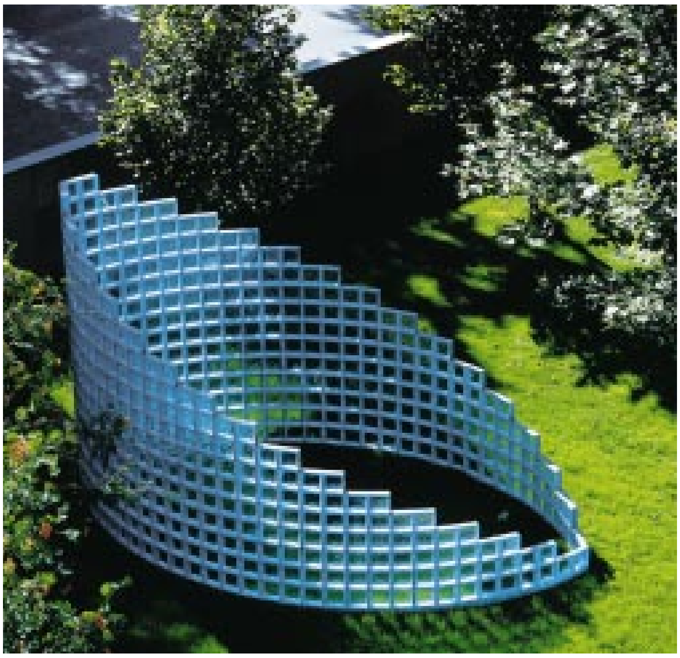
SUOMEN
OSUUSKAUPPOJEN
KESKUSKUNTA

SOK CORPORATION

1998

ANNUAL REPORT

CONTENTS



Anna-Lea Kopperi's "Simpukka" (Mussel) installation, 1998, in the courtyard of the SOK head office.

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.

SUOMEN OSUUSKAUPPOJEN KESKUSKUNTA (SOK)
Established 1904

CEO'S REVIEW

Jere Lahti

The retailing environment continued to be favourable, despite the marked slowdown in the growth of total output in the second half of the year. Developments in the domestic economy were, however, ambivalent. Industrial production and exports grew strongly early in the year, but when these began to slow down private consumption took off in the second half. By international standards, economic growth in Finland was again good.

From the trading point of view, 1998 was a five-per-cent year as it is estimated that both gdp and private consumption volumes rose by about this percentage, as did retail trade volumes. The wholesale trade and car business grew even faster.

Retail sales for the S Group amounted to FIM 31.4 billion, up 8.4 per cent over 1997. This was much faster than the national average, increasing the Group's market share by more than one percentage point to over 26 per cent. The SOK Corporation's net sales came to FIM 14 billion, up 12.4 per cent.

Financial results achieved a new record. The S Group's profit before extraordinary items, appropriations and taxes was about FIM 950 million, that for the cooperative societies some FIM 700 million and for the SOK Corporation FIM 252 million. For the Group, this meant an improvement of almost FIM 140 million, of which the Corporation's share was FIM 115 million.

S Group investments amounted to FIM 1 200 million, of which the SOK Corporation accounted for FIM 305 million. The majority of investments concerned large-scale supermarkets, improving logistics and upgrading information systems.

The S Group was successful in carrying out its basic task. This is shown by the continued success of its customer-owner system. Bonus purchases increased by a fifth and bonus payments to customer-owners by FIM 57 million to FIM 315 million.

The outlook for 1999 calls for vigilance on behalf of those in business and politics. Although a clear slowdown in economic growth is expected, but the conditions for an increase in domestic demand exist for the time being. At least in the early months, growth has largely been due to private consumption. Consumer purchasing power will continue to grow, but there is a risk that if disturbances in the international economy persist they will weaken consumer confidence in the future. This may quickly reflect in deferred purchases and increased savings.

In this situation it is extremely important that, after the March general election, the new government sets as one of its key tasks a lowering of the employment threshold in the service industry and taxation policies aimed at maintaining and stimulating the domestic market.

The S Group will continue its efforts to improve and expand customer-owner services and benefits. I wish to thank the customer-owners for their confidence, as well as the elected officials, cooperative societies and all our interest groups for their cooperation. Likewise my many thanks go to the staff of the societies and the Corporation for their efficient work and stalwart service in the interests of our customer-owners.

Helsinki, March 16, 1999

Jere Lahti

SOK CORPORATION IN BRIEF

	1998	1997
Net turnover, FIM million	13 953	12 414
Operating profit, FIM million	351	267
Profit before extraordinary items, FIM million	252	137
Investments, FIM million	305	374
Total assets, FIM million	6 632	6 592
Return on investment %	10.7	8.4
Equity ratio %	28.9	23.9
Personnel, average	4 766	4 375

REPORT OF THE EXECUTIVE BOARD

The trading environment

Trading conditions varied more sharply than ever before between the different parts of the country due to substantial migration and local differences in unemployment. Nevertheless, the national economy developed more strongly than was forecasted. There was a powerful growth in total output for the fifth year in succession, this time by an estimated 4.9 %. Exports and industrial production slowed down towards the end of the year, but domestic investment and consumer demand maintained the momentum of production. By 1998, total output had grown 25 % from the 1993 trough of the recession and private consumption by a fifth.

All sectors of production excepting agriculture improved during the year. Construction, transport and services increased evenly. Thanks to the electrotechnology industry, manufacturing output was maintained in the latter part of the year.

Private consumption expanded faster than anticipated, by 5.1 %. At 15 %, the increase in durables was again the largest, with semidurables, nondurables and services growing steadily. Although there are elements of uncertainty in the overall economic outlook, consumer confidence remained high to the end of the year.

Consumer prices continued to rise slowly, this time by an average of 1.4 %. Cheaper imports and low interest rates helped to dampen price rises. However, there were variations between product groups: food rose by an average of 1.7 %, housing and transport by some 2 %, but hotel and restaurant services by almost 3 %. On the other hand, clothing and footwear prices fell by 1.4 %.

The retail trade grew at much the same rate as private consumption, by about 5 %. Between January and November, retail volumes, excluding cars, increased by 5.2 %. Retail prices rose by about one per cent on average. The wholesale trade expanded faster than retailing, and the powerful rise in car sales continued. In retailing, the leading lines were computers, sports equipment, domestic appliances, home electronics, furniture and home furnishings. The volume of department store and hypermarket sales increased by about 6 % and groceries by 3.5 %. Due to the revision of trade statistics, strictly comparable information is not available.

Demand for hotel and restaurant services expanded by almost 5 % in volume between January and September, and about 7.5 % in value. Licensed restaurant sales increased by some 8 % in value and 6 % in volume. It is estimated that these levels were maintained in the last months of the year. Hotel room sales grew by some 3 % and the occupancy rate exceeded the 1997 level.

Structural changes in the Corporation

Rather more planned changes were carried out within the Corporation than in 1997.

At the beginning of the year, the hardware sourcing company Rainex Partners Oy became an SOK subsidiary when its shares were acquired from Inex Partners Oy. The deal also included its subsidiary, Rainex Yrityspalvelu Oy.

The Corporation's hotel and restaurant business was streamlined through several internal rearrangements. In addition, Oy Sokoteria Ab was renamed Sokos Hotels Oy at the beginning of July. During the first half of the year, Hämeenmaan Hotellit Oy was wound up when some of its operations were transferred to Sokos Hotels Oy and the remainder sold outside the Corporation. The company was then merged into Sokos Hotels Oy. Lahden Uusi Seurahuone Oy was finally wound up in the first half of the year. Helsinki Hotels Oy was merged into Sokos Hotels Oy at year-end.

The former car dealers, Turun Valtavaunu Oy, was finally wound up at the beginning of December.

At the beginning of July, the shares of the Lahti Sokos real estate company were sold and the premises leased back under a long-term agreement. A similar deal was made concerning the Tampere Ilves Hotel property at the beginning of September.

In addition, the shares in three other real estate subsidiaries and one real estate associated company were sold outside the S Group. SOK sold its shareholding in one real estate subsidiary and one real estate associated company to the local regional societies, with the objective of clarifying the S Group's outlet structure. At year-end, SOK subdivided one real estate subsidiary into three different subsidiaries.

SOK also increased its holdings in Hotel City Vantaa Oy, Ässähuoltamot Oy and Sokotel Oy so that the last mentioned are now fully owned. Ässähuoltamot was merged into SOK at year-end and Sokotel will be merged in 1999, although its restaurant chain management has already been transferred.

Elielin Pysäköinti Oy and Foodbaltic Oy became SOK's associated companies and Kiinteistö Oy Haunistenportti a subsidiary. During the year, SOK's subsidiary Hankkija Agriculture Ltd acquired the shares of Kiinteistö Oy Mäntsälän Perkkiönpellontie 1.

Net turnover

The SOK Corporation's net turnover totalled FIM 13 953 million, up 12.4 % over the previous year. Those for the agricultural, car, hotel and restaurant businesses developed better than forecasted. Other positive factors included the transfer of the hardware-sourcing Rainex companies to the Corporation at the beginning of the year, the opening of Hämeenmaan Automarket Oy 's new supermarkets during the second half of 1997, and the extension to the Hämeenlinna Prisma completed late in 1998.

Net turnover of the agriculture and hardware businesses expanded by over 22 %. Hankkija Agriculture Ltd's net turnover increased by 6.6 %, largely due to higher volumes of agricultural machinery. Turnover of Rainex Yrityspalvelu Oy during its first year in the Corporation were higher than expected.

Hotel and restaurant companies increased turnover by almost 11 %. This was largely due to the new hotel acquired in summer 1997, favourable developments in the sector, but particularly because of extensive restructuring. The hotel occupancy rate increased by twice as much as the national average.

The Corporation's car business expanded by 20.1 %, only fractionally less than the 20.3 % national increase in sales of new cars. Net turnover for the Peugeot importer Oy Maan Auto Ab increased by 23.3 %. The market share of Peugeot passenger cars fell slightly from 5.4 to 5.3 %, but that of vans increased from 2.7 to 4.8 %.

Net turnover for the Hämeenmaan Automarket Oy's Prisma and S Market outlets developed well.

The Corporation's consumer goods sourcing companies recorded a 50.7 % increase in turnover, mainly due to favourable developments in the Prisma and S Market chains and the transfer of Oy Sokos Ab's sourcing operations to Intrade Partners Oy. Although sales of Sokos department stores increased by 2.5 %, the company's turnover contracted due to the above mentioned transfer of sourcing operations and reduced ranges in the Sokos Fashion stores.

Financial results

The SOK Corporation showed a profit before extraordinary items of FIM 252 million. The figure for the previous year was FIM 137 million. This included such items as other operating income, losses on sales of fixed assets, the share of associated companies' profits, value adjustments on fixed assets and financial assets, and changes in provisions for liabilities and charges.

Basic expenses, such as purchases of materials and services, grew at either the same rate as net turnover or less. Other operating income increased due to the sale of the Tampere Hotel Ilves and Lahti Sokos department store properties. However, as the properties were leased back, rent expenses increased commensurately.

Value adjustments on fixed assets (FIM 24.6 million) concern reductions in the value of other capitalised expenditure, land, buildings, machinery and equipment. In addition, one item of group goodwill was rephased so that an amount equal to depreciation over 4 years was entered as a value adjustment in order to introduce 5-year depreciation for all items of group goodwill.

The difference between interest and other financial expenses and interest and other financial income was FIM 5.6 million smaller than the previous year. Under financial income and expenses, value adjustments on financial assets (FIM 53.8 million compared to FIM 72.5 million in 1997) include an earlier, uneliminated intra-corporate margin of FIM 38.6 million between SOK and one associated company. It further includes a devaluation of FIM 13.5 million on the value of shares in the Polar Group and FIM 1.7 million on other shares.

Caution has been shown in entering under extraordinary income deferred tax assets from earlier years of FIM 121 million.

The return on investment was 10.7 % (8.4 % in 1997).

All business groups achieved their planned goals and the overwhelming majority improved their performance. The greatest improvements were recorded in the hardware, agricultural and department stores businesses, although the latter was still operating at a loss. Also the result for the hotel and restaurant business was considerably higher than the year before.

SOK's operations

SOK is the parent company of the SOK Corporation. Its net turnover derives from invoices on goods delivered direct to chain units by domestic manufacturers (EDI invoicing), income from leasing, chain management, customer-owner and advertising services, and supplying Group and Corporation services to S Group companies.

The changes in the administrative structure of SOK introduced at the beginning of the year, in which the duties of the Supervisory Board and Executive Board were re-defined and in which the SOK Executive Board became cooperative society predominant, have clearly improved SOK's work in promoting S Group's cooperation and competitiveness, and in directing overall resources.

Efficiency in the sourcing of consumer goods was improved through re-dividing the functions of Intrade Partners Oy, Rainex Partners Oy and Hankkija Agriculture Ltd. Work continued in the chain management organisations on developing concepts and drawing up numerous business site plans. The most significant of the new concepts launched is the ABC one for service station stores with its related pilot schemes.

SOK's net turnover was FIM 5 706 million, up 6.4 % over the previous year. The profit before extraordinary items was FIM 82 million, compared to the loss of FIM 62 million in 1997.

The improved result was due to the increase in other operating income, which included the sale of three largish properties: those of the Tampere Hotel Ilves and Lahti department store were sold outside the Corporation, whereas the former SOK head office in Helsinki was sold to a wholly-owned real-estate company. Value adjustments of financial assets were almost FIM 84 million less than the year before.

The rents included in other operating charges are mainly rent expenses on properties leased to the Corporation or other Group companies. The growth in rent expenses is due to leasing back properties sold outside the Corporation.

Extraordinary income includes FIM 94 million refund on the value adjustment of shares in the Espoo logistics centre property company.

Investments and divestments

SOK Corporation investments amounted to FIM 305 million. The largest project concerned the extension and renovation of the logistics centre in Espoo, which will continue in 1999. Work began on the building of the Radisson SAS Plaza Hotel Helsinki. Significant refurbishing and refurnishing projects were carried out to hotel rooms and restaurants. The main department store project was the complete overhaul of the Tapiola Sokos store, completed in time for the Christmas market. The shares of the Rainex companies were acquired at the beginning of the year and the organisation of the hotel and restaurant business in Greater Helsinki was streamlined by year-end. Other investments concerned interiors, furnishings and data systems for the different branches. In systems investments, the stress was on Year 2000 compliance and the introduction of the euro.

The book value of Corporation divestments was FIM 207 million. The shares in the Tampere Hotel Ilves and Lahti Sokos department store properties were sold and leased back under long-term agreements. Other sales concerned office premises and land areas no longer in use, smallish premises to local societies and insignificant investment shares.

Finance

Interest rates in Finland fell in line with estimated German and French rates following the introduction of the euro, with long-term rates falling most. The fall in the Corporation's net financing expenses positively affected the interest structure of the loan portfolio.

The Corporation's net financing expenses were FIM 58 million, a fall of FIM 5 million over the previous year. Its indebtedness fell, as is indicated by the change in the gearing ratio from 99 to 66.

The cash flow before financial items was FIM 351 million positive. Liquid investments and cash reserves at year-end came to FIM 1 445 million. In addition, the Corporation had FIM 937 million of unused non-current finance limits.

Personnel

The Corporation's personnel at year-end numbered 4 737, of whom 364 (7.7 %) worked in SOK and 4 373 (92.3 %) in the subsidiaries.

The increase over 1997 was 233, of which the subsidiaries' share was 204. Most of the new employees were in the hotel, restaurant and car businesses. Another reason for the increase was the purchase of the Rainex companies.

Preparations for the Year 2000

Preparations for the millennium continued throughout the Corporation and S Group on the basis of plans drawn up in spring 1997. The principles behind them were laid down by the Executive Board and distributed to all Group units. They cover all information and other systems and technologies that might be affected by the millennium change. The project involves revising all agreements and clarifying responsibilities with a view to overcoming all possible problems.

All units have appointed Y2K persons and established sub-projects. They report at regular intervals to SOK's Executive Board. Testing is carried out in order to guarantee the reliability of all systems. The main pressure for updating comes from the outlets' systems, the operative levels and life-spans of which will be improved at the same time. The aim is that most preparatory work will be completed by May 31, 1999. As of the end of the report year, all work has proceed according to plan.

Contingency plans have been drawn up in the event of any system malfunctioning.

It is estimated that this work will cost the S Group some FIM 30 million.

The introduction of the euro

The euro introduction schedule for the Corporation and Group is based on a retail-oriented transition plan. As consumers will not have euro banknotes and coins until the beginning of 2002, the Finnish mark will be used in retail operations up to that date.

As from the end of spring 1999, the euro will be used alongside marks in marketing, as well as store shelf and product labels.

The Corporation will continue using the mark as its accounting unit until the end of 2001. During the transition period, the vast majority of purchases and sales within the country will use marks. However, financing operations will use the euro from January 1, 1999, onwards, and the Accounting unit will be prepared to process invoices in euros.

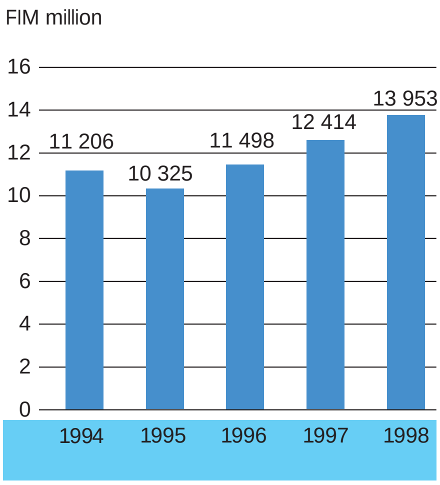
Outlook for 1999

Expectations within the retail trade in 1999 are positive. The collective bargaining agreement, tax relief, improved employment situation and slow inflation all combine to boost private consumption and domestic trade. Total output is reckoned to expand by about 3 % and private consumption by 3.5 %. The slow increase in consumer prices is thought to continue: in January 1999 they rose by 0.5 % over the previous January. The risk is that disturbances in the international economy will reflect on Finland and weaken consumer confidence in the future. Domestic demand, however, is the engine of economic growth now that the outlook for exports and manufacturing has weakened, as can be clearly seen during the first months of 1999.

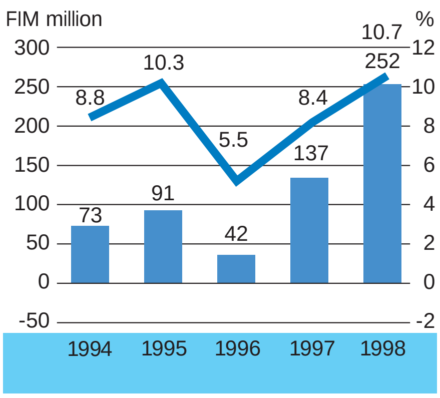
In February 1999, SOK sold its shares in Oy Radiolinja Ab for FIM 100 million, a profit of no less than FIM 98 million. In March 1999, SOK bought 48.5 % of the shares in Etelä-Suomen Huoltamot Oy from the Helsinki society. As SOK already owned 46.5 % of the shares, this company, with its service-station store business in the Hämeenmaa society's area, became an SOK subsidiary.

The SOK Corporation's performance is expected to remain at the same level as in 1998. Income expectations for the different sectors are uneven. The department store business is hoping for an improvement, and the hotel and restaurant business, despite heavy investments, is still thought to produce a slight increase. The agricultural business, however, is reckoned to remain at the 1998 level.

SOK CORPORATION NET TURNOVER



PROFIT BEFORE EXTRAORDINARY ITEMS
RETURN ON INVESTMENT %



CONSOLIDATED INCOME STATEMENT

FIM million	Ref.		1.1.- 31.12.1998		1.1.-31.12.1997
Net turnover	(1)		13 952.6		12 413.7
Other operating income	(2)		162.5		106.5
Materials and services					
Raw materials and consumables	(3)	11 458.5		10 191.1	
External services		329.1	11 787.6	293.5	10 484.6
Staff costs					
Wages and salaries		650.1		592.4	
Social security costs	(4)	159.0	809.1	143.4	735.8
Depreciation and value adjustments	(5)		216.3		186.7
Other operating expenses					
Rents		309.6		269.4	
Other expenses	(6)	641.8	951.4	576.7	846.1
Operating profit			350.7		267.0
Share of associated companies' profits (+/-)			13.1		5.6
Financial income and expenses (+/-)	(8)		-112.1		-135.8
Profit before extraordinary items			251.7		136.8
Extraordinary items (+/-)	(9)		120.0		1.4
Profit before appropriations and taxes			371.7		138.2
Appropriations (+/-)	(10)				39.5
Income taxes (+/-)	(11)		-67.6		-3.3
Minority interest (+/-)			-1.7		-0.2
Profit for the financial year			302.4		174.2

CONSOLIDATED BALANCE SHEET

ASSETS FIM million	Ref.		31.12.1998		31.12.1997
FIXED ASSETS					
Intangible assets	(12)	197.5		198.2	
Group goodwill	(12)	10.4		17.9	
Tangible assets	(12)	2 188.5		2 299.9	
Shares in associated companies	(13)	345.3		377.6	
Other financial assets	(13)	255.4	2 997.2	176.7	3 070.2
CURRENT ASSETS					
Stocks	(15)	849.3		821.8	
Long-term debtors	(16)	85.6		66.1	
Deferred tax assets	(17)	67.1			
Short-term debtors	(18)	1 187.5		1 141.5	
Investments	(19)	1 340.6		1 392.6	
Cash at bank and in hand		104.7	3 634.7	99.6	3 521.6
			6 631.9		6 591.8

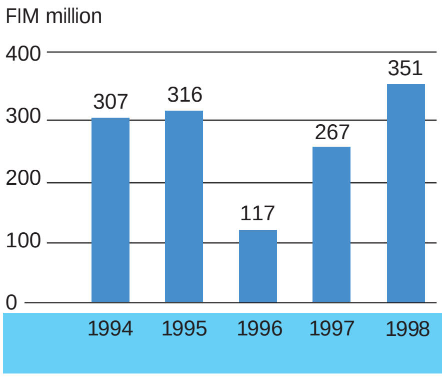
LIABILITIES FIM million			31.12.1998		31.12.1997
CAPITAL AND RESERVES	(20)				
Share capital		264.5		226.9	
Additional share capital		25.0		15.0	
Revaluation reserve		621.8		621.8	
Legal reserve		65.1		65.1	
Supervisory Board’s disposal fund		0.3		0.1	
Profit brought forward		488.5		330.4	
Profit for the financial year		302.4	1 767.5	174.2	1 433.5
MINORITY INTEREST			89.6		91.6
PROVISIONS	(22)		91.8		107.6
CREDITORS					
Capital loan	(23)	120.0		120.0	
Deferred tax liability	(24)	39.1		37.9	
Long-term creditors	(25)	1 203.0		1 366.9	
Short-term creditors	(26)	3 320.8	4 682.9	3 434.3	4 959.1
			6 631.9		6 591.8

CONSOLIDATED CASH FLOW STATEMENT

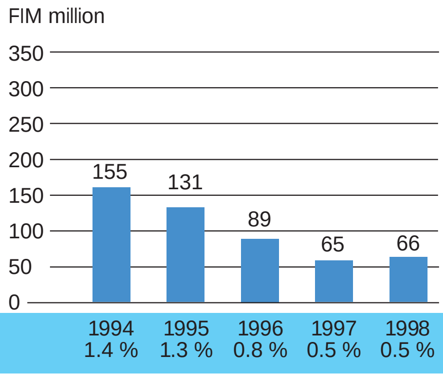
FIM million		1.1.-31.12.1998		1.1.-31.12.1997
Business operations				
From operations				
Operating profit		346.9		267.0
Depreciation and value adjustments		216.3		186.7
Financial income and expenses		-53.8		-63.4
Extraordinary items		-1.0		1.4
Taxes		-13.9		-3.2
Total		494.4		388.5
Change in working capital				
Increase in stocks		-24.3		-91.5
Increase in current trade debtors		-38.3		-145.7
Increase(+)/decrease(-) in interest-free short-term creditors *		-9.8		199.6
Total		-72.4		-37.6
Total cash flow from operations		422.1		350.9
Investments				
Increace in fixed assets		277.8		274.7
Decrease in fixed assets		206.6		71.6
Total		-71.1		-203.1
Cash flow before financing		350.9		147.8
Financing				
Increase in long-term debtors		-99.7		-8.1
Increase in long-term creditors		521.1		163.2
Decrease in long-term creditors		793.2		206.0
Increase(-)/decrease(+) in short-term debtors		17.6		-12.1
Increase(+)/decrease(-) in short-term creditors		-57.3		192.0
Interest paid on share capital		15.8		13.3
Increase in share capital and additional share capital		47.6		47.0
Decrease in capital and reserves (donations)		0.1		0.1
Decrease in minority interest		-3.7		-1.4
Total		-383.5		161.2
Subsidiary company purchases				
Working capital	-4.8			
Fixed assets	-4.7		-98.9	
Financing	-4.9		98.8	
Liquid funds	-7.0	-21.4		-0.1
Increase(+)/decrease(-) in liquid funds		-53.9		308.9
Increase(+)/decrease(-) in liquid funds				
Liquid funds at the end of year	1 445.2		1 492.2	
of which liquid funds of companies acquired during the year	-7.0	1 438.2	0.0	1 492.2
Liquid funds at the beginning of year		-1 492.2		-1 183.2
Total		-53.9		308.9

* Includes change in provisions for liabilities and charges

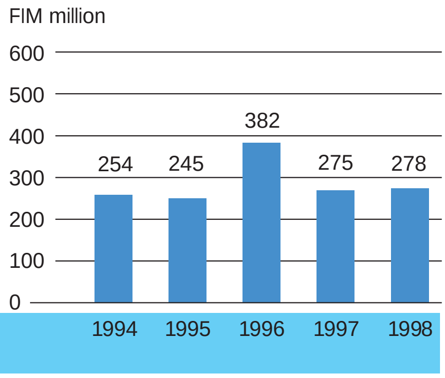
OPERATING PROFIT 1994-1998



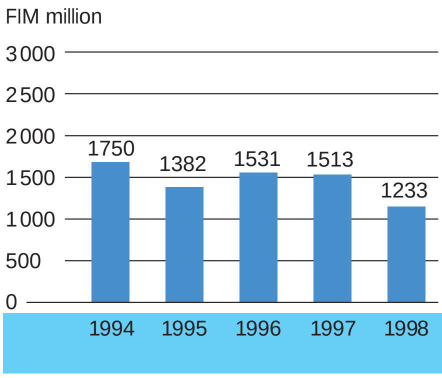
NET INTEREST PAYABLE 1994-1998
(% of net turnover)



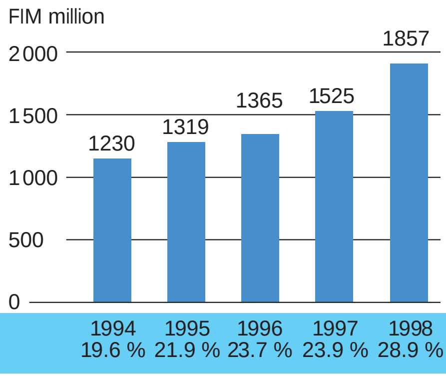
INCREASE IN FIXED ASSETS
1994-1998



NET INTEREST-BEARING CREDITORS
AT 31.12.1994-1998

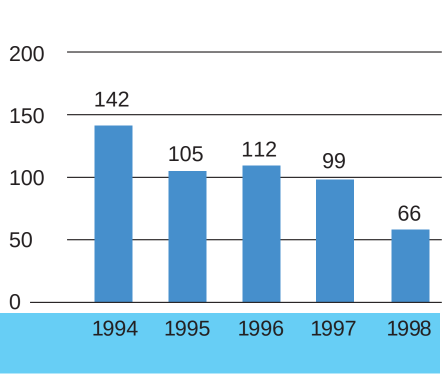


CAPITAL AND RESERVES *
AT 31.12. 1994-1998 (Equity ratio, %)

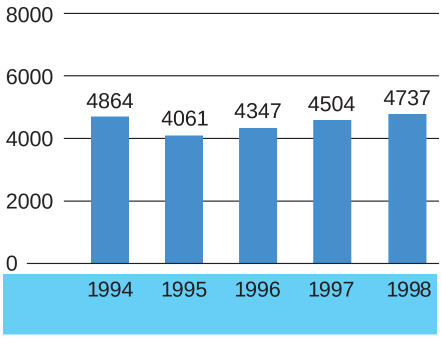


* including minority interest and accumulated
appropriations 1994-1996

GEARING,%
1994-1998



PERSONNEL AT 31.12.
1994-1998



SOK INCOME STATEMENT

FIM million	Ref.	1.1.- 31.12.1998		1.1.-31.12.1997	
Net turnover	(1)		5 705.5		5 360.7
Other operating income	(2)		159.0		69.3
Materials and services					
Raw materials and consumables	(3)	5 152.3		4 901.0	
External services		118.8	5 271.1	98.9	4 999.9
Staff costs					
Wages and salaries		72.5		63.9	
Social security costs	(4)	23.1	95.5	18.9	82.8
Depreciation and value adjustments	(5)		19.7		19.4
Other operating expenses					
Rents		303.9		233.8	
Other expenses	(6)	119.3	423.2	97.1	330.9
Operating profit (loss)			54.9		-3.0
Financial income and expenses (+/-)	(8)		26.9		-58.8
Profit (loss) before extaordinary items			81.8		-61.8
Extraordinary items (+/-)	(9)		102.0		230.0
Profit before appropriations and taxes			183.8		168.2
Appropriations (+/-)	(10)		2.4		3.1
Income taxes (+/-)	(11)		-7.4		0.2
Profit for the financial year			178.8		171.5

SOK BALANCE SHEET

ASSETS FIM million	Ref.		31.12.1998		31.12.1997
FIXED ASSETS					
Intangible assets	(12)	36.3		39.6	
Tangible assets	(12)	60.6		129.4	
Financial assets	(13)	3 457.4	3 554.4	3 397.8	3 566.8
CURRENT ASSETS					
Stocks	(15)	43.0		52.9	
Long-term debtors	(16)	9.4		5.6	
Short-term debtors	(18)	875.3		865.5	
Investments	(19)	1 675.8		1 631.0	
Cash at bank and in hand		39.2	2 642.7	52.7	2 607.7
			6 197.0		6 174.5

LIABILITIES FIM million	Ref.		31.12.1998		31.12.1997
CAPITAL AND RESERVES	(20)				
Share capital		264.5		226.9	
Additional share capital		25.0		15.0	
Revaluation reserve		0.3		41.2	
Legal reserve		65.1		65.1	
Supervisory Board’s disposal fund		0.3		0.1	
Profit brought forward		1 468.3		1 312.8	
Profit for the financial year		178.8	2 002.3	171.5	1 832.6
ACCUMULATED APPROPRIATIONS	(21)		13.7		16.1
PROVISIONS	(22)		83.3		88.8
CREDITORS					
Capital loan	(23)	120.0		120.0	
Long-term creditors	(25)	1 079.2		1 180.2	
Short-term creditors	(26)	2 898.7	4 097.9	2 936.8	4 237.0
			6 197.0		6 174.5

SOK CASH FLOW STATEMENT

FIM milloin	1.1.-31.12.1998	1.1.-31.12.1997
Business operations		
From operations		
Operating profit	54.9	-3.0
Depreciation and value adjustments	19.7	19.4
Financial income and expences	47.9	45.8
Extraordinary items	8.2	230.0
Taxes	-7.4	0.2
Total	123.3	292.4
Change in working capital		
Decrease in stocks	9.9	6.0
Increase in current trade debtors	-15.6	-103.9
Increase in interest-free short-term creditors *	21.9	108.4
Total	16.1	10.5
Total cash flow from operations	139.4	302.9
Investments		
Increase in fixed assets	184.9	158.8
Decrease in fixed assets	137.8	35.6
Total	-47.1	-123.2
Cash flow before financing	92.3	179.7
Financing		
Increase(-)/decrease(+) in long-term debtors	71.6	-63.1
Increase in long-term creditors	505.0	231.7
Decrease in long-term creditors	675.4	129.6
Increase(-)/decrease(+) in short-term debtors	2.1	-7.5
Increase in short-term creditors	3.9	85.1
Interest paid on share capital	15.8	13.3
Increase in share capital and additional share capital	47.6	47.0
Decrease in capital and reserves (donations)	0.1	0.1
Total	-61.2	150.2
Increase(+)/decrease(-) in liquid funds	31.1	329.9
Increase in liquid funds		
Liquid funds at the end of year	1 714.8	1 683.6
Liquid funds at the beginning of year	-1 683.6	-1 353.6
Total	31.1	329.9

* Includes change in provisions for liabilities and charges

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 together with its subsidiaries, more than 50 % of the vote-carrying shares. Of the subsidiaries, 1 SHB housing company and 10 non-business companies have not been consolidated. Their total book value in the consolidated balance sheet is FIM 0.3 million. The consolidated subsidiaries are listed under item 14 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 8 housing companies of which 7 are SHB housing companies. Their total book value in the parent company's balance sheet is FIM 0.2 million. These consolidated associated companies are listed under item 14 in the Notes.

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

One foreign associated company has been consolidated in the accounts.

Principles of consolidation

The consolidated accounts have been drawn up by combining the income statements, balance sheets and related notes of the Corporation's companies, which have been made in accordance with the Accounting Act that came into force on December 31, 1997. In addition, the amendments concerning financial statements made to the Companies' Act, which came into force on May 15, 1998, have also been taken into consideration. The presentation of the consolidated income statement, balance sheet and notes are in accordance with these new rules. Changes to the balance sheet items in the cash flow statement are, however, based on the groupings in use before the changes in the Accounting Act came into force.

The consolidated financial statements are for the period 1.1. -31.12.1998. In order to allow comparison with the financial year under review, 1997 data has been adjusted. Purchases of external services under fixed costs for the previous year have been adjusted to render them comparable to those during the financial year. Net turnover for the previous year have been adjusted for compliance with the new Accounting Act. Accumulated deferred tax assets due to temporary differences before the beginning of the financial year have been entered as extraordinary income in the consolidated income statement. Deferred tax assets were not included in the consolidated balance sheet for the previous year.

Companies acquired or formed during the year are consolidated from the time of their acquisition or formation. Subsidiaries and associated companies sold during the period are consolidated up to their date of sale.

Intra-corporate holdings

Intra-corporate shareholdings in subsidiaries have been eliminated using the acquisition cost method. Intra-corporate shareholdings have been eliminated on the one hand by deducting the cost of acquisition and on the other hand by deducting that amount of the subsidiaries´ equity at the acquistion date, which is in proportion to the corporation´s shareholding. The equity of subsidiaries acquired since the beginning of the financial year include accelerated depreciation and voluntary provisions minus deferred tax liability. In regard to the excess arising from elimination, that part due to the difference between the market and book values of properties is included under fixed assets and the rest as group goodwill. It has not been thought necessary to adjust the accumulated appropriations in past elimination calculations due to the small amount of undepreciated group goodwill.

Planned depreciation has been carried out on the goodwill on buildings. Straight-line depreciation over a five-year period has been carried out on group goodwill as a single item.

Internal transactions and minority interests

In drawing up the consolidated income statement, all intra-corporate income, expenses and dividends have been eliminated. The share of non-consolidated companies in subsidiaries' profits in proportion to their shareholdings has been entered in the consolidated income statement as a minority interest. In addition, changes in intra-corporate margins during the financial year, entered in the consolidated balance sheets, have been deducted.

In drawing up the consolidated balance sheet, intra-corporate debtors, liabilities and margins have been deducted. The proportionate share of non-consolidated companies in subsidiaries' shareholdings has been entered in the consolidated balance sheet as a minority interest

The difference between actual and plan depreciation (accelerated depreciation), and voluntary provisions have been entered in the consolidated balance sheet under deferred tax liability, minority interest and equity, and changes in them in the consolidated income statement under changes in deferred tax liability, minority interest and profit for the financial year.

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, including also accumulated appropriations minus deferred tax liability.

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 the acquisition cost of the associated companies' shares. The eliminated sales profit is entered as income in keeping with depreciation.

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. Deptors 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 gains 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.

Any exchange gains or losses resulting from the fixing of the exchange rates of euro currencies on December 31, 1998, have been entered as affecting income.

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 revaluation reserve in the consolidated balance sheet remains at FIM 622 million.

Depreciation is calculated on a straight-line basis so as to write off the cost of fixed assets over their expected useful lives. No depreciation was made on revaluations. Depreciation is calculated from the beginning of the month after the object was taken into use. The depreciation periods, which are based on the expected useful lives, are entered under depreciation in the Notes to the income statement.

Leasing

Leasing charges have been treated as rent expenses in the consolidated income statement.

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 provisions for liabilities and charges.

Appropriations, deferred tax assets and liabilities

Appropriations are accelerated depreciation and voluntary provisions, which in the balance sheets of Group companies are presented as accumulated appropriations. In the consolidated balance sheet accelerated depreciation and voluntary provisions have been divided between equity and a deferred tax liability, and changes in them in the consolidated income statement as changes in deferred tax liability and the profit for the year. The depreciation not deducted in taxation has been considered a reducing factor in calculating the deferred tax liability.

Deferred tax assets and liabilities due to temporary differences

Deferred tax assets resulting from Group companies' provisions for liabilities and charges and confirmed losses have been entered in the consolidated balance sheet. Deferred tax assets have been presented in the notes to the income statements and balance sheets of the relevant companies if warranted. Group companies have no deferred tax liabilities due to temporary differences.

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, which is presented as a liability in the Notes, 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 for the former members of the dissolved Elonvara in the employment of the Corporation, thus securing their current and future retirement benefits, which were previously treated as pension transactions.

MANAGEMENT OF FINANCIAL RISKS

Responsibility for managing the SOK Corporation's financial risks resides with the SOK Finance unit. The principles of risk management have been confirmed by SOK's Executive Board, which has likewise set the limits to liquidity, interest, foreign exchange and credit risks. In addition, numerical objectives have been established for the different part areas of financing in order to guarantee the sufficiency, balance and cheapness 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 turnover come from the domestic market. The Corporation's foreign exchange loans are completely 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 parties and by making agreements only with leading domestic and foreign banks, financial institutions and brokers.

NOTES TO THE ACCOUNTS

NOTES CONCERNING THE INCOME STATEMENTS

FIM million	SOK-CORPORATION 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
1. Net turnover by sector				
Agricultural and hardware trade	3 867.8	3 157.7		
Hotel and restaurant business	994.8	896.7		
Car trade	1 148.5	955.9		
Department store trade	1 174.2	1 265.8		0.5
Grocery trade	423.5	253.6		
Consumer goods sourcing	1 664.8	1 104.5		
EDI invoicing	5 148.1	4 894.9	5 148.1	4 894.9
Real estate and property leasing	540.6	487.5	272.6	230.6
Other services	336.3	288.0	284.8	234.7
Eliminations	-1 346.1	-891.1		
Total	13 952.6	12 413.7	5 705.5	5 360.7

The turnover is from domestic operations only

FIM million	SOK-CORPORATION 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
2. Other operating income				
Profits on sale of fixed assets	156.8	105.3	157.0	69.2
Goodwill income	3.5			
Other operating income	2.1	1.2	2.0	0.1
Total	162.5	106.5	159.0	69.3
3. Raw materials and consumables				
Purchases during the financial year	11 472.8	10 285.2	5 142.4	4 894.8
Change in stocks (+/-)	-14.3	-94.1	9.9	6.2
Total	11 458.5	10 191.1	5 152.3	4 901.0
4. Social security costs				
Pension costs	100.1	84.6	16.6	11.7
Other social security costs	58.8	58.8	6.5	7.3
Total	159.0	143.4	23.1	18.9

Informaton concerning the staff and members
of the boards is contained under item 27.

FIM million	SOK-CORPORATION 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
5. Depreciation and value adjustments				
Depreciation according to plan	191.6	179.5	17.8	19.4
Value adjustments of group goodwill intangible and tangible fixed assets	24.6	7.1	1.9	
Total	216.3	186.7	19.7	19.4

The itemised specifications of the change in depreciation and accelerated depreciation are included under fixed assets and accumulated appropriations in the balance sheet notes.

Planned 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
Restaurant and hotel 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

Instead of the usual 5 years, the depreciation time for Royal Hotels Oy's goodwill is 10 years. This goodwill comes from business transactions leading to the creation of the Radisson SAS hotel brand and network, the income expectations of which are expected to mature over a period of at least 10 years.

Depreciation has not been made on revaluations.

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
6. Other operating expenses				
Other operating expenses	638.1	573.3	105.2	97.1
Losses on sale of fixed assets	3.8	3.3	14.1	0.0
Total	641.8	576.7	119.3	97.1
Rents are presented as a separate item in the income statement.				
7. Increase(-)/decrease(+) in provisions for liabilities and charges				
Increase in rent expenses against empty business premises	-32.7	-28.3	-32.7	-27.5
Decrease in rent expenses against empty business premises	41.4	35.5	33.2	30.3
Increase in other future expenses and losses		-26.2		-20.5
Decrese in other future expenses and losses	7.0	4.4	5.0	
Total	15.8	-14.6	5.5	-17.7
8. Financial income and expenses				
Dividend income from participating interests			4.4	0.0
Dividend income from others	2.6	3.1	2.6	3.1
Total dividend income on financial assets	2.6	3.1	7.0	3.1
Interest income on other financial assets				
From group companies			101.4	108.9
From others	6.4	14.0	6.4	14.0
Other interest and financial income				
From group companies			22.6	20.3
From others	108.6	64.6	75.9	40.8
Total interest and other financial income	115.0	78.6	206.3	184.0
Value adjustments of financial assets	53.8	72.5	21.0	104.7
Interest and other financial expenses				
To group companies			9.5	18.3
To others	175.9	145.0	155.9	123.0
Total interest and other financial expenses	175.9	145.0	165.4	141.3
Total financial income and expenses	-112.1	-135.8	26.9	-58.8
9. Extraordinary items				
Extraordinary income				
Group contribution received			10.0	228.7
Refunds on value adjustments of group companies			93.8	
Deferred tax assets from earlier years	121.0			
Other	2.0	3.3	2.0	3.3
Total	122.9	3.3	105.8	232.0
Extraordinary expenses				
Other	3.0	1.9	3.8	1.9
Total	3.0	1.9	3.8	1.9
Total extraordinary items	120.0	1.4	102.0	230.0
10. Appropriations				
Increase(-)/decrease(+) in accelerated depreciation		-15.0	2.4	3.1
Decrease (+) in tax reserves		54.5		
Total		39.5	2.4	3.1
11. Income taxes				
Income taxes on ordinary operations for the year	7.6	5.4	-3.4	-63.6
Income taxes on ordinary operations for the previous year	0.2	-2.2	-0.1	-0.6
Income taxes on extraordinary items	6.1		10.9	64.0
Effect of consolidation	-1.2			
Change in deferred tax liability/assets	55.0			
Total	67.6	3.2	7.4	-0.2

NOTES CONCERNING ASSETS IN THE BALANCE SHEETS

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
12. Intangible and tangible assets				
Intangible assets				
Intangible rights				
Acquisition cost at 1.1.	123.4	107.4	54.8	47.3
Increase 1.1. - 31.12.	14.9	15.0	4.0	6.8
Decrease 1.1. - 31.12.	-4.0	-11.5		-6.1
Transfers 1.1. - 31.12.	12.0	12.5	6.8	6.8
Acquisition cost at 31.12.	146.4	123.4	65.6	54.8
Accumulated depreciation at 1.1.	80.5	73.3	37.3	35.0
Companies acquired	1.3			
Companies merged			0.2	
Accumulated depreciation on decreases and transfers	-2.7	-11.0		-6.1
Depreciation for the financial year	18.1	18.0	8.4	8.4
Value adjustments		0.2		
Accumulated depreciation at 31.12.	97.3	80.5	45.9	37.3
Book value at 31.12.	49.1	42.9	19.7	17.4
Goodwill				
Acquisition cost at 1.1.	50.7	50.9		
Increase 1.1. - 31.12.	5.1	37.4		
Decrease 1.1. - 31.12.	-1.6	-37.6		
Acquisition cost at 31.12.	54.3	50.7		
Accumulated depreciation at 1.1.	10.5	35.2		
Companies acquired	2.9			
Accumulated depreciation on decreases and transfers	-1.6	-32.7		
Depreciation for the financial year	12.3	8.1		
Accumulated depreciation at 31.12.	24.1	10.5		
Book value at 31.12.	30.1	40.2		
Other capitalised expenditure				
Acquisition cost at 1.1.	175.8	162.4	20.7	20.0
Increase 1.1. - 31.12.	12.8	10.7		0.0
Decrease 1.1. - 31.12.	-8.5	-5.8		-0.1
Transfers 1.1. - 31.12.	16.0	8.5	0.2	0.8
Acquisition cost at 31.12.	196.2	175.8	20.9	20.7
Accumulated depreciation at 1.1.	75.6	55.4	12.1	9.4
Companies acquired	0.3			
Accumulated depreciation on decreases and transfers	-6.1	-3.7		-0.1
Depreciation for the financial year	23.3	23.6	2.8	2.8
Value adjustments	2.0	0.3		
Accumulated depreciation at 31.12.	95.0	75.6	15.0	12.1
Book value at 31.12.	101.2	100.2	5.9	8.6
Advance payments on intangible assets				
Acquisition cost at 1.1.	14.8	20.5	13.6	14.0
Increase 1.1. - 31.12.	35.1	26.9	13.4	8.0
Decrease 1.1. - 31.12.	-4.5		-3.6	
Transfers 1.1. - 31.12.	-28.5	-32.6	-12.7	-8.4
Book value at 31.12.	17.0	14.8	10.7	13.6
Total intangible assets	197.5	198.2	36.3	39.6

	SOK-CORPORATION		SOK	
FIM million	1998	1997	1998	1997
Group goodwill				
Acquisition cost at 1.1.	87.8	91.0		
Increase 1.1. - 31.12.	13.1	0.2		
Decrease 1.1. - 31.12.	-1.1	-3.4		
Acquisition cost at 31.12.	99.9	87.8		
Accumulated depreciation at 1.1.	64.4	59.0		
Accumulated depreciation on decreases and transfers	-1.1	-0.6		
Depreciation for the financial year	7.9	6.0		
Value adjustments	13.4	0.0		
Accumulated depreciation at 31.12.	84.6	64.4		
Book value at 31.12.	15.3	23.5		
Group reserve				
Value at 1.1.	12.4	12.4		
Increase 1.1. - 31.12.	1.1			
Decrease 1.1. - 31.12.		0.0		
Value at 31.12.	13.6	12.4		
Accumulated income entries at 31.12.	8.7	6.8		
Book value at 31.12.	4.8	5.6		
Group goodwill in balance sheet at 31.12.	10.4	17.9		
Tangible assets				
Land and water				
Acquisition cost at 1.1.	256.7	237.1	16.5	17.6
Increase 1.1. - 31.12.	29.0	38.3	0.4	
Decrease 1.1. - 31.12.	-47.9	-19.5	-5.3	-1.9
Transfers 1.1. - 31.12.	5.8	0.8	5.8	0.8
Acquisition cost at 31.12.	243.5	256.7	17.4	16.5
Accumulated value adjustments at 1.1.	11.1	11.4		
Accumulated value adjustments on decreases and transfers	0.0	-0.3		
Value adjustments	5.9		1.9	
Accumulated value adjustments at 31.12.	17.0	11.1	1.9	
Revaluations at 1.1.	265.0	259.9	40.9	70.9
Increase	40.9	35.0		
Decrease	-40.9	-30.0	-40.9	-30.0
Revaluations at 31.12.	265.0	265.0	0.0	40.9
Book value at 31.12.	491.5	510.6	15.5	57.4
Buildings and constructions				
Acquisition cost at 1.1.	1 585.5	1 511.0	89.0	91.3
Increase 1.1. - 31.12.	16.4	83.0	0.1	0.2
Decrease 1.1. - 31.12.	-188.7	-35.8	-19.6	-6.8
Transfers 1.1. - 31.12.	56.3	27.2	0.0	4.4
Acquisition cost at 31.12.	1 469.5	1 585.5	69.5	89.0
Accumulated depreciation at 1.1.	444.0	398.5	48.1	52.7
Accumulated depreciation on decreases and transfers	-43.9	-14.4	-8.9	-6.7
Depreciation for the financial year	57.3	55.8	1.8	2.2
Value adjustments	3.0	4.1		
Accumulated depreciation at 31.12.	460.4	444.0	41.1	48.1
Revaluations at 1.1.	361.0	366.0		
Increase		5.0		
Decrease		-10.0		
Revaluations at 31.12.	361.0	361.0		
Book value at 31.12.	1 370.1	1 502.5	28.4	40.9

	SOK-CORPORATION		SOK	
FIM million	1998	1997	1998	1997
Machinery and equipment				
Acquisition cost at 1.1.	623.4	511.9	63.0	67.4
Increase 1.1. - 31.12.	66.6	101.3	4.7	2.4
Decrease 1.1. - 31.12.	-24.3	-49.9	-0.6	-8.0
Transfers 1.1. - 31.12.	13.5	60.1	0.1	1.3
Acquisition cost at 31.12.	679.3	623.4	67.2	63.0
Accumulated depreciation at 1.1.	364.9	326.4	47.6	50.0
Companies acquired	2.4			
Companies merged			0.4	
Accumulated depreciation on decreases and transfers	-12.1	-35.3	-0.6	-8.0
Depreciation for the financial year	73.9	69.8	4.8	5.6
Value adjustments	0.3	4.0		
Accumulated depreciation at 31.12.	429.5	364.9	52.2	47.6
Book value at 31.12.	249.8	258.6	15.0	15.4
Share of machinery in the book value at 31.12.	0.4	2.6		
Other tangible assets				
Acquisition cost at 1.1.	22.9	5.8	15.2	0.8
Increase 1.1. - 31.12.	6.4	2.5	0.0	0.1
Decrease 1.1. - 31.12.	-14.3	-0.6	-14.4	0.0
Transfers 1.1. - 31.12.		15.2		14.4
Acquisition cost at 31.12.	15.0	22.9	0.9	15.2
Accumulated depreciation at 1.1.	2.3	1.5	0.5	0.1
Accumulated depreciation on decreases and transfers	-0.3	0.0	-0.4	0.0
Depreciation for the financial year	0.7	0.8	0.0	0.3
Accumulated depreciation at 31.12.	2.7	2.3	0.1	0.5
Book value at 31.12.	12.3	20.6	0.8	14.8
Advance payments and construction in progress				
Acquisition cost at 1.1.	7.7	36.5	0.9	20.0
Increase 1.1. - 31.12.	142.1	62.9	9.3	0.9
Decrease 1.1. - 31.12.	-9.1	-0.1	-9.1	0.0
Transfers 1.1. - 31.12.	-75.9	-91.7	-0.2	-20.0
Book value at 31.12.	64.8	7.7	1.0	0.9
Total tangible assets	2 188.5	2 299.9	60.6	129.4
13. Financial assets				
Shares in group companies				
Acquisition cost at 1.1.			1 478.4	1 360.2
Increase 1.1. - 31.12.			150.3	128.6
Decrease 1.1. - 31.12.			-83.1	-10.8
Transfers 1.1. - 31.12.			35.3	0.3
Acquisition cost at 31.12.			1 580.9	1 478.4
Accumulated value adjustments at 1.1.			139.6	139.6
Accumulated value adjustments on decreases and transfers			32.4	
Cancelled value adjustments			-93.8	
Accumulated value adjustments at 31.12.			78.1	139.6
Book value at 31.12.			1 502.7	1 338.8
Capital loan debtors from group companies				
Amount at 1.1.			102.6	11.3
Increase 1.1. - 31.12.			7.8	54.1
Decrease 1.1. - 31.12.			-1.5	-1.3
Transfers 1.1. - 31.12.			-35.2	38.6
Amount at 31.12.			73.7	102.6

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
Accumulated value adjustments at 1.1.			43.7	11.3
Accumulated value adjustments on decreases and transfers			-32.4	
Value adjustments				32.4
Accumulated value adjustments at 31.12.			11.3	43.7
Book value at 31.12.			62.4	59.0
Total shares and holdings in group companies			1 565.2	1 397.8
Debtors from group companies				
Amount at 1.1.			1 453.4	1 489.8
Increase 1.1. - 31.12.			32.5	258.1
Decrease 1.1. - 31.12.			-209.1	-255.5
Transfers 1.1. - 31.12.				-39.0
Amount at 31.12.			1 276.9	1 453.4
Liabilities to secure group companies loans.			339.8	475.1
Shares in participating interest companies				
Acquisition cost at 1.1.	624.4	611.2	625.7	620.9
Increase 1.1. - 31.12.	18.0	40.8	3.1	4.7
Decrease 1.1. - 31.12.	-25.8	-27.7	-25.6	
Transfers 1.1. - 31.12.	-0.8	0.1	-0.8	0.1
Acquisition cost at 31.12.	615.8	624.4	602.4	625.7
Accumulated value adjustments at 1.1.	221.4	211.6	230.3	193.0
Accumulated value adjustments on decreases and transfers	-16.2	-27.7	-16.2	
Value adjustments	53.4	37.5	21.0	37.3
Accumulated value adjustments at 31.12.	258.5	221.4	235.0	230.3
Book value at 31.12.	357.2	403.1	367.4	395.4
Undepreciated part of group goodwill due to associated companies	6.4	11.9		
Unentered part of group reserves due to associated companies	2.0	2.5		
Capital loan debtors from participating interest companies				
Increase 1.1. - 31.12.	5.1		5.0	
Decrease 1.1. - 31.12.	-0.1			
Transfers 1.1. - 31.12.	0.1			
Amount at 31.12.	5.0		5.0	
Total participating interests	362.2	403.1	372.4	395.4
Debtors from participating interest companies				
Amount at 1.1.	83.0	73.5	82.9	73.4
Increase 1.1. - 31.12.		14.4		14.4
Decrease 1.1. - 31.12.	-6.9	-4.9	-6.9	-4.8
Transfers 1.1. - 31.12.	-0.1			
Amount at 31.12.	76.0	83.0	76.0	82.9
Accumulated value adjustments at 1.1.	20.0		20.0	
Value adjustments		20.0		20.0
Accumulated value adjustments at 31.12.	20.0	20.0	20.0	20.0
Book value at 31.12.	56.0	63.0	56.0	62.9

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
Other shares and memberships				
Acquisition cost at 1.1.	89.0	107.5	80.9	100.2
Increase 1.1. - 31.12.	0.4	8.5	0.1	7.0
Decrease 1.1. - 31.12.	-17.5	-26.9	-3.0	-26.1
Transfers 1.1. - 31.12.	0.6	-0.1	0.6	-0.1
Acquisition cost at 31.12.	72.5	89.0	78.6	80.9
Accumulated value adjustments at 1.1.	13.6	17.0	3.5	6.9
Accumulated value adjustments on decreases and transfers	-9.6	-3.4	-0.5	-3.4
Value adjustments	0.4		0.0	
Accumulated value adjustments at 31.12.	4.5	13.6	3.0	3.5
Revaluations at 1.1.	0.3	0.3	0.3	0.3
Revaluations at 31.12.	0.3	0.3	0.3	0.3
Book value at 31.12.	68.3	75.6	75.8	77.7
Capital loan debtors from others				
Amount at 1.1.	55.4	51.1	55.4	51.1
Increase 1.1. - 31.12.	2.4	0.1	2.4	0.1
Decrease 1.1. - 31.12.	-0.2		-0.2	
Transfers 1.1. - 31.12.		4.1		4.1
Amount at 31.12.	57.6	55.4	57.6	55.4
Accumulated value adjustments at 1.1.	51.1	51.1	51.1	51.1
Accumulated value adjustments at 31.12.	51.1	51.1	51.1	51.1
Book value at 31.12.	6.5	4.3	6.5	4.3
Other debtors from others				
Amount at 1.1.	8.3	14.0	6.2	11.9
Increase 1.1. - 31.12.	101.2	0.4	100.0	0.4
Decrease 1.1. - 31.12.	-1.8	-2.3	-1.6	-2.3
Transfers 1.1. - 31.12.		-3.7		-3.7
Amount at 31.12.	107.7	8.3	104.6	6.2
Total financial assets	600.7	554.3	3 457.4	3 397.8

14. Companies owned by the Corporation and the Parent company at 31.12.1998

	Corporation's share-holding %	Corporation's voting rights %	SOK's share-holding %	Shares owned by SOK Number	Nominal value FIM thousands	Book value FIM thousands
Group companies						
Commercial						
Automaa Oy	100.0	100.0	100.0	13 300	13 300	23 895
Hankkija-Maatalous Oy	100.0	100.0	100.0	156 100	156 100	174 996
Hotel City Vantaa Oy	99.9	99.9	99.9	135 543 997	20 332	13 229
Hämeenmaan Automarket Oy	90.0	90.0	90.0	32 400	32 400	32 528
Intrade Partners Oy	100.0	100.0	100.0	16 660	24 990	24 995
Jollas-Opisto Oy	100.0	100.0	100.0	24 000	24 000	24 000
Kuusinen Oy	100.0	100.0	100.0	7 500	1 500	3 075
Oy Maan Auto Ab	100.0	100.0	100.0	8 000 000	80 000	102 825
Oy Sokos Ab	100.0	100.0	100.0	100 000	50 000	150 071
Rainex Partners Oy	100.0	100.0	100.0	20 000	20 000	20 599
Rainex Yrityspalvelu Oy	100.0	100.0				
Royal Hotels Oy	100.0	100.0	100.0	4 000	20 000	30 000
S-Etuluotto Oy	100.0	100.0	100.0	150 000	15 000	15 000
SOK-Business Oy	100.0	100.0	100.0	150	15	15
SOK-Takaus Oy	99.9	99.9	99.9	249 771	24 977	26 979
Sokos Hotels Oy	100.0	100.0	100.0	29 000	58 000	126 959
Sokotel Oy	100.0	100.0	51.1	2 247	2 247	2 594
Real estate companies (32 pcs)					251 768	730 973
Total under fixed assets						1 502 734
Real estate companies under stocks (54 pcs)						36 931

Shares in participating interest companies	Corporation's share-holding %	Corporation's voting rights %	SOK's share-holding %	Shares owned by SOK: Number	Nominal value FIM thousands	Book value FIM thousands
Associated companies						
Asunto Oy Hätilänkivi	23.9	23.9	23.9	18 320	1 832	4 547
Elielin Pysäköinti Oy	22.2	22.2	22.2	100	1 000	1 000
Etelä-Suomen Huoltamot Oy	46.5	46.5	46.5	6 510	6 510	3 023
Foodbaltic Oy (former Baltfood Oy)	50.0	50.0	50.0	1 000	1 000	1 000
Inex Partners Oy Group	50.0	50.0	50.0	40 000	40 000	40 000
Kiinteistö Oy Iisalmen Marjahaka	33.3	33.3	33.3	500	500	500
Kiinteistö Oy Pysäköintiveturi	49.7	40.2	49.7	293	29	9 014
Kiinteistö Oy Tullintorni	40.0	40.0	40.0	21 403	21	10 151
Kiinteistö Oy Turun Toripaikoitus	28.6	28.6	28.6	100	20	55
Kiinteistö Oy Valkeakosken Liikekeskus	48.8	48.8	48.8	585 650	586	16 620
Kiinteistö Oy Vilhonkatu 5	50.0	50.0	50.0	50 004	18 001	0
Malmintorin Kiinteistö Oy	40.5	40.5	40.5	4 159	6 239	74 472
Oy Realinvest Ab Group	21.9	21.9	21.9	7 520 000	188 000	188 000
Tenco Oy Group	50.0	50.0	50.0	1 000	1 000	1 000
Tullin Parkki Oy	45.1	30.0	45.1	246	25	5 448
Agribalt Oy	50.0	50.0				
Hotellipankki Oy	33.3	33.3				
Other companies (11 pcs)					594	607
Total						355 435
Other participating interest companies						
Cervuctum Oy			18.8	150 000	15 000	0
Polar-Yhtymä Oyj			2.9	5 305 272	26 526	11 937
Total						11 937
Associated companies under stocks					21	3 538
Other shares owned by the Parent company						
Paper companies and SHB companies					214	214
Sato-Yhtymä Oyj			8.7	190 220	1 902	36 875
Other companies					9 014	38 758
Total						75 847
Total under fixed assets						1 945 952
Total under stocks						40 470

FIM million	SOK-CORPORATION 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
15. Stocks				
Goods	831.2	799.7		
Other stocks	6.0	12.4	43.0	52.9
Advance payments	12.1	9.6		
Total	849.3	821.8	43.0	52.9
16.Long-term debtors				
Trade debtors	70.5	58.5		
Other debtors		0.1		
Prepayments and accrued income	15.1	7.6	9.4	5.6
Total long-term debtors	85.6	66.1	9.4	5.6
17. Deferred tax assets				
Temporary differences	67.1			

The deferred tax assets due to temporary differences have been combined and are shown in the consolidated balance sheet, but not in the group company balance sheet. The group company's deferred tax asset is presented as a note to the relevant company.

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
18.Short-term debtors				
Trade debtors	994.2	947.2	682.7	692.7
Amounts owed by group companies				
Trade debtors			52.4	50.2
Other debtors			10.0	
Prepayments and accrued income			27.5	16.6
Total			89.9	66.8
Amounts owed by participating interest companies				
Trade debtors	18.9	15.2	17.6	13.9
Loan receivables		9.0		9.0
Prepayments and accrued income	3.9	4.1	0.3	0.7
Total	22.8	28.3	17.9	23.7
Loan receivables	0.2	0.2		
Other debtors	78.8	75.7	23.8	29.5
Prepayments and accrued income	91.5	90.0	61.0	52.9
Total short-term debtors	1 187.5	1 141.5	875.3	865.5
Specification of prepayments and accrued income				
Financial items	28.2	44.0	28.7	41.8
Refund on company tax	14.8	5.6	14.8	5.6
Other	67.4	52.0	54.7	28.4
Total prepayments and accrued income	110.5	101.7	98.2	75.8
19. Investments				
Other shares and memberships	2.1	0.7	2.1	0.7
Other investments from group companies			335.2	238.5
Money market investments	1 338.5	1 391.8	1 338.5	1 391.8
Total	1 340.6	1 392.6	1 675.8	1 631.0

NOTES CONCERNING LIABILITIES IN THE BALANCE SHEETS

	SOK-CORPORATION 1998	1997	SOK 1998	1997
20. Capital and reserves				
Share capital at 1.1.	226.9	194.9	226.9	194.9
Increase	37.6	32.1	37.6	32.1
Decrease		0.0		0.0
Share capital at 31.12.	264.5	226.9	264.5	226.9
Share capital due will accrue in 1999-2002	0.0	13.3	0.0	13.3
Share capital called in	0.6		0.6	
Additional share capital at 1.1.	15.0		15.0	
Increase	10.0	15.0	10.0	15.0
Additional share capital at 31.12.	25.0	15.0	25.0	15.0
Revaluation reserve at 1.1.	621.8	621.8	41.2	71.2
Decrease in connection with sale of fixed assets	-40.9	-30.0	-40.9	-30.0
Increase	40.9	30.0		
Revaluation reserve at 31.12.	621.8	621.8	0.3	41.2

The hotel and department store premises on which revaluations have been carried out are located in the centres of Helsinki, Tampere, Turku and Jyväskylä, and the logistics centre in Espoo. They have all been leased either directly or indirectly for use in group operations. The revaluations have been made on the above premises in the consolidated balance sheet by adjusting the book value to its nearest estimated transfer price.

	SOK-CORPORATION 1998	1997	SOK 1998	1997
Legal reserve at 1.1.	65.1	65.1	65.1	65.1
Legal reserve at 31.12.	65.1	65.1	65.1	65.1

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
Supervisory Board's disposal fund at 1.1.	0.1	0.2	0.1	0.2
Increase	0.2		0.2	
Decrease	-0.1	-0.1	-0.1	-0.1
Supervisory Board's disposal fund at 31.12.	0.3	0.1	0.3	0.1
Profit brought forward at 1.1.	504.5	343.6	1 484.3	1 326.1
Transfer to Supervisory Board's disposal fund	-0.2		-0.2	
Interest on share capital and additional share capital	-15.8	-13.3	-15.8	-13.3
Profit brought forward at 31.12.	488.5	330.4	1 468.3	1 312.8
The disposal fund and profit account have been combined as profit for the previous year				
Profit for the financial year	302.4	174.2	178.8	171.5
Total capital and reserves	1 767.5	1 433.5	2 002.3	1 832.7
Distributable funds at 31.12.				
Profit brought forward	488.5	330.4	1 468.3	1 312.8
Profit for the financial year	302.4	174.2	178.8	171.5
Share of accumulated depreciation and voluntary provisions allocated to capital and reserves	-128.4	-126.2		
Interest on additional share capital	-1.1	-0.3	-1.1	-0.3
Total	661.4	378.1	1 646.0	1 484.1

21. Accumulated appropriations

Accelerated depreciation

	SOK-CORPORATION 1998	1997	SOK 1998	1997
Intangible rights			3.4	2.6
Other capitalised expenditure			0.1	0.9
Buildings and constructions			2.8	3.4
Machinery and equipment			7.3	8.9
Other tangible assets			0.0	0.2
Total			13.7	16.1

22.Provisions

	SOK-CORPORATION 1998	1997	SOK 1998	1997
Rent expenses against empty business premises	67.8	76.5	67.8	68.3
Other future expenses	24.1	31.1	15.5	20.5
Total	91.8	107.6	83.3	88.8

23.Capital loan

1996 Debenture Loan

Main loan terms:
- 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.

24. Deferred tax liability

	SOK-CORPORATION 1998	1997	SOK 1998	1997
Appropriations	45.8	37.9		
Temporary differences	-6.7			
Included in group companies' own balance sheets	-			
Total	39.1	37.9		

FIM million	SOK-CORPORATION 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
25. Long-term creditors				
Bonds	127.4	135.5	127.4	135.5
Loans from financial institutions	911.8	503.9	791.7	380.6
Pension loans		541.4		479.1
Advances received	1.0			
Trade creditors	1.3	1.1		
Amounts owed to group companies				
Accruals and deferred income			0.1	
Amounts owed to participating interest companies				
Other long-term creditors		0.5		0.5
Other long-term creditors	160.2	174.5	158.6	174.5
Accruals and deferred income	1.3	10.0	1.3	10.0
Total long-term creditors	1 203.0	1 366.9	1 079.2	1 180.2
Long-term creditors which fall due after five years or longer				
Capital loan	120.0	120.0	120.0	120.0
Loans from financial institutions	456.0	4.2	456.0	4.2
Pension loans		405.4		360.4
Other long-term creditors	5.0	14.0	5.0	14.0
Total	581.0	543.6	581.0	498.6

Bonds

SOK's foreign floating rate notes 1997

Main loan terms:

- 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 1998	SOK-CORPORATION 1997	SOK 1998	SOK 1997
26. Short-term creditors				
Loans from financial institutions	93.8	224.2	89.8	160.9
Pension loans		40.8		36.1
Advances received	198.5	208.6	17.1	15.2
Trade creditors	1 146.0	1 064.4	514.4	492.1
Amounts owed to group companies				
Trade creditors			115.0	116.0
Other short-term creditors			574.7	542.2
Accruals and deferred income			33.7	6.9
Total			723.4	665.0
Amounts owed to participating interest companies				
Trade creditors	207.3	187.8	201.3	180.6
Other short-term creditors	43.9	45.3	43.9	45.3
Accruals and deferred income	0.3	0.4	0.1	0.2
Total	251.5	233.6	245.3	226.1
Other short-term creditors	1 399.2	1 377.8	1 235.0	1 225.8
Accruals and deferred income	231.7	285.1	73.7	115.6
Total short-term creditors	3 320.8	3 434.3	2 898.7	2 936.8
Specification of accruals and deferred income				
Staff costs	108.1	120.2	11.9	22.1
Financial items	29.2	66.2	27.9	61.7
Other	96.0	109.2	69.1	48.9
Total accruals and deferred income	233.3	295.6	108.9	132.7

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997

NOTES CONCERNING INCOME TAXES

See 11 above.

NOTES CONCERNING THE STAFF AND BOARD MEMBERS

27 a. Average staff numbers by group

Agricultural and hardware trade	801			
Hotel and restaurant business	1 523			
Car trade	292			
Department store trade	1 305			
Grocery trade	234			
Consumer goods sourcing	189			
Real estate and property leasing	50			
Other services	372			
Total	4 766			
SOK	357			
Subsidiaries	4 409			
Total	4 766			

The average staff numbers are calculated on the basis of month-end averages.

27 b.

Salaries and remunerations:				
CEO and members of the Executive Board	12.9		3.8	
Members of the Supervisory Board	0.3		0.3	
Management loans:	1.5		1.5	

1998 interest on loans 5 %
Lump sum loan repayments in 2000-2003.

Management persion liabilities:
For those members of the Executive Board in the employ of SOK and for certain of the subsidiaries' managing directors, the age of retirement is 58-62 years.

SECURED ASSETS AND CONTINGENT LIABILITIES

28. Contingent liabilities

Pledges and contingent liabilities

Loans secured by mortgages				
Loans from financial institutions	1.4	33.8		33.7
Mortgages	7.7	17.5		17.1
Pension loans		16.4		
Mortgages		2.0		
Other creditors	25.2	31.5		
Mortgages	50.0	50.0		
Total mortgages given as security	57.7	69.5		17.1
Loans secured by pledges				
Loans from financial institutions	119.3	136.5		33.7
Book value of pledged shares		56.1		56.1
Pledged installment agreements	119.4	102.8		
Pension loans		3.8		3.8
Book value of pledged shares		5.0		5.0
Other creditors	10.0	35.0	10.0	10.0
Book value of pledged shares	24.0	39.6	24.0	24.0
Total pledges given as security	143.4	203.4	24.0	85.0

FIM million	SOK-CORPORATION 1998	1997	SOK 1998	1997
General security for liabilities				
Mortgages	574.3	994.3	7.9	11.1
Book value of pledged shares		288.9		232.9
Other securities given				
Pledges	0.4	10.1	0.4	10.0
Securities given on behalf of group companies				
Pledges			0.5	71.7
Guarantees			322.1	455.4
Total			322.6	527.1
Securities given on behalf of others' liabilities				
Mortgages		12.0		5.0
Pledges	3.0	10.4	3.0	10.4
Guarantees	187.0	196.3	42.6	49.5
Total	190.0	218.7	45.6	64.9
Other contingent liabilities				
Installment liabilities	173.0	113.4		
Leasing liabilities:				
–To be paid the following year	9.5	7.0	2.1	1.6
–To be paid in a year's time	13.3	7.9	2.1	1.4
Total	22.7	14.9	4.2	3.0
Repurchasing liabilities	336.1	282.4	173.8	162.5

Rent liabilities
Hotel, restaurant and department store premises are mostly secured through long-term leases, which means that the present rent level (FIM 310 million in 1998) will continue in the near future.

Pension liabilities
Uncovered joint liability on voluntary pension commitments of FIM 5.4 million (1997 FIM 28.6 million).

Liability under derivative contracts

	SOK CORPORATION Value of underlying asset 31.12.1998	Market value 31.12.1998	Value of underlying asset 31.12.1997	Market value 31.12.1997	SOK Value of underlying asset 31.12.1998	Market value 31.12.1998	Value of underlying asset 31.12.1997	Market value 31.12.1997
Interest derivatives								
Forward rate agreements	10 528.0	0.0	1 295.4	0.4	10 756.0	0.3	1 295.4	0.4
Interest options								
Purchased	6 935.4	0.8	4 909.0	0.6	6 935.4	0.8	4 909.0	0.6
Written	663.0	0.0	1 259.0	-0.1	967.0	-0.1	1 259.0	-0.1
Interest rate swaps	812.2	-2.5	705.5	4.6	812.2	-2.5	705.5	4.6
Currency derivatives								
Currency forwards	873.7	3.6	983.2	12.4	933.9	4.9	1 342.9	8.5
Currency options								
Purchased	15.4	0.3			15.4	0.3		
Written	15.2	-0.2			15.2	-0.2		
Stock derivatives								
Stock forwards			30.3	-0.2			30.3	-0.2
Stock options								
Purchased			11.3	0.2			11.3	0.2

In examining the overall risk position account should be taken the position of the hedged balance sheet items in addition to the derivatives.
The principles observed in calculating market values:
- 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 RATIONS 1994-1998

	1994	1995	1996	1997	1998
Net Turnover	11 206	10 325	11 498	12 414	13 953
Operating profit					
FIM million	307	316	117	267	351
% of net turnover	2.7	3.1	1.0	2.2	2.5
Profit/loss before extraordinary items					
FIM million	73	91	42	137	252
% of net turnover	0.7	0.9	0.4	1.1	1.8
Profit/loss before appropriations and taxes					
FIM million	64	89	33	138	372
% of net turnover	0.6	0.9	0.3	1.1	2.7
Return on equity, %	12.9	16.7	3.2	14,3	17.2
Return on investment, %	8.8	10.4	5.5	8.4	10.7
Equity ratio, % [1)]	19.6	21.9	23.7	23.9	28.9
Gross investment in fixed assets					
FIM million	366	251	423	374	282
% of net turnover	3.3	2.4	3.7	3.0	2.0
Gearing, %	142	105	112	99	66
Personnel average for the year	4 949	4 136	4 211	4 375	4 766

CALCULATION OF KEY RATIOS

Return on equity, % $= \dfrac{\text{Profit/loss after financial items + value adjustments on financial assets – income taxes}}{\text{Capital and reserves + minority interest (+ accumulated appropriations 1994-1996), average}} \times 100$

Return on investment, % $= \dfrac{\text{Profit/loss after financial items + interest and other financial expenses + value adjustments on financial assets}}{\text{Total assets – interest-free creditors – provisions for liabilities and charges, average}} \times 100$

	1994	1995	1996	1997	1998
Interest-free creditors FIM million	1 570	1 737	1 759	1 954	2005

Equity ratio % $= \dfrac{\text{Capital and reserves + minority interest (+ accumulated appropriations 1994-1996)}}{\text{Total assets - advances received}} \times 100$

[1)] If the capital loan entered under creditors in the balance sheet is considered as comparable to capital and reserves, the equity ratio for 1998 was 30.7 %.

Gross investment in fixed assets = Increase in fixed assets + increase in fixed assets due to changes in corporation structure

Gearing, % $= \dfrac{\text{Interest-bearing creditors – liquid funds}}{\text{Capital and reserves + minority interest (+ accumulated appropriations 1994-1996)}} \times 100$

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 unrestricted equity of the Corporation is FIM 661,422,452.48 and the unrestricted equity of the Parent Company is FIM 1,646,013,040.61 after deduction of FIM 1,101,503.77 interest on additional share capital.

The Executive Board proposes that the profit for the financial year of FIM 178,806,441.88, after deduction of FIM 1,101,503.77 interest on additional share capital, be used as follows:

– an interest of 8 % be declared on shares fully paid up by cooperative societies by the beginning of the year	FIM	18,154,704.00
– be transferred to the Supervisory Board's disposal fund	FIM	200,000.00
– be left in the profit account	FIM	159,350,234.11

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

Share capital	FIM	264,509,400.00
Additional share capital	FIM	25,000,000.00
Revaluation reserve	FIM	300,000.00
Legal reserve	FIM	65,081,200.00
Supervisory Board's Disposal fund	FIM	477,161.20
Profit account	FIM	1,627,658,336.61
Total	FIM	1,983,026,097.81

Helsinki, March 18, 1999

Jere Lahti

Eero Kolamo

Veikko Autio

Martti Eurola

Leo Laukkanen

Kalevi Liukkonen

Jorma Niiniaho

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. - 31.12.1998. 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 178,806,441.88 have been drawn up in accordance with the Accounting Act and other relevant regulations and ordinances. The financial statements offer correct and sufficient information concerning the performance and financial position of the Corporation and the Cooperative as intended by the Accounting Act. 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 22, 1999

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 1998, 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 and the Audit Committee’s Report to the Annual General meeting, the Supervisory Board recommends that the financial statements be adopted and that the proposal concerning the result for the year and shareholders’ equity be endorsed.

The following members of the Supervisory Board are retiring upon completion of their terms of office: Timo Sonninen, Heikki Ikonen, Antero Taanila, Kari Neilimo, Jorma Sieviläinen, Arto Arvonen, Maija-Liisa Lindqvist and Arto Hiltunen. The Annual General meeting shall elect members to replace them for the following term of three years.

Helsinki, March 24, 1999

SUOMEN OSUUSKAUPPOJEN
KESKUSKUNTA

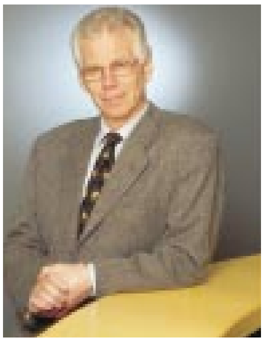
On behalf of the Supervisory Board

Kari Neilimo
Chairman

Osmo Maunuksela
Secretary

Prisma is a hypermarket for the whole family. In 1998 a new Prisma was opened in Lappeenranta and several others extended and refurbished.

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 4 %. That for the S Group increased much faster, by 8.8 %. This meant an expansion of its market share for the seventh year running, from 25.1 to 26.3 %.

The hotel and restaurant business expanded at much the same rate as the year before. The 4 % increase in the Group's licensed restaurant sales was slightly under and the 11 % growth in hotel room sales was slightly over the national average. The occupancy rate for the whole country increased by 1.4 percentage points to 49.4 %. That for the Group increased by 2.9 percentage points to 62.1 %, maintaining its position as the market leader.

The overall turnover in the agricultural business approached FIM 10 billion. Demand stayed high in the machine business and feed market expanded. The fertiliser trade remained unchanged, but the grain harvest was down on the previous year. The Group maintained its leading position in the agricultural business.

The automobile business continued to be one of the fastest growing sectors within the Finnish retail trade. Some 125 751 new cars were sold, a growth of 20.3 %. Sales of vans grew by 19.8 %. Peugeot's share of the car market dipped slightly, but that for vans increased.

Although total petrol consumption in Finland declined by about 1 %, the Group performed well in the fuel trade, increasing its market share to 11 %.

Hankkija Agriculture Ltd

Hankkija Agriculture Ltd's turnover amounted to FIM 3 366 million, up 6.6 %. Fertiliser sales increased by 4 %, which meant a slight improvement in the company's market share. Pesticide sales expanded by 12 %, giving Hankkija almost 50 % of the market. The company also strengthened its position in the feed trade.

The trade in farm implements continued to be brisk. Sales of high-powered silage and forage machines were particularly good, with those for grain-drying machines almost doubling. Although total tractor sales fell by 433 to 5 455, the company expanded its market share to 19.4 %, thanks to high demand for John Deere tractors. Agrimarket chain's share of the combine harvester market is 61 %.

Due to unfavourable growth conditions, the autumn grain harvest was 27 % smaller than the year before and the quality of all varieties under normal. The grain offered for sale was directed on the basis of the most suitable use for the quality either to the home market or for export. Following the record demand for seeds, company deliveries amounted to more than 29 000 tons, which was about 50 % of total sales of officially-inspected seeds in Finland.

Thanks to the highly efficient, national spare-parts and servicing network, it was possible to endure difficult harvesting conditions. Further improvement of the network was ensured through collaboration with the Professional Adult Education Centre, from where the first Agri-Services' contract mechanics graduated.

Growth and sales objectives were achieved in the hardware and garden business.

At the beginning of the year a regular customer scheme was introduced in which those concentrating their purchases received an Agribonus. By year-end over 16 000 farmers had signed up as regular customers, with total sales of FIM 1.3 billion. The customer-owners received from Hankkija Agriculture a total of FIM 12 million in Agribonuses and store Bonuses on their purchases in 1998.

A quality control programme based on the ISO 9002 standard was taken into use in the grain trade at the start of the harvest season. The system was certified at the beginning of 1999. Work on a similar programme for the seed trade was begun during the year. Environmental awareness was improved throughout the Agrimarket chain.

Early in the year, the company extended its agricultural and hardware operations into the Lammi and Hämeenkoski areas through the purchase of these operations from the Lammi society. At year-end there were 23 Agrimarkets and 86 Agrimarket stores. Refurbishments were carried out in 18 outlets, eight of which were moved to new sites. As from January 1, 1999, the agricultural operations of the Liminka society will be transferred to Hankkija Agriculture.

Together with Avena Oy, Hankkija Agriculture established a 50-50 owned associate company, Agribalt Oy, to manage the agricultural and grain business in the Baltic states.

In addition to the company's own outlets, the chain included 8 Agrimarkets and 27 stores belonging to the regional societies. The Ympäristö and Ympyrä societies will merge their agricultural business into Kymenlaakson Agrimarket Oy, which will commence operations on January 1, 1999.

At the end of the year the company had 714 employees.

1998	FIM million	Change
Net turnover	3 366	+208
Operating profit	86.8	+19.8

Sokos Hotels chain

The Sokos Hotels chain is the largest and best-known in Finland, offering a professional service to business and conference travellers, and diverse opportunities for leisure-time guests. At year-end the chain had 40 hotels located in the centres of 25 towns. Twenty-one of the chain's hotels are owned by SOK subsidiaries, the remainder by the regional societies. Those owned by SOK account for 64 % of the total sales and almost 60 % of the rooms.

During the year, Sokos Hotels operations were managed by five different companies. These were Sokos Hotels Oy (formerly Oy Sokoteria Ab), Helsinki Hotels Oy, Hotel City Vantaa Oy, Hämeenmaan Hotellit Oy and Lahden Uusi Seurahuone Oy. Company structures were reorganised to improve their management and administration. Hämeenmaan Hotellit and Helsinki Hotels were merged into Sokos Hotels Oy, and Lahden Uusi Seurahuone was dissolved and combined with Sokos Hotels Oy. By the end of the year most of the operations had been concentrated in Sokos Hotels Oy. Only Hotel City Vantaa continued as a separate company, but this will be merged into Sokos Hotels Oy in 1999.

The operations of Sokos Hotels Oy were extended during the year when it acquired the sales and marketing functions of the SOK subsidiary Sokotel Oy. The chain lost one hotel on January 1, 1999, with the closure of Sokos Hotel Tropicland. Further changes will take place when the operations of Sokos Hotel Royal Waasa and Sokos Hotel Oulu Vaakuna are sold to the SOK subsidiary Royal Hotels Oy. These units will then become part of the Radisson SAS chain.

This was a good year and all business objectives were surpassed. The main investments concerned the renovation of rooms in the Tampere Ilves and Lahti Seurahuone hotels, and the refurbishing of the restaurants in the Oulu Vaakuna, Tampere Ilves, and Hotel Helsinki and Klaus Kurki in Helsinki. The entrance and lobby of the Helsinki Vaakuna was renovated, and various areas in other hotels were renewed or refurnished.

A year 2000 project was initiated to guarantee the functioning of computer systems and their Y2K compliance. As part of this, nearly all central reservation, hotel and cash systems have been updated.

Net turnover for SOK's Sokos Hotels companies amounted to FIM 826 million, FIM 20 less than the previous year. The main reason for this was the transfer of the Sokos Hotel Hesperia to the Radisson SAS chain at the end of 1997. The companies´ operating profit was FIM 81 million, which was FIM 13 million better than the comparable figure for the year before. The figure for 1997 included Helsinki Hotels Oy's FIM 15.4 million intra-corporate goodwill. The companies had 1 272 employees on their payroll, compared with 1 118 the previous year.

The results for the largest companies were as follows:

Sokos Hotels Oy

1998	FIM million	Change
Net turnover	475	+1
Operating profit	43.3	-0.5

Helsinki Hotels Oy

1998	FIM million	Change
Net turnover	290	-31
Operating profit [1]	32.9	-2.7

[1] *The operating profit for Helsinki Hotels Oy was FIM 12.7 million up on the comparable figure for the year before. The 1997 operating profit included FIM 15.4 million intra-corporate goodwill.*

Radisson SAS chain

Radisson SAS is a world-wide chain of high-quality hotels specialising in business and conference travellers. SOK and Radisson SAS Hotels Worldwide signed an agreement in 1997 under which SOK has the sole right to operate under the Radisson SAS brand name in Finland for 15 years. At the beginning, the Radisson SAS chain will operate under a management agreement, but later on according to an SOK franchise agreement.

The chain's operations are managed by a wholly SOK-owned subsidiary Royal Hotels Oy. At year-end, there were two Helsinki-based hotels operating under the Radisson SAS brand name. Three more units are planned for 1999. These include the Radisson SAS Plaza Hotel Helsinki, the converted former SOK head office, and two Sokos Hotels which, following refurbishment, will open as the Radisson SAS Royal Hotel Vaasa and the Radisson SAS Hotel Oulu.

During the year, the company concentrated on improving the market position of existing hotels and preparing the new units. Customer service was upgraded by combining the Radisson SAS and Sokos Hotels chains' regular customer programmes. The main investments concerned refurbishing the hotels' nightclub and restaurant facilities, and various information system projects related to enhancing efficiency and Y2K compliance.

Royal Hotels Oy

1998	FIM million	Change
Net turnover	169	+118
Operating profit	2.8	+2.1

Oy Maan Auto Ab

The company is an SOK subsidiary, importing and marketing Peugeot cars, spare parts and accessories. At year-end the company had 37 dealerships, of which 7 were owned by Automaa Oy, 17 by the regional societies and 13 privately.

There were 6 673 new Peugeot cars registered, 1 060 more than in 1997, an increase of 18.9 %. Their share of the market, however, declined from 5.4 to 5.3 %. As the Finnish launching of the new Peugeot 206 small family car was only in November, its successful reception will affect 1999 sales.

Peugeot van sales continued to grow strongly. With 666 new registrations this was 349 more than the previous year. Peugeot's share of the van market grew from 2.7 to 4.8 %.

The company ceased exporting to Estonia in March 1998 as the result of a direct agreement between Peugeot and a local dealer. Total exports therefore declined from 657 in 1997 to 185.

The company concentrated on after-sales support and training with a view to the know-how and efficiency of dealers.

Net turnover increased by 23.3 % to FIM 901 million. Despite improved sales, profits declined due to the fall in exports and lower margins caused by sharp competition.

1998	FIM million	Change
Net turnover	901	+170
Operating profit	14.1	-6.3

Automaa Oy

The company is an SOK subsidiary retailing and servicing cars in Helsinki, Espoo, Vantaa, Hämeenlinna, Turku, Jyväskylä and Tampere. All outlets operate as Peugeot dealers, and the Hämeenlinna one also represents Nissan.

Sales of new Peugeot cars were as follows: Helsinki 837, Espoo 550, Vantaa 436, Jyväskylä 338, Tampere 461, Turku 443 and Hämeenlinna 149, a total of 3 214. In addition, 149 Nissan cars were sold in Hämeenlinna. Altogether 320 vans were sold, of which 306 were Peugeots.

Work began on extensions to the company's outlets in Helsinki and Espoo, in order to improve car trade-ins. The Helsinki unit was completed in November and that in Espoo in February 1999.

The company's comparable net turnover grew by 16.5 % to FIM 631 million. Despite increased sales, the company's share of the local market fell from 5.3 to 5.1 %. This was largely due to the powerful expansion of the total market in Greater Helsinki.

1998	FIM million	Change
Net turnover	631	+90
Operating profit	1.6	+1.2

Hämeenmaan Automarket Oy

Hämeenmaan Automarket Oy, established by SOK and the Hämeenmaa 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 Hämeenmaa society. The company's net turnover grew by 67 % to FIM 424 million, largely due to the opening of new outlets in 1997.

The main investments during the year were in the extension of the Hämeenlinna Prisma and the building of a garden centre for the Lahti Prisma. The S Group's share of the grocery market in the Lahti society's area increased by about 4 %.

Market Chain Management

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

Combined Group sales of groceries and specialty goods were FIM 18 148 million, a growth of 8 %. The grocery trade expanded by 8.8 % to FIM 14 746 million. The Group's share of the grocery market again increased and now surpassed 26 %. All chains performed well during the year.

With 272 outlets, an increase of eight, the S Market remains the largest grocery chain within the Group. Sales amounted to FIM 8 384 million, up 8 %, with those in its main lines growing by 8.7 %.

Prisma hypermarkets continued their strong growth. Sales totalled FIM 6 273 million, up 12 %. Grocery sales increased by 12 % and consumer goods by 13.2 %. During the year one new outlet was opened bringing the total up to 33.

The number of outlets in the Sale chain grew by eight to 173. Sales increased by 2.9 % to FIM 1 107 million.

Work continued on developing the network of chain outlets. A new Prisma was opened in Lappeenranta and important extensions were made to others in Jyväskylä, Iisalmi, Hämeenlinna and Tampere. New S Markets were opened in Porvoo, Vaasa, Lieksa, Seinäjoki, Tammela, Iittala, Vöyri and Kannus, and new Sale stores in Lievestuore, Jynkä, Kelloniemi, West Puijo, Rautalampi, Särkiniemi, Voikkaa, Marttila, Kiihtelysvaara, Kiikka and West Pori.

The supermarkets developed well in respect to market positions, performance and customer satisfaction. Prismas introduced a new system to support the planning of seasonal consumer goods ranges. The data management unit made preparations for the Y2K compliance of all programmes and the introduction of the euro.

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 developing logistics and information systems for the sector. Marketing and sales guidance for the Sokos Hotels was transferred to Sokos Hotels Oy on August 31, 1998.

There were 107 restaurants in the S Group's chains. The largest chain is Rosso, which operates 41 cosy family restaurants throughout the country. Other national chains include Fransmanni, which operates within Sokos hotels, Amarillo, Sevilla, Memphis and the Sokos Hotels' evening restaurants.

During the year 15 more chain restaurants were opened, of which five were part of the new Corner pub chain. Rosso Express, the Group's new fast-food outlets, were opened in Helsinki and Jyväskylä. Total restaurant sales were FIM 665 million, up 9.2 %. Profitability remained good.

Sokotel Oy was sold to SOK on August 31, 1998, where its operations continue under the auxiliary business name of Sokotel.

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 220, an increase of 8. Of these 107 were full-service outlets with shops attached and 113 others, including unmanned stations. Oy Shell Ab is the main oil-company partner, with a share of almost 60 %. Total sales came to FIM 2 235 million, up 4.3 %.

Rosso is the S Group's largest restaurant chain; carefree places appealing to children and adults alike.

During the year the company concentrated on developing new business ideas, the ABC shop concept and pilot scheme, the extension of data systems to all units, site acquisition, and assisting in the planning and building of full-service and unmanned stations.

The societies opened 3 new shops. These were in the Esso Härmänportti station in Alahärmä, the Shell Prisma station in Vaasa, and the Teboil station in Kirkkonummi. In addition, several new unmanned stations were opened, and existing stations were refurbished in accordance with chain concepts.

Although petrol consumption in Finland fell by more than one per cent during the year, the S Group's petrol business developed favourably and its market share increased to over 11 %. 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 4.4 million and it employed a staff of six. The company was fused into SOK on December 31, 1998.

Customer-Owner and Marketing Services

In cooperation with the regional societies and chains, Customer-Owner Services produces and develops the customer-owner system which is an integral part of the S Group's purpose. It includes member administration, S Privilege Cards, savings funds, bonuses and the related services for the societies, as well as customer-owner communications and telephone services and market research for the whole Group.

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

During the year a new data system was developed and implemented which enables the societies to target their customers more effectively. To increase customer-owner benefits, competitive tendering was introduced in insurance and electricity supply, which led to partnership agreements with the Tapiola Insurance Group and Vattenfall Sähkömyynti Oy.

To improve credit facilities, the S Etuluotto Oy credit finance company was established, which commenced operations in March 1999. The related information systems were built during the year. Likewise the development and testing programme for the Y2K compliance of all customer-owner computer systems was carried through.

The number of members in the regional societies at year-end was 656 998, of whom 617 576 were customer-owner households within the bonus system, an increase of 76 000. S Privilege Card bonus purchases amounted to FIM 13.5 billion, a growth of 20 %, of which FIM 315 million was returned in bonuses. The number of S Privilege Cards in use was about 1.6 million, of which some 350 000 had credit facilities.

Marketing Services is the internal advertising agency for the S Group. It designs and produces 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 Prisma, the two Sokos chains and Customer-Owner Services. Market Chain Management commissioned an entirely new look S Market and Sale chain advertising.

The unit also promoted the launching of several new chain outlets in collaboration with the regional societies. In addition to traditional printed matter, an increasing number of commissions are for web pages.

Olavi Kuusela

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

The Finnish consumer goods trade is estimated to have expanded by 6 % during the year, and that of the department stores a good 5 %. Fields of high performance included sports and leisure goods, giftware, books and domestic appliances. The S Group's specialty goods trade grew slightly slower than the national average.

Oy Sokos Ab

At year-end the company had 9 Sokos department stores and 8 Sokos Fashion stores. In addition the chain included 5 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. In accordance with an earlier decision, the Ruljanssi remainders store in Helsinki's East Centre shopping mall was closed down. The Sokos store owned by the Hamina society was converted into an S market.

The company's net turnover fell to FIM 1123 million, largely as the result of the closing of the Ruljanssi store and the stricter chain concept for the Sokos Fashion stores. However, thanks to effective cost control, performance targets were exceeded and the loss reduced by FIM 28 million. The performance of the Sokos Fashion chain was particularly good and showed a positive result.

Investments during the year concentrated on developing the operations and services of several department and fashion stores. The extension and refurbishing of the Tapiola Sokos was finished in time for the Christmas market, and the Oulu and Seinäjoki Sokos Fashion stores completed.

Investment projects for 1999 include the Lahti and Pori department stores and will lead to a considerable improvement in service capacity. The Helsinki Sokos store will greatly benefit from the completion of the Eliel Square parking facility in 2000.

During the year, work concentrated on developing the Sokos "Best Service" concept and processes, and organising operations into product worlds for children, women, men, home and beauty. This involved most of the staff and was carried out in 12 SOMA (Sokos Model) processes. The majority of the process plans were completed by year-end and will be integrated into company operations in spring 1999.

The processes will particularly help defining target groups and the merchandise and services aimed at them, as well as improving the level of service. They will also support targeted marketing and goods-flow control.

The range of store services was increased through extending dressing advice and building a gift service model. A beauty saloon concept has been designed for the Tampere Sokos for spring 1999, which will serve as a pilot scheme for the whole chain.

In marketing, work concentrated on clarifying operating methods and the role of different marketing instruments. The focus of media was on stores where milieu and presentation supported the "Best Service" concept. In the autumn, marketing collaboration was initiated with the Finnish free-style skiing team and aerobic world champion Tuuli Matinsalo Work began in spring on the strategic planning of the Sokos chain's Internet site Sokos Virtual.

Sourcing through Intrade Partners Oy was enhance by upgrading operations and systems, and improved goods-flow control and store handling. The storage of goods for the Helsinki and Tapiola stores was concentrated in Inex Partners' Hakkila warehouse. Improved accounting systems led to more efficient control over business operations. A major effort was made to secure the company's readiness for EMU and Y2K. The introduction of the new point-of-sales system in all chain outlets was completed in the spring.

The number of employees at year-end was 1 262. The decrease of 14 was largely due to the closure of the Helsinki Ruljanssi store.

1998	FIM million	Change
Net turnover	1 123	-93
Operating loss	-24.0	+28.2

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, Sokos department and Fashion stores, followed by the Sale, Alepa and Agrimarket chains, and the service-station stores. The company also supplied shop furnishings to S Group outlets.

The merging of the consumer goods sourcing functions of Oy Sokos Ab into the company was completed in the first quarter of the year. Operating models and processes were improved and resources allocated to better meet client requirements.

The sourcing of garden supplies was transferred to the company from Hankkija Agriculture Ltd on November 1. The main clients are the Prisma and Agrimarket chains.

On January 1, 1999, the company took over the sourcing of hardware goods from Rainex Partners Oy, whose operations were terminated at year-end. Its main clients will be the Prisma and Agrimarket chains.

Intrade Partners sold its institutional sales Premium Trading operations to Rainex Yrityspalvelu on April 1, 1998.

The volume of the company's deliveries were greatly boosted by the merger of Sokos' sourcing operations, expanded sales of consumer goods within the S Group's chains, and the opening of one new and extension of two other Prisma hypermarkets. This was particularly true with terminal deliveries. Thanks to increased volumes, the company achieved cost efficiency which in turn enabled it to offer better terms to its clients. Intrade Partners Oy had a staff of 197 at the end of the year.

1998	FIM million	Change
Net turnover	1 578	+473
Operating profit	10.7	+5.5

Rainex Partners Oy

This was the sixth and final year for Rainex Partners. The company ceased operations on December 31 when its sourcing functions were transferred to Intrade Partners Oy. Rainex Partners will be merged into SOK during spring 1999. Budgeted objectives for cost efficiency and profits were achieved.

Net turnover for the year amounted to FIM 87 million.

Rainex Yrityspalvelu Oy

The company's core business is the supply of hardware and building materials, but it also supplies institutional, civil defence and work safety contractors. Until spring 1999 the company was owned 100 % by Rainex Partners Oy, after which it will continue as a wholly-owned SOK subsidiary.

The company has six sales offices in Helsinki, Jyväskylä, Kuopio, Oulu, Tampere and Turku, and warehouses in Hakkila in Vantaa, Malmi in Helsinki, and Oulu.

Net turnover totalled FIM 502 million, an increase of FIM 115 million or 29.9 %. This was due to the new office in Turku, the Premium Trading department and a growth in the market share for hardware goods.

Kuusinen Oy

Kuusinen's three stores in central Helsinki sell international brand fashions and footwear for ladies and men. The company's net turnover were FIM 51 million, an increase of 3.9 %. Personnel at year-end totalled 55.

The extension and modernisation of the Sokos department store in Tapiola, Espoo, was completed in 1998.

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 responsible for drawing up common principles and guidelines on financial control within the S Group in internal accounting, bookkeeping, closing the books and taxation.

The SOK Corporation produced its financial statements for the year 1998 in accordance with the new accounting law that came into force on December 30, 1997. Concurrently with the changes in accounting and financial statements, all internal operative accounting and reporting guides were revised throughout the S Group and introduced into information systems.

The daily sales, margins and other criteria introduced in 1997, as well as reporting systems for economic data, were taken into use in all Corporation units and the regional societies.

The optical scanning of accounting reports was extended within the Corporation. The same hardware was used to create a uniform EDI archive for the S Group in which each unit can, if it wishes, obtain its own invoicing details. The EDI archive will be fully operative in 1999.

Scheduled deliveries of the new accounting system were made to 13 regional societies, followed up by training and advisory work. The accounting systems of all regional societies have now been updated and these are all Y2K compliant.

In accordance with the S Group's general timetable, the unit has identified the Y2K compliance of all information systems for which it is responsible, planned the required changes, drawn up testing plans and has begun the actual work of testing. The unit furthermore ensured preparedness for the introduction of the euro on January 1, 1999.

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.

In June, SOK undersigned a DEM 230 million long-term, syndicated multi-currency credit limit to replace more expensive and shorter-term credits and credit limits. At the end of the year the remainder of the Corporation's TEL loans were paid off and replaced by an equivalent amount of more favourable, long-term credit limits.

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.

SOK-Takaus Oy issued guarantees to the societies and SOK's subsidiaries. At year-end these stood at FIM 299 million, a reduction of FIM 91 million, mainly due to the removal of the Corporation's loan guarantees and the societies' diminished requirement for guarantees. Counter-sureties and own funds amounted to FIM 474 million.

S-Etuluotto Oy was founded on May 22, 1998, to develop credit systems and an operating model for the management of the S Group's consumer credits early in 1999.

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 136 million. The main project concerned the 3-year development programme for the Kilo logistics centre which will considerably improve the distribution of groceries. This part of the programme will be completed in autumn 1999.

Work began in June on the conversion of SOK's former head office into the 5-star Radisson SAS Plaza Hotel Helsinki, planned to be completed by summer 1999. Automaa's car salesrooms in Helsinki and Espoo were extended. A start was made to the underground parking lot between the Sokos department store and the central railway station in Helsinki. This 500-car facility directly linked to the store is estimated to be operative in April 2000. The property renovation programme was carried through as planned.

Real estate to the value of FIM 343 million was sold during the year. The Tampere Hotel Ilves property was sold to Kuntien eläkevakuutus Oy and the Lahti Sokos property to Merita Rahoitus Oy, both were sale and leaseback contracts with long-term lease agreements. The land of the Mikkeli Prisma was sold to the Suur-Savo society. The Lahti Pankkipokki S Market was sold to the Hämeenmaa society.

Unoccupied premises totalled 16 056 m^2, which was 13 573 m^2 less than the previous year. The greater part, 79 %, consisted of warehouse, office and factory premises resulting from restructuring. The leasing rate was 97.6 %.

The unit's income from rents was FIM 562 million, of which FIM 156 million came from outside tenants and FIM 252 million from the S Group. The profit before extraordinary items, appropriations and taxes was FIM 20 million up on the previous year. The unit's most important lessee is the Sokos chain.

A Business Sites unit was established at the beginning of the year with the purpose of finding new sites, improving existing ones and providing advisory and development services for the S Group.

During the year, evaluations of the condition of numerous properties were carried out. Substantial savings accrued to the S Group when competitive tendering was introduced for electricity supply and property maintenance. Work continued on formulating and implementing the environmental programme for real estate management.

Logistics and Information Systems

The S Group's data systems strategy was updated to meet the needs of business operations and aims. Strategy emphasises the growing importance of data management in the customer orientation of operations and especially in electronic business. Work continued as scheduled on the important Y2K and euro projects initiated in 1997. In view of the increasing dependence of business on computer technology, more emphasis was placed on data security and faultless system functioning.

Electronic communications were considerably extended within the S Group and its interest groups. The Group's Internet portal, the S Channel, was opened and the first pilot schemes introduced for linking customer-owners to the Group's network. A strategy was drawn up for electronic business, the technical architecture designed, and a demo electronic grocery store opened.

Legal Affairs

The unit manages all legal matters for the SOK Corporation. Work focused on drawing up contracts and agreements relating to business operations and structures. The working group under the leadership of the Ministry of Justice continued considering amendments to the Cooperatives Societies Act, with the aim of presenting its proposal in 1999.

Administrative Services

The unit is responsible for providing centralised services in the Ässäkeskus office and coordinating similar services throughout the S Group. In August, work began on the redevelopment of the old wing of the complex, with the aim of obtaining additional office space and modernising technology, equipment and working facilities. The project covers some 5 500 m^2 of office space in Fleminginkatu 36 and will be completed by the end of 1999.

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 unit specialised in guiding regional societies in implementing the S Group's strategy, developing business structures and preparing investments in collaboration with society managements, and supervising society finances.

The performance and financial position of the societies were supervised in accordance with the accounting guidelines approved by the SOK Supervisory Board. Generally speaking, their profitability improved and their financial position strengthened. The unit helped the societies draw up their annual budgets by providing business environment analyses and budget guidelines.

Work focussed on the preparation of agreements on cooperation between the regional societies and SOK as defined in the operational and structural strategy. The unit also helped plan the Tenco Group's department store and Foodbaltic Oy's projects in the Baltic states.

Together with the management of the Hämeenmaa society, agreements on the reorganisation of business within its area were prepared, as well as a plan for a new operations structure for Etelä-Suomen Huoltamot Oy.

The unit took part in supervising society savings funds operating within guarantee circle contracts. Responsibility for the savings funds of a society rests with its executive board and the operations are supervised by a special inspector. The society is liable to its member investors for their investments. Responsibility for repaying investments rests in

Risto Mäkeläinen

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 cooperatives and the second by the 13 local societies operating savings funds. SOK is responsible for supervising the guarantee circle contracts entered into by the savings funds. Member investments in the societies' savings funds increased by FIM 171 million to a year-end total of FIM 1 760 million.

Strategic Planning

Strategic Planning's main preoccupations included aligning strategies for the consumer goods and on-line businesses, updating environmental programmes, and investigating the development of the grocery business. Those for the consumer goods trade were approved in the autumn.

The unit took an active part in monitoring developments in electronic business in Finland and abroad, and worked on a strategy for introducing it in the S Group.

Emphasis in environmental matters was on training and communications, as well as producing and updating environmental programmes for the chains. The basis was created for building environmental programmes for the different sectors. SOK collaborated actively in both national and international developments in this field.

With the end to regulation in electricity supply in Finland, the unit called for competitive tendering with a view to expanding the range of customer-owner services. This resulted in a general agreement with Vattenfall Sähkömyynti Oy in the autumn.

The unit investigated the role of own labels and local offers in the grocery business.

Within the S-Intranet system, Strategic Planning was active in developing current news and information services.

The EMU Project

The purpose of the EMU Project begun at the beginning of 1997 is to coordinate preparations throughout the S Group for the introduction of the euro. The Group transition plan was completed, the strategic effects of euro on business operations analysed, a detailed plan drawn up in association with the chains and other units for the beginning of the transitional period on January 1, 1999, and provisional plans for the changeover period starting on January 1, 2002. The project coordinated plans for making and introducing the changes required by the euro in information systems. It also produced the material needed in staff training in the societies and Corporation.

In the summer, the S Group joined the European trading and consumer organisation's agreement on supplying euro information, thereby binding itself to observe its rules of practice and take the euro agreement marking into use in the spring of 1999. The aim of the S Group is to make the euro changeover as easy and safe as possible for its customers by providing sufficient information in good time. During the year, information on the effect of the euro was given to customers, largely through the medium of S publications.

Baltic area projects

These projects include S Group, associated company and partner operations within the Baltic states and Russia.

During the year work continued on investment plans in the Baltic area and the extension of cooperation within the area and through internal partnership operations.

The Finnish Cooperative Union

The main task of the Finnish Cooperative Union 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's activities are carried out by SOK's Cooperative Department.

The FCU Board of Directors consisted of attorney Matti Vanto (chairman), attorney Marja Lehtiranta (vice chairman), farmer Pekka Havukainen, attorney Jukka Huiskonen, Member of Parliament Tytti Isohookana-Asunmaa, principal Pekka Kivimäki, teacher Ulla Kurvinen, managing director Eero Saukkonen, managing director Håkan Smeds, municipal secretary Heikki Taimi and 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 Helsinki, in addition to numerous others within the societies for members of the executive and supervisory boards and council representatives.

Some 1 543 customer-owners took part in the administration of the regional cooperative societies; 78 as members of executive boards, 446 as members of supervisory boards and 1 019 as council representatives. Council elections were held in four regional societies, the average participation rate being 21 %.

The department continued to assist the societies in matters relating to changes in the rules. In addition, it took part in numerous administrative and interest group events organised by the societies.

The seventh S Group supervisors' convention was held on June 13 at Finlandia Hall and the Jollas Institute in Helsinki. Some 1 000 cooperative society and SOK Corporation representatives participated.

International relations are managed through the Finnish Consumer Cooperative Union, which is a member of the International Cooperative Alliance (ICA) and the Brussels-based consumer cooperative lobby organisation EURO COOP. The ICA has 236 member associations with a total membership of over 730 million from 93 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.

Elected officials in S Group regional cooperative societies in 1998

(Excluding committees)

	Men	Women	Total
Executive Board	64	14	78
Supervisory Board[1)]	273	173	446
Council of Representatives	495	524	1 019
Total	832	711	1 543

[1)] *Includes (cooperative society) personnel*

There are now over 1 600 000 S Benefit cards in use. 76 000 new customer-owner households joined in 1998.

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 groups were recruited and selected for commercial field training: 12 trainees for the university group and 16 for the college group. Recruitment for the February 1999 graduate group was begun and 15 people were selected. Five people were chosen for Radisson SAS field training and another ten will commence Sokos Hotels field training in January 1999. The aim of these field training programmes is to ensure future human resources for the S Group.

Wage and salary increases were carried out in accordance with the national agreement in the retail, hotel and restaurant sectors. Working time flexibility was increased on the basis of negotiated collective bargaining terms.

Payment by results aimed at encouraging staff was applied, particularly to key groups. In addition to sales staff, new groups will be included in the scheme.

Jollas Institute

The Jollas Institute is the S Group's professional training and educational centre for all personnel in the regional societies and SOK Corporation.

The Institute's turnover was FIM 22 million. In addition to a permanent staff of 22, it used the services of numerous outside lecturers. Some 29 000 days were devoted to training during the year.

Emphasis in the Institute's work is on training in support of S Group strategies and concerns all groups of personnel. One important field in middle management training is leader preparation, the aim being to improve individual leadership and interactive qualities. Some 4 900 people took part in "For You, Our Customer" training during 1998.

A new stage was reached in training for vocational and professional qualifications when the Institute was given the right to hold the sales staff, chef and store manager examinations. Some 100 students were working for exams within the apprenticeship contract system.

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.

The Jollas Institute works in close collaboration with S Group units, and training programmes are to a major extent tailored to their needs.

Occupational Health Services

The occupational health staff played an active role in the planning and implementation of the skill-maintaining programme initiated in several Group units and subsidiaries during the year.

The health and fitness of the staff is also promoted through regular medical check-ups and personalised health-maintenance programmes. Early rehabilitation schemes were implemented for different occupational groups.

The unit also helps in developing the work environment and community, and provides GP-level nursing.

S Publications

Yhteishyvä, the Group's customer-owner magazine, is now in its 94th year of publication. With an average size of 132 pages, the official circulation figure for this monthly magazine was 653 092 (542 070 in 1997). At the end of the year this rose to almost 700 000. Each issue contained a Food Supplement. Other supplements included two issues of Beauty, and one each of Garden, Summer Travel guide, Domestic Appliances and the Meat Guide. More local cooperative society centre-spreads were issued than earlier, and the introduction of special cooperative society covers proved most popular.

Yhteishyvä's Swedish-language edition, Samarbete, is in its 89th year, and had a circulation of 25 630 (23 132 in 1997).

Yhteishyvä's Internet edition (www.yhteishyva.fi) appeared every second week, the highlights of which were 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 84th year running. It was published every month except July and had a circulation of 19 354 (17 010 in 1997). Its content emphasised themes

SOK CORPORATION'S PERSONNEL IN 1998

of topical interest to the Group's retail trade and other operations. The September issue focussed on training and introduced the Jollas Institute's training programme. Coverage of overseas events in the sector and the activities of competitors was increased. Ässä was also posted to all elected 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 continued its theme of maintaining and improving work health.

In November, the S Group's site on the Internet, S Channel, was opened. In addition to the chains and regional cooperatives, it features Food and Wine World, home and kitchen, fashion and beauty, leisure-time, traffic and the S-Zone aimed at young people. The site is continuously updated, with news flashes being changed several times a day. The S Channel's address is: www.s-kanava.net.

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 sector. The annual and interim reports were published in Finnish, Swedish and English. Early in the year a new brochure on the S Group appeared in Finnish and English.

The Corporation's human resource policy is based on the purpose of the S Group, which is to provide benefits for committed customer-owners. A skilled, enterprising and customer-oriented staff is the best guarantee of success in a highly competitive world. As the S Group's employees are also customer-owners, their commitment to common aims and working methods is assured.

Numbers

At year-end there were 4 737 employees on the Corporation's payroll, an increase of 233 or 5.2 %. Of these 364 (7.7 %) worked in SOK and 4 373 (92.3 %) in the subsidiaries.

The increase was particularly noticeable in the hotel and restaurant companies. Another reason for the increase was the transfer of Rainex Partners Oy and Rainex Yrityspalvelu Oy to SOK at the beginning of the year.

Employment relations

At the end of the year, the vast majority (91.0 %) of the Corporation's personnel was employed on a permanent basis. Full-time employees accounted for 67.3 % and part-time employees for 32.7 %. Compared with 1997, there was a 2 % growth in the percentages of temporary and part-time employees. Most part-time employees worked in the hotel, restaurant and retailing companies.

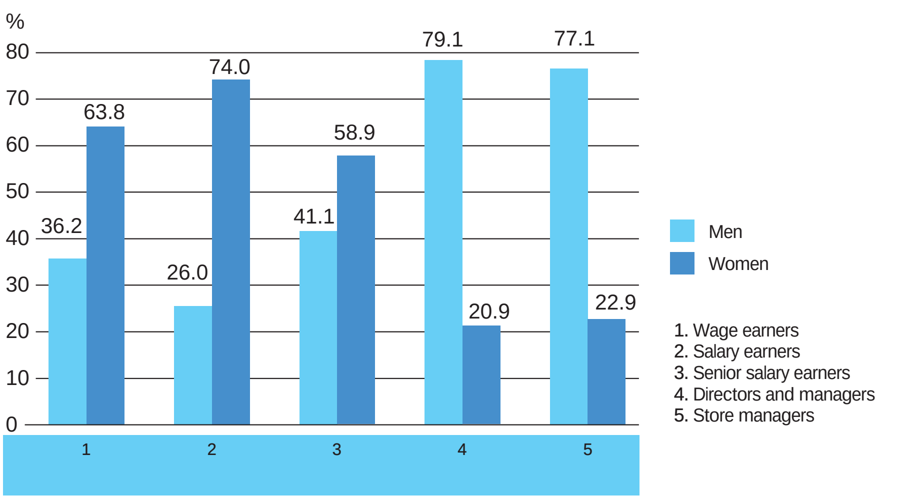
Gender structure

At year-end, 38.0 % of the Corporation's employees were men and 62.0 % women. Women predominated in the retail trade and men in the car and agricultural trades.

Job classification groups

Wage earners constituted the largest group in the Corporation. Most of these, as well as the salary earners, were women.

GENDER STRUCTURE OF JOB CLASSIFICATION
31.12.1998



Age structure

The average employee age in the Corporation was 39 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.

Improving personnel skills

The Corporation is not only concerned with maintaining the skills of its personnel, but also to extend and diversify them with a view to the future.

An important role in this mission is played by the Jollas Institute, the S Group's training and educational centre. The main themes in intra-corporate training during 1998 were the quality of service, interactive and leadership skills and information technology.

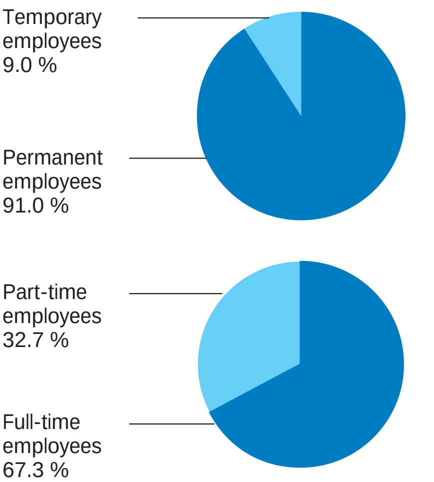
Upgrading knowledge also happens outside the actual training programmes. Emphasis is placed on learning on the job and within the work community, examples of which are job circulation, overcoming organisational boundaries and projects for those with special skills. Working in teams also helps learning and skill duplication.

The Corporation strives to offer challenging tasks and motivated careers within the organisation. This is made possible by the extent and diversity of corporate operations. During the year, 55 people moved from one company to another within the Corporation. This did not include those who moved from one unit to another within SOK or its subsidiaries.

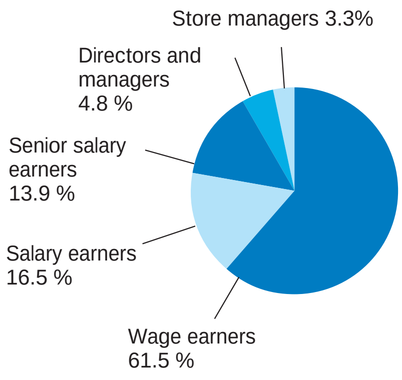
SOK CORPORATION´S PERSONNEL, 31.12.1998

	Number	%	Change
SOK CORPORATION			
Field Division	2 915	61.5	+158
Specialty Stores Division	1 560	32.9	+65
Administrative Division	179	3.8	+6
Office of the CEO	14	0.3	-2
Corporate Development and Planning	14	0.3	+2
Personnel and Communications	55	1.2	+4
TOTAL SOK CORPORATION	4 737	100.0	+233
SUBSIDIARIES	4 373	92.3	+204
SOK	364	7.7	+29

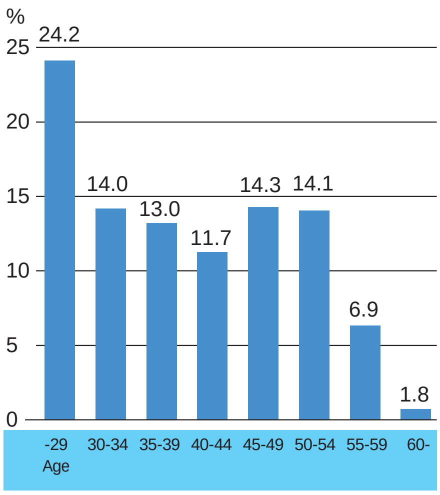
EMPLOYMENT RELATIONS IN SOK CORPORATION, 31.12.1998



JOB CLASSIFICATION GROUPS WITHIN THE SOK CORPORATION, 31.12.1998



AGE STRUCTURE OF SOK CORPORATION`S PERSONNEL, 31.12.1998



ASSOCIATED COMPANIES

The Inex Group

In 1998, the Inex Group consisted of the parent company Inex Partners Oy and its subsidiaries Meira Nova Oy, Meira Oy and A-Muna Oy. Frozen-foods logistics were managed in collaboration with the associated company Finnfrost Oy. The Rainex hardware sourcing and logistics companies were sold to SOK on January 1, 1998.

The Group's successes were due to outstanding client performance, and its own efficient and innovative operations. Inex produce considerable added value for its clients, thereby strengthening their competitive edge.

In addition to powerful growth, the Group continued to invest strongly in development and renewal. This mainly concerned customer-oriented operational processes with the partnership network, the key areas being ranges, information systems, personnel, logistics centres, combined deliveries and terminals.

The Group strengthened its position with net sales amounting to FIM 8 002 million. For groceries, the comparable increase was 10 %. Sourcing impact and cost-effectivity improved. The results for the Group and its subsidiaries were in the main positive. The return on capital was at a good level, and liquidity and financing stable.

Inex Partners Oy, the grocery and special goods sourcing and logistics parent company, enjoyed a successful year. Net sales came to FIM 7 038 million, an increase of almost 10 % over the previous year.

The operating model developed by the company and its partners has had a pioneering influence in chain selling and logistics in the grocery market. This can be seen in its success on the market, as well as in improved price competitiveness and profitability. The company's profit was as budgeted.

The foodservice trade company Meira Nova Oy recorded net sales of FIM 982 million, up 8 %. The company has stabilised its share of the wholesale deliveries in the grocery market at around 30 %.

Net sales for the coffee and spice company Meira Oy totalled 431 million. This was 11 % less than the year before, largely due to a fall in the price of coffee. Meira's share of the coffee market fell from 27 to 26 %. However, the company reaffirmed its dominant position in the spice market in Finland. Own label marketing by Meira has attracted considerable attention. First prize was awarded at home and abroad for the new Café arome advertising.

It is expected that the economy will grow more slowly in 1999, and any growth will depend on an expansion in the service sector and consumer demand. Even though a slow-down in the grocery trade is anticipated, Inex will continue to expand at the present rate.

At the end of the year the Group employed 1 738 people. The managing director of both the Group and the parent company was Martti Haaman.

The Etelä-Suomen Huoltamot Group

The shareholders in the service-station store operator Etelä-Suomen Huoltamot Oy are the Helsinki society (48.5 %), SOK (46.5 %), the Hämeenmaa society (2.5 %) and the Osla Handelslag society (2.5 %). The company sold the share capital of Liikennepalvelut Oy, which operates service-station stores in Tammisilta, Paimio, to the Turku society. The first ABC unmanned station was opened in Konala, Helsinki. At year-end the Group had 11 service-station stores and 7 unmanned stations.

Net turnover amounted to FIM 171 million and the company employed 110 people. The managing director was Hannu Plaketti.

The Tenco Group

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

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 Germany company Warenhaus Kaufhof Ag.

Tenco Eesti AS operates a department store in the centre of Tallinn in accordance with the Sokos business idea. Net turnover for the year were FIM 34.2 million.

Foodbaltic Oy

The purpose of Foodbaltic is to develop and operate the supermarket business in the Baltic states and St. Petersburg. The company is owned fifty-fifty by SOK and co op Schleswig-Holstein e.G. During the year it has investigated the supermarket situation in the Baltic states.

THE S GROUP IN 1998

The S Group consists of the SOK Corporation and the cooperative societies with their subsidiaries. S Group retail sales totalled FIM 31 444 million, an increase of 8.4 %. This was largely due to good performance by the Prisma and Agrimarket chains and the car business.

The Group showed a profit before extraordinary items, appropriations and taxes of FIM 950 million. With an increase over the previous year of almost FIM 140 million, this was an all-time record for the Group.

At year-end the Group had 1 203 retail outlets, a decrease of 2. The main investments included the completion of the Prisma hypermarket in Lappeenranta, and major extensions to others in Tampere, Jyväskylä, Iisalmi and Hämeenlinna. The Sokos department store in Tapiola was extended and a new S Market opened. Other major S Markets were opened in Porvoo, Vaasa and Lieksa. In addition there were extensions and refurbishings to numerous supermarkets, hotels and restaurants. Other investments included the start to the building of the Radisson SAS Plaza Hotel Helsinki and the refurbishing of the Kilo logistics centre in Espoo.

Total S Group investments were FIM 1 200 million, up FIM 200 million.

S Group personnel at year-end numbered 19 313, an increase of 1 030.

The cooperative societies

The number of cooperative societies at year-end remained unchanged at 44. Of these 23 were regional societies operating 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 24 007 million, up 8.1 %. The regional societies accounted for 97.5 % of the total.

The societies' profit before extraordinary items, appropriations and taxes was FIM 700 million, up FIM 30 million over the year before. All regional societies recorded a profit.

Combined investments came to FIM 895 million, a rise of FIM 167 million. Deposits by customer-owners in the savings funds rose by FIM 171 million to FIM 1 760 million.

With 66 512 people joining during the year, total membership of the societies rose to 673 520. The number of customer-owners in the regional societies was 656 998, an increase of 67 407. The customer-owner bonus system was in operation in all regional societies. Bonus purchases totalled FIM 13.5 billion, of which FIM 315 million was returned as bonuses.

The societies and their subsidiaries had a total of 14 576 employees at year-end, an increase of 797.

S Group Regional Cooperative Societies

Cooperative Society Varuboden, Kirkkonummi

South Karelia Cooperative Society, Lappeenranta

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 Handelslag, Porvoo

Cooperative Society PeeÄssä, Kuopio

Cooperative Society Seutu, Lohja

Cooperative Society Suur-Savo, Mikkeli

Cooperative Society Ympyrä, Hamina

Cooperative Society Ympäristö, Kouvola

Pirkanmaa Cooperative Society, Tampere

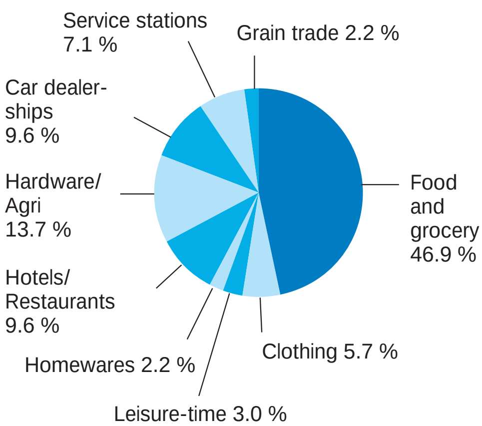
North Karelia Cooperative Society, Joensuu

Salo District Cooperative Society, Salo

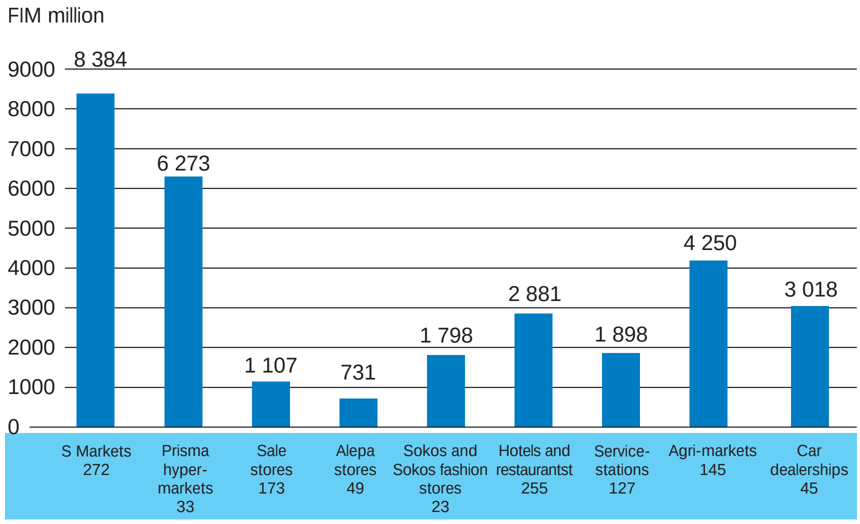
Satakunta Cooperative Society, Pori

Turku Cooperative Society, Turku

S GROUP RETAIL TRADE BY BRANCH 1998
Total FIM 31.4 Billion



S GROUP RETAIL SALES BY CHAIN 1998



The environmental effects of trade begin with site planning and extend to the satisfaction of customers needs. This review describes the main environmental themes from the point of view of the S Group.

Site planning

The major event of the year from the retailer's point of view was the revision of the Building Act, in particular the clause referring to the building of supermarkets. This states that supermarkets over 2000 m2 in size may not be built outside town centres if no town plan has been approved. The aim is to restrict the location of hypermarkets in non-planned areas outside town centres. Parliament passed the law in January 1999 and, in respect to the building of supermarkets, will come into force on March 1, 1999.

Building and properties

Within the S Group, considerable importance is paid to the voluntary consideration of environmental issues in the development, use and maintenance of properties. SOK, for example, has stressed this issue in the conversion of its former head office, now a listed building, into the Radisson SAS Plaza Hotel Helsinki. An ecological development model was drawn-up for the project which involved the following practical issues:

– The listed structures and building components have, as far as possible, been preserved in their original forms thereby retaining the original cultural values and milieu, and needless demolition has been avoided in order to minimise debris.

– Good planning has guaranteed the flexible use of the hotel property, as well as its economic and environmentally expedient long-term maintenance.

– Site debris has been minimised through component recycling.

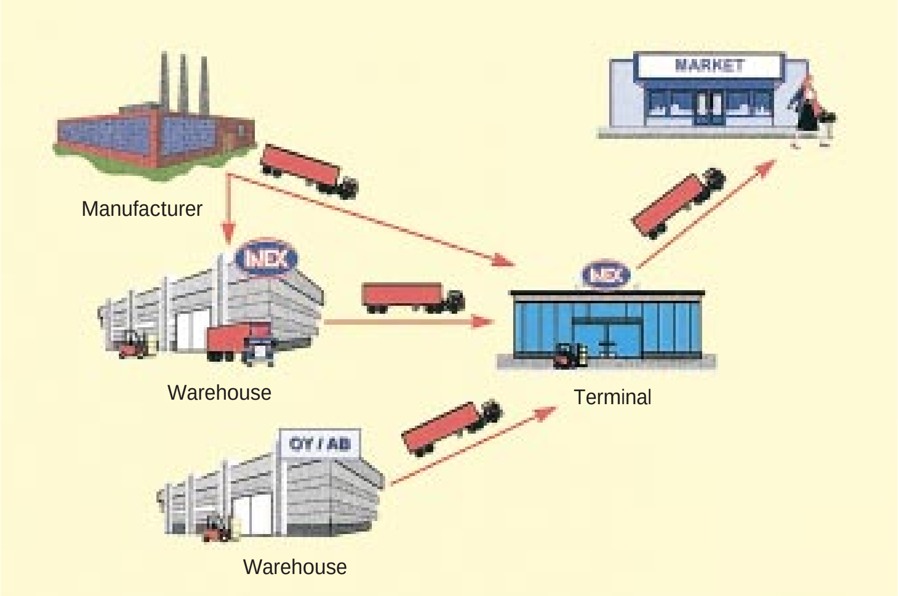
– The building has the latest mechanical and electrical services, thus maximising energy efficiency and minimising the use of natural resources.

In 1998, the SOK Real Estate Management unit participated in the RAKLI project which created a waste management model. The Sokos department store and Hotel Vaakuna property in Helsinki was chosen as the pilot site. On the basis of project experience, a model will be drawn up for waste management in various Group chains. Real Estate Management's environmental programme and projects have created a solid basis for the systematic management of environmental issues in building and property maintenance. This enables further development of the ISO 14001-based environmental system.

Sourcing and logistics

Efficient Consumer Response collaboration between trade and industry improves data management and opportunities for planning logistics. Inex Partners' share of client store transports was about 60 % in 1998, with most of the rest being direct deliveries by domestic manufacturers.

A recycling strategy was drawn up during the year for Inex Partners. The aim is to create efficient and sustainable recycling operations for retailers that are also economic and environmentally sound. This model allows for the efficient allocation of existing resources and guarantees the right areas of know-how. Another important environmental measure was the Good Packing project to discover the optimal package from the point of view of handling, durability and environmental considerations.



Real Estate Management and Inex Partners continued work on refurbishing the Kilo centre, renewing the mechanical, electrical and cooling facilities, and rearranging traffic to reduce the environmental load.

Intrade Partners is the S Group's consumer goods sourcing and logistics company. Its main function is to provide client chains with products competitive in both price and quality, as well as first-class operative services. With this in mind, the company carried out the environmental programme approved in 1995, mainly through its quality control department.

During the year Intrade Partners upgraded its environmental criteria. In regard to packaging, excessiveness is to be avoided, recyclable and otherwise reusable materials favoured, and, as far as is possible, the use of PVC forbidden. Packing materials and their recyclability are to marked in accordance with EU practice. Less environmentally burdensome products are to have nationally or internationally approved markings. New suppliers are required to fulfil specific environmental and ethical requirements (such as a ban on the use of child labour). Intrade Partners is responsible for ensuring that products and information about them accord with environmental laws and requirements.

Ranges

The S Group was in the limelight when the Union for Organic Farming gave the Helsinki Cooperative Society's S Market in the Sokos department store the first Organic Shop of the Year award. The Association felt that the S Market deserved the award because of its commendable pioneering work in promoting organic produce. This recognition is intended to activate the Society's work in the field of environmental protection. S Markets in Greater Helsinki stock some two hundred different organic foods.

The environmental effect of measures taken at the Kilo Logistics Centre

Measure	Effect
Transfer from oil to district heating	Reduction in emissions
Removal of lorry parking area	Reduction in noise and exhaust levels
New intersection taken into use	Reduction in noise levels
Roads surfaced	Reduction in dust levels
Traffic rearranged to reduce idle-running of cars	Reduction in noise and exhaust levels
Pedestrian traffic rearranged safe without need for cars	Movement within area quick and
Working places concentrated in favour of public transport	Reduction in use of private cars for work journeys, reduction in noise and exhaust levels
New loading platforms minimise use of petrol-burning fork trucks	Reduction in noise and exhaust levels
New refrigeration equipment installed	Use of freon terminated
Recovery of energy components	Reduction in waste tip quantities
Improvement in site character	Greater landscape harmonisation

Packagings and waste management

The Council of State decision concerning packaging and packing waste, that came into force in December 1997, led to considerable discussion early in the year. With this decision the relevant EU directive was introduced. Whereas the decision itself was quite straightforward, confusion arose over the establishment of PYR Oy, the packaging sector registrar, and the campaign it initiated. The teething problems are now over and in spring SOK became a member of PYR Oy.

Producer responsibility was applied to used tyres for the first time in 1995. The 90 % recycling liability set by the Council of State was achieved ahead of time in 18 months. The main reason for this was that the whole sector was immediately involved. The Corporation's subsidiaries, Hankkija Agriculture Ltd and Maan Auto Oy, entered into an agreement with the tyre recycling company, Suomen Rengaskierrätys Oy. Tyre recycling is financed by a recycling charge levied on the purchase of new tyres.

In addition to legislation, environmental issues are also advanced voluntarily. Numerous measures premeditate stricter regulations in the future, thereby producing additional value for themselves and their customers. One significant step was the agreement between the Helsinki society and the wastepaper company Paperinkeräys Oy in the summer for the recovery of energy components from the Prisma, S Market and Alepa stores in Greater Helsinki. A good start has been made to the project, which is an example of how practical environmental measures can severely reduce the waste going to municipal tips and redirect plastic and wood packagings for use as fuel in industrial boiler plants. Similar projects have been initiated in several S Group outlets throughout the country.

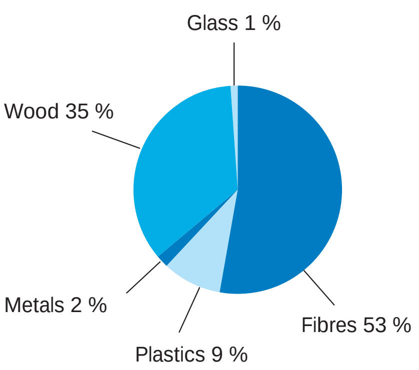
Inex Partners has continued its plastic recovery experiment in Greater Helsinki. Plastic film wrappings have been returned from certain stores to the Kilo warehouse where they are shipped to Norway for use as raw material in making plastic bags.

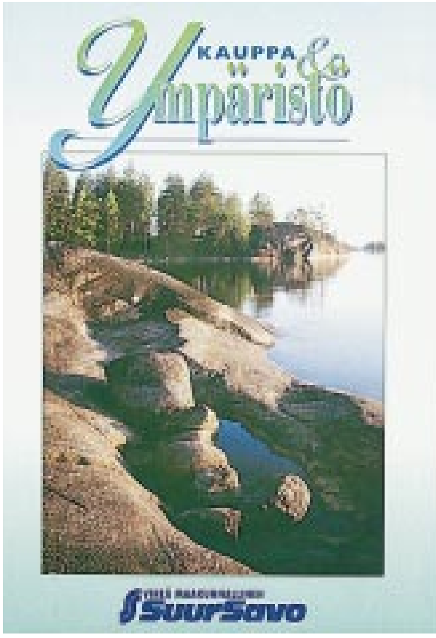
Training

Training was carried out in collaboration with the Jollas Institute, the Hyvinkää-Riihimäki Adult Education Centre, SOK Corporation business units and the regional societies. Jollas includes an environmental module in its long-term, middle management course. In Sokos Hotels, directors and those responsible for environmental and real estate management were schooled in environmentally-friendly hotel and restaurant operations. By the end of the year, 75 % of the hotels in the chain had participated in these courses. Other education work was directed at the regional societies and the training of those responsible for environmental issues.

The main event of the year was the first testing in Finland of a new environmental training model for retail store personnel. The place chosen for the three-month, on-site training was the Helsinki society's Hyvinkää S Market. Work-related environmental issues were identified through developing projects. This was part of the ENCO Sustainable Trade project and was financed under the EU's Leonardo da Vinci programme. Similar schemes have been carried out in Denmark and Britain.

PACKING MATERIALS 1997
About 53 000 tons





Communications

Environmental communication aimed at customers and interest groups was carried out through participation in the Sustainable Finland '98 happening in Hyvinkää and the Lake Finland Agricultural Show in Mikkeli. At Hyvinkää, information was given out concerning the Helsinki society's environmental projects, such as the refurbished Hyvinkää S Market, the ENCO training scheme and waste management operations, etc. At the Mikkeli Fair, the Suur-Savo Society offered a cross-section of local environmental projects. At both events, SOK's environmental manager provided information of the S Group's environmental activities.

Information on environmental issues was communicated to customer households through the eco-activities 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 featured organic foods in a special eco week in the spring, and the Mikkeli society participated in the Organic Foods Show in October.

Interest groups

The S Group has continued to play an active role in international cooperation. The EURO COOP's environment working group acts as the consumers' lobby in the EU in such matters as water and agricultural policies, environmental taxes, chemical strategy, eco labelling, detergent markings and transportation. The joint environmental group of the Federation of Finnish Commerce and Trade, and the Confederation of Finnish Industry and Employers discussed ways to promote environmental issues.

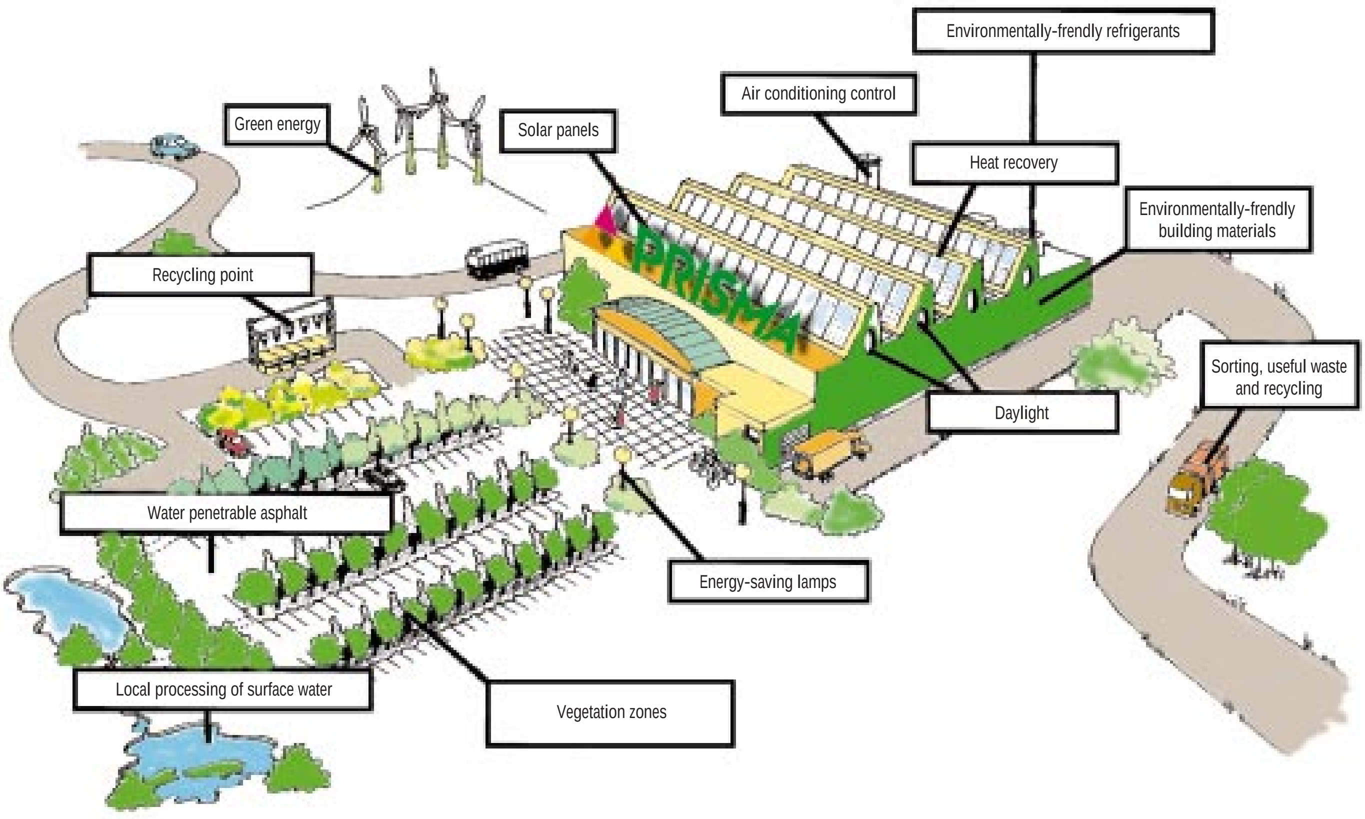
Environmental programmes and systems

The 1990 approved policy statement is carried out in practice through environmental programmes. During the year programmes for various units were updated and a new one made for the Sokos department store chain. Persons responsible for environmental issues were appointed and a training programme complete with info-pack was drawn up. All units have produced an up-to-date statement on waste management and recycling. Towards the end of the year, a safety and environment concept was drawn up for the ABC service-station store chain. This included a demanding collection of standards to be introduced in 1999.

Work continued on the environmental and quality control systems for Hankkija Agriculture's seed and grain trade based on ISO 14001 and ISO 9002 standards. The quality control system was completed and will be certified in 1999, when the environmental system will also be ready. Sokos Hotel Klaus Kurki participated in the Tourist Promotion Centre's YSMEK2 project, the aim of which is to adopt the environmental system based on the ISO 14001 standard and EMAS decree throughout 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 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.

The systematic management of environmental issues in the S Group has led to the reduction of waste through the efficient use of energy, water and packing materials. Quality and environmentally-friendly images are essential aspects of our competitiveness.



The S Group's environmental actions in the near future will concentrate on environmentally-friendly building and greater efficiency in the use of energy and water.

SOK SUPERVISORY BOARD 1998

The supervisory board in a cooperative society may be given wider duties than in a limited company. The tasks of the Supervisory Board are specified in the Rules of SOK.

The main duty of the Supervisory Board is to supervise that the Society and the SOK Corporation are administered in accordance with the law, the SOK Rules, the decisions of the general meetings of the Society and the Supervisory Board, and in the interests of the Society. In addition, the Supervisory Board decides on the principles of collaboration and the long-term plans of the S Group. These decisions of the Supervisory Board form the basis for the operations of the S Group. The Executive Board shall provide the Supervisory Board with all the information it requires in order to carry out its duties.

In accordance with the Rules, the Supervisory Board shall consist of 18-24 members, as decided upon by the general meeting of the Society, one-third of whom are annually due to resign. The number of members of the present Supervisory Board is 23. In addition, the Supervisory Board has two representatives of the staff.

The SOK Rules specify the duties of the chairman of the Supervisory Board. The Supervisory Board and chairman are assisted by a committee of presiding officers established by the Board and consisting of the chairman and vice chairmen of the Supervisory Board.

Kari Neilimo (born 1944)
Kangasala
Chairman
Ph. D. (Econ.)
Professor of Business Administration, Lappeenranta University of Technology
Chairman, Supervisory Board, Pirkanmaa Cooperative Society
Retiring in 1999

Eino Tenhunen (born 1941)
Pyhäselkä
First Vice Chairman
Managing Director, North Karelia Cooperative Society
Retiring in 2001

Eino Laaksonen (born 1936)
Oulu
Second Vice Chairman
Principal, Pohjankartano Upper Secondary School (retd)
Chairman, Supervisory Board, Cooperative Society Arina
Retiring in 2001

Arto Arvonen (born 1944)
Salo
Managing Director, Salo District Cooperative Society
Retiring in 1999

Esko Hakala (born 1952)
Kajaani
Managing Director, Cooperative Society Maakunta
Retiring in 2000

Tuomo Herrala (born 1941)
Lappeenranta
Managing Director, South Karelia Cooperative Society
Retiring in 2000

Arto Hiltunen (born 1958)
Porvoo
B. Sc. (Econ.)
Managing Director, Helsinki Cooperative Society
Retiring in 1999

Jukka Huiskonen (born 1945)
Mikkeli
LL. M.
J.Huiskonen, Attorneys-at-Law
Chairman, Supervisory Board, Cooperative Society Suur-Savo
Retiring in 2000

Heikki Ikonen (born 1943)
Nurmes
Farmer
Chairman, Supervisory Board, Jukola Cooperative Society
Retiring in 1999

Pekka Kangasmäki (born 1945)
Porvoo
B. Sc. (Econ.)
Managing Director, Cooperative Society Osla Handelslag
Retiring in 2000

Simo Kutinlahti (born 1957)
Keuruu
Farmer
Chairman, Supervisory Board, Cooperative Society Keskimaa
Retiring in 2001

Maija-Liisa Lindqvist (born 1951)
Lahti
Member of Parliament
Chairman, Supervisory Board, Cooperative Society Hämeenmaa
Retiring in 1999

Kalle Lähdesmäki (born 1952)
Seinäjoki
M. Sc. (Econ.)
Managing Director, South Ostrobothnia Cooperative Society
Retiring in 2001

Matti Ojanperä (born 1941)
Pori
Managing Director, Cooperative Society Satakunta
Retiring in 2000

Tauno Riekki (born 1941)
Kuusamo
M.A.
Managing Director, Cooperative Society Koillismaa
Retiring in 2000

Tuomo Saloniemi (born 1941)
Nummi-Pusula
B. Sc. (Agri.)
Farmer
Chairman, Supervisory Board, Cooperative Society Seutu
Until 29.4.1998

Pentti Sevon (born 1945)
Lohja
Managing Director, Cooperative Society Seutu
From 29.4.1998
Retiring in 2001

Jorma Sieviläinen (born 1954)
Rauma
Managing Director, Cooperative Society Keula
Retiring in 1999

Håkan Smeds (born 1948)
Espoo
Managing Director, Cooperative Society Varuboden
Retiring in 2001

Timo Sonninen (born 1948)
Iisalmi
Farmer
Vice Chairman, Supervisory Board, Cooperative Society PeeÄssä
Retiring in 1999

Matti Suokas (born 1946)
Kotka
B. Sc. (Econ.)
Director of Finance, Sunila Oy
Chairman, Supervisory Board, Cooperative Society Ympyrä
Retiring in 2000

Antero Taanila (born 1941)
Kokkola
Administrative Director, Outokumpu Zinc Oy
Chairman, Supervisory Board, Cooperative Society KPO
Retiring in 1999

Matti Vanto (born 1945)
Raisio
LL. M.
Lawyer, Naantali Town
Chairman, Supervisory Board, Turku Cooperative Society
Retiring in 2001

Jouko Vehmas (born 1956)
Kouvola
B. Sc. (Econ.)
Managing Director, Cooperative Society Ympäristö
Retiring in 2001

Personnel representatives:

Kirsi Ervola (born 1950)
Helsinki
M. Sc. (Agri. For.)
Editor, S Publications
Retiring in 1999

Annikki Heikkinen (born 1942)
Helsinki
Secretary, Real Estate Maintenance
Retiring in 1999

SOK EXECUTIVE BOARD 1998

The Executive Board shall represent the Society and manage its administration and the appropriate organisation of its operations within the SOK Corporation in accordance with the law and the Rules. The specific duties of the Executive Board are given in the Rules, in addition to which the Supervisory Board has confirmed the agendas of the bodies. All important decisions pertaining to the operations of the Corporation are decided by the Executive Board.

The members of the Executive Board are appointed by the Supervisory Board. In accordance with the Rules, the Executive Board consists of a chairman, who is the Chief Executive Officer of the Society, and a minimum of three and a maximum of eight other members appointed by the Supervisory Board for a term of one calendar year at a time.

The members of the Executive Board in 1998 are Jere Lahti, CEO of the Society, Eero Kolamo, Field Division Director and Jukka Salminen, Administrative Director. Their fields of responsibility are explained in the relevant section of the annual report. These fields of responsibility are confirmed by the Supervisory Board. The other five members of the Executive Board are managing directors of regional cooperative societies.

The duty of the CEO is to direct the activities of the Executive Board and the operations of the Society. The main conditions of employment of the CEO are contained in a written contract. The benefits of those members of the Executive Board in the employ of SOK are based on their conditions of employment. No separate fee is paid for their membership of the Executive Board. The other members of the Executive Board are paid a meeting fee on a monthly basis.

The fees paid to members of the Executive Board not in the employ of the Society are decided by the Supervisory Board. The emoluments of those members in the employ of the Society are decided by the chairman of the Supervisory Board in collaboration with the vice chairmen and in accordance with the instructions given by the Supervisory Board if requested.

Jere Lahti (born 1943)
Chairman and Chief Executive Officer
Dhc (Comm.), B. Sc. (Econ.)
Various positions in SOK since 1963. Manager of Audit Department, 1978-82. 1982-85 Managing Director of the Turku Cooperative Society and Chairman of the Executive Board. 1985-88 Director, SOK's Grocery and Specialty Goods Division and member of the Executive Board. Since 1988 SOK's CEO and Chairman of the Executive Board

Eero Kolamo (born 1937)
Executive Vice President
B. Sc. (Econ.)
Director of SOK's Field Division, member of the Executive Board since 1987

Veikko Autio (born 1945)
B. Sc. (Econ.)
Managing Director, Turku Cooperative Society
Member of SOK's Executive Board since 1998

Martti Eurola (born 1945)
M. Sc. (Econ.)
Managing Director, Cooperative Society KPO
Member of SOK's Executive Board since 1998

Leo Laukkanen (born 1947)
Managing Director, Cooperative Society Suur-Savo
Member of SOK's Executive Board since 1998

Kalevi Liukkonen (born 1937)
M. Sc. (Econ.)
Managing Director, Cooperative Society Keskimaa
Member of SOK's Executive Board since 1998

Jorma Niiniaho (born 1945)
M. Sc. (Econ.)
Managing Director, Cooperative Society Ympyrä
Member of SOK's Executive Board since 1998

Jukka Salminen (born 1947)
M. Sc. (Econ.)
Various positions in SOK since 1974. Director of SOK's Administrative Division, member of the Executive Board since 1988.

SOK'S AUDITORS 1998

ORDINARY MEMBERS

Jorma Jäske
M. Sc. (Econ.)
CPA

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

Juhani Heiskanen
M. Sc. (Econ.)
CPA

DEPUTY AUDITORS

Jorma Anttila
M. Sc. (Econ.)
CPA

Eero Huusko
M. Sc. (Econ.)
CPA

AUDIT COMMITTEE 1998

There is an Audit Committee in SOK, the rules of which are confirmed by the ordinary general meeting of the Society. The Committee consists of two administrative auditors and two SOK auditors all of whom are elected by the ordinary general meeting of the Society. The Audit Committee is part of the company's unofficial owner supervision.

ADMINISTRATIVE AUDITORS

Pekka Ripatti
Colonel (retd)
Member, Supervisory Board, North Karelia Cooperative Society

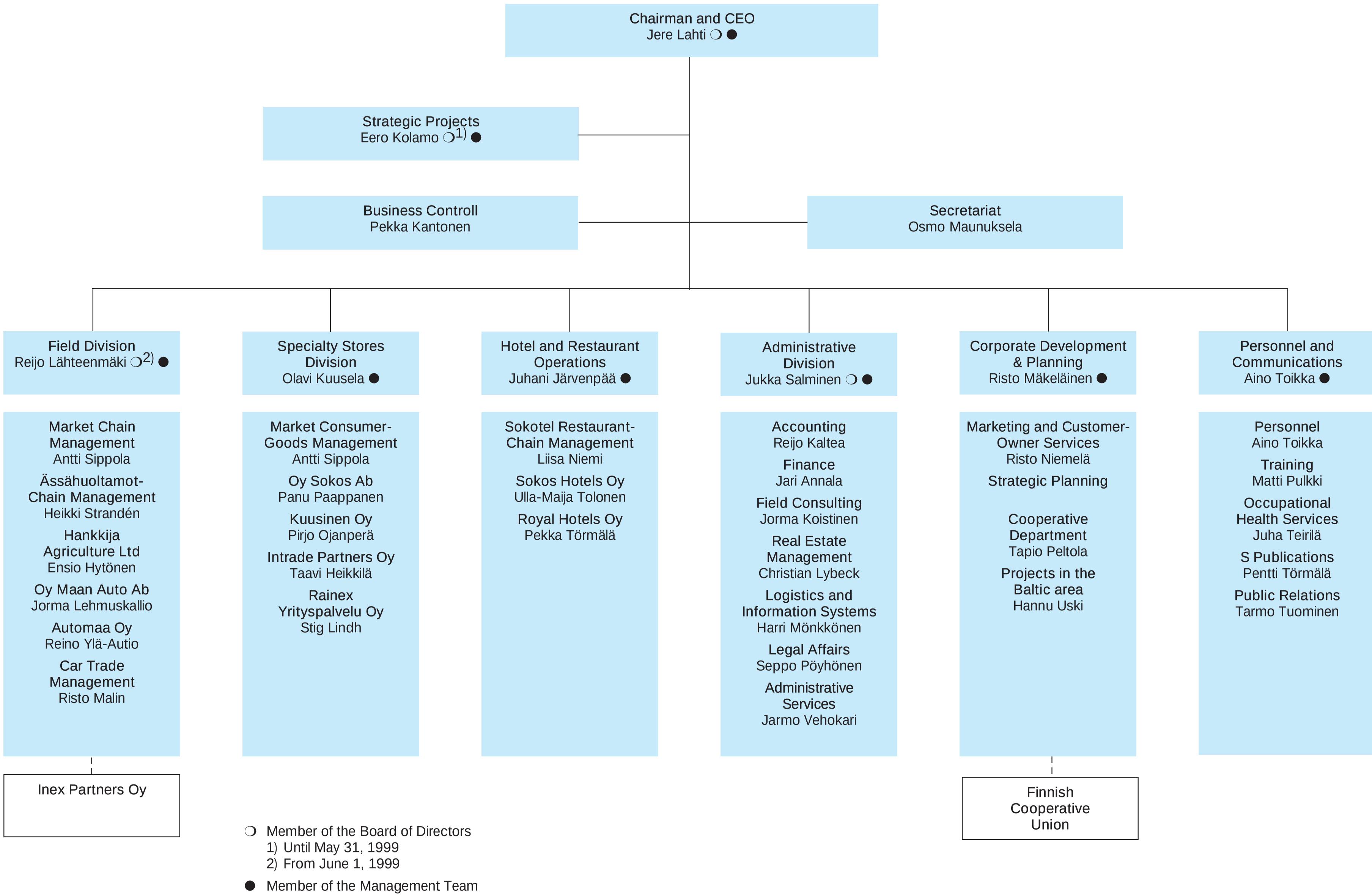
Matti Virranniemi
Managing Director
Chairman, Supervisory Board, Koillismaa Cooperative Society

DEPUTY MEMBERS

Kristina Dufholm
LL. M.
Chairman, Supervisory Board, Cooperative Society Varuboden

Kalevi Karjalainen
District Prosecutor
Member, Supervisory Board, Cooperative Society Suur-Savo

SOK CORPORATION ORGANISATION 1.3.1999

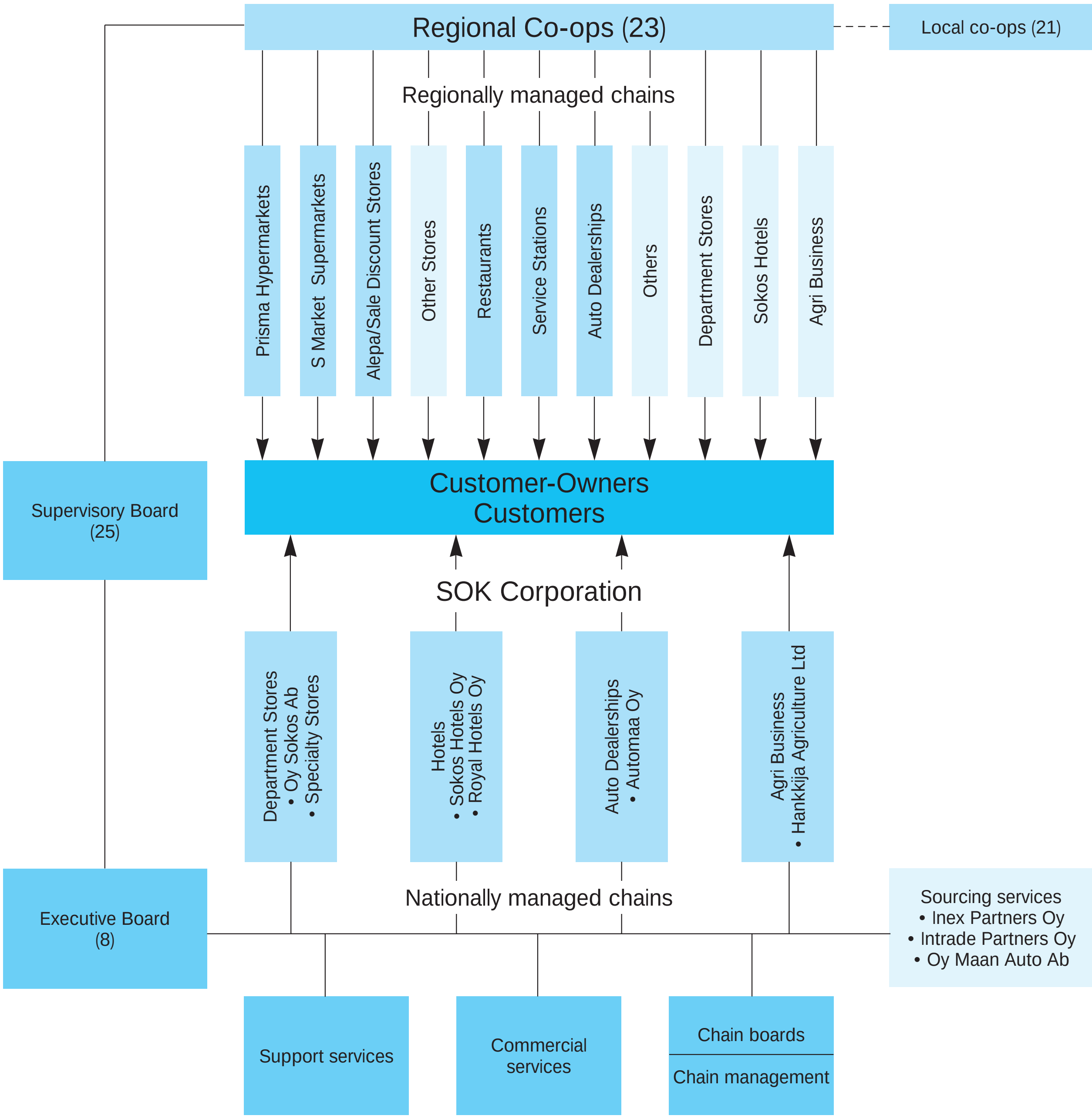


DESCRIPTION OF THE S GROUP

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 operations. 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, Sokos hotels and Agrimarkets.



S GROUP KEY FIGURES 1994-1998

FIM million	1994	1995	1996	1997	1998	± %
SOK CORPORATION						
Net turnover	11 206	10 325	11 498	12 414	13 953	12.4
Depreciation	216	217	174	187	216	15.5
Operating profit	307	316	117	267	351	31.5
Financial income and expenses	-234	-224	-76	-136	-112	-17.6
Profit/loss before extraordinary items, appropriations and taxes	73	91	42	137	252	115 FIM million
Profit/loss for the financial year	130	113	28	174	302	128 FIM million
Total assets	6 349	6 211	5 931	6 592	6 632	0.6
Fixed assets	2 987	2 802	2 968	3 070	2 997	-2.4
Stocks	655	674	730	822	849	3.3
Current assets (without stocks)	2 707	2 735	2 233	2 700	2 786	3.2
Capital and reserves	982	1 085	1 130	1 434	1 768	23.3
Minority interest	85	92	91	92	90	-2.2
Accelerated depreciation *)	98	81	89			
Voluntary provisions *)	65	61	55			
Provisions for liabilities and charges	101	88	93	108	92	-14.8
Creditors	5 018	4 804	4 473	4 959	4 683	-5.6
Increase in fixed assets	254	245	382	275	278	1.1
Sale of/decrease in fixed assets	375	116	137	72	207	187.5
Interest-bearing creditors	3 447	3 067	2 714	3 005	2 678	-10.9
Liquid funds	1 697	1 685	1 183	1 492	1 445	-3.2
Net interest-bearing creditors	1 750	1 382	1 531	1 513	1 233	-18.5
Personnel at 31.12.	4 864	4 061	4 347	4 504	4 737	5.2

*) Accelerated depreciation and voluntary provisions have been divided between capital and reserves and deferred tax liability for 1997-1998.

	1994	1995	1996	1997	1998	± %
SOK						
Sales (excl. VAT)	5 257	5 466	6 002	5 400	5 742	6.3
Sales to cooperative societies	2 983	3 286	4 378	4 800	5 055	5.3
Operating profit before extraordinary items, appropriations and taxes	-75	-133	-112	-62	82	144 FIM million
Profit/loss for the financial year	98	-22	22	172	179	7 FIM million
Personnel at 31.12.	2 068	1 944	314	335	364	8.7
COOPERATIVE SOCIETIES + SUBSIDIARIES						
Sales (FIM million)	16 628	18 297	20 106	22 233	24 007	8.0
Number of societies	46	44	44	44	44	0.0
Membership	429 325	479 087	543 521	607 008	673 520	11.0
Personnel at 31.12.	11 333	12 382	12 918	13 779	14 576	5.8
S GROUP						
Retail sales (FIM million)	24 814	24 099	26 372	29 011	31 444	8.4
Outlets	1 190	1 191	1 189	1 205	1 203	-0.2
Personnel at 31.12.	16 197	16 443	17 265	18 283	19 313	5.6

CALCULATION OF KEY RATIOS

Liquid funds	= Cash at bank and in hand + investments
Net interest-bearing creditors	= Interest-bearing creditors – liquid funds

S GROUP RETAIL OUTLETS, DECEMBER 31, 1998

	Outlets		Retail Sale, FIM million
	Number	Change	
Sokos Department Stores	9	-	1 457
Sokos Fashion Stores	14	-	341
Total	23	-	1 798
Prisma Hypermarkets	33	+1	6 273
Total Department Stores	56	+1	8 071
S Markets	272	+8	8 384
Alepa Stores	49	-	731
Sale Stores	173	+8	1 107
Other Market Outlets	18	-4	228
Total Market Outlets	512	+12	10 450
Neighbourhood Stores	50	-11	181
Specialty Shops	7	-	80
Hotels	49	-4	1 736
Restaurants	193	-3	1 110
Cafés	13	-1	35
Total Hotels and Restaurants	255	-8	2 881
Agrimarkets and Agrimarket Stores	145	+5	4 841
Auto Dealerships	45	-	3 018
Service Stations	127*	+3	1 898
Other Services	6	-4	25
TOTAL	1 203	-2	31 444

* Also 93 unmanned petrol stations attached to stores

SELECTED S GROUP DATA 1930-1998

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
1998	44	673 520	947	255	1	1 203

[1] Since 1980 only accommondation and catering. [2] Classification changed in 1984. Comparable decrease 136.

EVENTS OF THE YEAR

SOK's CEO Jere Lahti and co op Schleswig-Holstein eG's managing director Horst Langenbucher signed an agreement establishing a joint venture company. Its purpose is to start trading in groceries in the Baltic states.

The Helsinki Sokos department store won the international department store design competition held in New York. The jury made particular mention of its admiration of the building's atrium.

The S Group's 1998 Ässä Shopkeepers were crowned at the Store Supervisors' Convention in Finlandia Hall.

Tampere received a hypermarket commensurate with its importance when the Sammonkatu Prisma was extended to become Finland's largest.

The Satakunta Cooperative Society was given the Work Policy Society's annual award for its long-standing and successful work in promoting employer-employee cooperation.

The Convention's traditional garden party was held in the verdant grounds of the Jollas Institute.

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www.s-kanava.net