



SUOMEN
OSUUSKAUPPOJEN
KESKUSKUNTA

SOK CORPORATION

ANNUAL

REPORT

1997

CONTENTS



*Timo Sarpaneva's glass sculpture "Sun Fell", 1985.
Assäkeskus lobby.*

Purpose of the S Group	4
Description of the S Group	5
SOK Corporation in brief	6
CEO's Review	7
Financial Statements for the year 1997	
Report of the Executive Board	8
Consolidated Income Statement	11
Consolidated Balance Sheet	12
Consolidated Cash Flow Statement	14
SOK Income Statement	15
SOK Balance Sheet	16
SOK Cash Flow Statement	18
Accounting Principles	19
Notes to the Consolidated Income Statement and Balance Sheet	21
Key ratios and their method of calculation	29
Proposal of the Executive Board concerning the use of SOK's profit for the year	30
Auditors' Report	31
Statement of the Supervisory Board	31
Field Division	32
Specialty Stores Division	38
Administrative Division	40
Corporate Development and Planning	41
Personnel and Communications	43
SOK Corporation's personnel in 1997	44
Associated Companies	45
The S Group in 1997	47
The S Group and the environment	48
SOK Supervisory Board, Executive Board and Auditors	50
SOK Organisation 1.1.1998	51
S Group Key Figures	52
Statistics	53
Events of the year	54

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

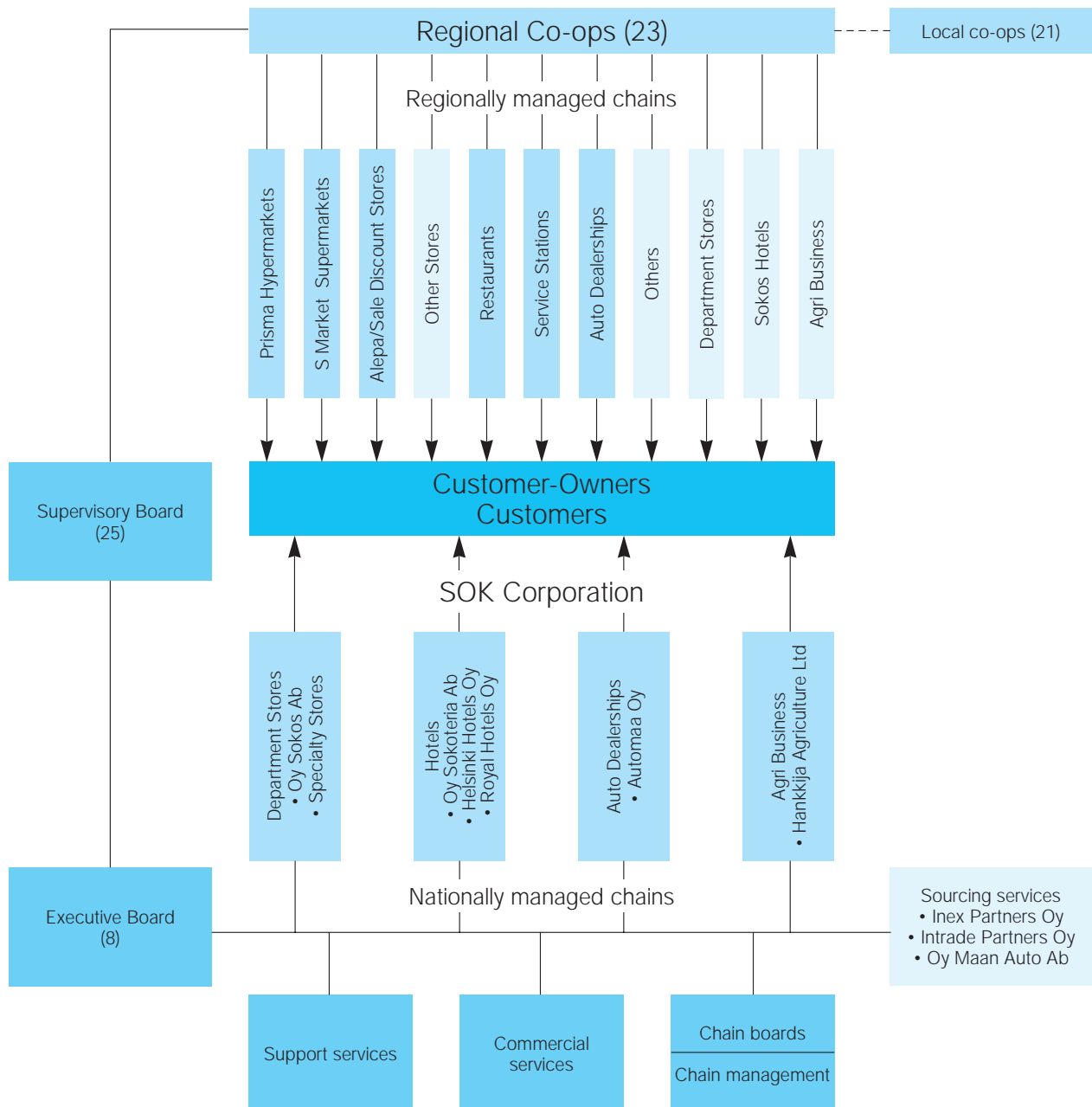
The S Group operates through regional structures, the basic units of which are the regional cooperatives and the SOK Corporation.

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 Sokos department stores, specialty stores, Sokos hotels and Agrimarkets.



SOK CORPORATION IN BRIEF

	1997	1996
Net sales, FIM million	12 377	11 498
Operating profit, FIM million	268	117
Profit after financial items, FIM million	137	42
Investments, FIM million	374	423
Total assets, FIM million	6 592	5 931
Return on investment %	8.4	5.5
Equity ratio %	23.9	23.7
Personnel, average	4 375	4 211

CEO'S REVIEW



Jere Lahti

The operating environment of the retail trade was favourable in 1997. Exports continued to grow strongly and even the building industry emerged from the deep trough of the recession. The national wage settlement in the preceding year kept the labour market peaceful. Inflation increased slightly towards the end of the year, but interest rates remained rather low. Finland prepared itself to be among the first group to join the European Economic and Monetary Union; the political decisions and other solutions concerning the implementation of the third stage of EMU will be taken during the spring of 1998.

The growth in total output in Finland remained constant at over four per cent through the year and the annual average rose to almost six per cent. The volume of private consumption grew by about three per cent, but the retail trade by almost four per cent. However, the retail trade is not expected to regain its pre-recessional peak until after the year 2000. The average rate of inflation was slightly over one per cent, but prices in the retail trade increased by only half of this.

For the S Group, 1997 was a record-breaking year both in sales and profits. Its retail sales amounted to FIM 29 billion, a growth of 10 per cent over the previous year. Once again this growth was more than twice the national average. The anticipated growth in market share was realised and the approximately 1.5 percentage point increase gave the Group a quarter of the national grocery trade. During the 1990s the market share has grown by almost

10 percentage points. The SOK Corporation's net sales came to FIM 12.4 billion, which was 7.6 per cent up on the year before.

The S Group's profit after financial items, but before extraordinary items, voluntary provisions and income taxes, improved considerably over the previous year and was about FIM 800 million. This is an all-time record for the Group. The same figure for the cooperative societies was FIM 660 million, an increase of almost FIM 200 million, and for the SOK Corporation, FIM 137 million. S Group investments amounted to FIM 1 000 million, of which the SOK Corporation accounted for FIM 374 million.

The outlook for the Finnish economy and the retail trade in 1998 continues to look good. Although the rate of growth in the economy is expected to slow down, low inflation and interest rates and the historically strong balance of payments support continued healthy economic performance. Thanks to the new collective bargaining agreement, no surprises are expected from the labour market. Strikes by certain key groups, however, indicate that pressure is mounting to reform the system of centralised agreements. Despite growth conditions, no balance has yet been achieved in the country's financial affairs and high unemployment has become a perma-

nent problem. The Asian economic crisis has introduced a note of uncertainty into international developments which may result in reduced demand for exports. Now is the time for the domestic market to assume the role of economic engine. Improving operating conditions in the service sector is the greatest single challenge to companies in the field, organisation and the public sector.

There was again a notable increase in the number of customer-owners and their usage of S Group services. This growth in customer satisfaction is shown by the fact that bonus purchases increased by over a fifth and bonus payments rose by 22 per cent to FIM 258 million. This is no insignificant contribution to the households concerned, especially considering that S Group products and services are already highly competitive in price before the bonus.

I wish to thank the customer-owners for their confidence in the S Group, as well as the elected officials, cooperative societies and all our interest groups for their cooperation. Likewise my many thanks go to the personnel of the societies and the corporation for their efficient and effective work in the interests of our customer-owners.

Helsinki, March 3, 1998

Jere Lahti

REPORT OF THE EXECUTIVE BOARD

The trading environment

The national economy developed strongly and evenly throughout the year. Once again there was a powerful growth in total output. During the last four years production has expanded by a fifth, thus making up for the losses incurred during the recession. Although the global economy also strengthened, the Far Eastern crisis has somewhat pruned growth predictions. The Finnish economy fulfilled the EMU convergence criteria in respect to interest and inflation rates, as well as budget deficit and public debt.

The growth in total output exceeded expectations and was almost 6 %. The momentum increased after the first quarter thanks mainly to strong exports, but also because domestic investment demand continued to grow healthily. Forestry, industry and construction increased by 10 to 15 %, transport by also 10 % and even trade and other services recorded clear signs of growth.

The powerful expansion in foreign trade continued to produce a surplus in both the balance of trade and the balance of payments. In recent years exports have functioned as the engine of economic growth, with export quantities growing by over 70 % during the same period as domestic demand has only now returned to its pre-recessional level.

Although private consumer expenditure grew by 3.1 % over the previous year, it was still less than predicted. Even though there was a slight fall in unemployment, a modest expansion in incomes with prices rising only very slowly, the rate of private saving rose and consumer behaviour was still cautious. The consumption of groceries and other non-durables increased by about 2 %, whereas that for semidurables steadied at about 6 %.

The retail trade grew faster than private consumption; increasing by about 4.3 in value and 3.7 % in volume. Retail prices continued to rise very slowly. The gro-

cery trade increased by 2.5 % in value and 1.5 % in volume. The department store business and textile trade grew by about the average for the retail trade, with the footwear trade growing slightly faster, by about 4.5 %. The car trade expanded by almost 10 % in volume.

Consumer prices continued to increase modestly for the fourth year running, by an average of 1.4 %. Developments were fairly even in all groups. The prices for food and non-alcoholic beverages increased by an average of 1.2 %, hotel and restaurant prices by about 2 %. On the other hand, those for clothing and footwear fell by an average of 0.6 %.

The hotel and restaurant business expanded faster than the retail trade. Licensed restaurant sales increased by some 7 % in value and 5 % in volume. Hotel room sales grew much faster and the occupancy rate has higher than in the previous year. Sales in the Greater Helsinki area expanded more quickly than elsewhere in the country.

Changes in the administrative structure of SOK

In the autumn, SOK's Supervisory Board approved the proposal of its working group concerning the management system for the S Group and SOK Corporation as from January 1st 1998. Accordingly, the Supervisory Board concentrates on management supervision and strategic decision-making, and the tasks and role of the Executive Board become those of a Board of Directors responsible for the overall management of the SOK Corporation and drawing-up strategies for the whole S Group. At the same time, the structure of the Board of Directors became cooperative society predominant. As from the beginning of 1998, the Executive Board will establish a Management Team. The main objective of the management system is to tighten decision making and operations within the S Group thereby increasing its competitiveness.

Structural changes in the Corporation

All the shares in the Pori Sokos real estate company were sold and the premises leased back under a long-term agreement. In addition the shares in one real estate subsidiary were sold outside the S Group.

Internal sales and leasings between hotel companies during the year aimed at creating a new corporate structure in this sector. The process will continue in 1998.

In order to achieve a more straightforward real estate company structure, seven SOK-owned companies were merged with others.

Shareholdings in three real estate companies, two subsidiaries and one associated company, were sold to the local societies with the objective of clarifying the S Group's outlet structure.

Through transactions of shares and real estate with the Helsinki society HOK, business operations and the outlet structure in Greater Helsinki were clarified at the end of the year and in early 1998. At the end of the year other minor ownership arrangements were made to clarify the Corporation's structure.

At the end of the year the stock of the real estate company owning the Hakki-la logistics centre was acquired in order to improve the S Group's logistic services.

At the beginning of the year SOK acquired from Inex Partners Oy all the shares in Rainex Partners Oy. The deal also included Rainex Partners Oy's subsidiary Rainex Yrityspalvelu Oy.

Sales

The SOK Corporation's net sales totalled FIM 12 377 million, up 7.6 % over the previous year. Sales within the hotel and restaurant business and agricultural trade were better than anticipated. An-

other reason for the increase was the opening of new retail outlets in the societies and Corporation.

Net sales of the Corporation's agriculture and hardware company Hankkija Agriculture Ltd expanded by 6.9 %. Growth was particularly strong in the grain trade, likewise in purchases of machines and building materials by farmers. The only significant product groups to experience falling sales were feeds and fertilizers.

Hotel and restaurant company sales increased powerfully by no less than 18.1 %. This was largely due to the sector generally growing more strongly than the retail trade, particularly in hotels. The Corporation's hotels' occupancy rate was much higher than the average, which is evidence that the considerable effort made in recent years to modernise outlets and develop concepts has produced the desired result.

The Corporation's car business grew by 13.9 % which was slightly higher than the average. Net sales for the car importing company Oy Maan Auto Ab increased by 13.7 %.

Net sales for the Corporation's department stores contracted by 10.7 % due to the closure of the Vaasa outlet, the transfer of the Savonlinna store to the local society and the transfer to the grocery departments in three other stores to the S Market chain. In addition, Sokos stores in smaller towns were converted into Sokos Fashion stores. Comparable sales for the remaining stores increased by more than the national average.

This was the first complete year of operating for the supermarket company Hämeenmaan Automarket Oy. The company bought two S Market outlets and opened a new one in Riihimäki in May and a new Prisma in Lahti in November.

Net sales for the S Group's sourcing company Intrade Partners Oy expanded by 17.7 % as a result of favourable developments in the consumer goods

business and the contract to supply the Sokos department stores in the second half of the year.

SOK's net sales totalled FIM 5 361 million, down 10 % over the year before, due to the hiving off of Sokos department store operations into a separate company on September 1st 1996. There was an increase of 9.5 % in the invoicing of goods delivered direct to chain outlets by domestic manufacturers (EDI invoicing).

Retail sales for the S Group came to FIM 29 011 million, up 10 % over the year before. The cooperatives' retail sales expanded by 10.4 % to FIM 22 223 million, which was about 77 % of total Group retail sales.

SOK's operations

SOK is the parent company of the SOK Corporation. Its net sales consist of invoices for goods delivered direct to chain units by domestic manufacturers (EDI invoicing), income from renting, chain-management services, and supplying S Group and Corporation services to other S Group companies.

The gross margin, fixed expenses and depreciation declined in value and relatively compared to the previous year when the figures included deliveries to the department stores during the eight months prior to the formation of Oy Sokos Ab on September 1st 1996.

The loss before extraordinary items, voluntary provisions and income taxes contracted to FIM 49.7 million. The result was, however, an improvement as, unlike the year before, it was no longer burdened by the loss of the department store business. On the other hand, depreciation on investments was far higher than in the previous year.

Financial results

The SOK Corporation showed a profit before extraordinary items, voluntary provisions and income taxes of FIM 137 million. The figure for the previous year was FIM 42 million. This included other operating income and expenses, the share of associated companies' profits, one-time depreciation, depreciation on investments, and changes in obligatory provisions.

The gross margin grew both in value and relatively. The increase over the previous year in other operating income included ordinary profits on sales. Fixed expenses grew in value by 4.2 %, but their relative share contracted by 0.5 percentage points. The value of the gross margin grew in nearly all sectors. The particularly large expansion in the hotel and restaurant business increased the relative gross margin. Fixed expenses grew modestly in the powerfully expanding sectors and contracted substantially in the department store business.

One-time depreciation included depreciation on buildings, machinery and equipment, intangible rights and other capitalised expenditure. Depreciation on investments included devaluations on shares in the Polar Group of FIM 22.3 million, loan receivables from associated companies of FIM 20.0 million and on other shares and liabilities of FIM 30.2 million.

The net growth in financial income and expenses was FIM 56 million. Depreciation on investments grew by FIM 68 million, so the net contraction in other items was FIM 12 million. The prevailing low level of interest rates proved of benefit to the interest structure of the loan portfolio.

All business groups achieved their planned goals and improved their performance. There were, however, signs of weakness at the corporate and unit level. The greatest improvements in performance were recorded by the hotel, restaurant and department store busi-

nesses. However, the department store business made a loss.

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

Investments and divestments

SOK Corporation investments amounted to FIM 374 million. The largest project was the purchase of the share capital of the consumer goods handling centre property company in Hakkila, Vantaa. Other significant projects included refurbishings of hotel and restaurant outlets and the purchase of the operations of the Radisson SAS Royal Hotel in Helsinki. A major new S Market was opened in Riihimäki in the spring and a new Prisma in Lahti in November. Other investments concerned interiors, furnishings and data systems for Group outlets.

The book value of Corporation divestments was FIM 72 million. SOK sold its remaining 10 % share in Ässä Partners Oy, share in Kiinteistö Oy Vantaanportti business centre and restaurant property in Hyvinkää to the Helsinki cooperative society. Sales to local societies include the land of the Kajaani Prisma and the remaining shares in the Seinäjoki Prisma property company. The share capital of the Pori Sokos property company were sold to Merita Kiinteistöt Oy

and a long-term lease signed. Other divestments included the sale of shares in minor property companies, apartments and movables.

Finance

The SOK Corporation's financing position remained positive throughout the year. The cash flow of FIM 50 million before financial items was positive. Liquid investments and cash reserves at year end came to FIM 1 492 million. In addition the Corporation had FIM 512 million of unused non-current financial items. Net interest expenses were FIM 65 million, a reduction of FIM 24 million over the previous year. As a percentage of net sales they fell from 0.78 to 0.53 %.

Finnish mark interest rates remained at the same low level as the year before and the rate difference compared to the German mark narrowed significantly. The drop in financial expenses was mainly affected by the interest structure of the loan portfolio, which benefited from the low interest level of the Finnish markka.

Personnel

The Corporation's personnel at year end numbered 4 504, of whom 335 (7 %) worked in SOK and 4 169 (93 %) in the subsidiaries.

This was 157 more than the year before. The increase resulted from the reopening of the Sokos Hotel Helsinki, the trans-

fer of the Radisson SAS Hotell in Helsinki to the Corporation, and the openings of the Lahti Prisma and Riihimäki S Market.

On the other hand, the number of employees declined due to the closure of the Sokos department store in Vaasa, the transfer of the Savonlinna Sokos to the local society, and the conversions of others in Hämeenlinna, Lappeenranta, Kouvola, Oulu and Seinäjoki into Sokos Fashion stores.

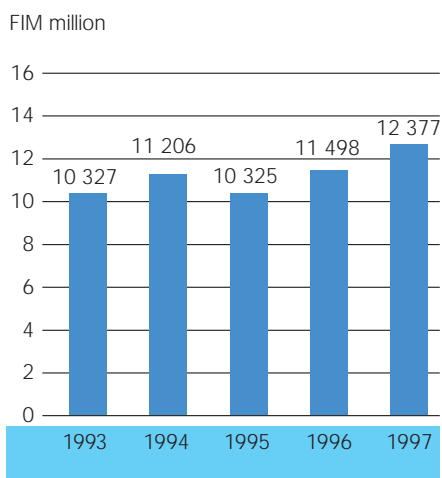
Outlook for 1998

Most expectations within the retail trade are positive. Total output is expected to expand by about 4 % and private consumption by some 3.5 %, the latter generating a 3.5 - 4 % growth in the retail trade. Consumer prices are thought rise by about 2 %; in January 1998 they rose by 1.9 % compared to the previous January.

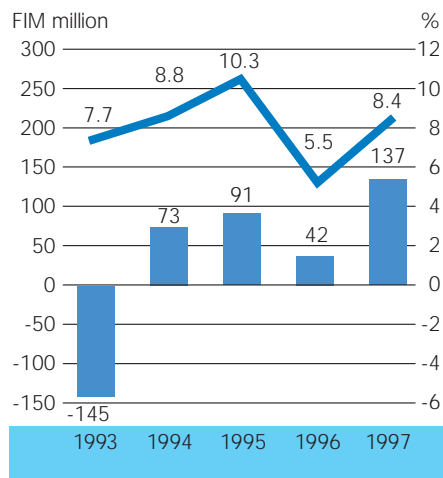
The Corporation's largest investment project for 1998 is the conversion of SOK's former head office in central Helsinki into the third Radisson SAS hotel. It is expected to be completed by summer 1999.

The SOK Corporation's performance is predicted to remain at the same level as 1997. Income expectations for the different sectors are uneven. Increases are expected in the department store business and more modestly in the hotel and restaurant business, whereas slight decreases are predicted for the car trade and agricultural business.

SOK CORPORATION NET SALES



OPERATING PROFIT RETURN ON INVESTMENT %



CONSOLIDATED INCOME STATEMENT

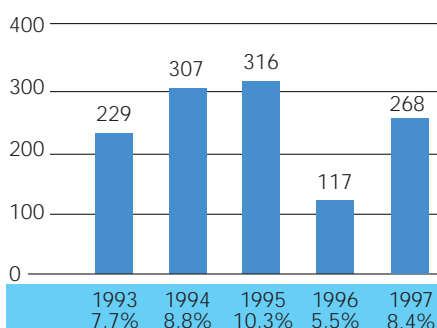
FIM million	1.1.-31.12.1997		1.1.-31.12.1996	
		%		%
Net sales (1)	12 377.2	100.0	11 498.2	100.0
Other operating income (2)	106.5	0.9	60.6	0.5
Variable costs				
Materials, supplies and products				
Purchases during the period	10 338.5		9 610.0	
Increase in inventories	-94.1		-46.7	
Staff costs (3)	18.9		17.9	
Other variable costs	44.0	-10 307.3	34.3	-9 615.5
		83.3		83.6
Gross margin	2 176.4	17.6	1 943.3	16.9
Fixed costs				
Staff costs (3)	736.4		730.4	
Rents	274.3		265.1	
Other fixed costs	701.8		656.1	
Other operating costs (2)	9.0	-1 721.5	0.7	-1 652.3
		13.9		14.4
Operating profit before depreciation	454.9	3.7	291.0	2.5
Depreciation on fixed assets and other capitalised expenditure (4)				
Depreciation according to plan	176.0		157.0	
One-time depreciation	8.6		13.9	
Depreciation on consolidated goodwill	2.0	-186.6	2.8	-173.7
		1.5		1.5
Operating profit	268.3	2.2	117.3	1.0
Financial income and expenses (5)				
Dividend income	7.8		6.6	
Interest income from non-current investments	14.0		14.5	
Other interest income	49.9		67.5	
Other financial income	9.9		1.5	
Exchange rate gains and losses	4.2		1.7	
Share of associated companies' profits	5.6		22.8	
Interest expenses	129.2		171.4	
Other financial expenses	21.2		14.8	
Value adjustment on investments	72.5	-131.5	4.1	-75.7
		1.1		0.6
Profit before extraordinary items, voluntary provisions and income taxes	136.8	1.1	41.6	0.4
Extraordinary income and expenses (6)				
Extraordinary income	3.3		1.2	
Extraordinary expenses	1.9	1.4	9.6	-8.4
		0.0		0.1
Profit before voluntary provisions and income taxes	138.2	1.1	33.2	0.3
Increase in accelerated depreciation (4)	-15.0	0.1	-7.5	0.1
Decrease in voluntary provisions (8)	54.5	0.4	5.9	0.1
Income taxes (9)	-3.3		-3.1	
Minority interest	-0.2		-0.1	
Profit for the period	174.2	1.4	28.4	0.2

CONSOLIDATED BALANCE SHEET

ASSETS (FIM million)	31.12.1997		31.12.1996	
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
Intangible assets (10)				
Intangible rights	42.9		34.1	
Goodwill	40.2		15.7	
Consolidated goodwill	17.9		22.4	
Other capitalised expenditure	100.3		107.0	
Advance payments and construction in progress	14.8	216.1	20.5	199.7
Tangible assets (10)				
Land and water	510.6		485.7	
Buildings and constructions	1 502.5		1 478.6	
Machinery and equipment	258.5		185.5	
Other tangible assets	20.6		4.3	
Advance payments and construction in progress	7.7	2 299.9	36.5	2 190.6
Financial assets				
Shares in associated companies (11-12)	377.6		336.9	
Shares and holdings (11-12)	101.1		153.5	
Loan receivables	75.6	554.3	87.4	577.8
CURRENT ASSETS				
Stocks				
Finished goods	799.8		704.6	
Other stocks	12.4		13.4	
Advance payments	9.6	821.8	12.2	730.2
Receivables				
Trade receivables	1 020.9		881.6	
Loan receivables	9.3		0.4	
Prepaid expenses and accrued income	164.4		158.1	
Other receivables	13.0	1 207.6	9.7	1 049.8
Investments				
Shares and holdings	0.7			
Other investments	1 389.2	1 389.9	1 103.3	1 103.3
Other current investments		2.6		8.4
Cash in hand and at banks		99.6		71.5
		6 591.8		5 931.3

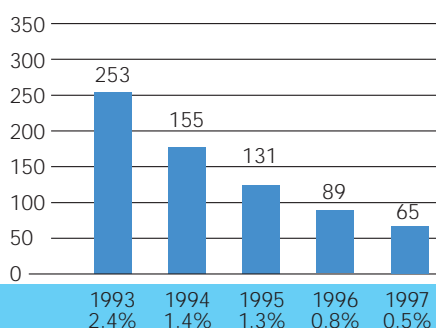
OPERATING PROFIT 1993-1997 (Return on investment, %)

FIM million



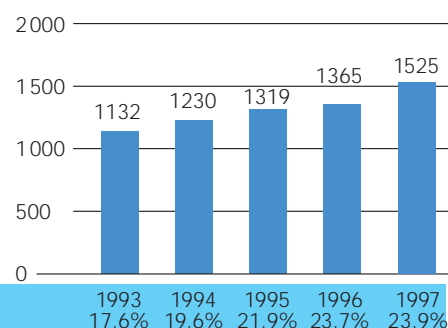
NET INTEREST EXPENSES 1993-1997 (% of net sales)

FIM million



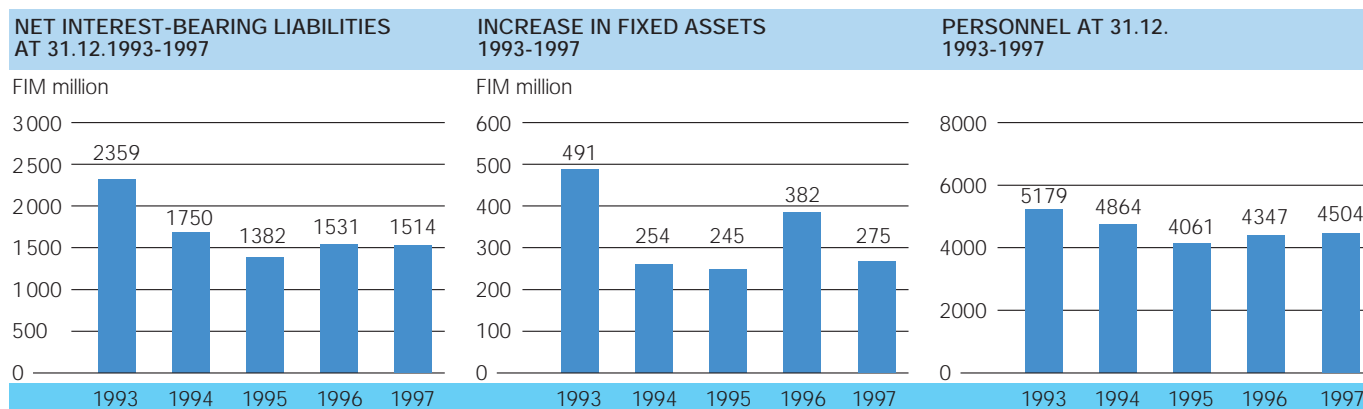
CAPITAL AND RESERVES + PROVISIONS AT 31.12. 1993-1997 (Equity ratio, %)

FIM million



LIABILITIES (FIM million)	31.12.1997		31.12.1996	
CAPITAL AND RESERVES (16)				
Restricted equity				
Share capital	226.9		194.9	
Additional share capital	15.0			
Reserve fund	65.1		65.1	
Revaluation fund	621.7	928.8	621.7	881.7
Non-restricted equity				
Retained earnings	330.5		220.1	
Profit for the period	174.2	504.7	28.4	248.5
TOTAL CAPITAL AND RESERVES		1 433.5		1 130.2
MINORITY INTEREST		91.6		91.0
PROVISIONS (17)				
Accelerated depreciation*)				89.0
Voluntary provisions*)				54.9
Other provisions				
Obligatory provisions		107.6		93.0
CREDITORS (18)				
Non-current				
Capital loan	120.0		120.0	
Debentures	135.5			
Loans from credit institutions	503.9		510.5	
Pension loans	541.4		600.3	
Trade payables	1.1			
Deferred tax liability	37.9			
Other non-current liabilities	175.0	1 514.8	224.7	1 455.5
Current				
Loans from credit institutions	224.2		140.2	
Pension loans	40.8		45.4	
Advances received	208.5		166.1	
Trade payables	1 251.1		1 130.7	
Accrued liabilities and deferred income	455.1		417.9	
Other current liabilities	1 264.6	3 444.3	1 117.4	3 017.7
		6 591.8		5 931.3

*) Divided between capital and reserves and a deferred tax liability for 1997



CONSOLIDATED CASH FLOW STATEMENT

FIM million	1.1.-31.12.1997	1.1.-31.12.1996
Business operations		
From operations		
Operating profit before depreciation	454.9	291.1
Financial income and expenses	-64.6	-92.5
Extraordinary items	1.4	-4.7
Taxes	-3.2	-3.6
Total	388.5	190.3
Change in working capital		
Increase in stocks	-91.5	-49.2
Increase(-)/decrease(+) in current trade receivables	-145.7	0.1
Increase in interest-free current liabilities*	199.6	14.5
Total	-37.6	-34.6
Total cash flow from operations	350.9	155.7
Investments		
Increase in fixed assets	274.7	381.9
Decrease in fixed assets	71.6	136.8
Total	-203.1	-245.1
Cash flow before financing	147.8	-89.4
Financing		
Increase in non-current receivables	-8.1	-41.0
Increase in non-current liabilities	163.2	297.1
Decrease in non-current liabilities	206.0	641.5
Increase(-)/decrease(+) in current receivables	-12.1	25.0
Increase(+)/decrease(-) in current liabilities	192.0	-48.9
Interest paid on share capital	13.3	12.8
Increase in share capital and additional share capital	47.0	28.7
Decrease in capital and reserves (donations)	0.1	0.1
Increase(+)/decrease(-) in minority interest	-1.4	-0.9
Total	161.2	-394.4
Subsidiary company purchases		
Working capital		6.6
Fixed assets	-98.9	-40.6
Financing	98.8	15.8
Liquid funds	-0.1	-12.1
Increase(+)/decrease(-) in liquid funds	308.9	-514.1
Increase(+)/decrease(-) in liquid funds		
Liquid funds at end of year	1 492.1	1 183.2
of which liquid funds of companies acquired during the year	0.0	-12.1
Liquid funds at beginning of year	-1 183.2	-1 171.2
Total	308.9	-514.1

*Includes change in obligatory provisions

SOK INCOME STATEMENT

FIM million	1.1.-31.12.1997		%	1.1.-31.12.1996		%
Net sales (1)		5 361.2	100.0		5 957.0	100.0
Other operating income (2)		69.3	1.3		42.3	0.7
Variable costs						
Materials, supplies and products						
Purchases during the period	4 894.8			5 070.4		
Decrease in inventories	6.2			279.2		
Staff costs (3)				1.7		
Rents	202.6	-5 103.6	95.2	195.3	-5 546.6	93.1
Gross margin		326.9	6.1		452.7	7.6
Fixed costs						
Staff costs (3)	89.1			243.2		
Rents	31.3			75.4		
Other fixed costs	185.1			245.2		
Other operating costs (2)	5.0	-310.5	5.8	0.4	-564.2	9.5
Operating profit before depreciation		16.4	0.3		-111.5	1.9
Depreciation on fixed assets and other capitalised expenditure (4)						
Depreciation according to plan	19.4			31.8		
One-time depreciation		-19.4	0.4	2.1	-33.9	0.5
Operating loss		-3.0	0.1		-145.4	2.4
Financial income and expenses (5)						
Dividend income	7.8			8.6		
Interest income from non-current investments	122.9			129.6		
Other interest income	45.5			64.9		
Other financial income	10.9			4.4		
Exchange rate gains and losses				0.8		
Interest expenses	124.8			162.4		
Other financial expenses	16.4			9.9		
Value adjustment on investments	104.7	-58.8	1.1	2.1	33.9	0.5
Loss before extraordinary items, voluntary provisions and income taxes		-61.8	1.2		-111.5	1.9
Extraordinary income and expenses (6)						
Extraordinary income	231.9			125.8		
Extraordinary expenses	1.9	230.0	4.3	5.9	119.9	2.0
Profit before voluntary provisions and income taxes		168.2	3.1		8.4	0.1
Decrease in accelerated depreciation (4)		3.1	0.1		13.6	0.3
Income taxes (9)		0.2			0.1	
Profit for the period		171.5	3.2		22.1	0.4

SOK BALANCE SHEET

ASSETS (FIM million)	31.12.1997		31.12.1996	
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
Intangible assets (10)				
Intangible rights	17.4		12.3	
Other capitalised expenditure	8.6		10.6	
Advance payments and construction in progress	13.6	39.6	13.9	36.8
Tangible assets (10)				
Land and water	57.4		88.6	
Buildings and constructions	40.9		38.6	
Machinery and equipment	15.4		17.4	
Other tangible assets	14.8		0.7	
Advance payments and construction in progress	0.9	129.4	20.0	165.3
Financial assets				
Shares and holdings (11-12)	1 812.0		1 742.1	
Loan receivables	1 585.8	3 397.8	1 575.1	3 317.2
CURRENT ASSETS				
Stocks				
Other stocks	52.9		59.0	
Advance payments		52.9	0.3	59.3
Receivables				
Trade receivables	756.9		629.2	
Loan receivables	9.0			
Prepaid expenses and accrued income	97.2		121.0	
Other receivables	8.1	871.2	9.5	759.7
Investments				
Shares and investments	0.7			
Other investments	1 389.2	1 389.9	1 103.3	1 103.3
Other current investments		241.1		234.5
Cash in hand and at banks		52.6		15.8
		6 174.5		5 691.9

LIABILITIES (FIM million)	31.12.1997		31.12.1996	
CAPITAL AND RESERVES (16)				
Restricted equity				
Share capital	226.9		194.9	
Additional share capital	15.0			
Reserve fund	65.1		65.1	
Revaluation fund	41.2	348.2	71.2	331.2
Non-restricted equity				
Other funds	1 254.4		1 254.5	
Retained earnings	58.5		49.7	
Profit for the period	171.5	1 484.4	22.1	1 326.3
TOTAL CAPITAL AND RESERVES		1 832.6		1 657.5
PROVISIONS (17)				
Accelerated depreciation		16.1		19.3
Obligatory provisions		88.8		71.1
CREDITORS (18)				
Non-current				
Capital loan	120.0		120.0	
Debentures	135.5			
Loans from credit institutions	380.6		383.2	
Pension loans	479.1		515.4	
Other non-current liabilities	174.9	1 290.1	229.8	1 248.4
Current				
Loans from credit institutions	160.9		86.4	
Pension loans	36.1		38.8	
Advances received	15.2		13.4	
Trade payables	788.7		672.5	
Accrued liabilities and deferred income	141.2		153.5	
Other current liabilities	1 804.8	2 946.9	1 731.0	2 695.6
		6 174.5		5 691.9

SOK CASH FLOW STATEMENT

FIM million	1.1.-31.12.1997	1.1.-31.12.1996
Business operations		
From operations		
Operating profit before depreciation	16.4	-111.6
Financial income and expenses	45.8	36.0
Extraordinary items	230.0	119.9
Taxes	0.2	0.1
Total	292.4	44.4
Change in working capital		
Decrease in stocks	6.0	279.0
Increase(-)/decrease(+) in current trade receivables	-103.9	26.0
Increase(+)/decrease(-) in interest-free current liabilities*	108.4	-133.8
Total	10.5	171.2
Total cash flow from operations	302.9	215.6
Investments		
Increase in fixed assets	158.8	346.8
Decrease in fixed assets	35.6	130.9
Total	-123.2	-215.9
Cash flow before financing	179.7	-0.3
Financing		
Increase in non-current receivables	-63.1	-250.4
Increase in non-current liabilities	231.7	297.1
Decrease in non-current liabilities	129.6	493.9
Increase(-)/decrease(+) in current receivables	-7.5	59.9
Increase in current liabilities	85.1	89.4
Interest paid on share capital	13.3	12.8
Increase in share capital and additional share capital	47.0	28.7
Decrease in capital and reserves (donations)	0.1	0.1
Total	150.2	-282.1
Increase(+)/decrease(-) in liquid funds	329.9	-282.4
Increase(+)/decrease(-) in liquid funds		
Liquid funds at end of year	1 683.5	1 353.6
Liquid funds at beginning of year	-1 353.6	-1 636.0
	329.9	-282.4

*Includes change in obligatory provisions

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Scope of the consolidated financial statements

The SOK Corporation consists of the parent company, 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, more than 50 % of the vote-carrying shares. Of the subsidiaries, 1 SHB housing company and 13 non-business companies have not been consolidated. Their total book value in the parent company's balance sheet is FIM 0.3 million. The subsidiaries are listed under item 12 in the Notes.

Investments in associated companies, in which the Corporation's holding is 20-50 % of the votes, are consolidated in the accounts with the exception of 10 housing companies of which 9 are SHB housing companies. Their total book value in the parent company's balance sheet is FIM 1.0 million. These associated companies are listed under item 12 in the Notes.

The exclusion of the above mentioned subsidiary and associated companies has no significant effect on the Corporation's result and non-restricted equity.

One foreign associated company has been consolidated in the accounts.

Principles of consolidation

The consolidated financial statements are for the period 1.1. -31.12.1997. Companies acquired during the year are included in the accounts from the time of their acquisition. Subsidiaries and associated companies sold during the period are included up to their date of sale. The same principle has been applied when Corporation companies have been merged during the financial year.

Intra-corporate holdings

Intra-corporate shareholdings have been eliminated using the acquisition cost method. This means that the acquisition cost of a subsidiary's share has been eliminated against the subsidiary's equity at the moment of acquisition. Dif-

ferences 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 in accordance with plan depreciated of the relevant buildings. Consolidated goodwill treated as a single item is depreciated according to plan over its useful life which, as a rule, is 5 years.

Internal transactions and margins

In drawing up the consolidated financial statements, 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.

Minority interests

The minority interests of subsidiary companies' capital and reserves and profit for the year have been stated as a separate item in the consolidated 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 capital and reserves has been taken to non-restricted 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 on a separate line under financial income and expenses. The Corporation's share in the accumulated net wealth of the associated companies since their acquisition has been added to the acquisition cost and the

non-restricted equity in the consolidated balance sheet.

Profits on sales of fixed assets between the Corporation and the associated companies have been eliminated in proportion to the shareholdings. The item has been deducted from the consolidated non-restricted equity and assets. The eliminated sales profit is entered as income in keeping with depreciation. FIM 40.1 million in intra-corporate margins between SOK and one associated company has not been eliminated as the Corporation's holding of over 20 % is not considered permanent.

Items denominated in foreign currencies and derivative contracts

Business transactions denominated in foreign currencies have been entered at the rate of exchange prevailing at the time of the transaction. Receivables and liabilities in foreign currencies outstanding at the end of the year have been translated into Finnish marks at the average Bank of Finland rates of exchange prevailing on the balance sheet date and exchange differences have been entered as affecting income.

Differences in the interest on currency forwards have been phased throughout the duration of the agreements under interest income or expenses, and exchange differences have been entered as affecting the income of the exchange differences on the hedged items during the year in which they were entered. The unrealised exchange differences on future cash flows protected by currency forwards after the account date have been entered in the balance sheet.

The premiums on interest options have been phased on the time-used basis to adjust the entered, hedged interests. All option premiums have been entered under advances paid or received. The entry has been made at the latest when the contract closed, fell due or expired. Interest on interest rate swaps has been entered in full as interest income or expenses.

The negative changes in the values of other derivative contracts than those entered into for hedging purposes open at

the account date have been entered as expenses. Valuation gains have been entered as income only when losses have been entered to the position of the relevant contract.

Stocks

Stocks are stated in the balance sheet on the FIFO basis at the acquisition cost or repurchase price or probable market price, whichever is the lower. Intra-corporate margins on stocks have been eliminated.

Fixed assets and depreciation

Fixed assets have been valued in the balance sheet at cost less accumulated planned depreciation. The difference between planned depreciation and the depreciation entered is treated in the income statement as an appropriation. In the consolidated balance sheet the accelerated depreciation is divided between capital and reserves and an imputed tax liability. Of the revaluation fund of FIM 622 million in the consolidated balance sheet, FIM 530 million has been treated as a revaluation item. Other revaluations of FIM 92 million were made in the companies concerned. The market value of the Corporation's fixed assets exceeds the total fixed assets in the consolidated balance sheet.

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
Other tangible and intangible assets	As permitted by taxation laws

Leasing

Leasing charges have been treated as rent expenses.

Future expenses and losses

Future expenses and losses, to which the company has bound itself or whose realisation is considered probable, have been entered as expenses under the relevant heading. In the balance sheet, the relevant cost reservations have been entered as obligatory provisions.

Appropriations

Appropriations are accelerated depreciation and voluntary provisions. In the consolidated balance sheet voluntary provisions and accelerated depreciation

has been divided between capital and reserves and a deferred tax liability.

Pension arrangements

In addition to the statutory pension insurance scheme, the SOK Corporation has had a voluntary pension fund, Eläkekassa Elonvara, operating primarily within 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 of its dissolution, members of the scheme took out additional insurance with the Tapiola Mutual Pension Insurance Company Ltd 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. SOK's own share of the uncovered joint liability has been paid.

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

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

FINANCIAL RISK MANAGEMENT

Responsibility for managing the SOK Corporation's financial risks resides with SOK Finance. The principles of risk management have been confirmed by the SOK Board of Directors, which has likewise set the limits for liquidity, interest rate, foreign exchange and credit risks. In addition, numerical objectives have been established for the different areas of financing in order to guarantee the sufficiency, balance and low cost of financing under all circumstances.

Liquidity risk

A sufficient level of liquidity is maintained with cash assets, account limits, money

market investments and binding credit limits.

Interest rate risk

Interest rate risk is managed within the Corporation by diffusing loans between fixed and variable interest instruments and using interest rate derivatives.

Foreign exchange risk

Almost all of the SOK Corporation's net sales come from the domestic market. The Corporation's foreign exchange loans are fully covered by foreign exchange swaps. Exchange risks related

to imports are monitored for the coming 12 months and hedging operations agreed upon separately with the importing companies.

Credit risk

The management of credit risk in commercial operations is the responsibility of the business units concerned. Credit risks deriving from the investment of liquid assets and dealings in derivatives are minimised by establishing credit limits with selected counterparties and by making agreements only with leading domestic and foreign banks, financial institutions and brokers.

NOTES TO THE CONSOLIDATED AND SOK INCOME STATEMENT AND BALANCE SHEET

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
1. Net sales by sector				
Hardware and agricultural trade	3 155.5	2 962.2		
Hotel and restaurant business	874.6	741.2		
Car trade	949.8	834.4		
Department store trade	1 212.6	1 358.4		1 118.2
Grocery trade	253.2	80.8		
Consumer goods sourcing	1 098.4	932.7		
EDI invoicing	4 894.9	4 470.4	4 894.9	4 470.4
Real estate and property leasing	487.5	414.1	230.5	161.5
Other services	334.5	301.5	235.8	206.9
Eliminations	-883.8	-597.5		
Total	12 377.2	11 498.2	5 361.2	5 957.0
2. Operating income and costs				
Other operating income				
Profits on sale of fixed assets	105.3	60.0	69.2	42.3
Other operating income	1.2	0.6	0.1	
Total	106.5	60.6	69.3	42.3
Other operating costs				
Losses on sale of fixed assets	3.3	0.7		0.4
Other operating costs	5.7		5.0	
Total	9.0	0.7	5.0	0.4
3. Staff costs				
Wages and salaries	592.4	576.3	63.8	185.7
Pension costs	84.6	98.8	11.7	35.9
Other personnel costs	78.3	73.2	13.6	23.3
Total	755.3	748.3	89.1	244.9
Value of fringe benefits	10.3	9.6	2.4	3.0
Members of SOK's Management Team and certain subsidiary company managing directors have the right to retire when they reach 58-62 years.				
4. Depreciation				
Plan depreciation				
Intangible rights	18.0	15.3	8.4	7.5
Goodwill	8.0	11.0		2.0
Other capitalised expenditure	23.6	16.4	2.8	3.5
Buildings and constructions	55.8	45.5	2.2	2.1
Machinery and equipment	69.8	68.5	5.6	16.7
Other tangible assets	0.8	0.3	0.4	
Total	176.0	157.0	19.4	31.8
One-time depreciation				
Intangible rights	0.2			
Goodwill		2.0		1.9
Other capitalised expenditure	0.3	1.6		
Land areas		1.5		
Buildings and constructions	4.1	5.0		
Machinery and equipment	4.0	3.8		0.2
Total	8.6	13.9	0.0	2.1
Depreciation on consolidated goodwill	2.0	2.8		
Depreciation on fixed assets and other capitalised expenditure	186.6	173.7	19.4	33.9
Increase(-)/decrease(+) in accelerated depreciation				
Intangible rights	-1.1	0.1	0.6	0.3
Goodwill	-2.5	2.9		0.2
Other capitalised expenditure	-0.7	-2.9	0.5	0.2
Buildings and constructions	-5.4	-32.7	-0.5	-1.7
Machinery and equipment	-5.0	25.1	2.7	14.6
Other tangible assets	-0.3		-0.2	
Total	-15.0	-7.5	3.1	13.6

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
5. Intra-corporate financial income and expenses				
Interest income from non-current investments			108.9	115.1
Other interest income			17.4	19.7
Other financial income			2.9	3.8
Exchange rate gains and losses			-4.7	-0.1
Interest expenses			-13.2	-17.2
Other financial expenses			-0.4	-0.5
Total			110.9	120.8
6. Extraordinary income and expenses				
Extraordinary income				
Contributions from subsidiaries			228.7	124.6
Other	3.3	1.2	3.2	1.2
Total	3.3	1.2	231.9	125.8
Extraordinary expenses				
Contributions to subsidiaries				0.4
Other	1.9	9.6	1.9	5.5
Total	1.9	9.6	1.9	5.9
Total extraordinary income and expenses	1.4	-8.4	230.0	119.9
7. Increase(-)/decrease(+) in obligatory provisions				
Increase in rent expenses against empty business premises	-28.3	-40.0	-27.5	-39.7
Decrease in rent expenses against empty business premises	35.5	42.4	30.3	34.6
Increase in other future expenses and losses	-26.2	-8.7	-20.5	
Decrease in other future expenses and losses	4.4	1.0		
Total	-14.6	-5.3	-17.7	-5.1
8. Increase(-)/decrease(+) in voluntary provisions				
Transition provisions	54.6	6.0		
Apartment block provisions	-0.1	-0.1		
Total	54.5	5.9	0.0	0.0
9. Income taxes				
For the year	5.4	2.9	0.4	
For earlier years	-2.1	0.2	-0.6	-0.1
Total	3.3	3.1	-0.2	-0.1
10. Intangible and tangible assets				
Intangible assets				
Intangible rights				
Acquisition cost at 1.1.	107.4	103.6	47.3	58.9
Increase 1.1.-31.12.	27.4	21.8	13.6	6.4
Decrease 1.1.-31.12.	-11.4	-18.0	-6.1	-18.0
Acquisition cost at 31.12.	123.4	107.4	54.8	47.3
Accumulated plan depreciation at 31.12.	-80.5	-73.3	-37.4	-35.0
Book value at 31.12.	42.9	34.1	17.4	12.3
Accelerated depreciation at 1.1.	5.6	5.8	3.3	3.6
Increase 1.1.-31.12.	2.2	0.7		
Decrease 1.1.-31.12.	-1.1	-0.9	-0.7	-0.3
Accelerated depreciation at 31.12.	6.7	5.6	2.6	3.3
Goodwill				
Acquisition cost at 1.1.	50.9	85.8	0.0	34.7
Increase 1.1.-31.12.	37.4			
Decrease 1.1.-31.12.	-37.6	-34.9		-34.7
Acquisition cost at 31.12.	50.7	50.9	0.0	0.0
Accumulated plan depreciation at 31.12.	-10.5	-35.2		
Book value at 31.12.	40.2	15.7	0.0	0.0
Accelerated depreciation at 1.1.	0.8	3.7	0.0	0.2
Increase 1.1.-31.12.	2.5			
Decrease 1.1.-31.12.		-2.9		-0.2
Accelerated depreciation at 31.12.	3.3	0.8	0.0	0.0

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
Consolidated goodwill				
Acquisition cost at 1.1.	78.6	73.6		
Increase 1.1.-31.12.	0.2	5.0		
Decrease 1.1.-31.12.	-3.4			
Acquisition cost at 31.12.	75.4	78.6		
Accumulated plan depreciation at 31.12.	-57.5	-56.2		
Book value at 31.12.	17.9	22.4		
Consolidated reserve				
Acquisition cost at 1.1.	9.6	3.1		
Increase 1.1.-31.12.		8.4		
Decrease 1.1.-31.12.	-4.0	-1.9		
Book value at 31.12.	5.6	9.6		
Consolidated reserve is included in consolidated goodwill				
Other capitalised expenditure				
Acquisition cost at 1.1.	162.4	83.7	20.0	18.9
Increase 1.1.-31.12.	19.2	104.1	0.8	25.2
Decrease 1.1.-31.12.	-5.8	-25.4	-0.1	-24.1
Acquisition cost at 31.12.	175.8	162.4	20.7	20.0
Accumulated plan depreciation at 31.12.	-75.5	-55.4	-12.1	-9.4
Book value at 31.12.	100.3	107.0	8.6	10.6
Accelerated depreciation at 1.1.	5.6	2.6	1.4	1.6
Increase 1.1.-31.12.	1.2	3.2		
Decrease 1.1.-31.12.	-0.5	-0.2	-0.5	-0.2
Accelerated depreciation at 31.12.	6.3	5.6	0.9	1.4
Advance payments on intangible assets and construction in progress				
Acquisition cost at 1.1.	20.5	27.8	13.9	20.4
Increase 1.1.-31.12.	26.9	28.6	8.0	17.1
Decrease 1.1.-31.12.	-32.6	-35.9	-8.3	-23.6
Book value at 31.12.	14.8	20.5	13.6	13.9
Tangible assets				
Land and water				
Acquisition cost at 1.1.	497.0	520.4	88.6	89.8
Increase 1.1.-31.12.	74.1	19.5	0.8	2.6
Decrease 1.1.-31.12.	-49.5	-42.9	-32.0	-3.8
Acquisition cost at 31.12.	521.6	497.0	57.4	88.6
Accumulated depreciation at 31.12.	-11.0	-11.3		
Book value at 31.12.	510.6	485.7	57.4	88.6
Revaluations included in acquisition costs of land areas				
Revaluations at 1.1.	259.9	260.8	70.9	71.8
Increase 1.1.-31.12.	35.0			
Decrease 1.1.-31.12.	-30.0	-0.9	-30.0	-0.9
Revaluations at 31.12.	264.9	259.9	40.9	70.9
Buildings and constructions				
Acquisition cost at 1.1.	1 877.0	1 683.5	91.3	91.8
Increase 1.1.-31.12.	115.2	288.4	4.5	1.4
Decrease 1.1.-31.12.	-45.8	-94.9	-6.8	-1.9
Acquisition cost at 31.12.	1 946.5	1 877.0	89.0	91.3
Accumulated plan depreciation at 31.12.	-444.0	-398.4	-48.1	-52.7
Book value at 31.12.	1 502.5	1 478.6	40.9	38.6
Accelerated depreciation at 1.1.	48.7	16.0	2.9	1.2
Increase 1.1.-31.12.	40.8	38.2	0.5	1.7
Decrease 1.1.-31.12.	-4.5	-5.5		
Accelerated depreciation at 31.12.	85.0	48.7	3.4	2.9
Revaluations included in acquisition costs of buildings				
Revaluations at 1.1.	366.0	366.0		
Increase 1.1.-31.12.	5.0			
Decrease 1.1.-31.12.	-10.0			
Revaluations at 31.12.	361.0	366.0		

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
Machinery and equipment				
Acquisition cost at 1.1.	511.9	602.5	67.4	276.8
Increase 1.1.-31.12.	161.4	152.3	3.7	20.0
Decrease 1.1.-31.12.	-49.9	-242.9	-8.1	-229.4
Acquisition cost at 31.12.	623.4	511.9	63.0	67.4
Accumulated plan depreciation at 31.12.	-364.9	-326.4	-47.6	-50.0
Book value at 31.12.	258.5	185.5	15.4	17.4
Accelerated depreciation 1.1.	28.1	52.9	11.7	26.3
Increase 1.1.-31.12.	12.9	3.5		
Decrease 1.1.-31.12.	-7.8	-28.3	-2.8	-14.6
Accelerated depreciation at 31.12.	33.2	28.1	8.9	11.7
Share of machinery and equipment of book value at 31.12.	2.6	1.4		
Other tangible assets				
Acquisition cost at 1.1.	5.8	5.1	0.8	0.7
Increase 1.1.-31.12.	17.7	2.6	14.4	0.1
Decrease 1.1.-31.12.	-0.6	-1.9		
Acquisition cost at 31.12.	22.9	5.8	15.2	0.8
Accumulated plan depreciation at 31.12.	-2.3	-1.5	-0.4	-0.1
Book value at 31.12.	20.6	4.3	14.8	0.7
Accelerated depreciation at 1.1.	0.1			
Increase 1.1.-31.12.	0.3	0.1	0.2	
Accelerated depreciation at 31.12.	0.4	0.1	0.2	
Advance payments and construction in progress				
Acquisition cost at 1.1.	36.5	146.4	20.0	22.0
Increase 1.1.-31.12.	62.9	50.3	0.9	1.6
Decrease 1.1.-31.12.	-91.7	-160.2	-20.0	-3.6
Book value at 31.12.	7.7	36.5	0.9	20.0
11. Non-current investments				
Shares in corporate companies				
Acquisition cost at 1.1.			1 252.6	1 011.9
Increase 1.1.-31.12.			128.9	245.2
Decrease 1.1.-31.12.			-10.8	-4.5
Acquisition cost at 31.12.			1 370.7	1 252.6
Accumulated depreciation at 31.12.			-31.9	-31.9
Book value at 31.12.			1 338.8	1 220.7
Shares in associated companies				
Acquisition cost at 1.1.	431.5	404.3	441.1	431.6
Increase 1.1.-31.12.	40.9	27.4	4.8	9.7
Decrease 1.1.-31.12.	-27.7	-0.2		-0.2
Acquisition cost at 31.12.	444.7	431.5	445.9	441.1
Accumulated depreciation at 31.12.	-67.1	-94.6	-76.0	-76.0
Book value at 31.12.	377.6	336.9	369.9	365.1
Shares and holdings				
Acquisition cost at 1.1.	287.5	291.3	280.2	286.6
Increase 1.1.-31.12.	8.5	62.0	7.0	59.2
Decrease 1.1.-31.12.	-27.0	-65.8	-26.3	-65.6
Acquisition cost at 31.12.	269.0	287.5	260.9	280.2
Accumulated depreciation at 31.12.	-167.9	-134.0	-157.7	-123.9
Book value at 31.12.	101.1	153.5	103.2	156.3
Revaluations included in acquisition cost of shares				
Revaluations at 1.1.	0.3	0.3	0.3	0.3
Revaluations at 31.12.	0.3	0.3	0.3	0.3

12. Companies owned by the Corporation and the Parent company at 31.12.1997	share holding %	Corporation's voting rights %	share- holders' equity FIM 1000	SOK's share- holding %	Shares owned by SOK			Profit/ loss FIM 1000
					number	nominal value FIM 1000	book value FIM 1000	
Corporate companies								
Commercial								
Automaa Oy	100.0	100.0	17 918	100.0	13 300	13 300	23 895	-4 008
Hankkija Agriculture Ltd	100.0	100.0	168 453	100.0	156 100	156 100	174 996	7 987
Helsinki Hotels Oy	90.0	90.0	25 329	90.0	27 000	27 000	25 586	8 228
Hotel City Vantaa Oy	99.9	99.9	26 701	99.9	13 554 397	20 331	13 229	4 084
Hämeenmaan Automarket Oy	90.0	90.0	21 664	90.0	32 400	32 400	32 528	-6 185
Hämeenmaan Hotellit Oy	100.0	100.0	-29 990	100.0	2 500	2 500	2 500	-1 611
Intrade Partners Oy	100.0	100.0	25 077	100.0	16 660	24 990	24 995	3
Jollas-Opisto Oy	100.0	100.0	24 389	100.0	24 000	24 000	24 000	159
Kuusinen Oy	100.0	100.0	6 953	100.0	7 500	1 500	3 075	1 792
Lahden Uusi Seurahuone Oy	100.0	100.0	477					-107
Oy Maan Auto Ab	100.0	100.0	90 375	100.0	8 000 000	80 000	102 825	-2 233
Oy Sokos Ab	100.0	100.0	56 542	100.0	100 000	50 000	150 071	-60 179
Oy Sokoteria Ab	100.0	100.0	90 116	100.0	29 000	58 000	80 248	-5 978
Royal Hotels Oy	100.0	100.0	21 571	100.0	4 000	20 000	30 000	-8 427
SOK-Business Oy	100.0	100.0	-301	100.0	150	15	15	-243
SOK-Takaus Oy	99.9	99.9	26 324	99.9	249 771	24 977	26 979	57
Sokotel Oy	57.9	57.9	2 727	9.0	394	394	400	4
Turun Valtavaunu Oy	100.0	100.0	-663	100.0	30	30	3 101	7
Ässähuoltamot Oy	90.8	90.8	2 316	90.8	18 158	1 816	1 816	271
Real estate companies (30 pcs)			627 739			301 982	618 568	39 415
Total (under fixed assets)			1 203 717			839 335	1 338 827	-26 964
Real estate subsidiaries (57 pcs) (under stocks)			34 177			21 239	40 408	7 640
Associated companies								
As. Oy Hämeenkatu 29	25.1	25.1	-4	25.1	377	0	4 975	-85
As. Oy Hätilänkivi	23.9	23.9	1 908	23.9	18 320	1 832	4 547	38
Etelä-Suomen Huoltamot Oy Group	46.5	46.5	4 552	46.5	6 510	6 510	9 346	-6 741
Graanin Liikekeskus Oy	50.0	50.0	1 439	50.0	10 500	11	3 765	1
Inex Partners Group	50.0	50.0	71 917	50.0	40 000	40 000	40 000	18 626
Kiinteistö Oy Iisalmen Marjahaka	33.3	33.3	468	33.3	500	500	500	-95
Kiinteistö Oy Pysäköintiveli	49.7	40.2	8 872	49.7	293	29	9 013	-657
Kiinteistö Oy Tullintorni	40.0	40.0	15 148	40.0	21 403	21	10 151	-920
Kiinteistö Oy Turun Toripaikotus	28.6	28.6	20	28.6	100	20	20	0
Kiinteistö Oy Valkeakosken Liikekeskus	48.8	48.8	16 090	48.8	585 650	586	16 620	0
Kiinteistö Oy Vilhonk. 5	50.0	50.0	33 450	50.0	50 004	18 001	6	-5 835
Malmintorin Kiinteistö Oy	40.7	40.7	71 573	40.7	4 177	6 266	74 574	0
Realinvest Group	21.9	21.9	197 456	21.9	7 520 000	188 000	188 000	15 000
Tenco Group	50.0	50.0	427	50.0	1 000	1 000	1 000	989
Tullin Parkki Oy	45.1	30.0	6 710	45.1	246	25	5 448	-778
Hotellipankki Oy	24.7	24.7	397					1
Vaajakosken Tullitikkutehdas Oy	33.3	33.3	710	33.3	5	500	500	3
Other companies (13 pcs)			216			728	1 467	-223
Total			431 349			264 029	369 932	19 324
Other associated companies (2 pcs) (under stocks)			1 553			21	3 538	4
Other shares owned by the Parent Company								
Paper and State Housing Board Companies						289	289	
Cervuctum Oy				18.8	150 000	15 000	0	
Sato-Yhtymä Oyj				8.7	190 220	1 902	36 875	
Polar-Yhtymä Oy				4.4	5 305 272	53 053	25 465	
Other companies						9 197	40 566	
Total						79 441	103 195	
Total under fixed assets						1 182 805	1 811 954	
Total under stocks						21 260	43 946	
SOK-CORPORATION								
FIM million			1997	1996		1997	SOK	1996
13. Taxable values of fixed assets								
Land and water			534.0	528.4		72.2		74.4
Buildings			699.1	682.5		28.0		31.2
Shares in corporate companies						1 125.6		1 146.7
Shares in associated companies			436.6	375.3		436.2		374.6
Shares and holdings			109.2	100.8		95.8		86.5

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
14. Non-current investments and loan receivables				
Corporate companies				
Shares and holdings			1 338.8	1 220.7
Loan receivables			1 512.4	1 489.8
Total			2 851.2	2 710.5
Commitments for stabilising corporate company liabilities			475.1	608.9
Associated companies				
Shares and holdings	377.6	336.9	369.9	365.1
Loan receivables	63.0	73.5	62.9	73.4
Total	440.6	410.4	432.8	438.5
15. Current assets				
Receivables due after one year or a longer period				
Trade receivables	58.5	3.2		
Prepaid expenses and accrued income	7.6	5.0	5.6	3.5
Other receivables	2.7	6.1	2.6	6.0
Total	68.8	14.3	8.2	9.5
Receivables from corporate companies				
Trade receivables			50.2	45.1
Prepaid expenses and accrued income			16.6	26.7
Current investments			238.5	226.1
Total			305.3	297.9
Receivables from associated companies				
Trade receivables	15.2	9.8	13.9	9.4
Loan receivables	9.0		9.0	
Prepaid expenses and accrued income	1.4	1.4	0.7	0.7
Current investments	2.2	8.1	2.2	8.1
Total	27.8	19.3	25.8	18.2
16. Capital and reserves				
Restricted equity				
Share capital at 1.1.	194.9	166.1	194.9	166.1
Increase 1.1.-31.12.	32.0	28.8	32.0	28.8
Share capital at 31.12.	226.9	194.9	226.9	194.9
Share capital due will accrue in 1998-2001	13.3	26.9	13.3	26.9
Additional share capital at 1.1.				
Increase 1.1.-31.12.	15.0		15.0	
Additional share capital at 31.12.	15.0		15.0	
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.	621.7	622.7	71.2	72.2
Decrease in connection with sale of fixed assets		-1.0		-1.0
Increase 1.1.-31.12.	30.0			
Decrease 1.1.-31.12.	-30.0		-30.0	
Revaluation fund at 31.12.	621.7	621.7	41.2	71.2
Non-restricted equity				
Non-restricted equity at 1.1.	248.5	231.6	1 326.3	1 317.0
Interest on share capital	-13.2	-12.8	-13.2	-12.8
Donations	-0.1	-0.1	-0.1	-0.1
Other change		1.4		
Part transferred from accelerated depreciation and voluntary provisions	95.3			
Retained earnings at 31.12.	330.5	220.1	1 313.0	1 304.2
Profit for the period	174.2	28.4	171.5	22.1
Total non-restricted equity	504.7	248.5	1 484.5	1 326.3

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
17. Provisions (Divided between capital and reserves and a deferred tax liability for 1997)				
Accelerated depreciation				
Intangible rights	6.7	5.7	2.6	3.3
Goodwill	3.3	0.8		
Other capitalised expenditure	6.3	5.6	0.9	1.4
Buildings and constructions	85.0	48.7	3.4	2.9
Machinery and equipment	33.2	28.1	8.9	11.7
Other tangible assets	0.4	0.1	0.3	
Total	134.9	89.0	16.1	19.3
Voluntary provisions				
Transition provisions		54.6		
Housing provisions	0.4	0.3		
Total	0.4	54.9		
Deferred tax liability	37.9	15.4		
Obligatory provisions				
Rent expenses against empty business premises	76.5	83.7	68.3	71.1
Other future expenses	31.1	9.3	20.5	
Total	107.6	93.0	88.8	71.1
18. Creditors				
Liabilities due after five years or longer				
Capital loan	120.0	120.0	120.0	120.0
Loans from credit institutions	4.2	100.9	4.2	100.9
Pension loans	405.4	449.4	360.4	385.5
Other non-current liabilities	14.0	106.3	14.0	106.3
Total	543.6	776.6	498.6	712.7
1996 Debenture Loan				
Main loan terms:				
<ul style="list-style-type: none"> • Nominal value FIM 120 million. • Loan period 10 years. The date for redemption may be May 22nd, 2006, provided there remains full coverage for the restricted equity. In the event that the redemption conditions are not fulfilled, the period can be extended for a year at a time. • SOK has the unilateral right to repay the loan with interest at the nominal value already after 7 years on the interest payment day, and even earlier provided there remains full coverage for the restricted equity. The bearer of the debenture has not the right to withdraw or demand that the debenture capital be redeemed before due. • The interest for the first 10 interest periods is fixed at 9.75 %, after which time it is 5 percentage points above the 12 month Helibor rate. Interest may only be paid to the extent that payment does not exceed the amount of SOK's distributable profit on the unrestricted equity. • Any interest remaining unpaid shall remain a charge against SOK's assets on which interest shall be paid. This interest is to be paid before payment of interest on share capital or the distribution of the profit. • The loan is unsecured. In the event of the possible liquidation or bankruptcy of SOK, debenture bearer claims have a lower priority than other SOK's obligations and equal priority with any other possible SOK capital loans. No claims based on the loan may be set off against any counter-claims. 				
Liabilities to corporate companies				
Other non-current liabilities				7.5
Trade payables			116.0	90.5
Accrued liabilities and deferred income			6.8	34.5
Other current liabilities			542.2	616.9
Total			665.0	749.4
Liabilities to associated companies				
Other non-current liabilities	0.5	11.7	0.5	11.7
Trade payables	187.8	149.6	180.6	142.6
Accrued liabilities and deferred income	0.5	0.5	0.2	0.4
Other current liabilities	45.3	26.3	45.3	26.3
Total	234.1	188.1	226.6	181.0
Bonds				
SOK's foreign floating rate notes 1997	135.5		135.5	
Main loan terms:				
<ul style="list-style-type: none"> • Nominal value USD 25 million • Date of withdrawal 22.1.1997 • Loan period four years, bullet • Early redemption at option of issuer • Interest rate three month LIBOR • The loan is unsecured 				

FIM million	SOK-CORPORATION		SOK	
	1997	1996	1997	1996
19. Contingent liabilities				
Pledges and contingent liabilities				
For own liabilities				
Pledges	430.8	418.7	327.9	329.3
Mortgages	214.9	323.4	28.2	36.0
Total	645.7	742.1	356.1	365.3
For corporate companies' liabilities				
Pledges	71.7	71.7	71.7	71.7
Mortgages	848.9	1 049.4		13.1
Guarantees			455.4 *	459.5 *
Total	920.6	1 121.1	527.1	544.3
For associated companies' liabilities				
Pledges	6.7	1.8	6.7	1.8
Mortgages	12.0	11.8	5.0	6.8
Guarantees	65.9	83.8	23.4 *	28.5 *
Total	84.6	97.4	35.1	37.1
* Includes liabilities to corporate companies for redemption of mortgage securities				
For cooperative societies				
Pledges	3.8	3.8	3.8	3.8
Mortgages		0.2		0.2
Guarantees	129.4	168.2	25.0	25.0
Total	133.2	172.2	28.8	29.0
For others				
Guarantees	1.0	16.2	1.0	16.2
Total	1.0	16.2	1.0	16.2
Other own contingent liabilities				
Leasing liabilities	14.9	19.9	3.0	2.9
Repurchasing liabilities	282.4	222.5	162.5	77.2
Installment liabilities	113.4	82.0		
Other liabilities		0.2		
Total	410.7	324.6	165.5	80.1
Pension liabilities				
Uncovered joint liability on voluntary pension commitments of FIM 28.6 million (1996 FIM 145.8 million).				
Liability under derivative contracts				
	Value of underlying asset 31.12.1997	Market value 31.12.1997		
Forward Rate Agreements	1 295.4	0.4		
Interest options				
Purchased	4 909.0	0.6		
Written	1 259.0	-0.1		
Interest rate swaps	705.5	4.6		
Currency forwards	983.2	12.4		
Stock forwards	30.3	-0.2		
Stock options				
Written	11.3	0.2		
In examining the overall risk position account should be taken of the position of the hedged balance sheet items in addition to the derivatives.				
The principles observed in calculating market values:				
<ul style="list-style-type: none"> • The market value of interest rate swaps is estimated on the basis of the present value of future cash flows. • In determining the market value of other derivative contracts the market value on the balance sheet date is used. 				

SOK CORPORATION KEY RATIOS 1993-1997

	1993	1994	1995	1996	1997
Net sales	10 327	11 206	10 325	11 498	12 377
Operating profit					
FIM million	229	307	316	117	268
% of net sales	2.2	2.7	3.1	1.0	2.2
Profit/loss before extraordinary items, voluntary provisions and income taxes					
FIM million	-145	73	91	42	137
% of net sales	-1.4	0.7	0.9	0.4	1.1
Profit/loss before voluntary provisions and income taxes					
FIM million	-271	64	89	33	138
% of net sales	-2.6	0.6	0.9	0.3	1.1
Return on equity, %	-2.6	12.9	16.7	3.2	14.3
Return on investment, %	7.7	8.8	10.4	5.5	8.4
Equity ratio, % ¹⁾	17.6	19.6	21.9	23.7	23.9
Gross investment in fixed assets					
FIM million	1 111	366	251	423	374
% of net sales	10.8	3.3	2.4	3.7	3.0
Gearing, %	208	142	105	112	99
Personnel average for the year	5 323	4 949	4 136	4 211	4 375

CALCULATION OF KEY RATIOS

$$\text{Return on equity, \%} = \frac{\text{Profit/loss after financial items + depreciation on investments - income taxes}}{\text{Capital and reserves + minority interest (+ untaxed provisions 1993-1996), average}} \times 100$$

$$\text{Return on investment, \%} = \frac{\text{Profit/loss after financial items + interest and other financial expenses + depreciation on investments}}{\text{Total assets - interest-free liabilities - obligatory provisions, average}} \times 100$$

	1993	1994	1995	1996	1997
Interest-free liabilities FIM million	1 532	1 570	1 737	1 759	1 953

$$\text{Equity ratio \%} = \frac{\text{Capital and reserves + minority interest (+ untaxed provisions 1993-1996)}}{\text{Total assets - advances received}} \times 100$$

¹⁾ If the capital loan entered under liabilities in the balance sheet is considered as comparable to capital and reserves, the equity ratio for 1997 was 25.8 %.

$$\text{Gross investment in fixed assets} = \text{Increase in fixed assets + increase in fixed assets due to changes in corporation structure}$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities - liquid funds}}{\text{Capital and reserves + minority interest (+ untaxed provisions 1993-1996)}} \times 100$$

The average personnel for the year Calculated on the basis of the monthly averages.

PROPOSAL OF THE EXECUTIVE BOARD

CONCERNING THE USE OF SOK'S PROFIT FOR THE YEAR

The Executive Board proposes that the profit for the fiscal year of FIM 171 539 900.60 be used as follow:

- be paid interest on additional share capital	FIM	277 921.23
- an interest of 8 % be declared on shares fully paid up by cooperative societies by the beginning of the year	FIM	15 588 000.00
- be transferred to the Supervisory Board's disposal fund	FIM	200 000.00
- be left in the profit account	FIM	155 473 979.37

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

Share capital	FIM	226 933 800.00
Additional share capital	FIM	15 000 000.00
Reserve fund	FIM	65 081 200.00
Revaluation fund	FIM	41 210 000.00
Disposal fund	FIM	1 254 275 860.08
Supervisory Board's Disposal fund	FIM	347 161.20
Profit account	FIM	214 000 543.86
Total	FIM	1 816 848 565.14

Helsinki, March 19, 1998



Jere Lahti



Eero Kolamo



Veikko Autio



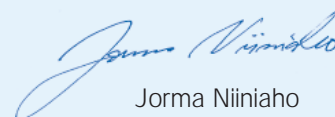
Martti Euro




Leo Laukkanen



Kalevi Liukkonen



Jorma Niiniahho



Jukka Salminen

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. - 31.12.1997. 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. 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 profit of FIM 171,539,900.60 and the consolidated accounts which show an unrestricted equity of FIM 504,695,509.95, have been drawn up in accordance with the Accounting Act and other relevant reg-

ulations 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. 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 25, 1998

Jorma Jäske
CPA

Tapani Rotola-Pukkila
CPA

Juhani Heiskanen
CPA

STATEMENT OF THE SUPERVISORY BOARD

In accordance with § 18, subsection 1, paragraph 2, of the rules of SOK, the Supervisory Board has today examined the report of the Executive Board for 1997, together with the related financial statements and proposal for using the profit, 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: Eino Laak-

sonen, Eino Tenhunen, Simo Kutinlahti, Kalle Lähdesmäki, Matti Vanto, Tuomo Saloniemi, Jouko Vehmas and Håkan Smeds. The Annual General Meeting shall elect members to replace them for the following term of three years.

Helsinki, March 30, 1998

SUOMEN OSUUSKAUPPOJEN
KESKUSKUNTA

On behalf of the Supervisory Board

Kari Neilimo
Chairman

Osmo Maunuksela
Secretary

FIELD DIVISION



Eero Kolamo

The Field Division consisted of three branches: supermarkets and service stations, hotels and restaurants, and the agricultural and automobile trade. In addition the Division included Marketing and Customer-Owner Services. The Division was led by Eero Kolamo.

The value of sales in the national grocery trade is estimated to have grown by some 2.5 %. That for the S Group grew considerably faster, by 10.9 %, which meant an expansion of its share of the market for the seventh year running. The Group's share of the grocery market increased from 23.3 to about 25 %.

The hotel and restaurant business expanded faster than the retail trade. Licensed restaurant sales rose by about 7 % and hotel sales by some 11 %. The occupancy rate increased by 2.5 percentage points to a good 48 %. S Group licensed restaurant sales expanded by over 7 % and hotel sales by 16 %. The Group hotel occupancy rate of 58.5 % was almost 6 percentage points higher than the year before. The Group thus managed to increase its market share in the licensed restaurant and hotel businesses.

There was a modest improvement in the agricultural business. Increased sales were recorded in the machine business and the seed and grain trade, but fertilizer sales slumped. The Group maintained its leading position in the agricultural business.

The number of service stations in Finland remained unchanged. Unmanned stations increased slightly and there were a good 500 of them at the end of the year. Likewise the number of food stores attached to service stations grew to 180 at year end. Petrol consumption was up by 2.5 % over the previous year. The S Group again managed to improve its market position in the fuel trade.

The automobile business continued to be one of the fastest growing sectors within the Finnish retail trade. Some 104 500 new cars were sold. Peugeot

managed to lightly improve its market share.

Hankkija Agriculture Ltd

Hankkija Agriculture Ltd's turnover amounted to FIM 3 155 million, up 6.9 %. The company operated in a favourable environment as there was a slight improvement in the agricultural markets. Pent-up demand from the slump in the early 1990s erupted during the year in a flood of plants and machinery investments. Fiercer competition, however, meant lower margins. The toughest fields were in the fertilizer and feed trades.

With the contraction of the fertilizer market, the company's delivery volumes fell by 6 % yet it managed to expand its market share despite tougher competition. Brisk sales in the latter months of the year enabled budgeted sales of pesticides to be overtaken. After years of depressed sales, the seed trade took off once the seasonal pricing system had been upgraded and the advantages of using certified sowing seeds appreciated. The company invested in a new sack-packing line and seed dressing machinery at its seed centre. The feed trade did not come up to expectations.

The autumn grain buying campaign was successful and record quantities were purchased during the short harvesting season. The grain trade expanded by 13 %.

As in the previous year, the fastest growing area in the agricultural machine trade was farm implements. The sales budget was easily overtaken and there was even a 19 % growth quantities sold. The chain's share of the machine market strengthened. Tractor and harvester sales were up by 18 %. In respect to combine harvesters, the Agrimarket chain dominates the market with a 66 % share. Tractor sales increased by 900 to a total of 5 888 for the year. The market share for the chain's own Massey Fer-

guson and John Deere tractors was 17.5 %.

Garden trade sales grew by 11 %. Farm buildings were the main area of focus in the hardware trade. Jonsered chain saws and garden machines were taken into the range at the end of the year. The 15 % increase in hardware sales volumes was higher than the national average.

With the help of major on-going development projects it is hoped to improve cost-effectivity and customer service in the agricultural business. A quality programme will be introduced in the grain trade in time for the 1998 harvesting season. Work has also begun on drawing up an environmental programme for the Agrimarket chain.

The bonus system has now been in operation for two years and applies to store purchases by S Privilege Card holders. Bonus purchases increased by 35 % during the year. In addition, an Agribonus of 0.5 % on purchases of capital goods and machines amounting to at least FIM 30 000 a year. The Agribonus is part of the Agrimarket chain's regular customer scheme aimed at producing added value to loyal customers.

During the year, 17 outlets were refurbished and nine others relocated. At year end there were 24 Agrimarkets and 88 Agrimarket stores in the chain's network. In addition, the chain included 7 Agrimarkets and 27 stores belonging to the regional societies.

Three cooperative societies relinquished their hardware stores and these were joined to the chain. As from the beginning of the year, the company's grain buying organisation was transferred to the Agrimarket chain. Responsibility for drawing up contracts, purchasing and storage was likewise transferred to the Agrimarkets and stores. At the end of the year, an agreement was signed to transfer the agricultural operations of the Lammi cooperative society to the company as from January 1st 1998.

At the end of the year the company had 704 employees, an increase of 22 largely as the result of mergers.

1997	FIM million	Change
Net sales	3 155	+204
Operating profit before depreciation	90.1	-4.1
Operating profit	70.3	+4.4
Profit after financial items	71.6	+9.6

Oy Sokoteria Ab

Oy Sokoteria Ab is SOK's subsidiary in the hotel and restaurant business, with 13 hotels throughout Finland. It accounts for about one third of total Sokos Hotels sales and rooms.

In addition, the company leased the operation of the Sokos Hotel Seurahuone, Lahti, from Lahden Uusi Seurahuone Oy from May 1st onwards. Lahden Uusi Seurahuone Oy will be merged into Oy Sokoteria Ab during the early part of 1998.

Work continued on refurbishing the Sokos Hotel Iives, Tampere, begun in 1996 and is expected to be completed during 1998. A similar project for the tower wing of the Sokos Hotel Royal Waasa, Vaasa, was begun and should be ready by early 1998. The dining restaurant of the Sokos Hotel Vaakuna, Pori, was renovated in November. The renovation of Sokos Hotel Tammer, Tampere, was completed in the same month.

Efforts to improve sales and quality, and guarantee cost effectivity were continued. Important areas of emphasis were enhancing customer satisfaction and fine-tuning business concepts. Staff training was another key area of development.

The company had 694 employees on its payroll.

1997	FIM million	Change
Net sales	419	+39
Operating profit before depreciation	60.1	+12.0
Operating profit	45.2	+18.3
Profit after financial items	47.0	+17.7

Helsinki Hotels Oy

Helsinki Hotels Oy is in the hotel and restaurant business in the Greater Helsinki area. It now has only 6 hotels since the sale of the Sokos Hotel Hesperia's operations to Royal Hotels Oy on October 1st.

In accordance with a contract signed on January 2nd 1998, SOK has purchased HOK's ten per cent holding in the company, after which it will be a 100 % owned SOK subsidiary.

Work on the extension and new restaurants for the Sokos Hotel Helsinki continued in the early months of the year. The room refurbishing was completed in June and the new restaurants opened in November. Improvements were made to the night club during the last quarter of the year. The 1st floor restaurants and meeting rooms on the Sokos Hotel Hesperia were refurbished during the summer months. After repairs, the Sokos Hotel Vaakuna's Memphis restaurant was reopened in May and the Memphis Coffee House in October. A Memphis restaurant is also being planned for the Sokos Hotel Klaus Kurki and the decision will be taken in spring 1998. The offices in the Sokos Hotel Tapiola Garden were converted into guest rooms.

Efforts to improve sales and quality, and guarantee cost effectivity were continued. Important areas of emphasis were enhancing customer satisfaction and fine-tuning business concepts. Staff training was another key area of development.

The company had 317 employees on its payroll.

1997	FIM million	Change
Net sales	308	+37
Operating profit before depreciation	58.9	+31.0
Operating profit	35.5	+26.1
Profit after financial items	33.3 *	+24.9

* Includes FIM 15.4 million income on inter-corporate goodwill.

Royal Hotels Oy

Royal Hotels Oy is a 100 % owned SOK subsidiary in the hotel and restaurant business. It has two hotels in Helsinki operating under the Radisson SAS trademark. Two more hotels are on the way: one in Vaasa at the end of 1998 and the other in Helsinki in summer 1999. By the end of 2001 the company will have 7-8 hotels.

SOK and Radisson SAS Hotels Worldwide signed an agreement on August 31st according to which SOK has sole right to operate under the Radisson SAS trademark in Finland for 15 years. At the beginning, the Radisson SAS chain will operate under a management agreement, but later on the basis of a SOK franchise agreement. Under the agree-

ment, Royal Hotels purchased the operations of the Radisson SAS Royal hotel from Kamppi Hotel Oy on August 31st and Hotel Hesperia from Helsinki Hotels Oy on October 1st.

As the company was only operating for four months during the year, its net sales came to only FIM 48.6 million. At year end there were 275 employees on the payroll.

Others hotel companies

Hämeenmaan Hotellit Oy is a SOK subsidiary operating four hotels in the Häme area. The operations of the Sokos Hotel Ascot were relinquished in September. On January 1st 1998 the company sold the operations of the Sokos Hotel Vaakuna, Hämeenlinna, to Oy Sokoteria Ab and the restaurant operations of the Riihimäki Seurahuone to the Lahti co-operative society. The company's net sales totalled FIM 38.6 million and it employed a staff of 59.

Hotel City Vantaa Oy is an SOK subsidiary responsible for operating an hotel in Tikkurila, Vantaa. The company's net sales came to FIM 50.5 million, up 27.6 %, and had 48 employees on its payroll.

Lahden Uusi Seurahuone Oy is a subsidiary of Oy Sokoteria Ab and owns an hotel in Lahti. The company's operations and related assets and premises were leased on May 1st to the parent company. Since then the company has only had business and leasing operations, and is at present going into voluntary liquidation. This should be completed early in 1998 at which time the operations, assets and residual liabilities will be handed over to Oy Sokoteria Ab. The company's net sales totalled FIM 7.8 million before going into liquidation. The staff of 64 at April 30th transferred to Oy Sokoteria Ab when the operations were leased. Since then the company has had no employees of its own.

Oy Maan Auto Ab

The company is an SOK subsidiary, importing and marketing Peugeot cars, spare parts and accessories through a network of dealers in Finland and Estonia. At the end of the year there were 37 dealerships, of which 7 were owned by Automaa Oy, 17 by the regional societies and 13 privately.

Peugeot car sales grew by 9.7 % to 5 613 and their share of the market from 5.3 to 5.4 %. The Peugeot 306 Family Wagon appeared in Finland in the autumn, thus extending Peugeot's range in the all-important family car market.



The number of customer-owner families in the S Group has reached 600 000 already. During the year they received FIM 258 million in bonus payments from the cooperative societies and SOK.

Peugeot's range of vans was widened in the spring with the light deliveries Peugeot Partner. Van sales doubled to 317 and Peugeot's share of the market from 1.8 to 2.7 %.

Exports of new Peugeot cars expanded strongly, especially to Estonia. The number sold increased from 347 in 1996 to 657.

The company concentrated on training dealers to exploit the market potential of new models thus improving their marketing effort.

Net sales increased by 13.7 % to FIM 724 million. Higher sales, reduced financing costs and a strong markka all contributed to improving the company's overall performance. Personnel at year end totalled 52.

1997	FIM million	Change
Net sales	724	+87
Operating profit before depreciation	24.1	+1.8
Operating profit	21.8	+2.6
Profit after financial items	24.3	+6.6

Automaa Oy

The company is a SOK subsidiary retailing Peugeot cars in Helsinki, Espoo, Vantaa, Tampere, Jyväskylä and Hämeenlinna, and from January 1st 1998 also in Turku. The company also represents Nissan in Hämeenlinna.

The company relinquished its Forssa outlet on January 1st and purchased Turun Valtavaunu Oy on December 31st. The customer-owner bonus system operates in all outlets.

Sales of new Peugeot cars were as follows: Helsinki 694, Espoo 508, Vantaa 312, Jyväskylä 330, Tampere 346 and Hämeenlinna 125, a total of 2 315. In addition, 161 Nissan cars were sold in Hämeenlinna.

Peugeot's share of the market in the company's area of operation increased from 5.2 to 5.3 %. The number of employees at year was 231.

1997	FIM million	Change
Net sales	453	+36
Operating loss before depreciation	-0.4	+3.8
Operating loss	-2.8	+3.4
Profit after financial items	-3.4	+4.1

Hämeenmaan Automarket Oy

Hämeenmaan Automarket Oy, established by SOK and the Lahti cooperative society, is responsible for the supermarket business in the society's area. It is a 90 % SOK owned subsidiary, the operative management of which is in the hands of the local society.

Responsibility for running the S Markets in the Lahti and Hämeenlinna Sokos department stores was transferred to the company on January 1st. During the year new a S Market was opened in Riihimäki and a Prisma hypermarket in Laune, Lahti. In addition the company also has a Prisma store in Hämeenlinna.

The company's net sales totalled FIM 253 million and it employed a staff at year end of 230.

Market Chain Management

The unit is responsible for developing and guiding the S Market, Prisma and Sale outlets and the whole S Group's grocery trade.

Combined Group supermarket sales were FIM 15 380 million, a growth of 11.8 %. The grocery trade expanded by 10.9 % to FIM 13 512 million. The Group's market share again increased and is estimated to be 25 %. All chains performed well during the year.

With 264 outlets, an increase of ten, the S Market remains the largest grocery chain within the Group. Sales amounted to FIM 7 699 million, up 14.1 %, with those in its main lines growing by 15 %.

Prisma hypermarkets continued their strong growth. Sales totalled FIM 5 598 million, up 12.9 %. Grocery sales increased by 12.6 % and consumer goods by 12.7 %. During the year two new outlets were opened bringing the total up to 32.

The number of outlets in the Sale chain grew by three to 165. Sales increased by 7.6 % to FIM 1 072 million. Responsibility for operating the Alepa chain in the Greater Helsinki area rests with the local society HOK. Sales amounted to FIM 715 million.

Work continued on developing the network of chain outlets. New Prismas were opened in Lahti and Turku. Major new S Markets were opened in Konala in Helsinki, Olari in Espoo, the Zeppelin shopping mall in Kempele, Herukka in Oulu, Sarankulma in Tampere, and Riihimäki.

The supermarkets developed well, market positions and performance improved and customers were satisfied. During the year, business ideas for Prismas and S Markets were revised, documented and distributed to the field. The consumer goods support system for the chains provided the basis for developing a new range strategy. A new strategy was drawn up for data control in the sector.

Sokotel Oy

Sokotel Oy is the marketing and development company for the S Group's hotel and restaurant business. Its task is to create new business ideas, form chains and guide their operations. The company is also responsible for chain marketing and sales guidance, as well as developing logistics and information systems for the whole sector.

Combined S Group hotel and restaurant sales were FIM 2.2 billion, an increase of 8.9 %. The sector significantly improved its performance. The Group had a total of 263 hotels and restaurants.

The Sokos Hotels chain consisted of 41 hotels. With its reputation for reliability and familiar presence in all major towns, the chain is guaranteed its market leadership in Finland. Chain sales were FIM 1.2 billion, a growth of 11.5 %. The occupancy rate was 58.5 %, which was clearly higher than the national average.

In the autumn, SOK entered into an agreement with the international hotel chain Radisson SAS. By the end of the year there were two hotels in the Radisson SAS chain, the Radisson SAS Roy-

al Hotel Helsinki and the Radisson SAS Hesperia Hotel Helsinki.

There are 104 restaurants in the S Group's chains. The largest chain is Rosso, which operates 43 cosy family restaurants throughout the country. Other national chains include Fransmanni, which operates within Sokos hotels, and Amarillo, Sevilla and Memphis. During the year 9 new chain restaurants were opened. Total restaurant sales were FIM 620 million, up 8.3 %. Profitability remained good.

Sokotel Oy's net sales totalled FIM 26.7 million and it employed a staff of 34 at year end.

Ässähuoltamot Oy

Ässähuoltamot Oy is the development company for the S Group's service station operations. Its main task is to offer support and guidance to regional cooperative societies operating in this field.

The number of cooperative-run petrol stations at the end of the year was 212, a net increase of 4. Of these 107 were full-service outlets with shops attached and 105 unmanned stations. Oy Shell Ab is the main oil-company partner, with a share of 62 %. Total sales came to FIM 2 138 million, up 11.8 %.

During the year the company concentrated on developing and implementing new business concepts, the extension of the systems base to all units, site acquisition, and assisting in the planning and building of full-service and unmanned stations. The societies opened 8 new full-service outlets. These were Shell stations in Tammisilta in Paimio, Hannikaisenkatu in Jyväskylä, Nastola, Marjahaka in Iisalmi, Valtionkatu in Seinäjoki and Sodankylä, and Esso stations in Masuuni in Karkkila and Nikkilä. In addition, there were significant extensions to full-service outlets, many new unmanned stations opened, and existing stations refurbished in accordance with chain concepts.

The S Group's petrol business developed favourably and its market share increased to over 10 %. This was mainly due to the expansion of the network, but also because customer-owners have increasingly concentrated their purchases in S Group service stations.

Ässähuoltamot Oy's turnover from chain and opening charges on service stations was FIM 3.8 million and it employed a staff of five.

Marketing and Customer-Owner Services

Marketing Services is the internal advertising agency for the S Group. It designs and realises advertising for the Group, its chains and subsidiaries, and the regional societies, making full use of the latest developments in information technology and networks.

The unit's output increased over the previous year. Its main clients were the Prisma and Sokos chains for whom it produced catalogues, brochures and press adverts. It helped Customer-Owner Services in their work and collaborated with them in the "Your Benefits in Finland" campaign. The unit also promoted the launching of new chain outlets in collaboration with the regional societies.

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

A new customer-owner programme was completed in April, which laid down the lines and objectives for future developments.

Between January and June, the regional societies took into use the new data systems for membership and savings fund administration. Despite the tight schedule and wide coverage - all regional societies, members and savings accounts were included - the systems proved highly successful. These enable customer-owners to be served throughout the country within a single system and also the development of multi-media interactive communications.

New characteristics were added to balance control instruments were developed during the year to facilitate use of the S Privilege Card. Customers may now check their S Account and S Credit balances, credit limits and bonus payments on a statement terminal in the shops. Automat technology was improved and can now be accessed by phone. Statements can now also be obtained on GSM phones and as from the beginning of April 1998 on a home pc via the Internet.

Important partnerships were begun with the Hassen Matkat Oy travel agency and Silmäasemat Marketing Oy opticians. The aim is to increase interest in the customer-owner concept by extending the range of services and benefits to travel and optics. Nation-wide agreements were signed in June and by the end of

the year they embraced 19 regional societies.

The number of members in the regional societies at year end was 589 591, of whom almost 550 000 were customer-owners within the bonus system, an increase of 72 903. S Privilege Card bonus purchases amounted to FIM 11.3 billion, a growth of 22 %, of which FIM 258 million was returned in bonuses. The number of S Privilege Cards in use was about 1.4 million, of which about 250 000 had credit facilities.

Customer-owners received a monthly personalised letter from the management of their regional society, enclosing their bonus and S Account statements, and the Yhteishyvä magazine. It also included information about products and services offered by the S Group.



An agreement on cooperation between SOK and Radisson SAS Hotels Worldwide was signed in August. At the same time the operations of the Radisson SAS hotel in Kamppi, Helsinki, were transferred to SOK.

SPECIALTY STORES DIVISION



Olavi Kuusela

The Specialty Stores Division consisted of the SOK subsidiaries Oy Sokos Ab, Intrade Partners Oy and Kuusinen Oy. It was led by Olavi Kuusela.

It is estimated that the consumer goods trade expanded by less than 4 % during the year, whereas the specialty stores trade is reckoned to have grown by a good 5 %. Sales of domestic appliances, sports and leisure goods were particularly brisk. After taking the structural changes into consideration, the Sokos chain performed well with comparable sales increasing by 6.6 %. The national department store and hypermarket trade growing by 5.9 %.

Oy Sokos Ab

This was Oy Sokos Ab's first full year of operation. The changes carried out to the network involved converting the department stores in Hämeenlinna, Lappeenranta, Kouvola, Oulu and Seinäjoki into Sokos Fashion stores. At year-end the company had 9 Sokos department stores and 8 Sokos Fashion stores, plus the Ruljanssi remainders store in Helsinki's East Centre shopping mall. In addition the chain had 6 Sokos stores in the ownership of regional societies and the Sokos department store in Tallinn, Estonia, owned jointly by SOK and the German Kaufhof Warenhaus AG. The Vaasa department store was closed at the beginning of the year and later the decision was taken to close the Ruljanssi store in February 1998.

Although the company's net sales fell to FIM 1 212 million, largely as the result of the above mentioned changes, due to strict cost control its performance improved by over FIM 70 million.

Investments during the year concentrated on developing the operations of several department and fashion stores. Major refurbishings were carried out in the Tampere and Lahti department stores and the Oulu and Seinäjoki Sokos Fashion stores. The tunnel under the road connecting Sokos to the Forum shop-

ping mall in Helsinki was completed at the end of the year and considerably helped customer traffic. In autumn the decision to refurbish and expand the Tapiola department store was taken and work will begin in spring 1998 and is expected to be completed in time for the Christmas market.

The most important areas of development in the chain's operations are customer service and a clear-cut product concept. Work continued on upgrading the Sokos Fashion concept by producing a new operations model and defining its core areas. The operation of the regional societies' Sokos stores is largely based on the range concept used in the fashion stores.

During the year a marketing calendar was planned with the aim of reconciling customer needs and life-patterns with Sokos ranges. Improved store milieus and displays helped promote customer-friendly services. As part of Sokos' "Best Service" concept campaign, a dressing service was launched and dress experts trained in each outlet. In Helsinki, an agreement on joint marketing was signed with the Chiasma Museum of Contemporary Art to be opened in spring 1998.

Sourcing operations were improved by the transfer of these functions to Intrade Partners Oy on November 1st. In the field of logistics, control over goods flow was considerably improved through the automatic transfer of deliveries to unit displays. Data systems were upgraded to improve goods management and operations. The installation of new point-of-sale systems in the department stores was carried during the year and will continue in the other outlets in spring 1998.

The number of employees at year-end was 1 276, a decrease of 417 due to changes in the network.

1997	FIM million	Change
Net sales	1 212	-149
Operating loss before depreciation	-18.5	+65.2
Operating loss	-52.0	+54.7
Loss after financial items	-54.6	+71.4

Intrade Partners Oy

Intrade Partners Oy is responsible for sourcing home, clothing and leisure goods for the S Group's chains. Its largest clients were the Prisma and S Market chains and from the end of the year also the Sokos department stores and Sokos Fashion stores. Among its other clients were the Sale, Alepa and Agrimarket chains, and the service-station stores. The company also supplied shop furnishings to S Group outlets, and textiles and restaurant equipment also to outside customers.

The decision was taken in the spring to merge the consumer goods sourcing functions of Oy Sokos Ab. As a result, 55 employees transferred to Intrade Partners with effect from April 1st. Responsibility for sourcing operations was transferred to Intrade Partners on October 1st. Initially this covered the sourcing of home, clothing and leisure goods; that for cosmetics will be transferred during spring 1998. The aim is to effect a saving in costs through larger purchase volumes, as well as improve purchasing expertise.

In the spring, the company and Oy Sokos Ab signed an agreement to work together with Gemex Trading Limited of Hong Kong, with the aim of developing sourcing operations in the Far East and discovering new suppliers. The agreement will come into force at the beginning of 1998. Already at the beginning of 1997 the company began collaborating with Gemex Trading AG in sourcing operations in Europe.

At the end of the year it was decided to reorganise a number of operations with-

in the S Group. Several core product groups in the grocery trade will be transferred to Inex Partners Oy at the beginning of 1998. Offer sales will transfer to SOK's new subsidiary Rainex Yrityspalvelu Oy at the same time. It was further decided that the hardware sourcing operations of Rainex Partners Oy, purchased by SOK, will be transferred to Intrade Partners Oy in autumn 1998.

Increases in the sale of consumer goods in the S Group's chains and the opening of two new Prisma hypermarkets were the main reasons for the growth in delivery volumes by the company. There was a particularly powerful increase in terminal deliveries. Intrade Partners Oy had a staff of 170 at the end of the year.

1997	FIM million	Change
Net sales	1 098	+166
Operating profit before depreciation	8.1	+0.6
Operating profit	5.1	+0.4
Profit after financial items	7.5	-0.1

Kuusinen Oy

Kuusinen's three stores in central Helsinki sell international brand fashions and footwear for ladies and men. The company's net sales were FIM 48.5 million, an increase of 9.5 %, and it showed a profit for the year. Personnel at year-end totalled 47.



ADMINISTRATIVE DIVISION



Jukka Salminen

The Administrative Division was responsible for the accounting, financing, real estate, logistics and information systems, 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 guidelines on financial control within the S Group in such fields as internal accounting, bookkeeping, closing the books and taxation, as well as providing other services.

Work on changing the forms of accounts and differentiating between internal and external reporting required by accounting legislation with a view to their introduction at the beginning of 1998. SOK took into use an electronic document management system for production accounting, which will replace filing paper as well as material coming from outside and report data produced by the system. Similarly, the system will replace the microfilm archives of the invoicing system for direct deliveries to chain units. The extension of the electronic document management system to other data and in other parts of the S Group is under way.

The project for improved interface reporting on daily sales, margins and various other criteria to group and unit management was brought into use.

Scheduled deliveries were made to ten regional societies of the new accounting system and followed up with training and advice. Further deliveries will be made in 1998 by which time all regional societies will be operating the new system. Network operability and securing audit-trail have required most attention.

Finance

The function of this unit is to arrange financing for the SOK Corporation. Following developments on the money market, its corporate bank acts on behalf of both the cooperative societies and Corporation units.

Diversification of the Corporation's financing continued in respect to sources and instruments.

Following amendments to the rules in the spring, SOK adopted the additional share payment system. Additional share payments are a form of equity financing by the cooperative societies.

Interest risks on the Corporation's floating-rate loans were fully protected by interest options and hedging operations were carried out to secure loans in foreign currencies. Derivatives were used almost exclusively to hedge against financial risks.

SOK-Takaas Oy issued guarantees to the societies and SOK's subsidiaries. At year-end these stood at FIM 390 million, a reduction of FIM 124 million due to the diminishing need by societies for such guarantees. Counter-sureties and own funds amounted to FIM 509 million.

Real Estate Management

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

Property investments amounted to FIM 129 million. The Sarankulma S Market in Tampere was opened in May. Work on refurbishing the rooms in the Sokos Hotel Iives in Tampere continued and is expected to be completed by early 1998. In Helsinki, the tunnel under Mannerheimintie street connecting the Sokos department store to the Forum shopping mall was ready in October. The total stock of the company owning the Hakki-la logistics centre was purchased in December. A major development project

was initiated for the Kilo logistics centre, which will be mainly carried out in 1998. Work was begun on planning the conversion of SOK's former head office in central Helsinki into the Radisson SAS Plaza Hotel and it is estimated that the hotel will be completed by spring 1999.

Real estate to the value of FIM 122 million was sold during the year. The Pori Sokos property was sold to Merita Kiinteistöt Oy under a sale and leaseback agreement and a long-term lease signed. The Shares in the Vantaanportti business centre and restaurant property in Hyvinkää were sold to the HOK Group. The remaining part of the Prisma property in Kajaani were sold to the local society.

The amount of unoccupied premises was 29 630 m², which was 9 000 m² less than the previous year. The greater part, 65 %, consisted of warehouse, office and factory premises resulting from restructuring.

The unit's income from rents was FIM 493.5 million, of which FIM 140.5 million came from outside tenants. The profit after extraordinary items, voluntary provisions and incomes taxes was FIM 5.1 million up on the previous year.

The user services unit carried out evaluations of the condition of numerous properties. Substantial savings accrued to the S Group when competitive tendering was introduced for electricity supply and property maintenance. During the year, work continued on formulating and implementing the environmental programme for real estate management. The unit's most important tenant is the Sokos department store chain.

Logistics and Information Systems

The information systems unit was transferred from Corporate Development and Planning to the Administrative Division on November 1st. The unit's field of re-

CORPORATE DEVELOPMENT AND PLANNING



Risto Mäkeläinen

sponsibility was extended to include the coordination of distance trading and business and the development of logistics. At the same time the unit's name was changed to Logistics and Information Systems.

Work continued on developing information systems in accordance with the S Group's data systems strategy. The main emphasis continued to be on support systems for the chains and customer-owner services. Considerable progress was made with networking between the S Group and suppliers. Part of this concerned extending E mail coverage within the Group and the publication of information through the Internet. Investigations into electronic shopping were stepped up and the first pilot scheme introduced.

Other units

The other units within the Administrative Division were Legal Affairs and Administrative Services.

The legal affairs unit manages all legal matters for the SOK Corporation. Work focussed on drawing up contracts and agreements relating to business and other operations. The rules of SOK were revised on two occasions when additional share payments were taken into use and the administrative structure of the Corporation modernised. A working group under the leadership of the Ministry of Justice initiated a major overhaul of the Cooperatives Societies Act.

The administrative services unit is responsible for providing centralised services in the Assäkeskus office and coordinating similar services throughout the whole S Group.

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

Field Consulting

The main task of the unit focussed on guiding regional societies in implementing the S Group's strategy, developing business structures, preparing investments in collaboration with regional society managements and supervising society finances.

The performance and financial position of the societies were determined in accordance with the accounting guidelines. The unit helped the societies draw up their annual budgets by providing business environment analyses and budget guidelines.

Other areas of work involved participation in the preparation of S Group operation and structure strategy, as well as revising the agreement on strategic co-operation between the regional societies and SOK. The redivision of operations in Greater Helsinki between the local society HOK and the SOK Corporation was finalised. The unit also helped plan the Tenco Group's department store project for the Baltic states, as well as the reorganisation of service-station operations in South Finland.

The unit assisted implementing the development programme for the Lahti society. The society's operations have developed favourably and surpassed planned objectives. SOK's subsidiary Hämeenmaan Automarket Oy is responsible for the operations of new supermarket outlets in the society's area. At the beginning of the year it purchased the S Markets in the Lahti and Hämeenlinna department stores and opened a new S Market in Riihimäki and a Prisma hypermarket in Lahti.

Field Consulting took part in supervising society savings funds operating within

guarantee circle contracts. Responsibility for the savings funds operations of a society rests with its executive board and the actual operations are supervised by a special inspector. The society is liable to its member investors for their investments. Responsibility for repaying investments rests in the first instance with the society to the extent of its total assets, but in addition the society has two separate guarantee circle contracts; the first formed by 22 regional cooperative societies and the second by the 13 local societies operating savings funds. Member investments in the societies' savings funds increased by FIM 186 million to a year end total of FIM 1 589 million.

Strategic Planning

Strategic Planning's main preoccupations were the updating of competitive strategies and the environmental programmes, and writing a scenario for the S Group.

A major step forward in the supply of consumer goods to department stores and supermarket chain units was taken in the autumn when sourcing operations were combined.

Individual environmental programmes for the chains were drawn up and updated. SOK cooperated actively in both national and international developments in this field.

The Quelle mail order experiment was concluded in the autumn and the decision taken to extend collaboration with Quelle Schickedanz AG to the whole of the country as from the beginning of 1998.

Within the in-house Intranet system, Strategic Planning is responsible for the production of news about the S Group and its environmental policies.

Baltic area projects

These projects include S Group, associated company and partner operations within the Baltic states and Russia, as well as certain international cooperation and development schemes.

During the year cooperation within the Baltic states was extended in accordance with present strategy in order to secure conditions for future business operations.

The EMU Project

The third stage of economic and monetary union (EMU) is planned to take place on 1.1.1999. Its realisation and Finland's immediate participation appear to be most probable. It will, however, mean great changes for companies as well as transitional costs. The EMU Project initiated by SOK's executive board began functioning at the beginning of the year. Its task is to coordinate preparations and the transfer to a single currency throughout the whole S Group. During the year the project issued a preliminary transitional plan for the Group and the different sectors and operations.

The Finnish Cooperative Union

Responsibility for the activities of the Finnish Cooperative Union lies with SOK's Cooperative Department. The main task of the FCU is to uphold and advance the principles of cooperation in the everyday work of the S Group, help the societies to improve the quality of cooperative administration and promote collaboration between the different parts of the S Group. The members of the FCU are SOK and all the societies belonging to the S Group.

The FCU Board of Directors consisted of attorney Matti Vanto (chairman), educationalist Anna-Maija Kujala (vice chairman), farmer Pekka Havukainen, attor-

ney Jukka Huiskonen, member of parliament Tytti Isohookana-Asunmaa, headmaster Pekka Kivimäki, teacher Ulla Kurvinen, attorney Marja Lehtiranta, managing director Eero Saukkonen and managing director Håkan Smeds, as well as SOK's representatives CEO Jere Lahti and department manager Tapio Peltola.

As before, administrative training at Group level took place in collaboration with the Jollas Institute. Two nation-wide training sessions were held during the year, in addition to numerous others within the societies for members of the executive and supervisory boards and council representatives. These events were based on the new edition of the "Administration Handbook", extensively used in training in earlier years.

Some 1 560 customer-owners took part in the administration of the regional cooperative societies; 81 as members executive boards, 450 as members of supervisory boards and 1 029 as council representatives. Council elections were held in six regional societies, the average participation rate being 28 %. The results gave women a majority for the first time on the councils of S Group regional societies.

As in early years, the department continued to assist the societies in matters relating to changes in the rules. All the rules to regional society savings funds amended the year before were entered in the trade register during 1997.

The seventh S Group convention was held over the weekend of May 24-25 in Jyväskylä. Some 900 cooperative society and SOK Corporation administration and management representatives and their spouses participated. In addition, the department took part in numerous administrative and interest group events organised by the societies.

International relations are managed through the Finnish Consumer Cooperative Union, which is a member of the International Cooperative Alliance (ICA)

and the Brussels-based lobby organisation EURO COOP. The ICA has 225 member associations with a total membership of over 778 million from 94 countries.

EURO COOP represents more than 3 200 cooperative societies and their 21 million members from 13 EU member states and 5 associate consumer cooperative organisations from east-central Europe. EURO COOP is increasingly making its presence felt in Brussels and the ICA has decided to make it a main area of emphasis.

Number of elected officials in the S Group's Regional Cooperative Societies in 1997

(excluding committees)

	Men	Women	Total
Executive Board	70	11	81
Supervisory Board ¹⁾	286	164	450
Council of Representatives ¹⁾	507	522	1 029
Total	863	697	1 560

¹⁾ Includes (cooperative society) personnel

PERSONNEL AND COMMUNICATIONS



Aino Toikka

Personnel and Communications consisted of Personnel, Training, Occupational Health Services, 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, two new groups were recruited for field training: 12 university graduates were selected for commercial field training and 17 for the college group. Recruitment for the 1998 graduate group was begun in the autumn. The aim of these field training programmes is to ensure new growth/the next generation in the S Group.

The terms of the 2-year national agreement on wages introduced in 1997 were applied to those working in the trade, hotel and restaurant sectors.

A new law on shop opening hours came into force on 1.4.1997. This permitted shops to stay open until 9 pm on weekdays and to open for business on Sundays during the summer. These extensions were implemented in all chains and units.

Jollas Institute

The Jollas Institute is the S Group's training and educational centre. Emphasis in the Institute's work is on training in support of Group strategies. Some 31 000 days were devoted to training.

The Jollas Institute stresses the importance of life-long learning. Other guiding principles include interaction between work and theory, the adaptation of knowledge to unit operations, and the appreciation of trainees' earlier experience.

Training work primarily concerns supervisors / middle management and each year various programmes are introduced lasting approximately a year. One important field in middle management training is leader preparation, the aim being to improve individual leadership and interactive qualities. For several years now team training has been of importance and a special team track has been built to further this work.

Growing internationalisation could be seen in increased foreign traineeships, study trips and institutional contacts. Numerous overseas study trips were arranged to universities and institutes in the United States, France and Great Britain.

Distance education and training is becoming ever more important as new technologies are effectively mobilised. In addition to multimedia learning, a pilot scheme for distance education based on the in-company Intranet was introduced.

Following the new criteria for vocational and professional examinations for those in trade and administration drawn up by the Ministry of Education, work began on planning the relevant curricula.

As a rule, candidates from the field are trained for five years, after which they are transferred to other duties in the Group. In accordance with this strategy, seven new trainees were accepted by the Institute and six others left to take up new duties. Trainees have operational and managerial experience from their own fields and acquire their pedagogical training at the Jollas Institute.

The Jollas Institute is the business name for Jollas-Opisto Oy, a totally-owned subsidiary of SOK. The company's turnover was FIM 18.6 million and it had a permanent staff of 21 in addition to using the services of numerous outside lecturers.

Occupational Health Services

The SOK Corporation's comprehensive occupational health scheme promotes the general health and fitness of the staff and organises regular medical check-ups. The unit also helps in developing the work environment and community. One particular field of emphasis has been skill-maintaining activities and early rehabilitation. The scheme also includes GP-level nursing.

The Corporation's occupational health staff held a nation-wide conference in Helsinki in the autumn.

S Publications

Yhteishyvä, the Group's customer-owner magazine, celebrated its 93rd year of publication. With an average size of 128 pages, the magazine appeared once a month and its official circulation figure was 542 070 (492 074 in 1996). At the end of the year this rose to almost 600 000. Each issue contains a Food Magazine supplement. Other supplements included two issues of Good Feeling and one each of Garden, Summer Activities and Domestic Appliances. More local cooperative society centre-spreads were issued than earlier.

Yhteishyvä's Swedish-language edition, Samarbete, is in its 88th year, and had a circulation of 23 132 (20 739 in 1996).

Yhteishyvä's Internet edition (www.yhteishyva.fi) was published every second week, emphasising the electronic food recipe bank and themes appealing to young people.

All the above magazines were produced in collaboration with Helsinki Media Company Oy.

The S Group's trade magazine Ässä appeared for the 83rd year running. It was published every month except July and had a circulation of 17 010 (15 495 in

SOK CORPORATION'S PERSONNEL IN 1997

1996). The contents mainly concern themes topical to the Group's retail trade and other operations. In August the magazine dealt extensively with training and introduced the Jollas Institute's training programme. Coverage of overseas events in the sector and the activities of competitors was increased. Ässä is also posted to all members of the administration.

The SOK Corporation's staff newsletter S-Viesti came out 11 times. In addition to illuminating different aspects of the Corporation's business activities and operating environment, S-Viesti also continued its theme of maintaining and improving work health.

Public Relations

The unit is responsible for informing the various interest groups about the activities of the SOK Corporation and S Group. It also issued press and other statements regarding the on-going debate on developments within the retail trade and the hotel and restaurant sector. The annual and interim report were published in Finnish, Swedish and English.

Numbers

At year-end there were 4 504 employees on the Corporation's payroll, an increase of 157. The increase came from the reopening of the Sokos Hotel Helsinki, the transfer of the Radisson SAS Hotel in Helsinki to SOK, and the openings of the Lahti Prisma and Riihimäki S Market.

On the other hand, there was also a loss in employees declined due to the closure of the Sokos department store in Vaasa, the transfer of the Savonlinna Sokos to the local society, and the conversion of others in Hämeenlinna, Lappeenranta, Kouvola, Oulu and Seinäjoki into Sokos Fashion stores.

Employment relations

At the end of the year, 93.2 % of the Corporation's staff were employed on a permanent basis and 6.8 % on a temporary basis. Full-time employees accounted for 69.1 % and part-time employees 30.9 %. There were no significant changes in these percentages compared with 1996. Most temporary employees worked in the hotel, restaurant and retailing companies.

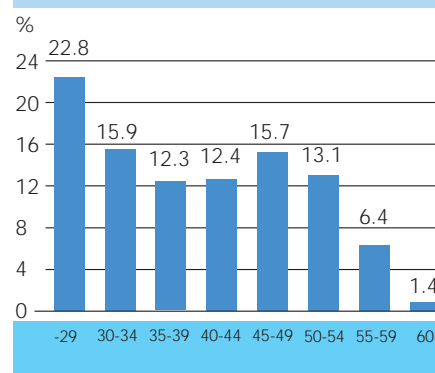
Gender structure

At the end of the year 36.4 % of the Corporation's employees were men and 63.6 % women.

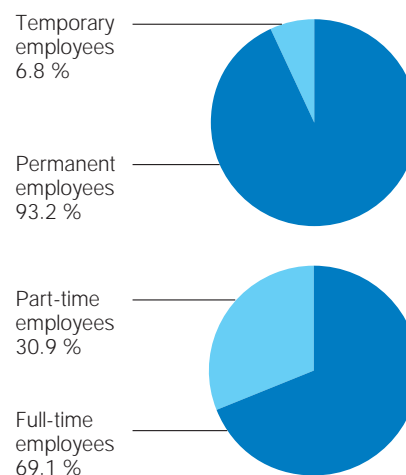
Age structure

The average age of a Corporation employee was 36 years, and there was no appreciable difference between men and women. Within the individual companies, however, there were differences, with the youngest group being most prominent in the hotel, restaurant and retailing companies.

AGE STRUCTURE OF SOK CORPORATION'S PERSONNEL, 31.12.1997



EMPLOYMENT RELATIONS IN SOK CORPORATION, 31.12.1997



SOK CORPORATION'S PERSONNEL, 31.12.1997

	Number	%	Change
SOK CORPORATION			
Field Division	2 757	61.2	+515
Specialty Stores Division	1 495	33.2	-361
Administrative Division	173	3.8	+3
Office of the CEO	16	0.4	±0
Corporate Development and Planning	12	0.3	±0
Personnel and Communications	51	1.1	±0
TOTAL SOK CORPORATION	4 504	100.0	+157
SUBSIDIARIES	4 169	92.6	+136
SOK	335	7.4	+21

ASSOCIATED COMPANIES

The Inex Group

The Inex Group consists of the parent company Inex Partners Oy and its subsidiaries Meira Nova Oy, Meira Oy, A-Muna Oy, and Rainex Partners Oy and its subsidiary Rainex Yrityspalvelu Oy. SOK has a 50 % holding in Inex Partners Oy.

Due to its customer-oriented and efficient operations, outstanding client performance and Finland's favourable economic climate, Inex managed to increase the amount of added value produced for its clients. The Group's performance was the best in its history. Sales continued to grow strongly and the company's price competitiveness was good. The commercial, economic and strategic competitive edge of its clients increased significantly. Its market position, sourcing impact, cost-effectivity and operating performance all improved. The company also maintained a high level of service and delivery reliability.

The value of the Group's economic and operational successes emphasises the on-going phase of growth, change and development which has enabled the production of added value. Growth and powerful development work continue. The projects concern the customer-oriented operating processes of the network formed by the Group and its client chains and partners. The major fields under development are personnel, assortments, computer systems, logistics centres, terminals and combined store deliveries. Success is guaranteed by the willing cooperation and entrepreneurial spirit of the Inex staff.

The structural and organisational changes initiated in the Group three years ago have been completed. The Rainex companies were sold to SOK: on 1.1.1998.

All aspects of the Group's development have been positive. Net sales were FIM 7 593 million, up 13 %. The profit before extraordinary items, voluntary provisions and income taxes for both the Group and the subsidiaries was excellent, up on the year before and higher than anticipated. Financing, liquidity and return on capital employed was at a good level.

The grocery sourcing and distribution parent company *Inex Partners Oy* per-

formed well. Net sales totalled FIM 6 272 million, a growth of 14 %, thanks to client chain successes in the grocery trade and Inex's efficient operations model. The company showed a profit before extraordinary items, voluntary provisions and income taxes that exceeded the previous year and was higher than anticipated.

The operating model developed by the company and its partners has confirmed the network's position as a pioneer in chain selling and logistics in the grocery market. This can be seen in its success on the market, as well as improved price competitiveness and profitability.

The foodservice trade company *Meira Nova Oy* continued its favourable growth. The company confirmed its position as a pioneer in customer-oriented logistics. It has stabilised its share of the wholesale deliveries in the grocery market at around 30 %. The company's net sales totalled FIM 899 million, an increase of 6 % over the previous year.

The coffee and spice company *Meira Oy* strengthened its market position. Meira coffee's market share rose to over 27 % and Meira spices reaffirmed their leadership position in Finland. Following the introduction of a new company law in Estonia, Meira's representative office in Tallinn was closed down and a new company, *Meira Eesti Oü*, established on 1.7.1997 to continue its activities. Meira's net sales were FIM 481 million, an increase of 30 %.

Sourcing contracts to the value of FIM 700 million were made by the hardware trade sourcing and logistics company *Rainex Partners Oy*: Net sales totalled FIM 70 million, an increase of 24 %. The building trade suppliers *Rainex Yrityspalvelu Oy* recorded net sales of FIM 386 million, up 11 %.

The Inex Group's most important tasks for the year 1998 are to continue producing competitive advantages for its clients through cost-effective and profitable operations and completion of the major on-going development projects.

At the end of the year the Group employed 1 702 people. The managing director of both the Group and the parent company was Martti Haaman.

The Etelä-Suomen Huoltamot Group

The Etelä-Suomen Huoltamot Oy operates store-type service stations in Greater Helsinki, Porvoo and the county of Häme. The shareholders are SOK (46.5 %) and the Helsinki (48.5 %), Lahti (2.5 %) and Porvoo (2.5 %) cooperative societies. On 1.7.1997 the company purchased all the shares of *Liikennepalvelut Oy*, which operates service-station stores in Tammisilta, Paimio, from the Salo cooperative society. At year-end the Group had 13 service-station stores and 6 unmanned stations.

Net sales for the company were FIM 187 million and for the Group FIM 199 million. At year-end the Group employed 141 people. The managing director of Etelä-Suomen Huoltamot Oy was Hannu Plaketti.

The Tenco Group

Tenco's function is to develop and operate the department store business in the Baltic countries and St. Petersburg area.

The Tenco Group consists of the parent company Tenco Oy and its fully-owned subsidiaries Tenco Eesti AS and Tenco Latvia SIA. It is owned fifty-fifty by SOK and the German company Warenhaus Kaufhof AG.

Tenco Eesti AS operates a department store in accordance with the Sokos business idea in the centre of Tallinn. The store's net sales for the year were FIM 32.4 million.



A new Prisma hypermarket was opened in Lahti in the autumn.

THE S GROUP IN 1997

The S Group consists of the SOK Corporation and the cooperative societies, together with their subsidiaries. S Group retail sales totalled FIM 29 011 million, an increase of 10 %. This was due particularly to good performance by the S Market and Prisma chains and the car business.

The combined result for the Group showed a profit after financial items but before extraordinary items, voluntary provisions and income taxes of FIM 800 million, an increase over the previous year of FIM 300 million. This was an all-time record for the Group.

At year-end the Group had 1 205 retail outlets, an increase of 16. The Group's main investments were the completion of Prisma hypermarkets in Lahti and Turku, major new S Markets in Riihimäki, Olari in Espoo, Konala in Helsinki, Sarankulma in Tampere and the Zepelin shopping mall in Kempele, the acquisition of the operations of the Radisson SAS Royal Hotel in Helsinki and service-station stores in Tammissilta in Paimio, Nastola and Karkkila. In addition there were extensions and refurbishings to numerous S Markets, Prismas, Sokos department stores and restaurants.

Total S Group investments were FIM 1 000 million, an increase of FIM 30 million.

S Group personnel at year-end numbered 18 283, an increase of 1 018.

The cooperative societies

The number of cooperative societies at year end remained unchanged at 44. Of these 23 were regional societies oper-

ating in accordance with the S Group's strategy and the other 21 were local societies.

Sales by the societies and their subsidiaries amounted to FIM 22 233 million, up 10.4 %. Regional societies, who accounted for 96.8 % of sales, increased their market shares in all core fields.

The societies' profit after financial items but before extraordinary items, voluntary provisions and income taxes, was FIM 660 million, an increase of FIM 200 million over the year before. All regional societies recorded a profit.

The societies' investments amounted to FIM 728 million, a rise of FIM 51 million. Deposits by customer-owners in the savings funds rose by FIM 186 million to FIM 1 589 million.

With 63 487 people joining during the year, total membership of the societies rose to 607 008. The number of customer-owners in the regional societies was 589 591, an increase of 63 356. The customer-owner bonus system was in operation in all regional societies. Bonus purchases by customer-owners came to FIM 11.3 billion of which FIM 258 million was returned as bonuses.

The societies and their subsidiaries had a total of 13 779 employees at year end, an increase of 861.

S Group Regional Cooperative Societies

Cooperative Society Varuboden, Kirkkonummi
South Carelia Cooperative Society, Lapeenranta

South Ostrobothnia Cooperative Society, Seinäjoki

Helsinki Cooperative Society, Helsinki

Jukola Cooperative Society, Nurmes

Koillismaa Cooperative Society, Kuusamo

Cooperative Society Arina, Oulu

Cooperative Society Hämeenmaa, Lahti

Cooperative Society Keskimaa, Jyväskylä

Cooperative Society Keula, Rauma

Cooperative Society KPO, Kokkola

Cooperative Society Maakunta, Kajaani

Cooperative Society Osla, 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

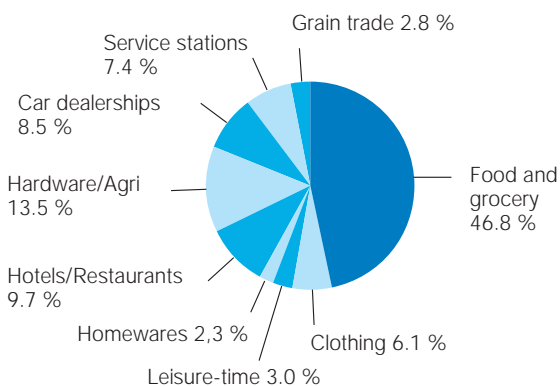
North Carelia Cooperative Society, Joensuu

Salo District Cooperative Society, Salo

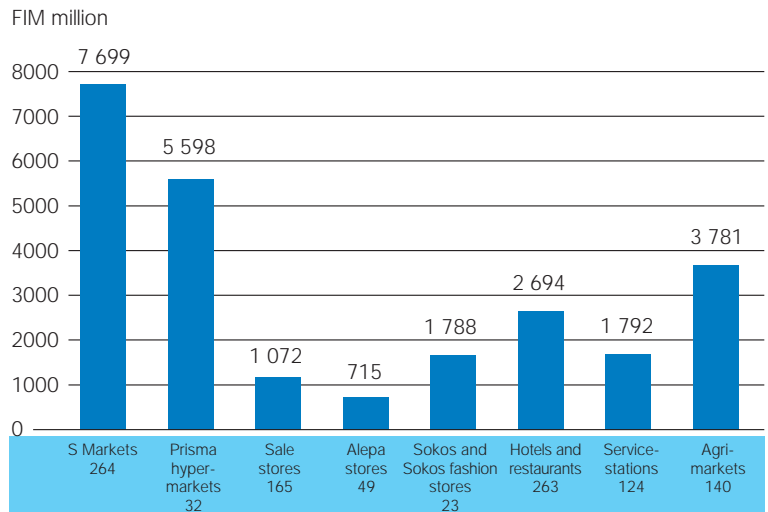
Satakunta Cooperative Society, Pori

Turku Cooperative Society, Turku

S GROUP RETAIL TRADE BY BRANCH
Total FIM 29.0 Billion



S GROUP RETAIL SALES BY CHAIN



THE S GROUP AND THE ENVIRONMENT

As S Group operations cover a wide field, they affect the environment in different way. The greatest risks come from service stations, agriculture and car servicing. With other operations they are considerably smaller. Transportation, undoubtedly, burdens the environment most. Next comes the use of energy for lighting and heating, then water and waste.

Within the S Group, responsibility for environmental management and its practical implementation rests with the SOK Corporation's units and the regional co-operative societies. SOK's task is to coordinate efforts and offer expert advice. Present considerations include site planning, building and technical designing, sourcing, logistics and distribution, ranges, packagings, communications, check-out operations and all personnel. The protection, care and upkeep of the environment are an essential aspect of corporate safety. The main environmental issues in 1997 were:

- training
- communication and information
- environmental programmes
- environmental systems
- environment criteria
- packagings
- logistics
- improved ranges
- international collaboration

and the common denominator to all of them - sustainable development.

Training was carried out in collaboration with the Jollas Institute and the Hyvinkää-Riihimäki Adult Education Centre. In Sokos Hotels, directors and those responsible for environmental and real estate management were schooled in environmentally-friendly operations. Two courses were arranged at Jollas on environmental and security issues for service station managers. For the regional societies a seminar on the same theme

was organised, as well as training for eco-experts in the Greater Helsinki area S Markets.

Environmental communication aimed at customers and interest groups was carried out through participation in a customer-owner cruise, events like the Ässäkeskus Eco Week and Eco Consumer 97, and the nation-wide organic waste campaign. Prominence was given to topical environmental issues during the customer-owner cruise in January and in February an environment exhibition was arranged in the Ässäkeskus. The Eco Consumer 97 campaign in May featured the environmental measures taken in the different parts of the Group. The September national organic waste campaign supported by the Ministry for the Environment was given extensive coverage in all cooperative society outlets. A guide on how to sort organic waste was enclosed in the the Ässä magazine circulated to all employees. The aim of the campaign was to improve organic waste collection and its use in domestic composting.

Information on environmental issues was communicated to customer households

through the eco column in the Yhteishyvä magazine. The regional societies have distributed information via pamphlets, eco-experts, info boards, recycling points and various events. The Helsinki society's S Markets held a special eco week in the spring, the Mikkeli society held an Organic Foods Show in October, and a useful study was made of how the Prisma chain gets its environmental message over.

The 1990 approved policy statement is carried out in practice through environmental programmes. During the year programmes for the Prisma and S Market chains were updated, new ones made for the Sokos department store chain, as well as for SOK's real estate management, which incorporated the idea of ecological building. Automaa Oy's outlets adopted the programme approved by the sector's central association and service supervisors received environmental training. Work began on programmes for the Pori and Tampere societies.

Drawing-up environmental and quality control systems for Hankkija Agriculture Ltd's seed and grain trade was begun.



Waste produced by the Konala S Market is sorted into four containers: mixed waste (left), organic waste, energy waste and cardboard.

These are based on ISO 14001 and ISO 9002 standards and are expected to be operative in 1999 and 1998 respectively. Sokos Hotel Klaus Kurki participated in a tourist promotion project, the aim of which is to adopt the environmental system based on both ISO 14001 and the EU's EMAS certification in the hotel and restaurant sector. This was started through staff training and the introduction of environmental criteria.

Environmental criteria are required to produce simple and comparable information about the measures taken. These were introduced in the hotel and restaurant sector to measure electricity and heat consumption and waste. Energy-related devices were developed in collaboration with the LINKKI2 project financed by the Ministry of Trade and Industry. In the grocery trade, pilot schemes were introduced in certain of the Jyväskylä society's S Markets and Sale stores. Energy monitors have been installed in SOK-owned properties.

Statistics on packaging and packing waste also function as environmental criteria. This was a major concern of Inex Partners Oy, Intrade Partners Oy and Hankkija Agriculture Ltd during the year. Although the relevant decision of the Council of State did not come into force until December 1st, good progress on developing statistical systems had already been made. The decision affects the S Group in respect to imported goods packed by retailers. The purpose of the statistics is to provide data on packing materials and waste amounts, but also to prevent waste occurring, reduce throw-aways and increase the use of recyclable packings.

Most retail trade waste comes from packaging, which could be reduced by using returnable plastic crates like Trans-boxes or finding another use for it. But some of it could be put to another use. In the spring, Inex Partners Oy began the trial collection of plastic waste in Greater Helsinki. Plastic used in wrappings has been returned from certain supermarkets to the Kilo warehouse, where it is

shipped to Norway for use as raw material in plastic bags. A recycling terminal is being installed at Kilo to improve the recycling of packaging and transportation materials. Another practical example is the Mikkeli Prisma hypermarket which has increased the degree of waste recovery from 80 % in 1996 to 95 % last year.

Reducing the amount of waste going to the municipal tip by even 5 % requires a motivated staff, close collaboration with the local community and the development of other potential uses. One reason for increased use of waste is its utilisation by the local heating utility. A similar trend can be seen elsewhere in Finland, so it would be possible to increase the rate of waste recovery in the retail trade from its present 50 % to 90 %.

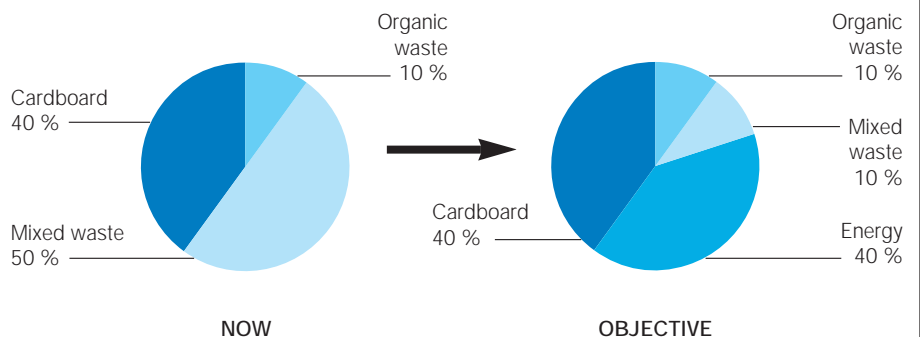
Measures relating to logistics and distribution should also be seen as practical environmental actions. Because Finland is a large and sparsely populated country, it is both economically and environmentally sound to rationalise the delivery of goods to eliminate unnecessary journeys, packing and unpacking. Collaboration between trade and industry through the ECR (Efficient Consumer Response) improves data control and logistic planning. The environmental advantage of electronic trading is that the

delivery of Internet-ordered goods can be organised centrally. Electronic trading was first introduced by the Joensuu cooperative society.

The number of environmentally-friendly goods in ranges is continuously growing. Organic foods have established themselves and the range is expanding all the time. Even so, there are times when demand outstrips supply.

The S Group has continued to play an active role in international cooperation. The environment working group in EURO COOP lobbies the EU in such questions as genetically modified foods, packaging waste and eco labelling. It has also discussed sustainable development from the point of view of the retail trade. In October, the board of the Federation of Finnish Commerce and Trade approved a policy statement calling for sustainable development which supplements the Government's own policy.

BREAKDOWN OF RETAIL TRADE WASTE AFTER ON-SITE SORTING



SOK SUPERVISORY BOARD 1997

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

Arto Arvonen
Vice Chairman
Until May 6, 1997
Managing Director
Salo

Veikko Autio
Deputy Vice Chairman
Until May 6, 1997,
Vice Chairman
6.5.-31.12.1997
Managing Director
B.Sc.(Econ.)
Turku

Eino Tenhunen
Deputy Vice Chairman
6.5.-31.12.1997,
Vice Chairman
From January 1, 1998
Managing Director
Pyhäselkä

Eino Laaksonen
Deputy Vice Chairman
From January 1, 1998
Headmaster
Oulu

Mauno Alatalo
Manager Customer-
Owner Services
Helsinki
Until May 6, 1997

Kirsi Ervola
Journalist
Helsinki
From May 6, 1997

Esa Haapaniemi
Managing Director
Helsinki
Until December 31, 1997

Esko Hakala
Managing Director
Kajaani

Annikki Heikkinen
Secretary
Helsinki
From May 6, 1997

Tuomo Herrala
Managing Director
Lappeenranta

Arto Hiltunen
Managing Director
B.Sc.(Econ.)
Porvoo
From January 1, 1998

Heikki Hollo
Architect
Lahti
Until May 6, 1997

Jukka Huiskonen
LL.M.
Mikkeli
From January 1, 1998

Heikki Ikonen
Farmer
Nurmes

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

Simo Kutinlahti
Farmer
Keuruu
From January 1, 1998

Leo Laukkanen
Managing Director
Mikkeli
Until December 31, 1997

Maija-Liisa Lindqvist
Member of parliament
Lahti
From May 6, 1997

Kalevi Liukkonen
Managing Director
M.Sc.(Econ.)
Jyväskylä
Until December 31, 1997

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

Jorma Niiniaho
Managing Director
M.Sc.(Econ.)
Hamina
Until December 31, 1997

Matti Ojanperä
Managing Director
Pori

Tauno Riekkö
Managing Director
M.A.
Kuusamo

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

Jorma Sieviläinen
Managing Director
Rauma

Håkan Smeds
Managing Director
Espoo

Timo Sonninen
Farmer
Iisalmi

Eva Suokas
Buyer
Helsinki
Until May 6, 1997

Antero Taanila
Director of
Administration
Kokkola

Matti Vanto
LL.M.
Raisio
From January 1, 1998

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

SOK EXECUTIVE BOARD 1997

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

SOK EXECUTIVE BOARD 1998

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

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

Veikko Autio
Managing Director
B.Sc.(Econ.)
Turku

Martti Eurola
Managing Director
M.Sc.(Econ.)
Kokkola

Leo Laukkanen
Managing Director
Mikkeli

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

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

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

AUDITORS 1997

Jorma Jäske
M.Sc.(Econ.)
CPA

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

Juhani Heiskanen
M.Sc.(Econ.)
CPA

DEPUTY AUDITORS
Markku Rönkkö
Managing Director
M.Sc.(Econ.)
CPA

Jorma Anttila
M.Sc.(Econ.)
CPA

AUDIT COMMITTEE 1997

ADMINISTRATIVE AUDITORS

Pekka Ripatti
Colonel retd.

Matti Virranniemi
Managing Director

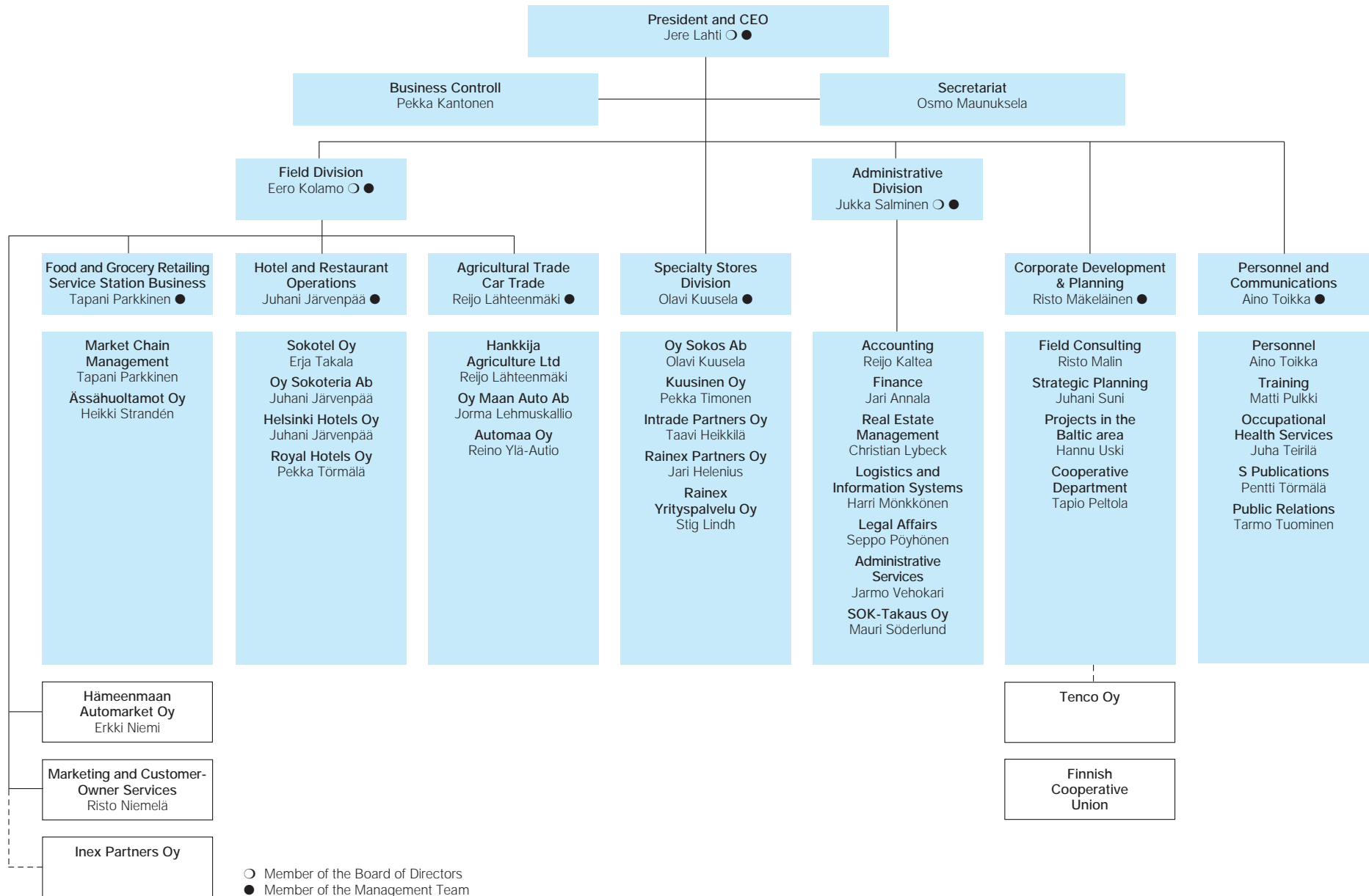
DEPUTY MEMBERS

Kristina Dufholm
LL.M.
Director of Administration

Kalevi Karjalainen
Asst. Police Chief

SOK's auditors are
also members of the
Audit Committee.

SOK CORPORATION ORGANISATION 1.1.1998



S GROUP KEY FIGURES 1993-1997

FIM million	1993	1994	1995	1996	1997	± %
SOK CORPORATION						
Net sales	10 327	11 206	10 325	11 498	12 377	7.6
Gross margin	1 883	1 928	2 034	1 943	2 176	12.0
Fixed costs	1 403	1 405	1 502	1 652	1 721	4.2
Operating profit before depreciation	480	523	533	291	455	56.4
Depreciation	251	216	217	174	187	7.5
Operating profit	229	307	316	117	268	129.1
Financial income and expenses	-374	-234	-224	-76	-132	73.7
Profit/loss before extraordinary items, voluntary provisions and income taxes	-145	73	91	42	137	95 FIM million
Net earnings from operations	221	367	430	216	393	177 FIM million
Profit/loss for the period	-31	130	113	28	174	146 FIM million
Total assets	6 535	6 349	6 211	5 931	6 592	11.1
Fixed assets and other non-current investments	3 369	2 987	2 802	2 968	3 070	3.4
Stocks	795	655	674	730	822	12.6
Financial assets	2 371	2 707	2 735	2 233	2 700	20.9
Capital and reserves	904	982	1 085	1 130	1 434	26.9
Minority interest	30	85	92	91	92	1.1
Accelerated depreciation *)	123	98	81	89		
Voluntary provisions *)	75	65	61	55		
Obligatory provisions	99	101	88	93	108	16.1
Liabilities	5 304	5 018	4 804	4 473	4 959	10.9
Increase in fixed assets	491	254	245	382	275	-28.0
Sale of/decrease in fixed assets	321	375	116	137	72	-47.4
Interest-bearing liabilities	3 772	3 447	3 067	2 714	3 007	10.8
Liquid funds	1 413	1 697	1 685	1 183	1 492	26.1
Net interest-bearing liabilities	2 359	1 750	1 382	1 531	1 514	-1.1
Personnel at 31.12.	5 179	4 864	4 061	4 347	4 504	3.6
*) Accelerated depreciation and voluntary provisions have been divided between capital and reserves and an imputed tax liability for 1997.						
SOK						
Sales (excl. VAT)	4 982	5 257	5 466	6 002	5 400	-10.0
Sales to cooperative societies	3 608	2 983	3 286	4 378	4 800	9.6
Operating profit before extraordinary items, voluntary provisions and income taxes	-384	-75	-133	-112	-62	50.0 FIM million
Profit/loss for the period	-254	98	-22	22	172	150.0 FIM million
Personnel at 31.12.	2 414	2 068	1 944	314	335	6.7
COOPERATIVE SOCIETIES + SUBSIDIARIES						
Sales (FIM million)	15 584	16 628	18 297	20 106	22 233	10.6
Number of societies	46	46	44	44	44	0.0
Membership	403 631	429 325	479 087	543 521	607 008	11.7
Personnel at 31.12.	12 137	11 333	12 382	12 918	13 779	6.7
S GROUP						
Retail sales (FIM million)	23 204	24 814	24 099	26 372	29 011	10.0
Outlets	1 222	1 190	1 191	1 189	1 205	1.3
Personnel at 31.12.	17 316	16 197	16 443	17 265	18 283	5.9

CALCULATION OF KEY RATIOS

Net earnings from operations = Operating profit before depreciation – financial income and expenses + value adjustment on investments – income taxes

Liquid funds = Cash and bank + other investments + other current investments

Net interest-bearing liabilities = Interest-bearing liabilities – liquid funds

STATISTICS

S GROUP RETAIL OUTLETS, DECEMBER 31, 1997

	Outlets		Retail Sale, FIM million
	Number	Change	
Sokos Department Stores	9	-13	1 422
Sokos Fashion Stores	14	+14	366
Total	23	+1	1 788
Prisma Hypermarkets	32	+2	5 598
Total Department Stores	55	+3	7 386
S Markets	264	+10	7 699
Alepa Stores	49	+1	715
Sale Stores	165	+3	1 072
Other Market Outlets	22	+1	296
Total Market Outlets	500	+15	9 782
Neighbourhood Stores	61	+4	213
Specialty Shops	7	-5	77
Hotels	53	-1	1 585
Restaurants	196	-6	1 079
Cafés	14	+3	30
Total Hotels and Restaurants	263	-4	2 694
Agrimarkets and Agrimarket Stores	140	-1	4 577
Auto Dealerships	45	+4	2 458
Service Stations	124*	+2	1 792
Other Services	10	-2	32
TOTAL	1 205	+16	29 011

* Also 88 unmanned petrol stations attached to stores

SELECTED S GROUP DATA 1930-1997

Year	Cooperatives	Members	S Group Business Outlets			
			Retail Outlets	Service Operations ¹	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 ²
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
1996	44	543 521	916	267	6	1 189
1997	44	607 008	937	263	5	1 205

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

EVENTS OF THE YEAR



Over 900 representatives of the cooperatives and SOK took part in the S Group's convention in Jyväskylä.

The S Market in Konala, Helsinki, became the first Express Shop in Scandinavia when self-scanning equipment was introduced for customers.



Visitors could buy organic foods from the S Market's stand at the EcoConsumer Fair held in Old Harbour, Helsinki.



Transport minister Matti Aura and CEO Jere Lahti cutting the blue ribbon at the official opening of the Sokos-Forum tunnel under Mannerheimintie street.



The winners of the "For You, the Customer" competition made a memorable trip to Paris in the autumn.



The bakery department at the Kuopio society's Prisma hypermarket was chosen as Baker of the Year. The bakery departments in the Turku and Oulu societies' Prisma stores were also awarded prizes.





SUOMEN OSUUSKAUPPOJEN KESKUSKUNTA (SOK)
Fleminginkatu 34
P.O.Box 171, FIN-00511 Helsinki, Finland
Tel. +358 9 1881, telefax +358 9 188 2332
Internet <http://www.sok.fi>