculture Oy. Official processing will take until spring 1996.

Company sales amounted to FIM 77 million, down 55 % over the year before. The main reason for the decrease was the transfer of the grain trade to Hankkija Agriculture Ltd. Staff numbered 27 at year end.

### Market Chain Management

The unit is responsible for guiding the S Market, Prisma and Sale outlets', as well as the S Group's trade in fresh foods and groceries.

Combined S Group sales of fresh foods, groceries and specialty goods were FIM 14 306 million, a growth of 5.1 %. Groceries and fresh foods grew by 4.4 % to FIM 11 275 million. The S Group's supermarket business made excellent progress as well, recording an overall improvement of FIM 75 million.

With 245 outlets, an increase of nine, S Market remains the largest grocery chain within the Group. Sales amounted to FIM 6 082 million, up 3.5 %, with sales in its main lines growing by 4.2 %.

Prisma hypermarket sales totalled FIM 4 456 million, up 13.6 %, with grocery sales increasing by 11.2 %. During the year one Prisma was converted into an S Market, making the year end total 28 units.

The number of outlets in the Sale chain remained unchanged at 168. Chain sales fell by 1.7 % to FIM 981 million.

Major improvements were carried out in chain outlets. Investments in extensions and refurbishing were made to 130 stores. In addition, work commenced on building new Prismas in Hämeenlinna and Kuopio. During the year a new concept was introduced for

Sale stores. The first outlet in which the layout and furnishings accord to the new image was opened in Virkkala.

Work on installing the market systems proceeded according to plan, and by the end of the year it was operative in eight regional societies. The EAN-code based ordering system was extended to include ten manufacturers supplying goods directly to the stores.

Finland's membership in the EU from the beginning of 1995 was the main event of the year. Due to effective chained operations, the ensuing price reductions were carried out in the S Group more quickly and radically than among competitors. This played an important role in strengthening the Group's market positions. In the grocery market, it is now estimated to be 22 %.

Chain ranges of consumer goods were expanded in all product fields, particularly in domestic appliances.

### Sokotel Oy

Sokotel is the marketing and development company for the S Group's hotels and restaurants. Its task is to create new business ideas and guide chain operations. The company is also responsible for the marketing, domestic and foreign sales of the Sokos Hotels chain, as well as developing logistics and information systems for the whole sector. Since March 3, 1995, the company has been in charge of Sokos Hotels' central reservation system.

S Group hotel and restaurant sales totalled FIM 2 396 million, an increase of 3.3 %. With 263 hotels and restaurants, the Group's share of the hotel market was 22.2 % and the licensed restaurant market 16.5 %.

The Sokos Hotels chain consisted of 42 hotels in Finland and the Hotel Viru in Tallinn, Estonia. Chain sales totalled FIM 1 192 million, up 6.7 %. The occupancy rate was 49.6 %, 4.5 percentage points higher than the national average.

The S Group's largest restaurant chain, Rosso, had 44 outlets throughout the country. The Fransmanni chain opened two new restaurants at the beginning of the year, bringing the total up to 14. The new Tanssiravintola chain also opened two restaurants. These restaurants operate within Sokos hotels and offer guests both food and live dance music.

Other chains include the Sevilla and Amarillo family restaurants, and the Menopaikka restaurants operating within Sokos hotels. Total restaurant chain sales were FIM 548 million, up 5.3 %.

Sokotel Oy's net sales totalled FIM 21.5 million and it employed a staff of 28 at year end.

### Ässähuoltamot Oy

Ässähuoltamot is the development company for the S Group's service station operations. Its main task is to offer support and guidance to regional co-operative societies involved in this field of business.

The number of cooperative-run petrol stations at the end of the year was 192, an increase of 20. Of these 109 were full-service outlets with shops attached and 83 automatic petrol stations. Oy Shell Ab and Oy Teboil Ab are the main oil-company partners, with a combined share of 84 %. Total sales came to FIM 1 572 million, up 10.0 %.

During the year the company concentrated on developing and carrying out new business concepts, piloting a service station information system, site acquisition, designing, drive-in full-service outlets and automatic petrol stations.

During the year the cooperative societies opened seven new store-type outlets, the most important of which were the Shell Amiraali in Keltakallio, Kotka, on the E 18 and the Shell Wisitti in Jalasjärvi on the E 12. In addition, many new automatic petrol stations were opened and existing service stations were refurbished according to the new chain concepts.

Ässähuoltamot's net sales were FIM 2.8 million and it employed a staff of 4.

### Marketing and Customer-Owner Services

Customer-Owner Services produces and develops the customer-owner service system and customer relations marketing which are the S Group's prime weapon in competition.

A development programme for information systems to be introduced in 1996-97 was completed in the spring. It aims at improving operations, customer relations and marketing.

At year end there were 404 000 customer-owners whose combined purchases amounted to FIM 6.6 billion. Trial members added another FIM 0.8 billion. Bonus sales grew by 33 % over the previous year. The societies returned FIM 151 million in bonuses to their customer-owners.

Customer-owners in the regional societies numbered 460 447 at year end, an increase of 11 %. The number of S Benefit Cards, including those used by other members of the household, was over a million, of which about 130 000 were attached to an S Account credit facility. There was a significant increase in the concentration of purchases by customer-owners. Most of the new members joining were young mothers, today's active shoppers.

Customer-owners received a monthly personalised letter from the management of the regional society, enclosing their bonus and S Account statements, and Yhteishyvä, the S Group's customer magazine. It also included information about products and services offered by the regional societies, chains and partners. Special attention has been paid to target-group marketing and information.

Marketing Services is the internal advertising agency for the S Group. It designs and carries out the advertising and

promotional services required by the Group, its chains and subsidiaries, and the regional societies, using the latest information technology and networks.

Extensive investments were made during the year in information technology to improve cost effectivity and the quality of work. Digital processing enabled high-quality pictures to be produced for printing. Technical means for storing pictorial material in a data bank for future use were also created. In order to transmit advertising material digitally a line to the Kärkimedia company was opened capable of transferring adverts to 26 daily newspapers.

During the year Marketing Services produced catalogues and brochures for the chains, the Aja Hyvin (Drive carefully) magazine, as well as national press, TV and radio advertising, store advertising and direct advertising aimed at customer-owners. The joint S Group "Your Benefits in Finland" campaign was carried out in the press and TV, as well as direct and outside advertising.

The unit carried out national surveys of customer attitudes, opinions and regional society images. Several studies of customer satisfaction and expectations were also initiated to discover future areas of development. At the end of the year a project was set up to coordinate and develop research work within the S Group.

At year end Marketing and Customer-Owner Services employed a staff of 45.



## SPECIALTY STORES DIVISION



Olavi Kuusela

The Specialty Stores Division consisted of the Citysokos Group, Oy Sokoteria Ab, Helsinki Hotels Oy, Hämeenmaan Hotellit Oy, Oy Maan Auto Ab and Automaa Oy. The Citysokos Group in turn included the Citysokos and Valioasu chains and Kuusinen Oy. The Division was led by Olavi Kuusela.

The growth in private consumption was clearly reflected in the consumer goods trade. It was most pronounced in consumer durables, but also semi-durables increased by 4.5 %. Domestic appliances and books recorded the strongest growths. Even in the car trade there was a healthy increase in sales. The S Group's consumer goods trade had a successful year, increasing sales by 7.7 %. The S Group's share of the department store market rose to 33 %.

Although nominal hotel sales for the whole country rose by over 12 %, volumes increased by only about 4 %. This was due to the more than 7 % increase in domestic demand, as there was a slight fall in overnight stays by foreign visitors. The occupancy rate was 45.1 % compared to 43.3 % in 1994. With over 22 % of the market, the S Group is still the market leader.

### Citysokos Group

At year end, the group had 22 department stores, of which 17 were owned by SOK. The Kajaani store was closed. The Valioasu chain had five stores. Although the Kemi store was closed, a new one was opened in Nokia. Kuusinen had three stores in Helsinki, one each for men's and women's clothing and a shoe shop. In October, Tenco Oy, owned jointly by SOK and the German Kaufhof department store group, opened a Citysokos department store in Tallinn, Estonia, which is operationally part of the Citysokos chain.

The comparable rise in chain sales was 3.3 %. The increase in consumer goods was 5.2 % and groceries 0.2 %. Growth was most marked in clothing, which was in accordance with chain objectives.

The main projects during the year were the phased introduction of a new information system for goods management, and the refurbishing and enlargement of the Helsinki Citysokos. This means that some 15-30 % of the store will be temporarily out of commission, but once completed in autumn 1996 it will have an additional 3 000 m<sup>2</sup> sales area.

At the end of the year the SOK Supervisory Board decided to form Citysokos business operations into a subsidiary. The name of the new company will be Oy Sokos Ab and it will start operating as from September 1, 1996.

Sales of the SOK-owned Citysokos department stores totalled FIM 1 337 million and they employed a staff of 1 571. Valioasu recorded sales of FIM 24 million and has a staff of 37. Kuusinen, which celebrated its 80th year, had sales of FIM 45 million and a staff of 38.

FIM million	1995	Change
Net sales	1 416	+ 29
Operating income before depreciation	1.2	- 19.4
Operating loss after depreciation	- 22.8	- 19.2
Loss after financial items	- 48.5	- 19.6

### Oy Sokoteria Ab

The company is SOK's subsidiary in the hotel and restaurant business, with 13 hotels throughout Finland, including two new ones acquired on November 1. It accounts for about one third of total Sokos Hotels sales and rooms.

A new dancing restaurant was opened in the Oulu Vaakuna hotel in March. During the summer improvements were made to the garden of Sokos Hotel Tropiclandia in Vaasa and the leisure-time facilities were upgraded. On November 1, the Sokos Hotels Tammer and Villa were purchased from the Pirkanmaa cooperative society.

A major effort was made during the year to improve sales and quality, and to guarantee continued cost effectivity. Important areas of emphasis were improving customer satisfaction and clarifying business ideas. Staff training was another key area of development.

Net sales rose by 3.7 % to FIM 352 million. The company had 578 employees on its payroll.

FIM million	1995	Change
Net sales	352	+ 17
Operating income before depreciation	41.9	+ 4.2
Operating profit after depreciation	21.5	+ 3.8
Profit after financial items	21.4	+ 3.7

### Helsinki Hotels Oy

The company, owned 90 % by SOK and 10 % by the Helsinki cooperative society, operates hotels and restaurants in the Helsinki metropolitan area. At present it has 7 hotels, and it accounts for about a quarter of total Sokos Hotels sales and rooms.

Sokos Hotel Hesperia renovated its Fransmanni restaurant in January. Work on refurbishing the rooms began in June and will be completed in January 1996. The nightclub was renewed in October and repair work on the function rooms and conference wing began in December.

Work on renovating guests rooms in Sokos Hotel Vaakuna started in July and will be completed in January 1996. The complete remodelling of the hotel's restaurants began in the spring and is also scheduled to be ready in January 1996.

The guest rooms in Sokos Hotel Tornio were refurbished in the spring, likewise the restaurants which were reopened in September. Guest rooms in Sokos Hotel Klaus Kurki were repaired during the year.

# CITYSOKOS

*Department stores stocking wide ranges of top quality products*



# KUUSINEN

LAATU ON AINA MUOTIA

*Designer wear for ladies and gentlemen*



*The car dealers known for good quality and excellent service*



*Expert purchasers of quality consumer goods*

During its first year of operation, the company concentrated on carrying out strategic investments, efficiency management, and staff training.

The company's net sales totalled FIM 219 million and it employed a staff of 322.

FIM million	1995
Net sales	219
Operating income before depreciation	4.5
Operating loss after depreciation	- 14.9
Loss after financial items	- 14.8

### Hämeenmaan Hotellit Oy

The company is a SOK subsidiary in the hotel and restaurant business, with 4 hotels in the Häme area.

The company sold the Sokos Hotel Lahiti in August. Investments were directed towards hotel reparations.

During its first year of operation, the company concentrated on improving customer satisfaction, marketing, sales, and operational efficiency.

The company's net sales totalled FIM 60 million and it employed a staff of 99.

### Oy Maan Auto Ab

The company is an SOK subsidiary, importing and marketing Peugeot cars, spares and accessories through a network of dealers in Finland and Estonia.

At the beginning of the year, the company relinquished its retailing operations in the Helsinki metropolitan area and is now only an importer. Its car retail outlets in Helsinki, Espoo and Vantaa were transferred to Automaa Oy.

At year end the company's network included 38 dealerships, of which 7 were owned by Automaa Oy, 14 by the regional societies, and 17 by private companies. A new dealership agreement was signed during the year in Estonia.

The company concentrated on improving cost efficiency in car and spare part logistics. To enhance the quality of its operations they were organised into a service chain in accordance with the network of dealerships. Service and field organisations were combined at the end of the year for more efficient dealership management.

As the country recovered from the recession, demand for new cars enabled Peugeot sales to improve, despite the slight fall in the market share of private cars. Altogether 4 116 Peugeot cars were registered, up 11.4 %. The market share for private cars, however, fell from 5.5 to 5.2 %.

The new Peugeot Boxer van, which entered the market in March, was well received and gained a 2.1 % share of the expanding market for delivery vans.

Net sales declined by 3.7 % to FIM 475 million, due to the relinquishing of retail operations at the beginning of the year. Personnel at year end totalled 47.

FIM million	1995	Change
Net sales	475	- 18
Operating income before depreciation	22.4	- 6.9
Operating profit after depreciation	18.4	- 5.4
Profit after financial items	21.3	- 1.9

### Automaa Oy

The company is the SOK subsidiary for retailing and servicing cars. A major expansion in its operations took place on January 1 when it purchased Oy Maan Auto Ab's retail business in the Helsinki metropolitan area.

Automaa Oy now operates in Helsinki, Espoo, Vantaa, Tampere and Jyväskylä. On December 20, Hämeenmaan Auto Oy, which has car outlets in Hämeenlinna and Forssa, was merged into the company.

Under an agreement with the Keskimaa and Pirkanmaa cooperative societies,

the company took into use the S Group's customer-owner bonus system on spare parts and servicing sales in Jyväskylä on March 1 and Tampere on October 1.

Work in the company concentrated on measures for developing and improving its operations.

During the year 1 707 new cars were delivered to customers, a comparable increase of 15.9 %. Sales increased by 270 %, bringing the year's total up to FIM 318 million. Staff totalled 152.

FIM million	1995	Change
Net sales	318	+ 232
Operating income before depreciation	4.0	+ 2.5
Operating profit after depreciation	2.4	+ 1.5
Profit after financial items	0.9	+ 0.0

# ADMINISTRATIVE DIVISION



Jukka Salminen

The Administrative Division was responsible for the accounting, finance, real estate management, legal affairs and administrative services of the SOK Corporation. It was led by Jukka Salminen.

## Accounting

In addition to the financial control of the SOK Corporation, the unit was also responsible for drawing up common principles and manuals on financial control within the S Group in such fields as internal accounting, bookkeeping, closing the books and taxation.

The manuals for the Value Added Tax Act and amended Accounting Act introduced the previous year were upgraded and their applications rationalised on the basis of experience and public rulings. In addition, guidance was given to cooperative societies engaged in savings fund operations on the preparation of interim and year-end reports in anticipation of new legislation.

A new system of reporting chain unit sales and results was introduced. Accounting rules within chain units were systematised, and the use of information systems intensified. A project was initiated to develop corporate accounting and management information systems.

The first phase of a system for transmitting daily sales data and credit card transactions with the S Group was implemented. To rationalise the handling of invoices, a project was set up in collaboration with Market Chain Management. A decision was taken concerning a new accounting system for the regional societies, and the accounting systems in the Corporation's hotel companies and Citysokos Group were brought into line at the end of the year.

Staff training focussed on information technology, as well as improving teamwork and individual input.

## Finance

The function of Finance department is to arrange financing for the SOK Corporation. Following developments on the financial market, its corporate bank

acts in the interests of both Corporation units and cooperative societies.

Diversification of the Corporation's financing continued and short-term loans were converted into longer-term loans. The Corporation's interest and currency risks were hedged throughout the year. Net financial expenses fell by FIM 25 million.

The guarantees issued by SOK-Takaus Oy were mainly to the societies. At year-end these stood at FIM 671 million, a reduction of FIM 68 million due to the diminishing need by the societies for guarantees. Counter-sureties and own funds amounted to FIM 817 million.

## Administrative Services

The unit is responsible for providing centralised services to the units working in the Ässäkeskus office.

These services include the following: leasing of office space, furnishings, office supplies, telephone exchange, reception, payroll office, post, copying, security, archives, cleaning, free-time facilities and the staff canteen operated by the SOK subsidiary Sokrest Oy.

All office space in Ässäkeskus were occupied during the year and thus services were effectively used. Some minor projects were introduced to improve productivity and services, and the use of space and furnishings.

## Real Estate Management

The unit is responsible for the Corporation's real estate, as well as property development and management.

In accordance with SOK's investment programme, the largest single project was the refurbishing of the Helsinki Citysokos and Vaakuna hotel. The Vaakuna's 10th floor restaurants will be opened early in 1996 and the Citysokos and S Market will be ready in the autumn. The construction of the Tiiriö Prisma in Hämeenlinna began in early autumn and the new store will open at the end of March 1996. Extensions to the Joensuu Citysokos and S Market were completed in the autumn. Land plots and store sites were purchased or

commitments made in collaboration with the Helsinki HOK Group.

Property investments came to FIM 145 million. Real estate worth of FIM 187 was sold during the year. The largest properties involved were the sale of the Kuopio Citysokos premises to Eläke-Varma and the Joensuu Prisma to the North Carelia society. A binding, preliminary agreement was drawn up concerning the sale of the Pietarsaari Prisma to the Keski-Pohjanmaa society.

The most important tenant is the Citysokos chain, and for this reason the unit takes a special interest in supporting its development programme.

The total amount of unoccupied premises was 61 000 m<sup>2</sup>, which was 25 000 m<sup>2</sup> less than the year before. Some 74 % of these were warehouse, office and factory premises, the result of structural changes.

The profit for the year, before other income and expenses, improved by FIM 22 million, mainly due to leasing operations, changes in the structure of the balance sheet and savings in costs.

A training programme for the whole staff was introduced in the spring aiming at customer orientation, team and process working.

## Legal Affairs

The unit manages the legal affairs of the SOK Corporation. Work focussed on drawing up contracts and agreements relating to the Group's business operations and structures, such as incorporating companies, real estate, information systems, and company law matters for the subsidiary and associated companies.

# CORPORATE DEVELOPMENT AND PLANNING



Risto Mäkeläinen

In 1995 the unit included Field Consulting, Strategic Planning, Information Systems, the Cooperative Department and development projects in the Baltic and St Petersburg areas. It was led by Risto Mäkeläinen.

## Field Consulting

Work during the year focussed on guiding regional cooperatives in implementing the S Group's strategy, fine-tuning business structures and investments in collaboration with regional society managements.

A programme for the development of the S Group's regional structure and updated guideline principles in strategy and accounting were drawn up for the SOK Supervisory Board.

A plan for setting up Etelä-Suomen Huoltamot Oy was made in the first part of the year. Under this the service station operations of the Helsinki and Hämeenmaa societies were transferred to the new company, which started operations from September 1, 1995.

The unit drew up a proposal concerning the mandatory restructuring of the Elanto cooperative society, as well as an offer. The receivers favoured collaboration with Tradeka.

## Strategic Planning

Strategic Planning's main preoccupations were the updating of competition strategies and other strategic projects.

A thoroughgoing investigation into improving the consumer and specialty goods trade was made in collaboration with Andersen Consulting.

Work on scrutinizing competition strategies in the car, supermarket and service station businesses will continue into 1996.

The unit was SOK's representative in revising the "Finland" scenario for the S Group and in producing new marketing

ideas in "The Perfect Customer" project. Environmental issues were given greater attention and the Corporation's contribution in this field will be strengthened.

## Information Systems

The development of information systems continued in accordance with the long-term guidelines. The main emphasis was on control and operative systems for the chains, support and service operations. A number of new-generation POS systems were installed in line with the data management strategy, with phased introduction now shifting to the regional societies.

Networking advanced in accordance with the S Net concept. Machine-language data transmission was extended within S Group units and interest groups. Microsoft programmes were used to develop E mail and office systems. Work began on the integration of local area networks into one uniform group network. Network control and management were automated. Data network services were acquired from the Finnet Group. An investigation into the potential and feasibility of Internet applications was also carried out.

## The Finnish Cooperative Union

Responsibility for the activities of the Finnish Cooperative Union lies with the SOK Cooperative Department. The main task of the FCU is to uphold and advance cooperative principles within the S Group and promote collaboration between its companies and employees.

The FCU Board of Directors consisted of attorney Matti Vanto (chairman), educationalist Anna-Maija Kujala (vice chairman), farmer Pekka Havukainen, attorney Jukka Huiskonen, member of parliament Tytti Isohookana-Asunmaa, headmaster Pekka Kivimäki, teacher Ulla Kurvinen, attorney Marjatta Lehtiranta, managing director Tauno Rieikki, and managing director Eero Saukko-

nen, as well as the SOK representatives CEO Jere Lahti and department manager Tapio Peltola.

The "Administration Handbook" intended for the members of regional cooperative society executive and supervisory boards was revised. The book was introduced at 12 seminars and training sessions for regional society managements, and more will be held in 1996.

As before, the training of society administrators was carried out in collaboration with the Jollas Institute. Two nationwide training sessions were organised.

The sixth S Group convention was held over the weekend of June 17-18 in Kuopio. Some 1000 representatives of the societies and SOK Corporation's administration and management, together with their spouses, participated.

The revision of the Auditing Act caused changes to be made to the rules of the cooperative societies. Elections to the Council were held in one regional society.

An average of 1 600 people took part in the administration of the regional cooperative societies: 75 as members of executive boards, 440 as members of supervisory boards and over a thousand as council representatives.

The International Cooperative Alliance celebrated its first centenary in the autumn. International relations are managed through the Finnish Consumer Cooperative Union.

# PERSONNEL FUNCTIONS



Aino Toikka

Personnel Functions consisted of Personnel, Occupational Health Services, Training, S Publications and Public Relations. It was led by Aino Toikka.

## Personnel

The unit is responsible for providing centralised services and guidance relating to personnel resources and employment questions.

In collaboration with the regional societies three groups were recruited for field training: 12 university graduates for commercial field training, 13 for the college group and 12 for Sokos Hotels field training.

Wage settlements carried out in September for employees in the retail trade, hotel and restaurant sectors followed the national collective labour market agreement. During the year a project was carried out to develop an incentive pay system within the S Group.

## Occupational Health Services

The Corporation's health service has largely been organized within its own units or in collaboration with outside partners. The main emphasis has been on early rehabilitation, participation in skill-maintaining activities and promoting the well-being of work groups.

## Jollas Institute

The Jollas Institute is the S Group's training centre. Most programmes concern training for chain operations, supervisors and managers, and information technology.

During 1995 work focussed on implementing revised teaching programmes, such as the long-term courses for supervisors, and on planning new training programmes. These included product group and multimedia training programmes, as well as a quality level indicator.

Some 8 000 people took part in the "For you, our Customer" programme, the

themes of which were service, quality and interaction. The Jollas Institute also played an important role in utilising new technology and international contacts.

Over 22 000 workdays were devoted to training.

The turnover of the Jollas Institute was FIM 20.7 million. It had a staff of 21 and in addition used the services of numerous outside lecturers. The Jollas Institute is the business name for Jollas-Opisto Oy.

## S Publications

The S Group's customer-owner magazine (Yhteishyvä in Finnish and Samarbete in Swedish) appeared 12 times during the year. Yhteishyvä's official circulation was 440 720 and Samarbete's 21 308.

Yhteishyvä celebrated its 90th year in January. The theme chosen for its celebratory year, and discussed in numerous articles in the magazine, was the built-up environment tomorrow's generation will inherit. Architect professor

Panu Kaila was awarded for his contribution with the magazine's honorary diploma.

The S Group's trade magazine Ässä appeared 11 times and had an official circulation of 15 495. It mainly carries reports on Group operations and business environment.

The SOK Corporation's newsletter S-Viesti came out 12 times.

## Public Relations

This unit disseminates information on the SOK Corporation and the S Group, their economic and other operations, to various interest groups.

A good example of this was in the latest public debate on developments within the retail trade. The annual report was published in Finnish, Swedish and English, likewise the interim report. During the year a new brochure describing the S Group was published in Finnish and English.

## SOK CORPORATION PERSONNEL, DECEMBER 31, 1995

	Number	%	Change
SOK CORPORATION			
Field Division	934	23.0	+35
Specialty Stores Division	2 882	71.0	-218
Administrative Division	161	4.0	-11
Office of the CEO	15	0.4	+2
Corporate Development and Planning	14	0.3	±0
Personnel and Communications	48	1.2	-1
Co-op Auditing	7	0.1	±0
TOTAL SOK CORPORATION	4 061	100.0	-193*
SUBSIDIARIES	2 117	52.1	-69
SOK	1 944	47.9	-124

\* Due to the redivision of operations at the beginning of the year between SOK and the Helsinki and Hämeenmaa cooperative societies, the number of employees in the Corporation fell by 610.

## ASSOCIATED COMPANIES

### The Inex Group

The Inex Group consists of the parent company Inex Partners Oy and its subsidiaries Meira Oy, Meira Nova Oy, A-Muna Oy, Rainex Partners Oy and its subsidiary Rainex Yrityspalvelu Oy.

Continued growth in the economy provided a solid basis for the Group's operations, which received an extra fillip from the outstanding performance of client chains. The operating model developed by Inex in collaboration with its clients and partners has proved to be very effective. The Group's improved competitiveness was reflected in expanded market shares, increased profitability, and greater reductions in food prices than its competitors. The added value created was ploughed back into strengthening client chain competitiveness.

The overall development of the Inex Group was favourable. Sales were FIM 5 978 million, up 1 %. The Group's profit was also higher than in 1994. Both financing and liquidity remained good.

Inex Partners Oy's sales totalled FIM 4 805 million, a growth of 1.9 %. The company improved its market position and showed a profit.

Meira Oy's sales fell slightly to FIM 356 million, largely due to violent price fluctuations on the coffee market and the concentration of sales in late 1994. Nevertheless, company profits were higher than the year before.

Meira Nova Oy's sales amounted to FIM 832 million. This meant not only an improvement over the previous year, but also an increased market share. Alcoholic beverages, a new product area, made particularly good progress. Company profits also showed an increase.

Rainex Partners Oy concluded hardware sourcing contracts of FIM 620 million. Due to restructuring, the company's sales of FIM 39 million were not comparable to those of the previous year. However, company profits improved over the year before.

Rainex Yrityspalvelu Oy recorded sales of FIM 311 million, with profits higher than the previous year.

A major development project is underway in the Group. Inex Partners Oy, the Meira Group and the Rainex companies have been formed into a new Inex Group: the parent company Inex Partners Oy and its subsidiaries.

The new operating model will involve the following measures in 1996:

- Inex Partners Oy will be developed as the food and grocery sourcing and logistics specialist and the Group's parent company,
- Meira Nova Oy will become the subsidiary specialised in institutional sales,
- Meira Oy has been merged into Inex Partners Oy. The former Meira coffee group has become the new Meira Oy, which will be developed as a subsidiary specialising in the coffee and spice industry, and
- the Rainex companies will be developed as hardware and building trade sourcing and logistics subsidiaries.

These structural changes will be supported by various development projects concentrating on cost effectivity, client working, sourcing, logistics, data systems, quality and personnel.

At year end the Group employed 1 404 people. The managing director of both the Group and the parent company was Martti Haaman.

### Ässä Partners Oy

Ässä Partners is responsible for the fresh foods, groceries and non-food trade in the Helsinki metropolitan area. Until the end of November it was an SOK subsidiary. Under the agreement then signed it became an associated company. SOK now owns 10 % of the company and the Helsinki Cooperative Society HOK 90 %.

Sales amounted to FIM 1 710 million, up 6.2 % over the previous year. In fresh foods and groceries the figures were FIM 137 million and 7.5 %. After taking the considerable reductions in food prices into consideration, both sales volumes and market share increased significantly.

The company's three chains all increased their sales. S Market sales rose

by 9 % to FIM 1 026 million, Alepa's by 7 % to FIM 720 million, and the Malmi and Tikkurila Prismas by 4 % to FIM 287 million.

At year end the company had 73 outlets: 48 Alepas, 23 S Markets and 2 Prismas. Four new Alepas were opened and the Korso store was relocated. Eleven Alepas were enlarged or refurbished. Improvements were carried out in eight S Markets: the Klaukkala and Mäntsälä stores were enlarged and the Kerava store completely renovated. The Tikkurila Prisma was modernised and its grocery department expanded and the Malmi Prisma's grocery department was revamped. By the end of the year building work had begun on new S Markets in Vuosaari, Kasarmitori and within the downtown Citysokos department store. There were no store closures during the year.

The main areas of emphasis during the year were upgrading the network of outlets, adjusting to price changes in foodstuffs, and the utilisation of chain management systems and information technology.

At year end the company employed a staff of 1 502, of whom 523 were full-time. The managing director of the company was Arto Hiltunen.

### Tenco Oy

Tenco's purpose is to develop and operate the department store business in the Baltic and St. Petersburg areas. It is owned fifty-fifty by the German company Kaufhof Holding AG/Horten AG and SOK.

Tenco's Estonian subsidiary, Tenco Eesti AS, opened a Citysokos department store on 25.10.1995 in the shopping mall within the Hotel Viru in Tallinn. The store has got off to a flying start and sales objectives have been exceeded.

**SOKOS  HOTELS**

*Good service hotels from Helsinki to Kemijärvi*

**ROSSO<sup>®</sup>**

*Good food and a pleasant atmosphere in Finland's largest restaurant chain*

**FRANSMANNI<sup>®</sup>**

*Restaurants that are so cosy you'll come again*

**AGRI  MARKET**

*Specialists in agricultural, garden and hardware products*



# THE S GROUP IN 1995

The S Group consists of the SOK Corporation and the cooperative societies, together with their subsidiaries. S Group retail sales totalled FIM 24 099 million, a decrease of 2.9 %. This was due to reduced prices for foodstuffs and agricultural produce resulting from membership of the EU and lower volumes in the grain trade. Excluding the latter, S Group sales would have grown by 4.2%.

At year end the S Group had 1 191 retail outlets, an increase of one. The Group's main investments included the renovation of the Sokos Hotels Vaakuna and Tornii in Helsinki, the refurbishing of the Helsinki Citysokos store, the acquisition of the Sokos Hotel Vaakuna in Mikkeli, the building of a new Prisma hypermarket in Hämeenlinna, extensions to the Joensuu Citysokos and S market, and completion of the Citysokos project in Tallinn, Estonia.

Total S Group investments of FIM 685 million were at much the same level as the previous year.

S Group personnel numbered 16 443, an increase of 246.

## The cooperative societies

The number of regional societies operating in accordance with the S Group's strategy at year end was 23. Local societies numbered 21, two less than in 1995. Altogether there were 44 co-operative societies.

Sales by the cooperatives and their subsidiaries totalled FIM 18 297 million, an increase of 1.7 %. The share of local societies was 3.5 %. Sales grew in all

branches except the agricultural and hardware business.

The societies' operating profit after financial items, but before extraordinary items, reserves and taxes, was FIM 400 million. This was up FIM 150 million over the year before and an all time record. All regional societies either improved their performance or remained at the level of the previous year.

The societies' investments amounted to FIM 565 million, an increase of FIM 23 million. Deposits by customer-owners in the savings funds rose by FIM 177 million to FIM 1 191 million.

With 49 762 people joining during the year, total membership of the societies stood at 479 087. The number of customer-owners in the regional societies was 460 447, an increase of 54 665.

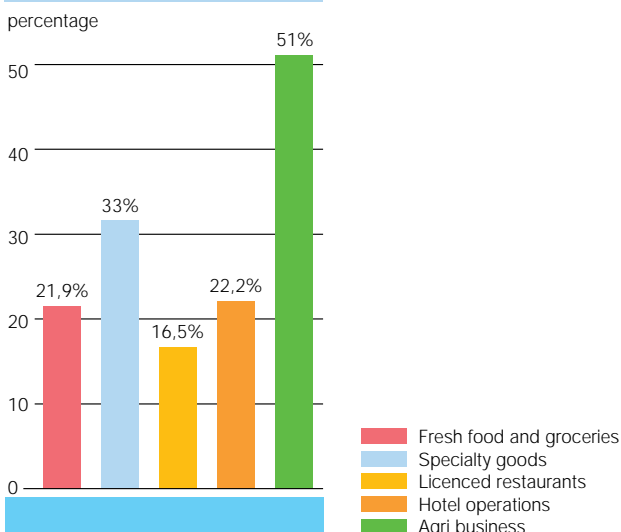
Cooperatives and their subsidiaries had a total of 12 382 employees on their payroll, an increase of 1 049. Due to structural changes carried out at the beginning of the year within the S Group, 610 employees were transferred from the SOK Corporation to the regional societies.

## S Group Regional Cooperative Societies

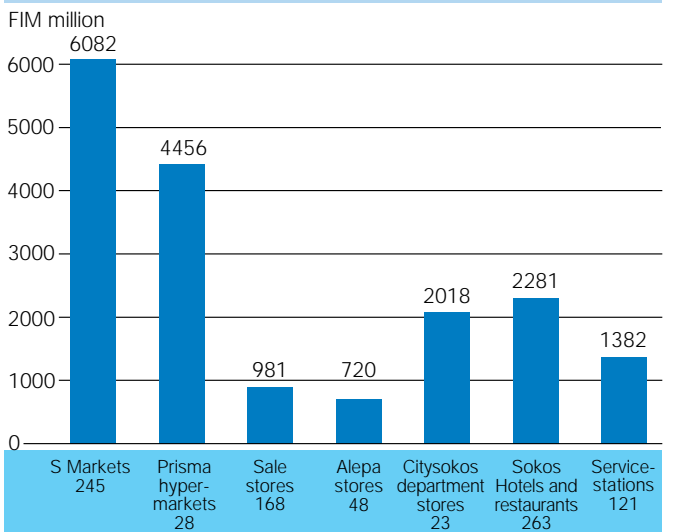
- Cooperative Society Varuboden, Kirkkonummi
- South Carelia Cooperative Society, Lappeenranta
- South Ostrobothnia Cooperative Society, Seinäjoki
- Helsinki Cooperative Society, Helsinki

- Jukola Cooperative Society, Nurmes
- Central Ostrobothnia Cooperative Society, Kokkola
- Koillismaa Cooperative Society, Kuusamo
- Cooperative Society Arina, Oulu
- Cooperative Society Hämeenmaa, Lahti
- Cooperative Society Keskimaa, Jyväskylä
- Cooperative Society Keula, Rauma
- Cooperative Society Maakunta, Kajaani
- Cooperative Society Osla Handelslag, Porvoo
- Cooperative Society PeeÄssä, Kuopio
- Cooperative Society Seutu, Lohja
- Cooperative Society Suur-Savo, Mikkeli
- Cooperative Society Ympyrä, Hamina
- Cooperative Society Ympäristö, Kouvola
- Pirkanmaa Cooperative Society, Tampere
- North Carelia Cooperative Society, Joensuu
- Salo District Cooperative Society, Salo
- Satakunta Cooperative Society, Pori
- Turku Cooperative Society, Turku

S GROUP MARKET SHARES



S GROUP RETAIL SALES BY CHAIN



## EVENTS OF THE YEAR



*A new link in the Sokos Hotels chain was forged in January when the Suur Savo society opened the Hotel Vaakuna in Mikkeli.*

*Over a thousand representatives of the cooperative societies and SOK took part in the sixth S Group convention in Kuopio, on 17th and 18th June.*



*The main event of the convention was held in the Kuopio Music Centre.*

*The S Group's most northerly outlet, the Arina society's Vaskooli S market, moved into brand new premises in Ivalo in August.*



*The first Citysokos outside Finland was opened in October in the shopping mall within the Hotel Viru in Tallinn, Estonia.*

*Professor Panu Kaila receiving the milieu honorary diploma from editor-in-chief Pentti Törmälä and personnel director Aino Toikka at the 90th anniversary celebrations of the Yhteishyvä magazine.*



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## SOK SUPERVISORY BOARD 1995

**Kari Neilimo**  
Chairman  
Ph.D.(Econ.)  
Professor  
Kangasala

**Arto Arvonen**  
Vice Chairman  
Managing Director  
Salo

**Veikko Autio**  
Deputy Vice  
Chairman  
Managing Director  
B.Sc.(Econ.)  
Turku

**Mauno Alatalo**  
Manager  
Customer-Owner  
Services  
SOK

**Esa Haapaniemi**  
Managing Director  
Helsinki  
From May 4, 1995

**Tuomo Herrala**  
Managing Director  
Lappeenranta

**Heikki Hollo**  
Architect  
Lahti  
From May 4, 1995

**Heikki Ikonen**  
Farmer  
Nurmes

**Raimo Jaakkola**  
Managing Director  
Ulvila  
Until May 4, 1995

**Pekka Kangasmäki**  
Managing Director  
B.Sc.(Econ.)  
Porvoo

**Jorma Koistinen**  
Managing Director  
M.Sc.(Pol.)  
Kajaani

**Eino Laaksonen**  
Headmaster  
Oulu  
From May 4, 1995

**Leo Laukkanen**  
Managing Director  
Mikkeli

**Veikko Lehikoinen**  
Director of  
Education  
Polvijärvi  
Until May 4, 1995

**Kalevi Liukkonen**  
Managing Director  
M.Sc.(Econ.)  
Jyväskylä

**Kalle Lähdesmäki**  
Managing Director  
M.Sc.(Econ.)  
Seinäjoki

**Jorma Niiniaho**  
Managing Director  
M.Sc.(Econ.)  
Hamina

**Matti Ojanperä**  
Managing Director  
Pori  
From May 4, 1995

**Pentti Pasuri**  
Managing Director  
Helsinki  
Until May 4, 1995

**Tauno Riekki**  
Managing Director  
M.A.  
Kuusamo

**Kari Salminen**  
Managing Director  
B.Sc.(Econ.)  
Oulu  
Until May 4, 1995

**Tuomo Saloniemi**  
B.Sc.(Agri.)  
Nummi-Pusula

**Jorma Sieviläinen**  
Managing Director  
Rauma

**Riitta Sinisalo**  
Credit Control  
SOK  
Until May 4, 1995

**Håkan Smeds**  
Managing Director  
Helsinki

**Timo Sonninen**  
Farmer  
Iisalmi

**Eva Suokas**  
Buyer  
Helsinki  
From May 4, 1995

**Antero Taanila**  
Director of  
Administration  
Kokkola

**Eino Tenhunen**  
Managing Director  
Pyhäselkä  
From May 4, 1995

**Seppo Toivonen**  
Managing Director  
B.Sc.(Econ.)  
Lahti  
Until May 4, 1995

**Jouko Vehmas**  
Managing Director  
B.Sc.(Econ.)  
Kouvola

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## SOK EXECUTIVE BOARD 1995

**Jere Lahti**  
President and  
Chief Executive  
Officer  
Dhc (Comm.),  
B.Sc.(Econ.)

**Eero Kolamo**  
Executive Vice  
President  
B.Sc.(Econ.)  
Field Division

**Jukka Salminen**  
Senior Vice  
President  
M.Sc.(Econ.)  
Administrative  
Division

**Risto Mäkeläinen**  
Senior Vice  
President  
B.Sc.(Econ.)  
Corporate  
Development &  
Planning

**Olavi Kuusela**  
Senior Vice  
President  
B.Sc.(Agri.)  
Specialty Stores  
Division

**Aino Toikka**  
Senior Vice  
President  
M.A.  
Personnel and  
Communications  
From January 1,  
1996

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## AUDITORS 1995

**Jorma Jäske**  
M.Sc.(Econ.)  
CPA

**Erkki Linturi**  
LL.M.

**Jaakko Ukkonen**  
General Manager  
B.Sc.(Econ.)  
APC

**Tapani  
Rotola-Pukkila**  
Managing Director  
M.Sc.(Econ.), CPA

**Matti Virranniemi**  
Executive Vice  
President

DEPUTY AUDITORS

**Kristina Dufholm**  
LL.M.  
Director of  
Administration

**Markku Rönkkö**  
Managing Director  
M.Sc.(Econ.)  
CPA

## S GROUP KEY FIGURES 1991 - 1995

FIM million	1991	1992	1993*	1994*	1995*	+/- %
<b>SOK CORPORATION</b>						
Net sales	7 526	6 739	10 327	11 206	10 325	-7.9
Gross margin	1 502	1 358	1 883	1 928	2 034	5.5
Fixed expenses	1 143	1 052	1 403	1 405	1 502	6.9
Operating profit before depreciation	359	306	480	523	533	1.9
Depreciation	170	163	251	216	217	0.5
Operating profit after depreciation	189	143	229	307	316	2.9
Financial income and expenses	-211	-210	-374	-234	-224	-4.3
Profit/loss before extraordinary items, reserves and taxes	-22	-67	-145	73	91	+18 FIM million
Net earnings from operations	135	86	221	367	430	+63 FIM million
Profit/loss for the year	2	-40	-31	130	113	-17 FIM million
Total assets	5 522	5 754	6 535	6 349	6 211	-2.2
Fixed assets and other non-current investments	2 427	2 516	3 369	2 987	2 802	-6.2
Stocks	689	669	795	655	674	2.9
Financial assets	2 246	2 439	2 371	2 707	2 735	1.0
Shareholders' equity	567	739	904	982	1 085	10.5
Minority interest	9	17	30	85	92	8.2
Accumulated depreciation	254	174	123	98	81	-17.3
Voluntary reserves	233	257	75	65	61	-6.2
Obligatory reserves	66	86	99	101	88	-12.9
Liabilities	4 393	4 481	5 304	5 018	4 804	-4.3
Increase in fixed assets	322	225	491	254	245	-3.5
Sale of/decrease in fixed assets	175	203	321	375	116	-69.1
Interest-bearing liabilities	3 301	3 429	3 772	3 447	3 067	-11.0
Financial assets	1 459	1 725	1 622	1 829	1 732	-5.3
Net interest-bearing liabilities	1 842	1 704	2 150	1 618	1 335	-17.5
Return on capital employed, %	9.6	9.1	7.2	8.8	9.3	0.5 %-points
Equity ratio, % *	19.3	20.7	17.6	19.6	21.9	2.3 %-points
Personnel at 31.12.	5 269	4 879	5 179	4 864	4 061	-16.5
<b>SOK</b>						
Sales (excl. VAT)	5 251	4 950	4 982	5 257	5 466	4.0
Sales to cooperative societies	3 697	3 669	3 608	2 983	3 286	10.2
Operating profit before extraordinary items, reserves and taxes	10	-15	-384	-75	-133	-58 FIM million
Profit/loss for the year	-23	64	-254	98	-22	-120 FIM million
Personnel at 31.12.	3 045	2 934	2 414	2 068	1 944	-6.0
<b>COOPERATIVE SOCIETIES + SUBSIDIARIES</b>						
Sales	16 212	15 209	15 584	16 628	18 297	10.0
Number of societies	57	47	46	46	44	
Membership	459 247	418 990	403 631	429 325	479 087	11.6
Personnel at 31.12.	14 944	13 291	12 137	11 333	12 382	9.3
<b>S GROUP</b>						
Retail sales	20 147	19 156	23 204	24 814	24 099	-2.9
Outlets	1 219	1 138	1 222	1 190	1 191	0.1
Personnel at 31.12.	20 213	18 170	17 316	16 197	16 443	1.5

\* In accordance with the amended Accounting Act.

### CALCULATION OF KEY RATIOS

Return on capital employed, % =  $\frac{\text{operating profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Total assets} \text{ ./. average of interest-free liabilities}} \times 100$

Equity ratio, % =  $\frac{\text{shareholders' equity} + \text{minority interest} + \text{accumulated appropriations}}{\text{Total assets} \text{ ./. advance payments received}} \times 100$

Net earnings from operations = Operating profit before depreciation ./. financial income and expenses + depreciation on investments ./. taxes

Financial assets = Cash and bank + loans receivables + other securities + other current investments

# STATISTICS

## S GROUP RETAIL OUTLETS, DECEMBER 31, 1995

Outlet	Number	Change
Citysokos Department Stores	22	-1
Prisma Hypermarkets	28	-1
<b>Total Department Stores</b>	<b>50</b>	<b>-2</b>
S Markets	245	+9
Alepa Stores	48	+4
Sale Stores	168	-
Other Market Outlets	21	-8
<b>Total Market Outlets</b>	<b>482</b>	<b>+5</b>
<b>Neighbourhood Stores</b>	<b>60</b>	<b>-14</b>
<b>Specialty Shops</b>	<b>15</b>	<b>+1</b>
Hotels	52	-
Restaurants	201	-2
Cafes	10	-3
<b>Total Hotels and Restaurants</b>	<b>263</b>	<b>-5</b>
<b>Hardware and Agricultural Stores</b>	<b>141</b>	<b>-2</b>
<b>Auto Dealerships</b>	<b>44</b>	<b>+9</b>
<b>Sevice Stations</b>	<b>121*</b>	<b>+9</b>
<b>Other Services</b>	<b>15</b>	<b>-</b>
<b>TOTAL</b>	<b>1 191</b>	<b>+1</b>

\* Also 71 Automatic Petrol Stations attached to stores

## SELECTED S GROUP DATA 1930-1995

Year	Cooperatives	Members	S Group Business Outlets			
			Retail Outlets	Service Operations <sup>1</sup>	Production Plants	Total
1930	423	225 367	2 406	79	85	2 570
1940	368	295 224	2 999	186	146	3 331
1950	376	484 011	4 074	273	165	4 512
1960	364	488 268	5 483	355	125	5 963
1970	274	572 610	4 220	557	70	4 847
1975	220	674 701	3 476	644	58	4 178
1980	202	682 651	2 801	504	38	3 343
1981	193	666 957	2 548	464	35	3 047
1982	183	661 295	2 405	436	34	2 875
1983	178	645 564	2 316	422	30	2 768
1984	92	636 354	2 208	325	30	2 563 <sup>2</sup>
1985	82	637 248	1 790	277	26	2 093
1986	81	616 262	1 586	274	26	1 886
1987	79	610 638	1 453	273	24	1 750
1988	77	591 345	1 340	276	19	1 635
1989	76	573 642	1 228	288	17	1 533
1990	67	542 455	1 071	302	16	1 389
1991	57	459 247	908	296	15	1 219
1992	47	418 990	838	288	12	1 138
1993	46	403 631	929	286	7	1 222
1994	46	429 325	916	268	6	1 190
1995	44	479 087	922	263	6	1 191

<sup>1</sup> Since 1980 only accommodation and catering. <sup>2</sup> Classification changed in 1984. Comparable decrease 136.



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