



# CONTENTS



CEO's Review .....	2
<b>Financial Statements 2002</b>	
Executive Board Report on Operations .....	4
Consolidated Income Statement .....	8
Consolidated Balance Sheet .....	9
Consolidated Cash Flow Statement .....	10
SOK Income Statement .....	12
SOK Balance Sheet .....	13
SOK Cash Flow Statement .....	14
Accounting Policy .....	15
Notes to the Consolidated and SOK Income Statement and Balance Sheet .....	18
Key ratios and their method of calculation .....	32
Executive Board's Proposal for the Disposal of SOK's Profit for the Year .....	33
Auditors' Report .....	34
Statement of the Supervisory Board .....	34
Field Division .....	36
Speciality Stores Division .....	39
Hotel and Restaurant Division .....	41
Automotive Division .....	42
Administrative Division .....	44
Strategic and Business Development Division .....	47
Human Resources and Communications Division .....	51
SOK Corporation's Personnel in 2002 .....	52
The S Group and the Environment .....	54
Corporate Security .....	58
SOK Supervisory Board .....	60
Executive Board .....	61
Supervisory System .....	62
SOK Organisation 2003 .....	63
The S Group's business idea and values .....	64
The S Group .....	65
S Group Key Figures .....	66
Associated Companies .....	67
Statistics .....	68

## CEO'S REVIEW



2

### The S Group and its business idea

The S Group's business idea defines the goal of the entire S Group's operations. This business idea states that the S Group's objective is to produce services and benefits for committed customer-owners – the members of the S Group's regional cooperative societies. This is the primary viewpoint for assessing the performance of the entire S Group. When it succeeds in competitively producing services intended for its customer-owners, the S Group and its different operating units achieve good business performance.

In order to carry out its business idea, the S Group has organised itself into a co-operation network comprising the regional cooperative societies and SOK Corporation. Within this co-operation network the primary task of the regional cooperative societies is to produce for their own customer-owners the services and benefits which the S Group offers. The cooperative societies, which own SOK Corporation, occupy the position of frontline operating units within the S Group and they furthermore exercise a central ownership role in the S Group's decision making. They bear a significant responsibility for ensuring that the co-operation network of the S Group's companies operates in a goal-oriented and flexible manner in line with general principles of business efficiency.

SOK Corporation's task within the S Group is to help the

cooperative societies produce services and benefits competitively for their customer-owners by focusing on providing support and procurement services for all the S Group's companies, by carrying out the S Group's joint control and development tasks as well as by engaging in the kinds of business activities which by virtue of the S Group's joint decisions have been defined as SOK Corporation's domain. Within the S Group, SOK Corporation thus acts more and more as the entire Group's competence centre and a decision-making unit in addition to carrying out its own business tasks. When it is successful in attending to its own tasks, SOK Corporation plays a major part in developing the entire S Group's competitiveness.

The S Group's operational model involves simultaneously both separated and centralised functions, specialisation and co-operation as well as the ability to use joint resources efficiently in the priority areas that are chosen in accordance with the need from time to time. When this model functions properly, it gives the S Group's companies a clear-cut competitive edge that encompasses strengths which can be developed further.

### Performance of the S Group and SOK Corporation

The S Group's retail sales in 2002 rose to EUR 6,858 million, up 4.7 per cent on the same period a year earlier and outpacing the average growth in Finland's entire retail trade. The cooperative societies accounted for 82 per cent of the S Group's retail sales and SOK Corporation for 18 per cent. The cooperative societies' retail sales grew in value by 5.6 per cent on the previous year, and the corresponding increase for SOK Corporation was 0.5 per cent.

The value of the S Group's grocery trade increased by 6.6 per cent on the figure in 2001 and was EUR 3,428 million in aggregate value. Because the growth in the S Group's grocery trade was faster than the growth in the retail trade in Finland on average, the S Group's position and market share strengthened clearly in Finland's grocery goods market during 2002. Apart from the grocery trade, other S Group business areas that reported fast growth were the motor trade as well as the service station store business area and the sale of fuel.

SOK Corporation posted net turnover in 2002 of EUR 2,998 million, representing growth of 2.8 per cent on the figure a year earlier. The Corporation's profit before extraordinary items grew substantially on the previous year and was EUR 55 million.

The S Group's gross capital expenditures totalled EUR 242 million, of which SOK Corporation's share was 43 million.

The cooperative societies' aggregate profit before extraor-

dinary items also increased on the figure posted in 2001 and totalled EUR 229 million.

### Producing benefits for customer-owners

The S Group succeeded well in carrying out its business idea in 2002. Customer-owners made an increased proportion of their purchases through the S Group's service units and thereby showed their confidence in the S Group's way of operating even in retail competition conditions that have taken on new features. This meant that the Bonuses paid to members during 2002 totalled EUR 116 million, up 12 per cent on the previous year. In addition, a number of cooperative societies will pay out to their members, for the 2002 financial year, returns of surplus funds and interest on cooperative capital to a total amount of about EUR 15–20 million. The S Group is thus returning to its customer-owners about a third of its earnings before bonus payments and returns of surplus funds.

In addition, the S Group's companies have been involved in a number of ways in important national and regional business, cultural and sports development projects that have furthered the economic, cultural and social well-being of their own territory in accordance with the S Group's operational principles and values. A part of the earnings from operations will be used indirectly on behalf of our membership via the results obtained through these measures.

The number of members of the S Group's cooperative societies continued to grow strongly. The membership increased by a total of more than 91,000 new members. At the end of the year the S Group's cooperative societies had a total membership of 1,078,649 people – customer-owners of the cooperative societies.

I warmly thank all the S Group's customer-owners for the confidence you have shown in your own corporate group, the S Group.

### Near-term challenges

In all the S Group's business areas, both domestic and foreign competitors will step up competition even further over the next few years. The S Group must be ready to meet these new business challenges. During 2002 in particular, the strategies of the S Group's business areas and support and service functions have been overhauled in light of the demands of a changing operating environment. Cost-effective business functions, a customer focus in our operations, business and support-service processes that are run in a customer-driven and goal-oriented way together with a flexible, versatile and growth-seeking service palette will be the S Group's central strategic emphases in our operations over the years ahead.

A strong and shared set of values is an important part of the S Group's corporate culture, which contributes to bol-

stering our competitiveness. The S Group wants to profile itself as a Finnish, regional and cooperative corporate group that nevertheless has strong international ties. The S Group emphasises a people-first market economy and humane operations on behalf of its members.

It is now time to put our strategies into practice. The strategies must be made a part of daily operations. The success we have in implementing the strategies will be tested across our business sites in the dealings of our staff with customers. The moment of truth in carrying out our business idea comes in this encounter and in handling it successfully. Our personnel's professional competence, understanding and taking into account the customer's needs as well as a friendly service-mindedness form a significant factor of success, especially in the business operations of today and the future. The S Group has a good management, supervisors and staff. I thank all of you most sincerely for your work on behalf of the S Group!

The S Group's corporate governance reflects clearly the democratic and participative decision making connected with entrepreneurship under the cooperative model and it is underpinned by a broad examination of matters under consideration and a commitment to the decisions taken. The S Group's corporate governance is a pronounced strength in the Group's operations. I thank all those who have been involved in administrative tasks for the valuable management work you have done on behalf of the S Group.

My best thanks also go to our business partners for your good co-operation in 2002.

The CEO of Suomen Osuuskauppojen Keskuskunta, SOK Corporation, Jere Lahti, titular mining counsellor, retired on 1 August 2002. I wish to express here in this CEO's Review an especial vote of thanks to my predecessor, Jere Lahti, for his long-term and successful work on behalf of the S Group in a number of important positions.

Helsinki, 12 February 2003



Kari Neilimo

# EXECUTIVE BOARD REPORT ON OPERATIONS

## SOK Corporation in brief

	2002	2001
Net turnover, EUR million	2 998	2 915
Operating profit, EUR million	55	35
Profit before extraordinary items, EUR million	55	39
Investments, EUR million	43	31
Total assets, EUR million	1 372	1 337
Return on investment, %	8.4	6.4
Equity ratio, %	34.1	33.2
Personnel 31 December	4 645	4 537

## Retail operating environment in 2002

The business cycle of the international economy showed a positive trend in the first part of the year, but the latter months were marked by uncertainty. The mounting indebtedness of households in the United States coupled with rising unemployment have exerted a drag on consumption demand. Economic growth in Europe has been slow. In Finland, total output has grown in line with expectations. According to advance information, growth in January-September was 1.3 per cent compared with the figure a year earlier. The most recent monthly report, for November, showed growth of 3.1 per cent on the same period a year ago. The growth in total output over the whole year is forecast to be about 1.7 per cent. The slow recovery of international economic growth has meant a persistently subdued outlook for industry. In January-November industry's seasonally adjusted output was up 1.6 per cent on the same period a year earlier. The growth in full-year industrial output will probably reach two per cent. Foreign trade was slacker than a year ago throughout 2002. The value of both exports and imports fell by about one per cent compared with the previous year. In the wake of sluggish economic growth, the employment situation did not improve scarcely at all last year.

Consumers are still confident in their own finances, but are wary of the prospects for the Finnish economy, especially regarding the trend in employment. By contrast, industry's confidence in an upbeat economic outlook has diminished, mainly owing to the weak trend in order backlogs. Beginning in the second quarter, private consumption has been growing at a rate of about 3 per cent. In January-September, purchases of consumer durables increased by nearly 7 per cent. Since the second quarter of the year, this upswing has been fuelled by the pick-up in the motor trade. Semi-durable goods, however, managed annual growth of only 2 per cent. The consumption of short-lived goods (groceries, fuels and energy) grew by 1.6 per cent. The increase in the consumption of services was 1.9 per cent compared with 2001.

The average rate of inflation in 2002 was 1.7 per cent. The biggest factor behind the rise in consumer prices was the 0.4 per cent rise in housing and rental costs during the year. Transport expenses rose by roughly the same amount. The rise in hotel and restaurant prices as well as prices of cultural services also fed into inflation. The rise in consumer prices was counterbalanced by the fall in interest rates as well as the fall in telephone charges and prices of mobile phones.

Retail sales gained pace over the year, mainly owing to the faster tempo in the motor trade. According to Statistics Finland, the value of retail sales grew by 4.1 per cent in January-November compared with the same period a year earlier. Sales of vehicles and fuels grew by 7.9 per cent in the same period. New car sales were up 7 per cent on the previous year. Apart from cars, other fast-selling items have been home appliances and electronic equipment, which have registered a sales increase of about 10 per cent. Sales of textiles



and clothing increased by just over 5 per cent, measured by volume. Sales in the hardware and furniture trade, however, even declined somewhat. In 2002 the volume of the grocery trade grew by 2.2 per cent by the end of November, with the volume of department store sales up 1.0 per cent over the same period. The growth in the sales volume of the retail trade as a whole is likely to reach an annualised rate of about 2.3 per cent, net of the car trade, compared with the figures for 2001.

The agritrade in Finland remained roughly unchanged, with a sales volume of about EUR 1.9 billion. The total market for feed sales grew slightly, whereas the grain trade declined. The total market for tractors and threshers grew. Sales of work machines were on a par with previous years.

The value of hotel and restaurant sales rose by about 1 per cent in the first half of last year. Demand for services contracted in the same ratio, with selling prices rising by about 2 per cent. Supply in the sector notched up slightly, which meant that the capacity utilisation rate fell somewhat. Guests at Finland's hotels, motels and inns stayed the night 15.1 million times in January-November 2002, which is on a par with the same period a year earlier. The hotel occupancy ratio in January-November was 49.2 per cent.

## Changes in the Group structure

### Changes during the report period

At the start of the report period three of SOK's real-estate subsidiaries sold to Hämeenmaa Cooperative Society their commercial properties located in its territory.

At the beginning of February the SOK subsidiary Sokotel Oy sold the business operations of Sokos Hotel Vaakuna, which operates in Joensuu, to the North Karelian Cooperative Society.

Kuusinen Oy's business was sold to TFG Retail Oy at the beginning of March.

Following a purchase of shares at the beginning of April, the previously half-owned chain management and administrative services company Hansacoop Oü, which is based in Tallinn, became a wholly-owned subsidiary of SOK. The company in question was merged in December with the Tallinn-based supermarket company Prisma Peremarket AS, which was previously named Hansafood AS.

The shares in two real-estate subsidiaries that entitle their holders to the facilities primarily occupied by the Jyväskylä Sokos were sold to Keskimaa Cooperative Society at the end of April.

Towards the end of June SOK sold the shares of two of its real-estate subsidiaries which own plot land in Espoo to Helsinki Cooperative Society to meet future business location needs.

The vehicle importer Oy Maan Auto Ab merged into the retail motor trade company Automaa Oy towards the end of June. At the same time Automaa Oy changed its name to Maan Auto Oy.

Towards the end of October, the subsidiary Sokotel Oy, which carries on SOK's hotel and restaurant business, acquired the shares outstanding in a company that carries on the operations of the Seaside Hotel, which is situated in the vicinity of Helsinki's West Harbour.

Towards the end of the year the subsidiary AS Kommest Auto founded the company named ZAO Kom-Motors, which imports Peugeot vehicles in St Petersburg.

The process of dissolving eight wholly-owned dormant subsidiaries was seen to completion during the autumn. In addition, one subsidiary was merged into SOK. The above-mentioned arrangements are not of material financial significance.

### Changes after the close of the report period

At the beginning of 2003, SOK founded North European Oil Trade Oy, whose task will be the centralised purchasing of fuels for the S Group's ABC chain of service station stores and unmanned stations.

The company Tenco Eesti AS, which was engaged in the department store business in Tallinn, will be dissolved in 2003.

The European Commission approved a transaction in which Hankkija Agriculture Ltd will become a minority shareholder in the logistics company Moveere Oy on an equal ownership basis together with Suomen Rehu Oy and Kemira Agro Oy.

## Net turnover

SOK Corporation had net turnover of EUR 2,998 million, up 2.8 per cent on the previous year. Motor trade net turnover showed significant growth both in Finland and at the dealerships operating in Estonia and Latvia. Significant net turnover growth was also reported by the Prisma business in Tallinn. SOK's net turnover does not include the EDI-based invoicing that was sent via SOK by the associated company Inex Partners Oy.

Aggregate net turnover generated by the agricultural and hardware trade grew by 1.6 per cent. Hankkija Agriculture Ltd's sales grew by 1.9 per cent, whereas the total market for the trade in agricultural goods remained at the previous year's level of EUR 1.9 billion. Sales of plant nutrients and agricultural chemicals fell slightly. Sales of seeds and feeds, however, increased. The grain trade did not reach the previous year's level. Machine sales, especially of tractors, outperformed the previous year. The hardware and gardening trade too grew somewhat compared with 2001. The company fared better than average in a maturing overall market.

Within SOK Corporation, Sokotel Oy's hotel and restaurant business reported a fall in net turnover of 5.2 per cent. The industry trend last year is estimated to be slightly positive. The main factors behind the fall in Sokotel Oy's net turnover were the refurbishing work on large hotel units in the Greater Helsinki area and the fact that restaurant sales fell short of their targets. Despite the fall in net turnover, the company's earnings improved on the previous year. The capacity utilisation rate of the company's hotels rose to 67 per cent.

On the basis of November data, the capacity utilisation rate in the industry fell by about one percentage point to 49 per cent. The company's capacity utilisation rate and yield per room have stayed markedly above the industry averages. The company sold the Sokos Hotel Vaakuna business in Joensuu in the first part of the year, and towards the end of the year it acquired Merikampin Hotelli Oy, with the Seaside Hotel business included in the deal. The Seaside Hotel became a part of the Radisson SAS chain in January 2003.

Net turnover deriving from the Corporation's car trade increased by about 15.7 per cent compared with the figure in 2001. Good growth in net turnover was reported in both Finland and at the Corporation's dealerships in Estonia and Latvia. The market share of the Peugeot cars imported by Maan Auto Oy grew from 6.3 per cent to 6.6 per cent. Peugeot vans saw their market share decline from 5.6 per cent to 5.1 per cent. The net turnover of the vehicle dealerships in Estonia and Latvia totalled EUR 69 million, representing growth of 33 per cent. The market share of the company's Peugeot dealership fell slightly in Estonia and was 15.1 per cent, whereas in Latvia it rose to 8.9 per cent.

SOK Corporation ran Sokos operations through the companies which it owns jointly with the regional cooperative societies, these being located in Helsinki and Tapiola, near Helsinki, as well as in Turku, Pori and Tampere.

The sales trend of the Sokos business was hampered by the repair work on the building in Helsinki and the refurbishing of the department store in Pori. Net turnover of the Sokos companies nevertheless increased by 1.5 per cent on the previous year and was at the planned level. Net turnover from SOK Corporation's consumer goods sourcing was on a par with 2001.

## Financial performance

SOK Corporation's profit came in ahead of budget and the previous year's figure. This was attributable to multiple factors: the improved operational result, an increase in other operating income, a higher share of the profits of associated companies and the positive impact from operations that were terminated or restructured a year ago. Units that were wound up in line with the decisions taken were the Tallinn department store and the home appliance trade of HOT Home-technics Ltd. The Kuusinen Oy business was sold and the operations of Netista Oy were continued in a downsized form.

SOK Corporation's profit before extraordinary items was EUR 55 million, as against EUR 39 million a year ago. The figure includes other operating income, a share of the associated companies' profits, write-downs on fixed and other non-current assets and investments, including reversals on them, and the change in obligatory reserves. SOK Corporation's return on investment was 8.4 per cent (6.4 per cent in 2001).

The higher profit was attributable in large measure to the EUR 7 million increase in other operating income (capital gains) as well as to the share of associated companies' profits, which grew by EUR 15 million.

Write-downs on non-current assets were mainly for equipment and other long-term expenditure.

SOK Corporation's net financial expenses were in the black, as in the previous year, but were EUR 3 million smaller than they were in that year. This was due to the fact that in the

previous year there were larger reversals on write-downs made on non-current investments.

Operating profit generated by the agriculture and hardware business was on budget, though below the figure a year earlier. The hotel and restaurant business reported operating profit that was markedly above budget and on a par with the previous year. Operating profit from vehicle sales came in ahead of budget and the previous year's level. The Sokos business's operating profit was weaker than budgeted but at the previous year's level. The property business reported operating profit that was above budget and better than in the previous year.

## Operations of SOK

SOK is the parent company of SOK Corporation. In accordance with its statutes, SOK acts as the central organisation of the S Group, promoting and developing the operations of the cooperative societies and other organisations belonging to the S Group and attending to the management and supervision of the Group's overall resources for maximum efficiency, whilst also monitoring the operations and seeing to the interests of the S Group and its different constituent organisations.

SOK's business involves providing the S Group companies with services related to chain management, customer-ownership and marketing as well as general chain and corporate services. Important services for the S Group's other operations are purchasing, rental services and assortment and invoicing services for goods delivered directly from manufacturers to the chain units. Through its national subsidiaries, SOK is able to offer a diversified range of services to its customer-owners. In addition, in the Baltic area SOK engages in the supermarket trade and vehicle trade via its subsidiaries as well as in the agritrade via its associated company.

SOK's net turnover totalled EUR 1,668 million, increasing by 11.7 per cent on the figure a year earlier. The growth was attributable above all to the increase in SOK's EDI invoicing. This was due mainly to new units that came within the scope of EDI invoicing.

SOK's profit before extraordinary items was EUR 4 million, as against a loss of EUR 9 million a year ago. The improved profit was due mainly to the increase in other operating income (capital gains), with net financial expenses moving into the black. The rents included in other operating expenses consist primarily of the rental expenses of SOK Corporation or of premises that have been sublet to other S Group companies.

## Investments

SOK Corporation's purchases booked in non-current assets, i.e. capital expenditures on fixed assets, amounted to EUR 43 million. The main outlays were the investments which the business groups made in sales and service facilities and information system projects for different functions. The most important capital expenditure last year was the Primo Market department store business that was purchased in Tallinn and whose operations were reorganised in line with the Prisma chain. Another major investment item was the repair work on the Sokos Hotel Vaakuna in Helsinki.

By contrast, disposals of non-current assets and businesses totalled EUR 27 million. The largest disposal was the sale of the Sokos property in Jyväskylä to Keskimaa Cooperative Society.

## Financing

In the first half of the year, short interest rates in the eurozone remained at the level prevailing at the previous turn of the year, but fell substantially during the latter months. Longer interest rates rose sharply in the first part of the year but headed downward just as precipitously from the late spring onwards.

SOK Corporation's net financial income and expenses, not counting write-downs on investments held in non-current assets, amounted to EUR 1 million, down EUR 2 million on the previous year.

Cash flow before financial items according to SOK Corporation's Cash Flow Statement was EUR 42 million in the black.

The Corporation's net debt declined further during the financial year, which is reflected by the increase in the equity ratio from 33.2 per cent to 34.1 per cent, while the gearing ratio fell from 21 to 10. Interest-bearing net liabilities at the end of the financial year amounted to EUR 44 million, a decrease of EUR 45 million on the previous year.

Liquid assets at the end of the year totalled EUR 421 million. In addition, the Corporation had EUR 220 million of undrawn binding credit facilities, of which EUR 176 million were long-term.

## Personnel

The average number of SOK Corporation employees, converted to full-time staff, was 4,126 during the financial year. SOK Corporation's number of personnel at the end of 2002 was 4,645 employees, of whom 505 (10.9%) were SOK staff and 4,140 (89.1%) employees of the subsidiaries. The number of personnel increased by 108 from the previous year (2.4%).

The number of employees was increased by the two Prisma stores that were opened in Tallinn in autumn 2002. A total of 655 employees worked at sites abroad at the end of the year.

On the other hand, the headcount was reduced by the winding up of the home appliance trade of HOT Hometechnics Ltd and the disposal of the Kuusinen Oy business. When the Sokos department store in Tallinn was wound up, its employees for the most part transferred to the personnel of SOK Corporation's AS Prisma Peremarket, which is part of the Prisma operations.

## SOK's management and auditors

CEO Jere Lahti served as chairman of SOK's Executive Board up to 31 July 2002. CEO Kari Neilimo took over as chairman of the Executive Board on 1 August 2002. Mr Neilimo has been chairman of SOK's Supervisory Board since 1991. Managing Director Otto Mikkonen from Joensuu became the new chairman of the Supervisory Board on 24 April 2002. In addition to the CEO, the other members of the Executive Board in 2002 were Jukka Salminen, director of SOK's Administrative Division, Managing Director Leo Laukkanen, Managing

Director Kalle Lähdesmäki, Reijo Lähteenmäki, director of SOK's Field Division, Managing Director Kuisma Niemelä, Managing Director Eero Saukkonen and Managing Director Jouko Vehmas.

The Corporation's auditors in 2002 were the Authorised Public Accountants Tomi Englund, Juhani Heiskanen and Tapani Rotola-Pukkila.

SOK's Supervisory Board has appointed the following persons to a one-year term on SOK's Executive Board starting on 1 January 2003: CEO Kari Neilimo, chairman, Jukka Salminen, director of SOK's Administrative Division, Managing Director Arto Hiltunen, Managing Director Kalle Lähdesmäki, Reijo Lähteenmäki, director of SOK's Field Division, Managing Director Kuisma Niemelä, Managing Director Eero Saukkonen and Managing Director Jouko Vehmas.

SOK's chief executive has been assisted in the strategic management of SOK Corporation and the S Group by SOK's Management Team, whose members during the year were Jukka Salminen, director of the Administrative Division, Reijo Lähteenmäki, director of the Field Division, Taavi Heikkilä, director of the Strategic and Business Development Division, Managing Director Ensio Hytönen, Reijo Kaltea, director of the Speciality Stores Division, Risto Mäkeläinen, director of the Automotive Division, Managing Director Matti Pulkki, Antti Sippola, director of the Market Chain Management and Aino Toikka, director of the Human Resources and Communications Division.

## Outlook for the current financial year

The economic outlook in 2003 is overshadowed by the risk-laden world political situation. Notwithstanding this, Finland's gross national product is expected to grow this year by just under three per cent compared with the previous year. Demand for private services is estimated to rise to 3.5 per cent.

In recent years the volume of private consumption has risen in tandem with the growth in disposable income. Because households' real purchasing power is set to grow strongly this year, private consumption expenditure is estimated to increase by 3 per cent compared with 2002.

Households' expectations concerning the outlook for their own finances have remained good, though Finland's economy is expected to grow at a fairly slow pace.

The rise in consumer prices is estimated to be slightly less than 2 per cent and the volume of retail sales is expected to grow by about 3 per cent compared with last year's level.

SOK Corporation's operational result is expected to be somewhat weaker than in 2002. The result of the operating companies is nevertheless expected to be on a par with the previous year. The earnings trend of the Sokos business is forecast to be positive. Earnings derived from vehicle sales are estimated to be at the previous year's level. The result of hotel and restaurant operations is expected to improve slightly. Earnings generated by the agricultural trade are estimated to remain at last year's level. The supermarket business is expected to post improved earnings. The result of the property business is forecast to weaken as a result of investment projects that are ongoing or about to start up.



# CONSOLIDATED INCOME STATEMENT

EUR million	Ref.	1.1. – 31.12.2002		1.1. – 31.12.2001	
<b>Net turnover</b>	(1)		<b>2 997.8</b>		2 915.0
Other operating income	(2)		<b>9.5</b>		2.3
Materials and services					
Raw materials and consumables	(3)	<b>2 529.2</b>		2 450.4	
External services		<b>85.4</b>	<b>2 614.7</b>	82.4	2 532.8
Staff costs					
Wages and salaries		<b>114.9</b>		113.3	
Social security costs	(4)	<b>27.9</b>	<b>142.8</b>	28.5	141.8
Depreciation and value adjustments	(5)		<b>34.6</b>		35.1
Other operating expenses					
Rents		<b>60.5</b>		62.5	
Other expenses	(6)	<b>111.3</b>	<b>171.8</b>	107.0	169.5
Share of associated companies' profits (+/-)			<b>11.7</b>		-3.1
<b>Operating profit</b>	(1)		<b>55.0</b>		35.1
Share of associated companies' profits (+/-)			<b>-0.1</b>		-0.2
Financial income and expenses (+/-)	(8)		<b>0.3</b>		3.7
<b>Profit before extraordinary items</b>			<b>55.2</b>		38.6
Extraordinary items (+/-)	(9)				-6.0
<b>Profit before taxes</b>			<b>55.2</b>		32.6
Income taxes (+/-)	(11)		<b>-10.7</b>		-1.0
Minority interest (+/-)			<b>-0.3</b>		-0.1
<b>Profit for the financial year</b>			<b>44.2</b>		31.5

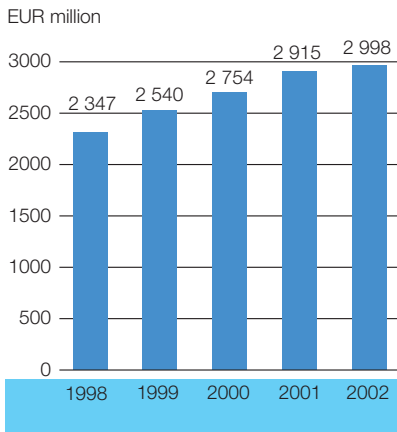
# CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> EUR million	Ref.	<b>31.12.2002</b>		31.12.2001	
<b>NON-CURRENT ASSETS</b>					
Intangible assets	(12)	<b>47.3</b>		48.0	
Group goodwill	(12)	<b>0.8</b>		1.3	
Tangible assets	(12)	<b>327.8</b>		361.7	
Shares in associated companies	(13)	<b>78.0</b>		71.9	
Other investments	(13)	<b>42.6</b>	<b>496.5</b>	47.3	530.1
<b>CURRENT ASSETS</b>					
Stocks	(15)	<b>133.2</b>		128.7	
Long-term debtors	(16)	<b>7.7</b>		13.3	
Deferred tax assets	(17)	<b>8.4</b>		13.5	
Short-term debtors	(18)	<b>305.5</b>		327.3	
Securities	(19)	<b>402.7</b>		300.1	
Cash in hand and at banks		<b>18.2</b>	<b>875.7</b>	23.9	806.7
			<b>1 372.1</b>		1 336.8
<b>LIABILITIES</b> EUR million					
		<b>31.12.2002</b>		31.12.2001	
<b>CAPITAL AND RESERVES</b> (20)					
Cooperative capital		<b>65.8</b>		58.7	
Supplementary cooperative capital		<b>12.6</b>		9.3	
Revaluation reserve		<b>77.6</b>		104.5	
Legal reserve		<b>11.8</b>		11.8	
Supervisory Board's disposal fund		<b>0.4</b>		0.3	
Profit brought forward		<b>224.3</b>		198.4	
Profit for the financial year		<b>44.2</b>		31.5	
Capital loan	(21)	<b>20.2</b>	<b>456.8</b>	20.2	434.5
<b>MINORITY INTEREST</b>					
			<b>16.8</b>		16.4
<b>PROVISIONS</b> (23)					
			<b>11.8</b>		21.1
<b>CREDITORS</b>					
Long-term creditors	(24)	<b>39.9</b>		53.7	
Deferred tax liability	(25)	<b>9.7</b>		9.9	
Short-term creditors	(26)	<b>837.1</b>	<b>886.8</b>	801.2	864.8
			<b>1 372.1</b>		1 336.8

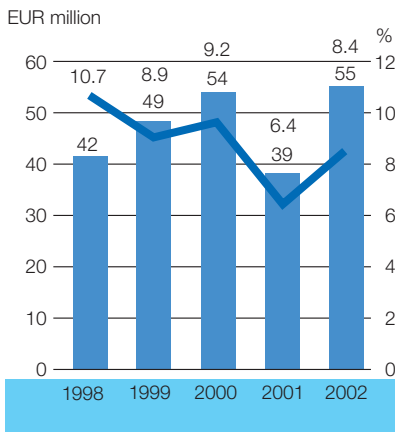
# CONSOLIDATED CASH FLOW STATEMENT

EUR million	1.1. – 31.12.2002	1.1. – 31.12.2001
<b>BUSINESS OPERATIONS</b>		
Operating profit	55.0	35.1
Adjustments to operating profit (1)	10.3	32.2
Change in working capital (2)	-16.4	27.7
<b>Cash flow from business operations before financing and taxes</b>	<b>49.0</b>	<b>95.0</b>
Interest paid and other financial expenses	-17.0	-26.2
Interest received and other financial income	21.6	15.7
Dividends received from business operations	2.2	0.5
Direct taxes paid	-0.3	-5.1
<b>Cash flow before extraordinary items</b>	<b>55.4</b>	<b>80.0</b>
Cash flow from the extraordinary items of business operations		0.0
<b>Cash flow from business operations</b>	<b>55.4</b>	<b>80.0</b>
<b>INVESTMENTS</b>		
Subsidiary shares purchased	-1.1	-0.2
Acquisition of other fixed assets	-41.4	-30.7
Subsidiary shares sold	18.4	6.0
Sale of other fixed assets	8.9	8.9
Change in other long-term investments	1.8	-0.9
Adjustment of items booked on an accrual basis	-2.2	-0.1
Liquid assets of subsidiaries sold and acquired	1.8	-7.5
Dividends received from investments	0.9	0.8
<b>Cash flow from investments</b>	<b>-12.9</b>	<b>-23.7</b>
<b>FINANCING</b>		
Increase in long-term creditors	20.7	0.7
Decrease in long-term creditors	-47.8	-48.8
Increase (+)/decrease (-) in short-term creditors	76.2	-21.5
Increase (-)/decrease (+) in short-term debtors	0.0	0.3
Change in short-term investments		0.3
Minority interest in group companies	0.3	0.0
Increase in cooperative capital and supplementary cooperative capital	10.5	4.8
Interest paid on the cooperative capital and supplementary cooperative capital	-5.4	-4.9
Decrease in capital and reserves	-0.1	0.0
<b>Cash flow from financing</b>	<b>54.4</b>	<b>-69.0</b>
<b>Increase (+)/decrease (-) in liquid funds</b>	<b>96.9</b>	<b>-12.8</b>
<b>Liquid funds at the beginning of the year</b>	<b>324.0</b>	<b>336.7</b>
<b>Liquid funds at the end of the year</b>	<b>420.9</b>	<b>324.0</b>
Adjustments to operating profit (1)		
Gains (-) and losses (+) from the sale of fixed assets	-8.0	-2.2
Depreciation and value adjustments	34.6	35.1
Income and expenses which do not involve payment	-16.3	-0.8
	10.3	32.2
Change in working capital (2)		
Change in trade debtors	22.2	-38.5
Change in stocks	-4.7	18.0
Change in short-term interest-free creditors	-33.9	48.2
	-16.4	27.7

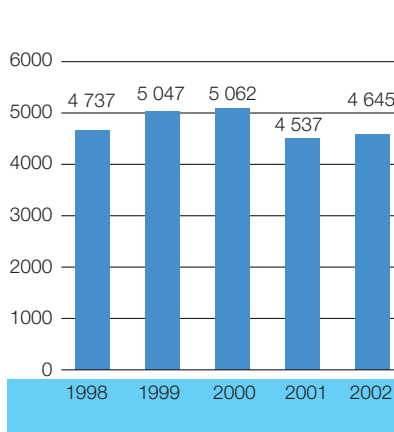
**SOK CORPORATION NET TURNOVER  
1998-2002**



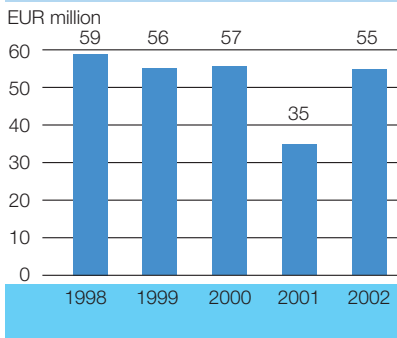
**PROFIT BEFORE EXTRAORDINARY ITEMS  
RETURN ON INVESTMENT %**



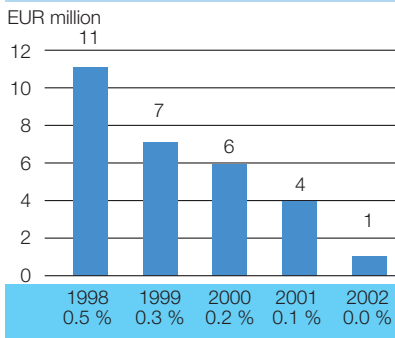
**PERSONNEL AT 31.12.  
1998-2002**



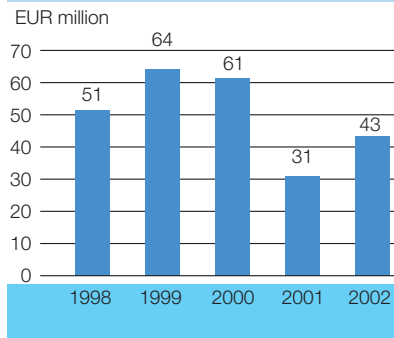
**OPERATING PROFIT  
1998-2002**



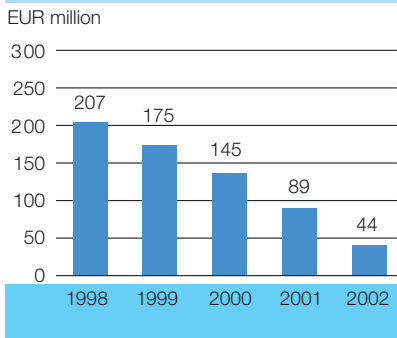
**NET INTEREST PAYABLE 1998-2002  
(% of net turnover)**



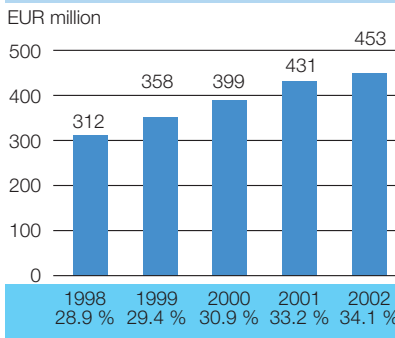
**GROSS INVESTMENT IN FIXED ASSETS  
1998-2002**



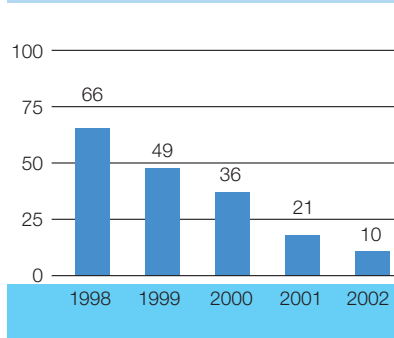
**INTEREST-BEARING NET LIABILITIES  
AT 31.12. 1998-2002**



**CAPITAL AND RESERVES\*  
AT 31.12. 1998-2002 (Equity ratio, %)**



**GEARING, %  
1998-2002**



\* Excluding capital loan

# SOK INCOME STATEMENT

EUR million	Ref.	1.1. – 31.12.2002		1.1. – 31.12.2001	
<b>Net turnover</b>	(1)		<b>1 668.4</b>		1 493.6
Other operating income	(2)		<b>3.5</b>		0.4
Materials and services					
Raw materials and consumables	(3)	<b>1 523.5</b>		1 353.0	
External services		<b>35.4</b>	<b>1 559.0</b>	35.0	1 388.1
Staff costs					
Wages and salaries		<b>20.6</b>		19.4	
Social security costs	(4)	<b>5.8</b>	<b>26.4</b>	5.9	25.3
Depreciation and value adjustments	(5)		<b>5.0</b>		4.1
Other operating expenses					
Rents		<b>57.7</b>		57.8	
Other expenses	(6)	<b>26.2</b>	<b>83.9</b>	25.1	82.9
<b>Operating profit (loss)</b>	(1)		<b>-2.4</b>		-6.4
Financial income and expenses (+/-)	(8)		<b>6.6</b>		-2.4
<b>Profit before extraordinary items</b>			<b>4.2</b>		-8.8
Extraordinary items (+/-)	(9)		<b>15.1</b>		22.0
<b>Profit before appropriations and taxes</b>			<b>19.3</b>		13.2
Appropriations (+/-)	(10)		<b>0.0</b>		-0.3
Income taxes (+/-)	(11)		<b>-5.1</b>		-1.6
<b>Profit for the financial year</b>			<b>14.2</b>		11.3



# SOK BALANCE SHEET

<b>ASSETS</b> EUR million	Ref.	<b>31.12.2002</b>		31.12.2001	
<b>NON-CURRENT ASSETS</b>					
Intangible assets	(12)	<b>11.5</b>		10.8	
Tangible assets	(12)	<b>9.9</b>		10.7	
Shares in group companies	(13)	<b>253.0</b>		283.5	
Other investments	(13)	<b>237.0</b>	<b>511.4</b>	253.9	559.0
<b>CURRENT ASSETS</b>					
Stocks	(15)	<b>8.3</b>		6.3	
Long-term debtors	(16)	<b>2.4</b>			
Short-term debtors	(18)	<b>257.4</b>		249.4	
Securities	(19)	<b>421.9</b>		317.8	
Cash in hand and at banks		<b>7.0</b>	<b>697.0</b>	7.8	581.3
			<b>1 208.4</b>		1 140.3
<b>LIABILITIES</b> EUR million					
<b>CAPITAL AND RESERVES</b> (20)					
Cooperative capital		<b>65.8</b>		58.7	
Supplementary cooperative capital		<b>12.6</b>		9.3	
Legal reserve		<b>11.8</b>		11.8	
Supervisory Board's disposal fund		<b>0.4</b>		0.3	
Profit brought forward		<b>296.6</b>		290.8	
Profit for the financial year		<b>14.2</b>		11.3	
Capital loan	(21)	<b>20.2</b>	<b>421.6</b>	20.2	402.3
<b>ACCUMULATED APPROPRIATIONS</b> (22)					
<b>PROVISIONS</b> (23)					
			<b>2.9</b>		2.9
			<b>8.9</b>		12.8
<b>CREDITORS</b>					
Long-term creditors	(24)	<b>17.7</b>		27.3	
Short-term creditors	(26)	<b>757.4</b>	<b>775.1</b>	695.1	722.4
			<b>1 208.4</b>		1 140.3

# SOK CASH FLOW STATEMENT

EUR million	Ref.	1.1. – 31.12.2002	1.1. – 31.12.2001
<b>BUSINESS OPERATIONS</b>			
Operating profit		-2.4	-6.4
Adjustments to operating profit	(1)	-1.7	3.0
Change in working capital	(2)	-24.1	5.7
<b>Cash flow from business operations before financing and taxes</b>		<b>-28.2</b>	<b>2.3</b>
Interest paid and other financial expenses		-16.4	-26.5
Interest received and other financial income		28.0	25.7
Dividends received from business operations		2.2	0.5
Direct taxes paid		-0.1	-1.0
<b>Cash flow before extraordinary items</b>		<b>-14.4</b>	<b>1.0</b>
Cash flow from the extraordinary items of business operations		0.0	
<b>Cash flow from business operations</b>		<b>-14.4</b>	<b>1.0</b>
<b>INVESTMENTS</b>			
Subsidiary shares purchased		0.0	0.0
Acquisition of fixed assets		-11.8	-7.4
Subsidiary shares sold		0.0	0.0
Sale of fixed assets		18.2	3.5
Change in other long-term investments		8.3	68.0
Adjustment of items booked on accrual basis			0.0
Liquid assets of group companies sold and acquired		0.0	0.0
Dividends received from investments		1.7	1.1
<b>Cash flow from investments</b>		<b>16.4</b>	<b>65.2</b>
<b>FINANCING</b>			
Increase in long-term creditors		13.7	0.0
Decrease in long-term creditors		-41.8	-36.2
Increase (+)/decrease (-) in short-term creditors		123.3	-58.9
Increase (-)/decrease (+) in short-term debtors		-0.1	0.4
Change in short-term investments		0.0	0.3
Minority interest in group companies		0.0	0.0
Increase in cooperative capital and supplementary cooperative capital		10.5	4.8
Interest paid on the cooperative capital and supplementary cooperative capital		-5.4	-4.9
Decrease in capital and reserves		0.0	0.0
Group contributions received		0.0	21.3
Liquid funds from merger		0.0	0.1
<b>Cash flow from financing</b>		<b>100.2</b>	<b>-73.1</b>
<b>Increase (+)/decrease (-) in liquid funds</b>		<b>102.2</b>	<b>-6.9</b>
<b>Liquid funds at the beginning of the year</b>		<b>325.6</b>	<b>332.5</b>
<b>Liquid funds at the end of the year</b>		<b>429.0</b>	<b>325.6</b>
Adjustments to operating surplus	(1)		
Gains (-) and losses (+) from the sale of fixed assets		-2.4	0.1
Depreciation and value adjustments		5.0	4.1
Income and expenses which do not involve payment		-4.3	-1.3
		-1.7	3.0
Change in working capital	(2)		
Change in trade debtors		10.4	-51.0
Change in stocks		-2.0	-0.1
Change in short-term interest-free creditors		-32.5	56.8
		-24.1	5.7

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING POLICY

In accordance with SOK's statutes, the name SOK Corporation is used for the group comprising SOK (Suomen Osuuskauppojen Keskuskunta) and its consolidated subsidiaries.

SOK's financial statements and consolidated financial statements have been prepared in the manner prescribed by Finnish legislation governing the preparation of financial statements (Finnish Accounting Act). The cash flow statement has been prepared in accordance with the general recommendations of the Finnish Accounting Standards Board, applying the indirect form of cash flow statement.

### Scope of the consolidated financial statements

The consolidated financial statements include the parent cooperative and all the companies in which the parent cooperative held, at the close of the financial year, either directly or through its subsidiaries, more than half of the voting rights conferred by the shares. Of the above-mentioned companies, two subsidiaries operate in Estonia, one in Latvia and one in Russia.

The financial statement information of the associated companies (voting rights of 20 % – 50 %) are included in the consolidated financial statements. Of the above-mentioned associated companies, one operates in Estonia and one in Latvia.

Of the subsidiaries, two dormant companies have been omitted from the consolidated financial statements. In addition, excluded from the consolidation are six housing corporations, five of which are subject to State Housing Board regulations. The exclusion of the above-mentioned subsidiaries and associated companies does not have a material effect on the group's result and shareholders' equity.

### Principles of consolidation

The consolidated financial statements have been prepared by combining the group companies' income statements and balance sheets as well as the notes to them. The financial statements of the group companies are for the period 1 January – 31 December 2002. Companies acquired or formed during the financial year have been consolidated from the date of acquisition or formation. Divested subsidiaries or associated companies have been consolidated up to the date of sale.

### Intra-group holdings

Intra-group holdings in subsidiaries have been eliminated using the acquisition cost method. The intra-group shareholding has been eliminated by subtracting their acquisition cost as well as, from the shareholders' equity of the subsidiaries, an amount corresponding to the group's holding in them. The

shareholders' equity of subsidiaries acquired after the beginning of the 1998 financial year also includes accelerated depreciation and voluntary provisions less the deferred tax liability. Differences arising in the eliminations, to the extent that they are due to differences between the current and book values of properties, have been allocated to the relevant fixed assets and the remaining part is stated as group goodwill in the balance sheet.

Group goodwill attributable to buildings has been amortised in line with the depreciation plan for the building in question. Group goodwill is amortised over a period of 5 years on a straight-line basis.

### Intra-group transactions and margins

When preparing the consolidated financial statements, all intra-group income and expenses, distribution of profits, receivables and debts as well as unrealised profit margins from intra-group transactions have been eliminated.

### Minority interests

Minority interests in the profit for the financial year is shown as a separate item in the income statement. The minority interest in capital and reserves is also shown as a separate item in the consolidated balance sheet.

### Translation differences

The financial statements of foreign subsidiaries have been translated into euros at the average exchange rate on the balance sheet date. Translation differences arising from the elimination of shareholders' equity have been entered under profit brought forward in the consolidated balance sheet.

### Associated companies

Associated companies have been consolidated using the equity method. The group's share of the associated companies' profit for the financial year, in accordance with the group's proportional holdings and adjusted for any amortisation of goodwill and dividends received, is shown in the consolidated income statement after operating profit. By contrast, the result of the associated companies that carry on the group's mainline business are included in operating profit and stated on the previous line. Inex Partners Oy's EDI invoicing through SOK is not included in SOK's net turnover.

In the consolidated balance sheet, the acquisition cost of associated companies and the group's shareholders' equity includes the group's post-acquisition share of an associated company's accumulated net assets, inclusive of accumulated appropriations less the deferred tax liability.

Intra-group profit margins arising in transactions between group companies and associated companies have been eliminated in proportion to each party's holdings. Such margins have been subtracted from the group's profit brought forward and from the cost of acquiring the shares in associated companies. Eliminated capital gains are recognised as income in step with depreciation.

### Items in foreign currency and derivative contracts

Transactions in foreign currency have been booked at the exchange rate on the date of the transaction. Foreign currency receivables and liabilities that are open at the end of the financial year have been translated into euros at the exchange rate on the balance sheet date and the exchange rate differences have been booked as a credit or charge to income.

#### *Contracts taken out for hedging purposes*

##### **Forward exchange contracts**

Interest gains and losses on forward exchange contracts have been periodised over the contract period as interest income or expenses or adjustments thereto. Exchange rate differences on forward contracts taken out for hedging purposes have been entered as a credit or charge to income against the exchange rate difference arising from the hedged item in the course of the financial year during which the exchange rate difference of the hedged item was entered. Unrealised exchange rate gains or losses on future cash flows hedged with forward exchange contracts after the balance sheet date have been entered in the balance sheet.

##### **Forward rate agreements and interest rate swaps**

The unrealised changes in the value of forward rate agreements have not been entered, and the realised changes in value have been periodised over the time of the agreement.

The interest on interest rate swaps has been periodised over the contract period to adjust interest income or expense. Changes in the value of interest rate swaps used for hedging have not been entered.

##### **Equity forwards**

The valuation profit on equity forwards has been recognised as income to a maximum of the amount of a loss charged to expense for the hedged item. For negative changes in value, the amount booked is the portion in excess of the unrecorded valuation gain on the item hedged.

The financial statements contain no open equity forwards.

##### **Interest rate, foreign currency, equity and share index options**

Received and paid option premiums have been entered under advances paid and received. Premiums on interest rate options have been periodised over the contract period to adjust entered, hedged interest. Realised changes in value have been periodised over the contract period. Unrealised changes in value have not been entered. Exchange rate differences of foreign currency options have been entered as credits or charges to income against the exchange rate difference caused by the hedged item for the financial year during which the exchange rate difference of the hedged item has arisen. The maximum amount of valuation profit entered for equity and share index options corresponds to the loss recorded for the

hedged item. For negative changes in value, the amount booked is the proportion in excess of the unrecorded valuation gain on the item hedged. The financial statements did not contain open positions for the above-mentioned instruments.

##### **Electricity derivatives**

SOK Corporation evaluates the price risks of electricity for a two-year period. Electricity derivatives are used mainly for hedging the price risks of electricity. The premiums on the electricity option contracts taken out for hedging purposes have been entered as advances paid and subsequently periodised over the contract period to adjust electricity prices entered. Unrealised gains and losses from electricity options, forwards and futures have not been entered, and the realised changes in value have been periodised over the contract period.

#### *Derivative contracts for purposes other than hedging*

Derivative contracts are taken out mainly for hedging purposes. Non-hedging derivative contracts may only be taken out within the risk limits specified in the Corporation's risk management regulations which are approved by SOK's Executive Board. Negative changes in the value of derivative contract positions other than for hedging and outstanding at the balance sheet date have been charged as expenses. Valuation profits on outstanding positions have only been recognised as income to an extent corresponding to the losses entered earlier for the contracts included in the position. Changes in the value of closed positions have been entered as a credit or charge to income at 31 December 2002. The fair value of outstanding contracts made for purposes other than hedging at 31 December 2002 was EUR 0.9 million negative.

#### **Fixed assets and depreciation**

In the balance sheet, fixed assets have been valued at cost less accumulated planned depreciation. Furthermore, certain land areas and buildings include undepreciated revaluations made in previous years. In preparing the financial statements, revaluations of EUR 26.1 million have been reversed in line with the depreciation schedule. The revaluation reserve in the consolidated balance sheet at 31 December 2002 amounts to EUR 77.6 million.

Depreciation according to plan has been calculated on the original acquisition cost of the fixed assets in accordance with an advance schedule and on a straight-line basis. Depreciation has been calculated from the beginning of the month after the asset was placed in use. Depreciation periods, which are based on the expected useful life of the assets, are shown in the notes to the income statement under "Depreciation."

#### **Stocks**

Stocks are entered in the balance sheet on a fifo basis at the acquisition cost or repurchase price or probable market price, whichever is the lowest.

#### **Financial assets**

Securities held as financial assets are valued at the acquisition cost or the market price, whichever is the lower.

## Leasing

Leasing payments are shown as rent expenses in the income statement.

## Future expenses and losses

Future expenses and losses representing a commitment of the company or which are likely to materialise are charged as expenses under the relevant expense item. In the balance sheet these provisions for expenses are stated in the item provisions.

## Deferred taxes

In the consolidated balance sheet, the accumulated appropriations shown in individual financial statements have been divided into a deferred tax liability, shareholders' equity and minority interest. Any changes in these items are shown in the consolidated income statement. Depreciation not deducted in taxation is taken into account as a reducing factor in calculating the deferred tax liability. Deferred tax assets arising from group companies' compulsory provisions and confirmed losses are shown in the consolidated balance sheet, whereas

the change in the deferred tax assets is shown in the consolidated income statement.

The deferred tax liabilities and assets arising on consolidation are included in the deferred tax liabilities and assets shown in the consolidated balance sheet, and any change therein is included in the change in deferred tax liabilities and assets shown in the consolidated income statement.

In line with conservative accounting practice, the consolidated balance sheet shows the deferred tax liability in its entirety and deferred tax assets as the estimated and probable amount. The deferred tax liabilities and assets were calculated applying the confirmed tax rate, which is 29%.

## Pension arrangements

The pension liabilities of SOK Corporation companies have been insured through external pension insurance companies. A supplementary pension policy has been taken out for the former Elonvara members who are employed by SOK Corporation. The policy provides coverage for the earned and future pension benefits corresponding to the rules and regulations of the pension fund.

# MANAGEMENT OF FINANCIAL RISKS

SOK's Finance unit has central responsibility for managing SOK Corporation's treasury operations and financial risks. The SOK Executive Board has confirmed SOK Corporation's guidelines for financial policy, strategy and the management of financial risks. These guidelines define the principles of managing financial risks and the maximum amounts of financial risks. Furthermore, numerical targets have been set for the different subareas of treasury operations in order to assure the adequacy, balance and affordability of financing under all circumstances.

### Liquidity risk

SOK Corporation seeks to minimise liquidity and refinancing risks by means of a balanced distribution of loan maturities and sufficient financial reserves. Adequate liquidity is maintained through cash, overdraft accounts, liquid money-market investments and long-term binding credit facilities. In accordance with its financing strategy, SOK Corporation strives to maintain an amount of liquid funds and undrawn long-term binding credit facilities that is at least 10% of its total assets plus the amount of the undrawn credit facilities. Liquid funds at the end of the year totalled EUR 420.9 million and undrawn long-term binding credit facilities amounted to EUR 176.1 million, for a total of 38.6%. The quick ratio target has been set at more than 1, including long-term undrawn credit facilities. At the end of the year the quick ratio calculated in the above manner was 1.15.

### Interest rate risk

SOK Corporation manages interest rate risk by means of a diversified portfolio of fixed and floating-rate loans as well as by making use of interest rate derivatives. The greater part of

SOK Corporation's floating-rate net borrowings as forecast for 2003 and 2004 had been hedged with interest rate swaps and forward rate agreements at 31 December 2002.

### Foreign exchange risk

SOK Corporation's net turnover is generated largely in Finland. The Corporation's commercial foreign exchange risks are the responsibility of the unit closing the business deal. At the end of the year SOK's loans taken out in foreign currency were used solely to finance equity investments in Baltic subsidiaries. SOK's Finnish subsidiaries did not have loans denominated in foreign currency. The extent of the foreign exchange risk for the balance sheets of the Baltic subsidiaries is examined on the basis of balance sheet source-application analysis. The foreign exchange risk is reduced primarily by financing the companies' operations in the same currency in which the money is spent and secondarily by means of derivatives.

### Credit risk

The management of credit risks connected with commercial activities is part of the business units' operations. Investments and trade in derivatives can only be undertaken with counterparties approved by SOK's Executive Board, within the limits approved by the Executive Board.



# NOTES TO THE ACCOUNTS

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>NOTES CONCERNING THE INCOME STATEMENTS</b>				
<b>1a. Net turnover by sector</b>				
Agricultural and hardware trade	767.6	755.1		
Hotel and restaurant business	160.3	169.1		
Car trade	284.0	245.5		
Sokos department stores	126.4	124.5		
Grocery trade	32.0	20.8		
Consumer goods sourcing	408.3	407.1		
EDI invoicing *)	1 524.9	1 352.8	1 524.9	1 352.8
Real estate and property leasing and other services	187.0	186.6	143.4	140.8
Divested and discontinued operations	5.0	24.4		
Eliminations *)	-497.7	-371.0		
<b>Total</b>	<b>2 997.8</b>	<b>2 915.0</b>	<b>1 668.4</b>	<b>1 493.6</b>
*) includes EUR 314 million of intra-Group EDI invoicing (prev. yr. EUR 180 million)				
<b>Domestic business operations constitute 96.5 % of the turnover.</b>				
<b>1b. Operating profit by business area</b>				
Agricultural and hardware trade	9.7	12.6		
Hotel and restaurant business	11.6	11.6		
Car trade	4.1	3.6		
Sokos department stores	-0.3	-0.3		
Grocery trade	-0.6	-0.9		
Consumer goods sourcing	3.7	-0.4		
EDI invoicing	0.3	0.2	0.3	0.2
Real estate and property leasing and other services	12.6	10.0	-2.7	-6.7
Divested and discontinued operations	-0.5	-4.1		
Share of associated companies' profits	11.7	-3.1		
Eliminations	2.7	5.8		
<b>Total</b>	<b>55.0</b>	<b>35.1</b>	<b>-2.4</b>	<b>-6.4</b>
<b>2. Other operating income</b>				
Profits on sale of fixed assets	9.0	1.3	3.3	0.3
Goodwill income		0.9		
Other operating income	0.5	0.2	0.2	0.0
<b>Total</b>	<b>9.5</b>	<b>2.3</b>	<b>3.5</b>	<b>0.4</b>
<b>3. Raw materials and consumables</b>				
Purchases during the financial year	2 532.8	2 433.7	1 525.5	1 353.1
Change in stocks (+/-)	-3.6	16.7	-2.0	-0.1
<b>Total</b>	<b>2 529.2</b>	<b>2 450.4</b>	<b>1 523.5</b>	<b>1 353.0</b>
<b>4. Staff costs</b>				
Wages and salaries	114.9	113.3	20.6	19.4
Pension costs	18.8	19.4	4.0	4.0
Other social security costs	9.1	9.1	1.8	1.9
<b>Total</b>	<b>142.8</b>	<b>141.8</b>	<b>26.4</b>	<b>25.3</b>

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

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>5. Depreciation and value adjustments</b>				
Depreciation according to plan	32.4	33.5	4.3	4.1
Value adjustments on non-currents assets	2.2	1.7	0.6	0.0
<b>Total</b>	<b>34.6</b>	<b>35.1</b>	<b>5.0</b>	<b>4.1</b>

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

Planned depreciation is calculated on a straight-line basis so as to write off the cost of fixed assets over their expected useful lives. Revaluations have not written down. Planned depreciation is as follows:

	Year
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

The write-off period for the goodwill of Sokotel Oy is ten years as an exception to the regular 5-year write-off period. This goodwill arises from the business operations transactions related to the creation of the Radisson SAS hotel brand and network, whose yield expectations extend to a period of at least ten years.

#### 6. Other operating expenses

Other operating expenses	110.3	106.9	25.3	24.6
Losses on sale of fixed assets	1.0	0.0	0.9	0.4
<b>Total</b>	<b>111.3</b>	<b>107.0</b>	<b>26.2</b>	<b>25.1</b>

Rents are presented as a separate item in the income statement.

#### 7. Increase (-)/decrease (+) in provisions for liabilities and charges

Increases related to partially vacant premises	-2.1	-2.7	-2.1	-2.2
Decreases related to partially vacant premises	3.6	5.3	3.2	5.0
Increase in other future expenses and losses	-1.6	-6.6		-3.2
Decrease in other future expenses and losses	9.3	3.4	2.8	
<b>Total</b>	<b>9.3</b>	<b>-0.7</b>	<b>3.9</b>	<b>-0.4</b>

#### 8. Financial income and expenses

Dividend income from group companies			1.2	0.4
Dividend income from participating interest companies			3.1	0.8
Dividend income from others	1.2	1.1	1.2	1.1
<b>Total dividend income on financial assets</b>	<b>1.2</b>	<b>1.1</b>	<b>5.5</b>	<b>2.2</b>

#### Interest income on other financial assets

From group companies			10.7	13.0
From others	1.0	1.6	0.9	1.5

#### Other interest and financial income

From group companies			2.1	2.6
From others	16.7	17.6	11.0	11.7
<b>Total interest and other financial income</b>	<b>17.7</b>	<b>19.1</b>	<b>24.6</b>	<b>28.9</b>

#### Value adjustments of investments

<b>on non-current assets</b>	<b>0.0</b>	<b>0.0</b>	<b>11.1</b>	<b>17.9</b>
<b>Reversed value adjustments of investments on non-current assets</b>	<b>-0.9</b>	<b>-6.6</b>	<b>-6.1</b>	<b>-6.6</b>

#### Value adjustments of other securities from group companies held in current assets

0.1

#### Interest and other financial expenses

To group companies			1.3	2.0
To others	19.5	23.1	17.0	20.1
<b>Total interest and other financial expenses</b>	<b>19.5</b>	<b>23.1</b>	<b>18.3</b>	<b>22.1</b>

**Total financial income and expenses** 0.3 3.7 6.6 -2.4

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>9. Extraordinary items</b>				
<b>Extraordinary income</b>				
Group contribution received			29.1	21.3
Merger profit				2.3
Other		0.0		
Total		0.0	29.1	23.6
<b>Extraordinary expenses</b>				
Merger loss			1.5	0.0
Group contributions given			12.4	
Provision for winding up and reorganising businesses		6.0		1.6
Total		6.0	14.0	1.6
<b>Total extraordinary items</b>		-6.0	15.1	22.0
<b>10. Appropriations</b>				
Increase (-)/decrease (+) in accelerated depreciation			0.0	-0.3
<b>11. Income taxes</b>				
Income taxes on ordinary operations for the year	6.3	3.7	-0.7	-4.5
Income taxes on ordinary operations for the previous year	0.8	-0.1	1.0	0.0
Income taxes on extraordinary items			4.8	6.2
Effect of consolidation	-1.3	-0.3		
Change in deferred tax liability/assets	4.9	-2.3		
Total	10.7	1.0	5.1	1.6

## NOTES CONCERNING ASSETS IN THE BALANCE SHEET

### 12. SOK Corporation's intangible and tangible assets, EUR million

#### Intangible assets

	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments	Total intangible assets	Group goodwill	Group reserve
Acquisition cost at 1.1.2002	39.9	16.6	34.5	2.3	93.4	18.2	2.3
Increase	10.7	0.1	1.1	4.0	15.9	1.0	
Decrease	-0.3		-0.3	-0.7	-1.3	-0.1	
Transfers	1.6		2.3	-3.9	0.0		
Acquisition cost at 31.12.2002	52.0	16.7	37.6	1.7	108.0	19.1	2.3
Accumulated depreciation at 1.1.2002	17.9	8.1	19.4		45.4	16.8	
Companies acquired	2.0		0.3		2.2		
Accumulated depreciation on decreases and transfers	-0.1	0.0	0.2		0.1	-0.1	
Depreciation for the financial year	7.2	1.6	3.3		12.1	0.8	
Value adjustments	0.4		0.6		1.0	0.7	
Accumulated depreciation at 31.12.2002	27.3	9.8	23.7		60.7	18.3	
Accumulated income entries at 1.1.2002							2.2
Accumulated income entries for the financial year							0.0
Accumulated income entries at 31.12.2002							2.3
Book value at 31.12.2002	24.7	7.0	13.9	1.7	47.3	0.8	0.0
Book value at 31.12.2001	22.1	8.5	15.1	2.3	48.0	1.4	0.0

<b>Tangible assets</b>	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total tangible assets
Acquisition cost at 1.1.2002	37.8	281.6	99.1	2.9	4.0	425.3
Increase	0.2	0.5	9.5	0.7	19.4	30.3
Decrease	-7.8	-14.7	-3.4	-0.3	0.0	-26.2
Transfers	0.0	16.2	2.3	0.2	-18.7	0.0
Acquisition cost at 31.12.2002	30.2	283.5	107.5	3.5	4.7	429.4
Accumulated depreciation and value adjustments at 1.1.2002	2.4	101.9	63.8	0.8		168.9
Companies acquired			0.5			0.5
Accumulated value adjustments on decreases and transfers	-0.5	-6.4	-2.4	-0.1		-9.4
Depreciation for the financial year		9.2	10.1	0.2		19.5
Value adjustments		0.3	0.3			0.5
Accumulated depreciation at 31.12.2002	1.9	105.0	72.3	0.8		180.0
Revaluations at 1.1.2002	44.6	60.7				105.3
Decrease	-5.9	-21.0				-26.9
Revaluations at 31.12.2002	38.7	39.7				78.4
Book value at 31.12.2002	67.0	218.2	35.2	2.7	4.7	327.8
Book value at 31.12.2001	79.9	240.4	35.3	2.1	4.0	361.7

Share of machinery in the book value of machinery and equipment EUR 0.5 million (2001 EUR 0.6 million)

### 13. SOK Corporation's investments assets, EUR million

	Shares in participating interest companies	Other shares and memberships		Total shares
Acquisition cost at 1.1.2002	73.8	39.3		113.1
Increase	9.6	0.0		9.6
Decrease	-4.4	-2.0		-6.5
Transfers	1.0	-0.2		0.8
Acquisition cost at 31.12.2002	80.0	37.1		117.0
Accumulated value adjustments at 1.1.2002	2.0	26.1		28.0
Accumulated value adjustments on decreases and transfers		-0.1		-0.1
Value adjustments		0.0		0.0
Reversed value adjustments		-0.9		-0.9
Accumulated value adjustments at 31.12.2002	2.0	25.1		27.0
Book value at 31.12.2002	78.0	12.0		90.0
Book value at 31.12.2001	71.9	13.2		85.1

Undepreciated part of group goodwill due to associated companies  
EUR 1.0 million (2001 EUR 1.0 million).  
Unentered part of group reserves due to associated companies  
EUR 0.0 million (2001 EUR 0.4 million).

	Capital loan debtors from participating interest companies	Debtors from participating interest companies	Capital loan debtors from others	Other debtors from others	Total other financial assets
Amount at 1.1.2002	2.5	2.8	8.8	20.1	34.1
Increase	0.1	0.2		1.7	1.9
Decrease		-0.7	-2.9	-0.1	-3.7
Transfers	-1.7				-1.7
Amount at 31.12.2002	0.9	2.2	6.0	21.6	30.7
Accumulated value adjustments at 1.1.2002			0.0		0.0
Accumulated value adjustments on decreases and transfers					0.0
Reversed value adjustments					0.0
Accumulated value adjustments at 31.12.2002			0.0		0.0
Book value at 31.12.2002	0.9	2.2	5.9	21.6	30.7
Book value at 31.12.2001	2.5	2.8	8.8	20.1	34.1

Total financial assets of SOK Corporation 31.12.2002 120.6  
Total financial assets of SOK Corporation 31.12.2001 119.2

## 12. SOK's intangible and tangible assets, EUR million

### Intangible assets

	Intangible rights	Other capitalised expenditure	Advance payments	Total intangible assets
Acquisition cost at 1.1.2002	16.2	4.7	1.3	22.2
Increase	3.0		2.1	5.1
Decrease		-0.2	-0.7	-0.9
Transfers	0.6	1.0	-1.6	0.0
Acquisition cost at 31.12.2002	19.7	5.6	1.1	26.4
Accumulated depreciation at 1.1.2002	8.8	2.7		11.4
Accumulated depreciation on decreases and transfers		0.0		0.0
Depreciation for the financial year	2.8	0.2		3.0
Value adjustments		0.6		0.6
Accumulated depreciation at 31.12.2002	11.5	3.4		15.0
Book value at 31.12.2002	8.2	2.1	1.1	11.5
Book value at 31.12.2001	7.5	2.1	1.3	10.8

### Tangible assets

	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total tangible assets
Acquisition cost at 1.1.2002	2.6	11.5	12.2	0.2	0.0	26.7
Increase			0.7	0.0	0.1	0.8
Decrease	-0.1	0.0	-0.5	0.0	0.0	-0.7
Transfers			0.1		-0.1	0.0
Acquisition cost at 31.12.2002	2.5	11.5	12.5	0.3	0.0	26.9
Accumulated depreciation and value adjustments at 1.1.2002	0.1	7.3	8.6	0.0		16.0
Accumulated depreciation on decreases and transfers	0.0	0.0	-0.4			-0.5
Depreciation for the financial year		0.3	1.1	0.0		1.4
Value adjustments			0.1			0.1
Accumulated depreciation at 31.12.2002	0.1	7.6	9.3	0.0		16.9
Book value at 31.12.2002	2.4	4.0	3.3	0.3	0.0	9.9
Book value at 31.12.2001	2.5	4.3	3.7	0.2	0.0	10.7



### 13. SOK's investments assets, EUR million

	Shares in group companies	Shares in participating interest companies	Other shares and member- ships					Total shares
Acquisition cost at 1.1.2002	276.8	68.1	40.6					385.6
Increase	5.9	0.1	0.0					6.0
Decrease	-37.9	-0.2	-2.0					-40.1
Transfers	3.9	-3.7	-0.2					0.0
Acquisition cost at 31.12.2002	248.6	64.4	38.5					351.5
Accumulated value adjustments at 1.1.2002	20.2	5.4	25.8					51.4
Accumulated value adjustments on decreases and transfers	3.5	-3.5						0.0
Value adjustments	3.9	6.6	0.0					10.5
Reversed value adjustments	-4.1		-0.9					-5.0
Accumulated value adjustments at 31.12.2002	23.5	8.5	24.9					56.8
Book value at 31.12.2002	225.1	55.9	13.6					294.6
Book value at 31.12.2001	256.6	62.7	14.8					334.2
	Capital loan debtors from group companies	Debtors from group companies	Capital loan debtors from participating interest companies	Debtors from participating interest companies	Capital loan debtors from others	Other debtors from others	Total other financial assets	
Amount at 1.1.2002	37.8	143.4	2.5	2.7	8.8	20.0	215.2	
Increase	2.4	26.5				1.7	30.5	
Decrease	-2.5	-32.7		-0.7	-2.9	-0.1	-38.9	
Transfers	1.7		-1.7				0.0	
Amount at 31.12.2002	39.4	137.2	0.8	2.0	6.0	21.6	206.9	
Accumulated value adjustments at 1.1.2002	10.9		1.0		0.0		11.9	
Accumulated value adjustments on decreases and transfers	1.0		-1.0				0.0	
Value adjustments	0.6						0.6	
Reversed value adjustments	-1.0						-1.0	
Accumulated value adjustments at 31.12.2002	11.5		0.0		0.0		11.5	
Book value at 31.12.2002	27.8	137.2	0.8	2.0	5.9	21.6	195.4	
Book value at 31.12.2001	26.9	143.4	1.5	2.7	8.8	20.0	203.3	
Total financial assets of SOK 31.12.2002							490.0	
Total financial assets of SOK 31.12.2001							537.4	

Liabilities to secure group companies loans EUR 46.1 million

**14. Companies owned by****SOK Corporation and SOK 31.12.2001**

	Registered office	share-holding %	Corporation's voting rights %	SOK's share-holding %
<b>Group companies</b>				
<b>Commercial</b>				
AS Kommest Auto Group	Estonia	90.0	90.0	90.0
Hankkija Agriculture Ltd	Helsinki	100.0	100.0	100.0
Helsingin Sokos Oy	Helsinki	90.0	90.0	90.0
HOT Hometechnics Ltd	Helsinki	100.0	100.0	100.0
Intrade Partners Oy	Helsinki	100.0	100.0	100.0
Jollas-Opisto Oy	Helsinki	100.0	100.0	100.0
Kuusinen Oy	Helsinki	100.0	100.0	100.0
Maan Auto Oy	Helsinki	100.0	100.0	100.0
Netista Oy	Helsinki	100.0	100.0	100.0
Porin Sokos Oy	Pori	90.0	90.0	90.0
Prisma Peremarket AS	Estonia	100.0	100.0	100.0
Rainex Yrityspalvelu Oy	Helsinki	100.0	100.0	100.0
S-Etuluotto Oy	Helsinki	100.0	100.0	100.0
SOK-Business Oy	Helsinki	100.0	100.0	100.0
Sokotel Oy -konserni	Helsinki	100.0	100.0	100.0
SOK-Takaus Oy	Helsinki	99.9	99.9	99.9
Tampereen Sokos Oy	Tampere	90.0	90.0	90.0
Tenco Eesti AS	Estonia	100.0	100.0	100.0
Turun Sokos Oy	Turku	90.0	90.0	90.0
Real estate companies (23 pcs)				
Real estate companies under stocks (16 pcs)				
Total group companies 58 pcs				

**Participating interest companies****Associated companies**

Agribalt Oy Group	Helsinki	50.0	50.0	
Asunto Oy Kauniaisten Kirkkomäki	Kauniaainen	38.6	38.6	38.6
Elielin Pysäköinti Oy	Helsinki	22.2	22.2	22.2
Hotelli Joensuun Kimmel Oy	Joensuu	33.0	33.0	
Hotellipankki Oy	Helsinki	33.3	33.3	
Inex Partners Oy Group	Helsinki	50.0	50.0	50.0
Kauppakeskus Mylly Oy	Turku	50.0	50.0	50.0
Keskuskorttelin Huolto Oy	Vaasa	31.5	31.5	31.5
Kiinteistö Oy Haunistenmäki	Raisio	50.0	50.0	50.0
Kiinteistö Oy Pysäköintiveturi	Tampere	49.7	40.2	49.7
Kiinteistö Oy Rytilahden Maja	Helsinki	40.0	40.0	40.0
Kiinteistö Oy Tullintorni	Tampere	40.0	40.0	40.0
Kiinteistö Oy Turun Brahenkatu 8	Turku	50.0	50.0	50.0
Kiinteistö Oy Turun Toripaikoitus	Turku	38.6	38.6	28.6
Kiinteistö Oy Vainihaka	Rauma	50.0	50.0	50.0
Kiinteistö Oy Valkeakosken Liikekeskus	Valkeakoski	48.8	48.8	48.8
Malmintorin Kiinteistö Oy	Helsinki	39.4	39.4	39.4
Oy Realinvest Ab Group	Helsinki	21.9	21.9	21.9
Tullin Parkki Oy	Tampere	45.1	30.0	45.1
Associated companies under stocks (1 pcs)				
Total Associated companies 20 pcs				

**Other shares owned by the Parent company**

Polar Kiinteistöt Oyj	Helsinki	2.9		2.9
Sato-Yhtymä Oyj	Helsinki	8.7		8.7

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>15. Stocks</b>				
Goods	131.5	127.7		
Other stocks	0.4	0.3	8.3	6.3
Advance payments	1.3	0.6		
Total	133.2	128.7	8.3	6.3
<b>16. Long-term debtors</b>				
Trade debtors	7.7	13.3	2.4	
Prepayments and accrued income	0.1			
Total long-term debtors	7.7	13.3	2.4	
<b>17. Deferred tax asset</b>				
Temporary differences	5.2	9.6		
From consolidation	3.2	3.8		
Total	8.4	13.5		
The deferred tax asset due to temporary differences has been consolidated and is shown in the consolidated balance sheet, but not in the group company balance sheet.				
<b>18. Short-term debtors</b>				
Trade debtors	230.2	238.1	179.7	184.2
<b>Amounts owed by group companies</b>				
Trade debtors			4.8	4.5
Loan receivables			2.0	5.9
Other receivables			29.1	
Prepayments and accrued income			2.8	5.0
Total			38.7	15.4
<b>Amounts owed by participating interest companies</b>				
Trade debtors	0.4	1.1	0.2	0.9
Loan receivables	1.5	1.1		
Prepayments and accrued income	23.6	29.9	23.5	29.9
Total	25.5	32.1	23.8	30.8
Loan receivables	20.8	18.2	3.6	0.2
Other debtors	8.1	7.6	0.3	0.0
Prepayments and accrued income	20.9	31.3	11.4	18.8
Total short-term debtors	305.5	327.3	257.4	249.4
<b>Specification of prepayments and accrued income</b>				
Financial items	4.5	8.7	4.0	7.8
Other	40.1	52.5	33.8	46.0
Total prepayments and accrued income	44.6	61.3	37.8	53.7
<b>19. Investments</b>				
Other securities from group companies			19.3	17.8
Money market securities	402.7	300.1	402.7	300.1
Total	402.7	300.1	421.9	317.8

## NOTES CONCERNING LIABILITIES IN THE BALANCE SHEETS

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>20. Capital and reserves</b>				
Cooperative capital at 1 Jan.	<b>58.7</b>	53.9	<b>58.7</b>	53.9
Increase	<b>7.1</b>	4.8	<b>7.1</b>	4.8
Cooperative capital at 31 Dec.	<b>65.8</b>	58.7	<b>65.8</b>	58.7
Cooperative capital due will accrue in 2003–2006	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Supplementary cooperative capital at 1 Jan.	<b>9.3</b>	9.3	<b>9.3</b>	9.3
Increase	<b>3.4</b>		<b>3.4</b>	
Supplementary cooperative capital at 31 Dec.	<b>12.6</b>	9.3	<b>12.6</b>	9.3
Revaluation reserve at 1 Jan.	<b>104.5</b>	104.5		
Decrease	<b>-26.9</b>			
Revaluation reserve at 31 Dec.	<b>77.6</b>	104.5		
<p>The hotel and department store buildings that have been revalued are located in the centre of Helsinki, and the logistics centre is located in Espoo. All the above-mentioned buildings have been rented for use that serves the operations of SOK Corporation or the S Group directly or indirectly. In accordance with a decision that has been taken, the revaluations will be reversed in their entirety when going over to the acquisition cost principle of valuation of fixed assets. The reversal of revaluations in these</p>				
Legal reserve at 1 Jan.	<b>11.8</b>	11.8	<b>11.8</b>	11.8
Legal reserve at 31 Dec.	<b>11.8</b>	11.8	<b>11.8</b>	11.8
Supervisory Board's disposal fund at 1 Jan.	<b>0.3</b>	0.1	<b>0.3</b>	0.1
Increase	<b>0.2</b>	0.2	<b>0.2</b>	0.2
Decrease	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Supervisory Board's disposal fund at 31 Dec.	<b>0.4</b>	0.3	<b>0.4</b>	0.3
Profit brought forward at 1 Jan.	<b>229.9</b>	203.4	<b>302.1</b>	295.9
Transfer to Supervisory Board's disposal fund	<b>-0.2</b>	-0.2	<b>-0.2</b>	-0.2
Interest on cooperative capital and supplementary cooperative capital	<b>-5.4</b>	-4.9	<b>-5.4</b>	-4.9
Translation difference	<b>0.0</b>	0.0		
Profit brought forward at 31 Dec.	<b>224.3</b>	198.4	<b>296.6</b>	290.8
Profit for the financial year	<b>44.2</b>	31.5	<b>14.2</b>	11.3
Capital loan	<b>20.2</b>	20.2	<b>20.2</b>	20.2
<b>Total capital and reserves</b>	<b>456.8</b>	434.5	<b>421.6</b>	402.3
<b>Distributable funds at 31 Dec.</b>				
Profit brought forward	<b>224.3</b>	198.4	<b>296.6</b>	290.8
Profit for the financial year	<b>44.2</b>	31.5	<b>14.2</b>	11.3
Minimum amount to be transferred to the reserve fund in accordance with the company statutes	<b>-0.3</b>		<b>-0.3</b>	
Share transferred to shareholders' equity from the accrued appropriations	<b>-28.9</b>	-30.3		
Total	<b>239.2</b>	199.6	<b>310.5</b>	302.1

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>21. Capital loan</b>				
<b>1996 Debenture Loan</b>				
Main loan terms:				
<ul style="list-style-type: none"> <li>• Nominal value EUR 20.2 million.</li> <li>• 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.</li> <li>• SOK has the unilateral right to repay the loan with interest at the nominal value as early as 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.</li> <li>• The interest for the first 10 interest periods is fixed at 9.75 % (interest period 12 months), after which time it is 5 percentage points above the 12 month Euribor rate. Interest may only be paid to the extent that payment does not exceed the amount of SOK's distributable profit on the non-restricted equity.</li> <li>• 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 cooperative capital or the distribution of the profit.</li> <li>• 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 counterclaims.</li> </ul>				
<b>22. Accumulated appropriations</b>				
<b>Accelerated depreciation</b>				
Intangible rights			1.7	1.5
Other capitalised expenditure			0.4	0.4
Buildings and constructions			0.4	0.5
Machinery and equipment			0.4	0.6
Other tangible assets			0.0	0.0
Total			2.9	2.9
<b>23. Provisions</b>				
Partially vacant premises	7.1	8.7	7.1	8.2
Other future expenses	4.6	12.4	1.8	4.6
Total	11.8	21.1	8.9	12.8
<b>24. Long-term creditors</b>				
Bonds	5.8			
Loans from financial institutions	21.7	30.3	5.6	4.2
Advances received		0.0		
Trade creditors	0.3	0.4		
Other long-term creditors	12.0	22.9	12.0	22.9
Accruals and deferred income	0.1	0.1	0.1	0.1
<b>Total long-term creditors</b>	<b>39.9</b>	<b>53.7</b>	<b>17.7</b>	<b>27.3</b>
<b>Bond issued by Prisma Peremarket AS:</b>				
Main terms and conditions of the bond:				
<ul style="list-style-type: none"> <li>• Capital: EEK (Estonian kroons) 90 million</li> <li>• Drawdown date: 27 September 2002</li> <li>• Date of maturity: 27 September 2005</li> <li>• Interest fixed at 4.75%</li> <li>• Secured by an SOK guarantee</li> </ul>				
<b>25. Deferred tax liability</b>				
Appropriations	10.3	10.5		
Temporary differences	-0.5	-0.6		
Included in group companies' own balance sheets	-	-		
Total	9.7	9.9		
<b>26. Short-term creditors</b>				
Loans from financial institutions	6.7	20.1	1.2	19.8
Advances received	40.6	37.4	5.7	4.7
Trade creditors	237.8	271.6	108.9	134.5
<b>Amounts owed to group companies</b>				
Trade creditors			27.9	34.2
Other short-term creditors			117.3	85.8
Accruals and deferred income			2.6	0.6
Total			147.8	120.7



EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>Amounts owed to participating interest companies</b>				
Trade creditors	49.6	46.3	48.4	44.3
Other short-term creditors	7.6	12.5	7.6	12.5
Accruals and deferred income	0.0	0.0	0.0	
Total	57.2	58.8	56.1	56.9
Other short-term creditors	413.0	327.5	392.5	308.6
Accruals and deferred income	81.8	85.8	45.1	50.1
<b>Total short-term creditors</b>	<b>837.1</b>	<b>801.2</b>	<b>757.4</b>	<b>695.1</b>
<b>Specification of accruals and deferred income</b>				
Staff costs	25.3	23.7	5.1	5.2
Financial items	8.0	5.5	5.1	3.2
Other	48.6	56.7	37.6	42.4
<b>Total accruals and deferred income</b>	<b>81.9</b>	<b>85.9</b>	<b>47.8</b>	<b>50.8</b>

## 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	879	879		
Hotels and restaurant business	1 126	1 238		
Car trade	454	430		
Sokos department stores	567	554		
Grocery trade	277	190		
Consumer goods sourcing	243	234		
Real estate and property leasing and other services	533	524		
Divested and discontinued operations	47	154		
Total	4 126	4 203		
<b>SOK</b>	<b>483</b>	<b>486</b>		
<b>Subsidiaries</b>	<b>3 643</b>	<b>3 717</b>		
<b>Total</b>	<b>4 126</b>	<b>4 203</b>		

The average number of personnel has been calculated as the average of the personnel at the end of each month and converted to full-time staff.

The number of staff at sites abroad at 31 Dec. 2002 was 655.

### 27 b.

Salaries and remunerations:

CEO and members of the Executive Board	2.5	2.2	1.1	0.8
Members of the Supervisory Board	0.1	0.1	0.1	0.1

Management pension liabilities:

For those members of the Executive Board in the employ of SOK and for certain of the subsidiaries' managing directors, the retirement age is 60–63 years.

## SECURED ASSETS AND CONTINGENT LIABILITIES

### 28. Contingent liabilities

#### Pledges and contingent liabilities

#### Loans secured by mortgages

Loans from financial institutions		0.0		
Mortgages	3.7	3.9		
<b>Total mortgages given as security</b>	<b>3.7</b>	<b>3.9</b>		

EUR million	SOK CORPORATION		SOK	
	2002	2001	2002	2001
<b>Loans secured by pledges</b>				
Loans from financial institutions	0.4	4.6		
Pledged hire purchase agreements	9.1	20.3		
Other creditors	1.7	1.7	1.7	1.7
Book value of pledged shares	1.9	1.9	1.9	1.9
<b>Total pledges given as security</b>	<b>11.0</b>	<b>22.3</b>	<b>1.9</b>	<b>1.9</b>
<b>Loans secured by guarantees</b>				
Loans from financial institutions	20.5	31.9		
Guarantees given	20.5	31.9		
<b>Guarantees given: total</b>	<b>20.5</b>	<b>31.9</b>		
<b>General security for liabilities</b>				
Mortgages	41.9	41.8		
<b>Other security given</b>				
Pledges	0.6	2.2	0.5	2.2
Mortgages	13.5	13.5		
Guarantees	41.8	55.3		
Total	55.9	70.9	0.5	2.2
<b>Security given on behalf of Group companies</b>				
Guarantees			57.7	66.0
<b>Security given on behalf of others' liabilities</b>				
Guarantees given on behalf of associated company's liabilities	4.8	2.9		
Guarantees given on behalf of cooperative society's liabilities	8.7	13.0		4.2
Guarantees given on behalf of other's liabilities	0.2	0.2	0.2	0.2
Total	13.7	16.1	0.2	4.4
<b>Other contingent liabilities</b>				
Repurchasing liabilities:				
Hire purchase liabilities	77.0	62.7		
Other purchase liabilities	70.1	64.5	36.6	35.4
Total	147.1	127.3	36.6	35.4
Leasing liabilities:				
Payable next year	4.9	4.1	1.7	1.5
Payable in more than one year	12.8	4.5	3.2	1.0
Total	17.7	8.6	4.9	2.4

Rental liabilities:  
Rented business facilities used by the S Group are regularly secured with long-term contracts, for which the SOK Corporation bears rental liabilities.

Other financial liabilities:

The basic improvements and new structures in respect of the properties of Group companies involve a reduced value added tax return liability in accordance with Section 33 of the Value Added Tax Act. The return liability materialises if the premises for which reductions have been made are removed from the use entitling them to said reduction within the 5-year period specified by said act.

**SOK CORPORATION****Liability under derivative contracts,  
value of underlying assets, EUR million**

	Value of underlying assets 31.12.2002	Of which value of underlying instruments of open agreements 31.12.2002	Value of underlying assets 31.12.2001	Of which value of underlying instruments of open agreements 31.12.2001
<b>Interest derivatives</b>				
Forward rate agreements	188.8	188.8	345.9	225.9
Interest options				
Purchased	92.0	0.0	180.0	180.0
Written	92.0	0.0		
Interest rate swaps	186.4	143.4	182.9	137.8
<b>Currency forwards</b>				
Forward rate agreements	26.5	26.3	30.4	29.2
<b>Electric forwards</b>				
Forward rate agreements	11.3	5.6	2.4	2.4
Electric swaps			0.4	0.4

**Liability under derivative contracts,  
market value, EUR million**

	Market value 31.12.2002	Of which market value of open agreements 31.12.2002	Market value 31.12.2001	Of which market value of open agreements 31.12.2001
<b>Interest derivatives</b>				
Forward rate agreements	-0.9	-0.9	-0.0	-0.0
Interest options				
Purchased	0.1	0.0	0.0	0.0
Written	-0.1	0.0		
Interest rate swaps	-0.7	-0.7	1.3	1.3
<b>Currency forwards</b>				
Forward rate agreements	0.2	0.2	0.1	0.1
<b>Electric forwards</b>				
Forward rate agreements	2.6	2.7	0.1	0.1
Electric swaps			0.0	0.0

**SOK****Liability under derivative contracts,  
value of underlying assets, EUR million**

	Value of underlying assets 31.12.2002	Of which value of underlying instruments of open agreements 31.12.2002	Value of underlying assets 31.12.2001	Of which value of underlying instruments of open agreements 31.12.2001
<b>Interest derivatives</b>				
Forward rate agreements	194.8	182.8	345.9	225.9
Interest options				
Purchased	92.0	0.0	180.0	180.0
Written	92.0	0.0		
Interest rate swaps	186.4	143.4	182.9	137.8
<b>Currency forwards</b>				
Forward rate agreements	45.4	7.4	39.7	20.8
<b>Electric forwards</b>				
Forward rate agreements	11.3	5.6	2.4	2.4
Electric swaps			0.4	0.4

**Liability under derivative contracts,  
market value, EUR million**

	Market value 31.12.2002	Of which market value of open agreements 31.12.2002	Market value 31.12.2001	Of which market value of open agreements 31.12.2001
<b>Interest derivatives</b>				
Forward rate agreements	-0.9	-0.9	-0.0	-0.0
Interest options				
Purchased	0.1	0.0	0.0	0.0
Written	-0.1	0.0		
Interest rate swaps	-0.7	-0.7	1.3	1.3
<b>Currency forwards</b>				
Forward rate agreements	0.0	0.0	0.1	0.1
<b>Electric forwards</b>				
Forward rate agreements	2.6	2.7	0.1	0.1
Electric swaps			0.0	0.0

In examining the overall risk position, the position of the balance sheet items that are to be hedged must be taken into account in addition to derivatives. The derivative contracts that were open at the end of the financial year have been used primarily to manage the Group's foreign exchange, interest rate and price risks. The open interest rate swaps are 1–5 years in length. Open electricity forward contracts fall due within the next 2 years. Other open derivative contracts are under a year in length.

The fair values of derivatives are based on market values or the present values of future cash flows.

## SOK CORPORATION KEY RATIOS 1998–2002

	1998	1999	2000	2001	<b>2002</b>
<b>Net turnover</b>	2 347	2 540	2 754	2 915	<b>2 998</b>
<b>Operating profit</b>					
EUR million	59	56	57	35	<b>55</b>
% of net turnover	2.5	2.2	2.1	1.2	<b>1.8</b>
<b>Profit/loss before extraordinary items</b>					
EUR million	42	49	54	39	<b>55</b>
% of net turnover	1.8	1.9	2.0	1.3	<b>1.8</b>
<b>Profit/loss before appropriations and taxes</b>					
EUR million	63	49	52	33	<b>55</b>
% of net turnover	2.7	1.9	1.9	1.1	<b>1.8</b>
<b>Return on equity, %</b>	14.1	12.0	10.2	7.5	<b>9.9</b>
<b>Return on investment, %</b>	10.7	8.9	9.2	6.4	<b>8.4</b>
<b>Equity ratio, %</b>	28.9	29.4	30.9	33.2	<b>34.1</b>
<b>Gross investment in fixed assets</b>					
EUR million	51	64	61	31	<b>43</b>
% of net turnover	2.2	2.5	2.2	1.1	<b>1.4</b>
<b>Gearing, %</b>	66	49	36	21	<b>10</b>
<b>Average number of personnel during the financial year</b>	4 766	5 043	5 075	4 657	<b>4 638</b>
<b>Payroll, converted to full-time staff</b>			4 500	4 203	<b>4 126</b>

### CALCULATION OF KEY RATIOS

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

$$\text{Return on investment, \%} = \frac{\text{Profit/loss after financial items + interest and other financial expenses + value adjustments on investments (nett)}}{\text{Total assets - non-interest-bearing liabilities - provisions, average}} \times 100$$

	1998	1999	2000	2001	2002
Non-interest-bearing liabilities	338	398	425	472	442

$$\text{Equity ratio \%} = \frac{\text{Capital and reserves + minority interest}}{\text{Total assets - advances received}} \times 100$$

$$\text{Gross investment in fixed assets} = \text{Acquisition costs of subsidiary shares and other fixed assets}$$

$$\text{Gearing, \%} = \frac{\text{Interest-bearing liabilities - liquid assets}}{\text{Capital and reserves + minority interest}} \times 100$$

**Average number of personnel during the financial year** = Calculated as the monthly average number of employment relationships. In addition, in 2000–2002 the calculation comprises the average number of employees converted to full-time staff.

# EXECUTIVE BOARD'S PROPOSAL

## FOR THE DISPOSAL OF SOK'S PROFIT FOR THE YEAR

Surplus indicated in the income statement	EUR	14,231,959.59
Surplus from the previous financial years	EUR	296,576,631.41
Total	EUR	310,808,591.00

The Executive Board proposes that the profit for the financial year of EUR 14,231,959.59 euroa be used as follows:

– to be transferred to the reserve fund in accordance with the company status	EUR	1,000,000.00
– paid as interest on the supplementary cooperative capital	EUR	588,634.27
– distributed as 9 % interest on the cooperative participation share paid by the cooperative societies by the beginning of the financial year	EUR	5,279,543.47
– transferred to the supervisory board's disposal fund	EUR	168,187.93
– left in the profit account	EUR	7,195,593.92

Providing that the Meeting of the Cooperative Society approves the above proposal SOK's capital and reserves (excluding the capital loan) will be:

Cooperative capital	EUR	65,783,325.31
Supplementary cooperative capital	EUR	12,614,094.75
Legal reserve	EUR	12,773,154.85
Supervisory board's disposal fund	EUR	563,830.04
Profit account	EUR	303,772,225.33
Total	EUR	395,506,630.28

Helsinki, 12 February 2003



Kari Neilimo



Jukka Salminen



Arto Hiltunen



Kalle Lähdesmäki



Reijo Lähteenmäki



Kuisma Niemelä



Eero Saukkonen



Jouko Vehmas



# AUDITORS' REPORT

To the members of Suomen  
Osuuskauppojen Keskuskunta SOK

We have audited the accounting records, the financial statements, and the administration of Suomen Osuuskauppojen Keskuskunta SOK for the period of 1 January – 31 December 2002. The financial statement drafted by the Executive Board includes the report on operations, the income statement, balance sheet, cash flow statement, and notes to the financial statements both for the Corporation and the Cooperative. Based on our audit we submit a statement on the financial statement and administration.

The audit has been conducted in accordance with sound auditing procedure. The accounting records as well as the accounting principles and the content and presentation of the financial statement have been examined to an extent sufficient to determine that there are no relevant errors or defects.

In auditing the administration, we have examined the lawfulness of the activities of the Supervisory Board and the Members of the Executive board in accordance with the regulations provided by the Cooperative Societies' Act.

We express as our opinion that the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations concerning the drafting of financial statements. The financial statements provide correct and sufficient information, as intended in the Accounting Act, on the results of the Corporation's and the Cooperative's activities and their financial standing. The financial statements and the consolidated financial statements may be approved and the Members of the Supervisory Board and the Executive Board can be discharged from liability for the period audited by us. The proposal made by the Executive Board on accumulated profit is in compliance with the Cooperative Societies' Act and the Cooperative's Rules.

Helsinki, 12 March 2003

Tomi Englund  
Authorised Public Accountant

Tapani Rotola-Pukkila  
Authorised Public Accountant

Juhani Heiskanen  
Authorised Public Accountant

## STATEMENT BY THE SUPERVISORY BOARD

In accordance with Item 2, Paragraph 1 in Section 18 of the Rules of Suomen Osuuskauppojen Keskuskunta SOK, the Supervisory Board has today examined the report of the Executive Board, the attached financial statement and consolidated financial statements as well as the proposal on the use of profit.

As it presents the Executive Board's report and the auditors' report, the Supervisory Board suggests that the financial statements and the consolidated financial statements be con-

firmed, and that the proposal on the profit for the financial year and shareholders' equity be approved.

Esko Hakala's, Jukka Huiskonen's, Pekka Kangasmäki's, Seppo Liljakumpu's, Ahti Manninen's, Jorma Niiniahho's and Matti Ojanperä's membership of the Supervisory Board will expire. A corresponding number of new members to be elected by the Annual General Meeting for a period of three years has been proposed to replace the members subject to membership expiration.

Helsinki, 19 March 2003

SUOMEN OSUUSKAUPPOJEN  
KESKUSKUNTA

on behalf of the Supervisory Board

Otto Mikkonen  
Chairman

Markku Viljanen  
Secretary



*An S Market with nearly 1,700 square metres of retail space was opened in the Arabia Shopping Centre in Helsinki.*



*Two new Prismas were opened in Tallinn, Estonia, in the autumn. Shown here is the Prisma in Mustamäe.*

## FIELD DIVISION



*Reijo Lähteenmäki*

The Field Division comprised three SOK subsidiaries: Hankkija Agriculture Ltd, Intrade Partners Oy and Prisma Pere-market AS. In addition, the division's functions included Market Chain Management and ABC Chain Management. The Field Division is headed by Reijo Lähteenmäki, M. Sc. (Soc. Sc.).

The value of grocery sales nationwide grew by 5.1 per cent. The value of the S Group's grocery sales continued to outpace the market, growing at a rate of 6.6 per cent. This meant an increase in market share. Last year was the twelfth straight year of growth. The S Group's market share in the grocery trade rose from 30.5 per cent a year ago to 31.1 per cent.

The overall market for the agricultural trade in Finland is estimated to have remained at the previous year's level. The S Group maintained its strong market position and remains the market leader, with a share of about 40 per cent.

Total consumption of petrol in Finland grew about 2 per cent. The trend in the S Group's fuel trade was good and its market share of petrol sales rose from 13.2 per cent to 13.7 per cent.

### Hankkija Agriculture Ltd

Hankkija Agriculture Ltd had net turnover in 2002 of EUR 684 million, representing growth of 2 per cent on the previous year. The company's profit before extraordinary items was EUR 9.5 million. The aggregate agricultural market in Finland is estimated to have been about EUR 1.9 billion, which is on a par with previous years.

Sales by the company's agricultural units were EUR 470 million, down 2 per cent. The sales of agricultural products comprised plant nutrients, agricultural chemicals, preservatives, feeds, work machines, fuels and lubricants as well as seeds and grain.

The aggregate fertiliser market declined by about 3 per cent. Overall demand for lime increased by about 7 per cent. The Agrimarket chain's market share of fertilisers and lime is about 50 per cent. The overall market for agricultural chem-

icals grew slightly. The chain's market position strengthened as a result of the co-operation that was started with Syngenta. The Agrimarket chain sells about half of the plant protection substances used in Finland.

The total market for feeds grew slightly. The chain increased its share in poultry and hog feeds. The chain had a share of nearly 40 per cent of the feed trade.

Farm machinery sales were in line with previous years. Sales of minimum tillage machines increased.

Following a slump in recent years, the total market for the seed trade swung upwards. The company's seed sales were up about 9 per cent. A good quarter of the fields are sown with certified seed. Net turnover from the company's grain trade declined by about 15 per cent owing to the slow season for grain sales in the first part of the year.

Machinery sales totalled EUR 123 million, up 19 per cent on the previous year. The machinery trade comprises tractors, combine harvesters, environmental machines, spare parts, machinery consumables and contract and imported machinery servicing.

The overall tractor market grew by 4 per cent. In Finland 5,121 tractors were sold. As from 1 August, Hankkija Agriculture Ltd concentrated on selling a single make of tractor, John Deere. By the end of 2002 John Deere had a market share of 12.5 per cent. A total of 480 combine harvesters were sold throughout the country. More than half of these were Sampo Rosenlew combines that were sold by Hankkija Agriculture Ltd. In the spring the company also began selling John Deere environmental and golf course machines.

Sales in the market trade totalled EUR 92.5 million, up about 4 per cent. The market trade comprises sales of hardware, farm building supplies and gardening supplies.

Within the market trade, services for farm building were the most important development area during the year. The store network was beefed up by adding a subnetwork of 20 sales people specialised in farm building. Despite the dry and hot summer, the chain's garden and horticultural sales were in line with objectives.

The company had a total of 22,746 loyal customers at the end of 2002. Purchases by loyal customers amounted to 61.7 per cent of the company's aggregate sales. A total of EUR 3.2 million of Agribonuses and Store Customer Bonuses was credited to loyal customers' accounts.

During the year the Agrimarkets in Eura, Forssa, Hämeenkyrö, Hämeenlinna, Iisalmi, Jyväskylä, Toholampi and Varkaus moved into new premises and locations. Premises were refurbished at the Agrimarkets in Hartola, Jämsä and Kyrö. In Kouvola the Agrimarket chain opened up a service centre which combines the operations of Kymenlaakson Agrimarket Oy and the Kouvola Agrimarket's Machine Centre. During the year the Lappi TI Agrimarket was discontinued by adding the area to the Eura Agrimarket, and the Haapajärvi Agrimarket was discontinued by adding the territory to the Nivala Agrimarket.

Agribalt Oy, which is owned by Hankkija Agriculture Ltd and Avena Oy, opened a store in Paide in central Estonia in May. In addition, Agribalt has three locations in Latvia. Agribalt achieved its sales and earnings objectives.

Towards the end of the year Hankkija Agriculture Ltd, Kemira Agro Ltd and Suomen Rehu Oy signed an agreement on transferring Hankkija Agriculture Ltd's logistics functions to Movere Oy. Under the agreement, Hankkija Agriculture Ltd will become a shareholder in Movere Oy with a 1/3 stake, along with Kemira Agro Ltd and Suomen Rehu Oy. At the beginning of 2003 the EU competition authorities gave their approval for the arrangement. Hankkija Agriculture Ltd's logistics functions will be transferred to Movere Oy during 2003.

The company had a payroll of 818 employees at the end of 2002.

Hankkija Agriculture Ltd is part of the nationwide Agri-market chain that is engaged in the agricultural, hardware and gardening/horticultural trade. The other partners in the chain are Southern Ostrobothnia Cooperative Society, Salo District Cooperative Society, Kymenlaakson Agrimarket Oy and Osuuskauppa OSLA Handelslag.

2002	EUR million	± prev. yr.
Net turnover	684.1	+12.9
Operating profit	8.7	-2.8

## Intrade Partners Oy

The business of Intrade Partners Oy is to purchase consumer goods for the S Group's chains. The purchasing responsibility encompasses primarily the apparel, cosmetics, leisure and household product areas. The company's largest customer chains are the Prisma, Sokos, S Market and Agrimarket chains. It serves smaller customer chains as well: Sale, Alepa, the ABC service station chain and the Internet portal Netista Oy. In addition to consumer goods, Intrade Partners Oy supplies store furnishings to the S Group's sites.

During the past financial year the ERP system that was placed in use in 2001 operated faultlessly, creating added value for the company's business processes. The emphasis within operational development was on shortening the throughput times of the order-delivery process, improving cost-effectiveness and amplifying co-operation with suppliers. The work stages within the product assortment process were streamlined in co-operation with retail chains. Operations were furthermore developed with the largest suppliers of goods with the objective of improving the degree of availability of merchandise and achieving more cost-effective co-operation. The degree of machine-language processing within the various functions was raised further during the past financial year.

The company's net turnover came in on budget and the result improved. The chief factors affecting earnings were the trend in logistics expenses, fixed costs and financial expenses.

The company had a payroll of a total of 241 employees at the end of the year.

2002	EUR million	± prev. yr.
Net turnover	408.3	+1.2
Operating profit	3.7	+4.1

## Prisma Peremarket AS

The name of Hansafood AS, SOK's subsidiary in Estonia that carries on the market trade, was changed in autumn 2002 to Prisma Peremarket AS, which better describes the company's operations.

Prisma Peremarket AS is engaged in the retail trade in Tallinn at Prisma hypermarkets located in three different shopping centres in the Sikupilli, Kristiine and Mustamäe town districts. The chain also includes a Prisma that operates in Tallinn's Rocca al Mare district under a chain agreement and is owned by Ramare AS, a subsidiary of ETK.

Prisma Peremarket AS invested in two new hypermarkets during the financial year. The Primo market that operated in the Kristiine Shopping Centre was acquired and was transferred to the company's ownership as from 15 August 2002. The Primo was converted to be in line with the Prisma concept during August and September. In addition, a new 11,000 square metre Prisma that is located in a refurbished and expanded shopping centre in the Mustamäe town district was opened in October.

The company also carries on restaurant operations in line with the Rosso, Rosso Express, Coffee House and Hesburger concepts in a food court-type restaurant that operates within the Prisma in the Sikupilli Shopping Centre.

The company had net turnover of EUR 32.0 million, an increase of EUR 11.3 million. Owing to development investments, the company's result was in the red but better than had been budgeted. The number of staff at the end of the year was 468.

## Market Chain Management

The Market Chain Management unit has operational responsibility for the development and management of the S Group's Market chain operations. The Market Chain Management unit's organisation comprises the chain managers, category planning and control of the grocery and consumer goods trade, store and network planning as well as information technology. The unit has a staff of 71 employees.

The S Group's market chains are the S markets, Prismas, Sale stores and Alepa stores.

The S Group's grocery and consumer goods sales totalled EUR 4.2 billion, an increase of 5.7 per cent. The grocery trade grew by 6.6 per cent to EUR 3.4 billion. The S Group's market share in the grocery trade rose to over 31 per cent. Consumer goods sales of the Prisma and S-market chains were



EUR 535 million, representing an increase of 4.7 per cent. The result of the market chains also improved on the previous year and was good.

The competitive strategy for the market trade was honed during the year.

Within development of information systems the focus was on projects supporting product group management, thereby facilitating the demand-oriented and product-driven management of assortments, retail sales space and pricing. Thanks to extensive preparations, the introduction of the TUHTI system was completed smoothly across the entire market chain.

During the year the entire value chain and processes of the market trade were defined and analysed, and projects to boost the efficiency of the processes were launched in co-operation with the commercial management of the cooperative societies.

Development work on the sales network of the market chains continued energetically in accordance with a network plan which extends up to 2005 and was formulated together with the regional cooperative societies. Two new Prismas were opened in Tallinn.

The S-markets form the S Group's largest chain of grocery markets. At the end of the year it comprised 339 units, an increase of 10 units. The chain had aggregate sales of EUR 1,976 million, an increase of 5.6 per cent. The chain's increase in grocery sales was 5.9 per cent.

Sales of the Prisma chain continued to grow. The chain had sales of EUR 1,685 million, an increase of 6.0 per cent. Sales of groceries grew by 6.4 per cent. The increase in sales of consumer goods increased by 4.9 per cent. The Prisma chain comprised 42 units in Finland at the end of the year. In addition, four Prismas were operating in Tallinn.

The Sale chain had 157 sites, a decrease of two units. The chain had sales of EUR 229 million, an increase of 10.0 per cent.

Sales by the Alepa chain totalled EUR 141 million, an increase of 8.5 per cent. There were 47 sites, two more than in 2001.

## ABC Chain Management

ABC Chain Management is the development unit for the S Group's service station store business and fuel trade. Its central task is to develop the business's strategy and chain business ideas as well as to assist the local cooperative societies and provide guidance for developing the business area.

At the close of the year the cooperative societies had 234 fuel-selling units. Of these, 87 were service station stores, the remainder consisting mainly of 147 unmanned petrol stations. The increase on the previous year was 1 unit. The business had aggregate sales of EUR 591.8 million, up 8.1 per cent. The operating result developed favourably, improving by 35 per cent on the previous year.

The ABC service station stores and ABC unmanned stations are the S Group's new brands. The ABC network has already expanded to 20 cooperative societies to date. During the year, 8 ABC service station stores and 34 ABC unmanned stations were opened ([www.abcasemat.net](http://www.abcasemat.net)). All in all, there were 33 ABC service station stores and 99 ABC unmanned stations at the end of the year. Energetic building out of the chain is continuing and the one hundred and fifty unit mark will be exceeded in 2003.

Chain Management operations centred on concept-driven planning, implementation and operations control for the ABC service station stores and ABC unmanned stations and it furthermore was in charge of acquiring new business locations. Chain Management carried out a study on the importation of fuels, after which the purchasing company North European Oil Trade Oy was established and was entered in the Trade Register on 7 January 2003.

S Group's fuel sales developed well. The market share in petrol sales grew to 13.7 per cent. Growth came mainly from the expansion of the ABC network and the fact that customer-owners made more of their fuel purchases than ever before through the S Group's service stations.



*The ABC Pitkälampi to the south of Kuopio rocketed right away to a top position in the chain's sales statistics.*

## SPECIALITY STORES DIVISION



*Reijo Kaltea*

The Speciality Stores Division comprises the SOK subsidiaries Helsingin Sokos Oy, Turun Sokos Oy, Tampereen Sokos Oy, Porin Sokos Oy and the Internet portal Netista Oy. The Sokos Chain Management unit is also part of the Division. The director of the Speciality Stores Division was Reijo Kaltea, M.Sc. (Econ.), as from 1 April 2002. From the beginning of the year to the end of March, the division's operations were headed by Juhani Järvenpää, M. Sc. (Econ.).

The speciality goods trade is estimated to have grown by about 2-3 per cent in Finland in 2002. The S Group's speciality goods trade registered growth of 1.9 per cent, which was on a par with the country's average.

### Sokos Chain Management and the Sokos and Emotion chains

The main tasks of the Sokos Chain Management unit are to define the category structure and sales assortment of the Sokos department stores and the Emotion speciality shops as well as to develop and maintain the chains' business ideas and concepts. Sokos Chain Management aids the chain's decision-making bodies by drafting position statements outlining the chain's operations and it provides the agreed marketing, logistics and information systems services for the chain units. Sokos Chain Management had 63 employees at the end of 2002.

2002 was the second year of operations for the Sokos chain under its new ownership structure, in which the department stores are owned either directly by the regional cooperative societies or by a local company that is jointly owned by a cooperative society and SOK. Under this system, the Chain Management unit operates within SOK.

There were 19 Sokos department stores in the Sokos chain at the end of 2002. At the end of the year there were six Emotion speciality shops, which are specialised in cosmetics and ladies' lingerie. All of them are owned by the regional cooperative societies and they are located in Seinäjoki, Lappeenranta, Hamina, Kouvola, Joensuu and the Nummela district of Vihti.

Refurbishment of the Sokos units moved ahead. The entire department store in Pori was refurbished. The customer service areas at Sokos Wiklund in Turku were centralised within three floors instead of the previous four and the access paths from the car park to the store interior were improved. A large portion of the major upgrade of the Sokos department store in Kuopio was completed in 2002 and the refurbishing work is continuing in 2003. In addition to the modernisation being carried out in Kuopio, in 2003 a thorough upgrade will be carried out on the Sokos department store in Lahti, and fairly extensive refurbishment works, especially on the street-level retail areas, will be completed, notably, in Joensuu and Helsinki. Two new units will be added to the Emotion chain in the first part of 2003.

The large-scale changes in the competitive situation that took place towards the end of 2001 were reflected in the sales of the Sokos chain units, particularly in Tapiola, Turku and Pori in 2002.

Development work on the content of the Sokos business is carried out through joint projects involving the broad participation of the personnel of the department stores, Chain Management and Purchasing, all of whom work on refining changes springing from the market situation and trends in it. Decisions on the objectives and direction of development actions have been taken, and implementation is now in full swing.

The Sokos chain's speciality goods trade had net turnover in 2002 of EUR 205 million, an increase of 2.7 per cent. Sokos locations (speciality goods trade and food sales) had net turnover of EUR 363 million, representing growth of about one per cent on the previous year. The Emotion chain's net turnover was EUR 5.1 million and it grew by 22.5 per cent.

### Sokos companies

Operations in the Greater Helsinki area, Tampere, Turku and Pori are handled through the local Sokos companies that were established jointly by the regional cooperative societies and SOK two years ago.

Helsingin Sokos Oy is engaged in the department store trade in consumer goods Helsinki and in the Tapiola district of Espoo. The company had net turnover of EUR 54.2 million. Net turnover of the department stores declined by 1.2 per cent on the previous year. The company posted an operating profit. The number of staff at the end of the year was 292.



Tampereen Sokos Oy is engaged in the department store trade in groceries and consumer goods in Tampere. The company had net turnover of EUR 41.9 million, up 3.6 per cent on the figure a year ago. The company posted an operating profit. The number of staff at the end of the year was 230.

Turun Sokos Oy is engaged in the consumer goods trade in Turku and at the Mylly (The Mill) shopping centre in Raisio. The company had net turnover of EUR 19.1 million, an increase of 5.5 per cent. The company reported an operating loss. The number of staff at the end of the year was 108.

Porin Sokos Oy is engaged in the department store trade in consumer goods in Pori. The company had net turnover of EUR 11.2 million, up 0.6 per cent on the figure a year earlier. The company reported an operating loss. The number of staff at the end of the year was 73.

Sokos companies, total

2002	EUR million	± prev. yr.
Net turnover	126.4	+1.9
Operating loss	-0.3	0.0

## Netista Oy

Netista Oy is SOK's subsidiary that is engaged in retail sales of consumer goods on the Internet. The company's operations were downscaled during the year in line with the market situation. At the same time, a co-operation model was created for operating in close co-operation with the Sokos chain and SOK's e-Business unit.

The company had net turnover of EUR 0.4 million, down 67 per cent. The number of staff at the end of the year was 5 employees. The company reported an operating loss.

## Businesses divested and discontinued

Oy Sokos Ab was merged into SOK. On 1 January 2002 Oy Sokos Ab sold its department store business to the regional cooperative societies or local department store companies and thereafter was responsible for the logistics services for provisioning the Tenco Eesti AS department store in Tallinn from Finland.

The department store trade of Tenco Eesti AS was discontinued in summer 2002. Tenco Eesti AS is owned by Tenco Oy, which is SOK's wholly-owned development company whose task has been to develop and carry on department store operations in the Baltic countries.

The business operations of Kuusinen Oy, which carried on retail sales of women's and men's international brand apparel and footwear in Helsinki, were sold on 1 March 2002.

The last HOT Hometechnics Ltd household appliance store was closed in Vantaa on 19 January 2002.

The above-mentioned companies had net turnover in 2002 totalling EUR 4.9 million, as against EUR 32.7 million a year earlier.



*The Sokos department store in Pori was completely refurbished during 2002.*

## HOTEL AND RESTAURANT DIVISION



*Matti Pulkki*

The Hotel and Restaurant Division comprises SOK's subsidiaries Sokotel Oy as well as the management and support units of the S Group's hotel and restaurant operations. From 1 September the director of the Hotel and Restaurant Division was Matti Pulkki, MBA. From the beginning of the year to the end of March the division was headed by Juhani Järvenpää, M. Sc. (Econ.) and until 31 August the interim director was Tapio Satta, M. Sc. (Econ.).

The sales trend in the hotel and restaurant trade remained barely in positive territory, but growth nevertheless slowed down compared with the previous year. Sales by the S Group's restaurant and hotel business fell slightly short of the figure a year earlier. Like-for-like sales nevertheless were on a par with the previous year. The structure of hospitality sales is changing, with leisure accommodation services on the increase, whereas business travel is flat. The S Group's market share of the hospitality trade is 22 per cent and the occupancy rate of the hotels is 62 per cent. Both market share and the occupancy rate of the hotels were at the previous year's level. The occupancy rate of hotels in the country as a whole likewise remained at the previous year's level of just under 50 per cent. The increase in restaurant sales has come to a standstill, and fast food is the main area where growth can be expected.

### Sokotel Oy

Sokotel Oy is a wholly-owned subsidiary of SOK. Its business comprises the operations of the 15 Sokos hotels and 7 Radisson SAS hotels. Both hotel brands function as the company's separate business areas and have their own distinct concepts.

Sokotel Oy has a total of 15 units belonging to the Sokos Hotels chain in Helsinki, Vantaa, Espoo, Lahti, Hämeenlinna, Tampere, Pori, Vaasa and Rovaniemi as well as 7 units belonging to the Radisson SAS chain in Helsinki, Espoo, Oulu and Vaasa. The newest unit, the Radisson SAS Seaside Hotel, began operations in Helsinki in January 2003.

The company owns the real-estate management subsidiary

Kiinteistö Oy Oulun Vaakuna outright and it has a 33 per cent stake in Hotelli Joensuun Kimmel Oy, which operates the Sokos Hotel Kimmel. In addition, Sokotel Oy purchased the entire shares outstanding in Merikampin Hotelli Oy (Hotelli Seaside) as from 1 November 2002. In January 2002 Sokotel Oy sold the Sokos Hotel Vaakuna business in Joensuu to the North Karelian Cooperative Society. As was previously announced, Sokotel Oy will discontinue operations at the Radisson SAS Hotel Hesperia when the lease agreement on the hotel property expires at the end of 2003.

The company's operations developed according to plans in 2002. Accommodation sales reached their targets, but restaurant sales came up short. The company's profitability and earnings were markedly above budget and increased on the previous year, notably thanks to an improvement in internal efficiency.

The company's largest capital expenditure items were the refurbishment of the Sokos Hotel Vaakuna in Helsinki, the expansion of the Sokos Hotel Vantaa and the refurbishment of the old part as well as the acquisition of the Hotel Seaside. Works in connection with all the above-mentioned sites are continuing in 2003.

The outlook for the entire industry and for Sokotel Oy in 2003 is still challenging. The prospects for the tourism industry as a whole are overshadowed by factors such as the uncertainty surrounding the international economy and the postponement of growth expectations owing to the crisis in the Near East. Competition in the restaurant field is expected to hot up further and there are but small expectations of growth.

Sokotel Oy had an average payroll in 2002 of 1,398 employees. The corresponding figure in the previous year was 1,499 employees.

The company's net turnover diminished by 5.2 per cent and was EUR 160.3 million. The fall in net turnover was due mainly to the refurbishments of large units in the Greater Helsinki area and the resultant disruptions in operations. In addition, the sale of the Sokos Hotel Vaakuna business in Joensuu contributed to the decline in sales.

2002	EUR million	± prev. yr.
Net turnover	160.3	-8.8
Operating profit	11.6	0.0

### Management and support units

Ässäravintolat is the restaurant chain management unit that oversees the S Group's chain restaurants and develops their business ideas, monitors the profitability and competitiveness of the restaurant chains and maintains and develops the dynamism driving the brands.

The task of Ässäravintolat is furthermore to co-ordinate training and quality studies bearing on key aspects of the brands as well as to produce marketing materials and guidelines.

The Ässäravintolat units participate in the development groups for the entire business's logistics and information sys-

tems and they develop the customer-owner benefits offered by the restaurants. The biggest development efforts in 2002 were the launch of a new operational model for logistics and laying the groundwork for an information system project connected with it.

The S Group's restaurant chains numbered 138 restaurants at the end of the year. The largest of the chains is Rosso, which has 42 attractive restaurants in 35 localities so far. Other chains are the Fransmanni and Iltaravintola (Evening Restaurant) – which operate in the hotels – the dining and socialising restaurants Amarillo, Sevilla and Memphis as well as the Corner pub restaurants, Coffee House cafes and Presso cafes and the Rosso Express fast food restaurants. The division also has co-operation with the Hesburger chain of hamburger restaurants.

Apart from refurbishment of a number of restaurants, during the year a total of ten new chain restaurants were opened: a Rosso in Oulu, an Amarillo in Joensuu, a second Coffee House in Tampere, a Rosso Express in Kuopio and a Presso Cafe in Kangasala, Turku, Mikkeli, Oulu and Kuopio.

The chain restaurants had aggregate sales of EUR 139.7 million.

The Sokos Hotels Chain Management unit manages and develops the operations of the Sokos Hotels chain. Chain Management attends to the development of the business idea and the competitiveness and profit-making ability of the hotel concepts. In the area of in-hotel restaurants, there is close co-operation with the Restaurant Chain Management unit, which is also in charge of the chain restaurant concepts for the hotels. Another central partner in co-operation for chain management is the Hotel and Restaurant Division's sales and marketing organisation.

With its 35 hotels, Sokos Hotels is Finland's largest and also the best-known chain of hotels, according to the Taloustutkimus economic research organisation. Major upgrading work was carried out at a number of units in 2002: the Kotka Seurahuone and Kokkola Kaarle received a new look. Works on the Oulu Arina, which will open in autumn 2003, the Helsinki Vaakuna and the hotel in Vantaa are moving ahead in the current year.

Of the chain's internal projects, the Sokos Hotels Benchmarks of Success is particularly important. This Balanced Scorecard set of benchmarks ties together in a single format customer satisfaction, job satisfaction, concept implementation and financial performance. The measurements focus on a process viewpoint, or "how things run" and furthermore highlight the aspect of how things are perceived by the customer and the staff, or "how it seems to me."

The Radisson SAS hotel chain is a worldwide premium chain that is specialised in serving business travellers as well as meeting and conference guests. SOK has an exclusive right to operate under the Radisson SAS emblem in Finland. Chain management of the Radisson SAS hotels is handled from the chain's headquarters in Brussels.

The support and service functions produce centralised services for the needs of the entire S Group's hotel and restaurant trade. The sales and marketing tasks include the sale of both of the S Group's hotel brands, sales management, revenue management, sales services including booking office functions as well as marketing and marketing planning. The Service Centre produces centralised services in the area of financial administration and information technology, project management, logistics, business control and personnel administration.



*Risto Mäkeläinen*

The Automotive Division comprised the vehicle dealerships of the SOK subsidiaries Oy Maan Auto Ab, Automaa Oy, AS Kommet Auto and AS Lauva Auto as well as Rainex Yrityspalvelu Oy, which is a wholesaler of hardware and building supplies. The Automotive Division is headed by Risto Mäkeläinen, M. Sc. (Econ.).

The total new car market in Finland grew by 6.9 per cent, with 117,041 cars and 12,891 vans being registered.

The tax treatment of used imported vehicles began to clear up in autumn 2002 when the Court of Justice of the European Communities issued its position statement on the matter. The Supreme Administrative Court handed down its ruling, in accordance with the EU statement, at the beginning of December. This was a major factor that compelled the Cabinet to submit a bill for a revised Car Tax Act. The structure of taxation will change and the car tax will decrease, with prices of new cars falling by 4–9 per cent, depending on the make and model. It is estimated that the vehicle trade will normalise, with car sales growing to an annual level of 130,000–150,000 units.

On 1 October 2002 the EU Commission also overhauled the Block Exemption Regulation concerning new car sales and repair operations as well as the sale of spare parts. After a one-year transition period, it will deregulate substantially the present competition restrictions within the retail trade.

At the end of the year the S Group had a total of 41 car dealerships. In addition to SOK Corporation, 15 regional co-operative societies were engaged in vehicle sales. At the end of the year the car dealerships represented 16 different makes of vehicle.

The S Group's retail car sales totalled EUR 603 million, up 9.1 per cent.

## Maan Auto Oy

Maan Auto Oy is an SOK subsidiary which imports into Finland and markets Peugeot vehicles, spare parts and acces-



# AUTOMOTIVE DIVISION

sories through a proprietary and distributor network. The distributor network comprised 36 full-service dealerships, 5 of which are owned by SOK, 16 by the regional cooperative societies and 15 by private entrepreneurs.

On 30 June a merger was carried out in which the vehicle importing company Oy Maan Auto Ab was merged into the retail sales company Automaa Oy. Concurrently, Automaa Oy changed its name to Maan Auto Oy. The name Automaa was retained as an auxiliary business name in the retail trade.

7,728 Peugeot passenger cars were registered, up 11.3 per cent. The market share grew from 6.3 per cent to 6.6 per cent. The growth was primarily due to the well-received Peugeot 206 and 307 models. Registrations of Peugeot vans fell by 10 per cent and amounted to 831 vehicles. Customer-owners accounted for 70 per cent of the retail customers for new vehicles and for 40 per cent of the trade-in sales.

The company's own Automaa dealerships in Helsinki, Espoo, Vantaa, Tampere and Turku delivered 3,422 Peugeot vehicles. 3,846 trade-in vehicles were sold.

Maan Auto Oy reported a good earnings trend in January-November. News of the new Car Tax Act, which was announced in mid-December, caused the deferral of a significant amount of vehicle sales to 2003. Another factor that burdened earnings in 2002 was the already paid old car tax as well as a write-down on the value of the stocks of trade-in vehicles.

The earnings trend of the Automaa dealerships was positive. An important factor contributing to this was the introduction of the Lion Trade-In Vehicle Programme.

2002	EUR million	± prev. yr.
Net turnover	225.5	+23.4
Operating profit	2.5	-0.1

## AS Kommest Auto Group

Kommest Auto is SOK's subsidiary, which has exclusive dealership rights for Peugeot vehicles in Estonia and Latvia. Kommest Auto's subsidiary Lauva Auto operates as a sales company in Latvia. SOK has a 90 per cent holding in the company.

The Kommest Group has six of its own retail outlets, two of which are located in Tallinn, one in Tartu and Pärnu as well as two in Riga, Latvia.

Estonia's total market was 17,498 new passenger cars and vans, representing growth of 14.4 per cent. Latvia's total market was 9,920 passenger cars and vans, an increase of 10 per cent.

Kommest Auto sold a total of 2,518 Peugeot vehicles in Estonia and 796 in Latvia. The market share of Peugeot passenger cars in Estonia was 13.9 per cent and in Latvia 9.0 per cent. The market share of vans in Estonia was 17.3 per cent and in Latvia 4.5 per cent. Kommest Auto exported 1,100 vehicles.

During the financial year Kommest Auto established the importing company ZAO Kom-Motors, which operates in the St Petersburg and Leningrad Oblast territory. The company is wholly-owned by Kommest Auto.

2002	EUR million	± prev. yr.
Net turnover	58.8	+14.7
Operating profit	1.5	+0.6

## Rainex Yrityspalvelu Oy

Rainex Yrityspalvelu Oy is a hardware and building supplies wholesaler that is also engaged in the sale of institutionally used equipment and supplies for civil defence, security, work clothes and textiles. The company has outlets in Helsinki, Tampere, Turku, Jyväskylä, Kuopio and Oulu. Warehouses are located in Vantaa, Turku and Oulu.

The hardware and building supplies trade got off to a markedly slower start in Finland compared with previous years. Annualised sales grew by 1.3 per cent. The market for basic building supplies declined by 5–8 per cent, depending on the product. Renovations, small-scale building and related interior decorating were on the increase.

In the report year the company has continued its capital expenditures on electronic trading and modernised its warehouse equipment and machinery.

In a tougher market situation, Rainex Yrityspalvelu performed well, retaining its position and good level of earnings. The slight fall in sales was due to the change in the market for basic building supplies. The company had a payroll of 42 employees at the end of the year.

2002	EUR million	± prev. yr.
Net turnover	83.5	-0.5
Operating profit	1.1	-0.1



Rally world champion Marcus Grönholm winds out his Peugeot 206 WRC.

## ADMINISTRATIVE DIVISION



*Jukka Salminen*

The Administrative Division was in charge of SOK Corporation's accounting, finance, field consulting, real-estate operations, legal affairs and administrative services.

The head of the division was Jukka Salminen, M. Sc. (Econ.).

### Accounting

SOK's Accounting unit was responsible for SOK Corporation's financial control and for the joint principles and guidelines of the entire S Group's finances in the areas of management accounting, book-keeping, financial statements and taxation, and the unit also provided the necessary joint financial services for the Group.

Development measures were launched at the beginning of 2002 on the basis of a preliminary study that was carried out on the development of the S Group's Accounting and Finance functions as part of the process of updating the Group strategy in 2001. The objective of the development activities is to reach the sought-after state according to the operational model for Accounting and Finance functions as defined in the preliminary study, pursuing the objective of enhancing business decision-making support and increasing the cost-effectiveness of financial processes.

Amongst the principal actions were the organisation of the S Group's financial functions so as to deliver chain co-operation that is derived from the operational principles of the business chains. Accordingly, SOK's Executive Board appointed a Financial Functions Board, which initiated the activities of a Financial Functions Steering Group. Concurrently, a decision was taken to turn SOK's Accounting Department into a Financial Functions Control unit.

The Financial Functions Board guided the implementation of the development programme, in which the focus during the year was on the design of the sought-after processes according to the operating model and the system modifications required for them. The targeted operational model is scheduled to be ready to go into use in its entirety in 2006, but parts of it will be placed in use during the development period. To some extent, this took place in 2002.

Apart from implementing the development programme, the main emphasis of the unit's activities was on carrying out its fundamental task. This involved maintaining and developing the principles and guidelines governing financial and management accounting as well as overseeing Group-level taxation matters and supporting the information systems of the accounting functions. As part of the fundamental task, the unit was also in charge of implementing SOK Corporation's management and financial accounting.

The building of the S Group's unified integrated financial monitoring system, which was started in 2001 moved ahead with the placing in use of site-specific reporting and an overhaul of the Group-wide accounting system. The new Group-wide accounting system will be introduced within SOK Corporation at the beginning of 2003.

In respect of system services, applications for stepping up the efficiency of the processing of purchase and expense invoices were developed and introduced. Placing them in use at the accounting units moved ahead at a good clip. In addition, operations were enhanced by adding suppliers who are within the scope of EDI invoicing such that at the end of 2002 the S Group's goods invoicing was handled nearly in its entirety via the EDI service.

In order to increase the cost-effectiveness of the Accounting function, the services produced by SOK's Accounting Department were increased by placing the accounting of the Sokos companies within the Accounting Department. Similarly, SOK's Payroll Accounting unit and the provision of its services were transferred to SOK's Accounting Department.

During the year SOK's Accounting Department familiarised itself with the content of IAS regulations and their interpretations and it examined their effects. These activities will be stepped up during 2003 with the aim of creating capabilities for introducing accounting principles in accordance with IAS.

### Finance

The Finance unit had a central responsibility for SOK Corporation's finance operations as well as for producing and developing financing services for the S Group.

The Finance Department's Corporate Treasury was in charge of SOK Corporation's liquidity management as well as the management of interest rate and foreign exchange rate risks. Apart from its risk management task, the Corporate Treasury acts as a profit centre and seeks to exploit changes in the financial markets.

During the past year the Corporate Treasury also continued its operations on the electricity wholesale market. The Corporate Treasury purchased the electricity for most of SOK Corporation's real-estate properties and was responsible for managing electricity price risks. In addition, the Corporate Treasury offered centralised electricity sourcing activities and price risk management services for the regional cooperative societies.

The objectives of the development project for cash management in the Baltic countries, which was started in 2001, were achieved, with the locations in Tallinn coming within the scope of SOK Corporation's cash management and cash pool at the beginning of 2002. Centralised cash management will optimise the liquidity that is tied up at the companies in Estonia and enhance the planning of financing operations and management of financial risks.

The S Group introduced new 10, 20 and 50 euro gift cards at the beginning of the year. As part of the euro conversion, the order, cash management and accounting processing for gift cards was made more efficient by going over from paper gift cards to credit card-sized magnetic-stripe cards and placing in use a separate management system for gift cards.

During 2002 a study of the S Group's model for capital market operations was continued. The objective of the survey work is to create an operational model which will make it possible for the S Group to operate in the capital markets when necessary.

In the autumn a development project for the S Group's financing processes connected with the Talke project was launched. The objective is consistent ways of working and a shared treasury and risk management system which will enhance liquidity management at the S Group level and provide versatile and commensurable reporting that supports business operations.

Towards the end of the year a study on developing the S Group's cash services was started. The aim is to work out a common operational model that provides considerable cost savings and enhances the management of cash flows.

SOK-Takaas Oy granted guarantees to the cooperative societies and SOK subsidiaries. The portfolio of guarantees at the end of the year amounted to EUR 37.6 million. Guarantee liabilities diminished by EUR 23.6 million. Counterguarantees and own funds at the end of the year totalled EUR 51.1 million.

S-Etuluotto Oy is the S Group's company that is specialised in managing consumer credits and produces services for the needs of customer-owners, customers and the S Group's business chains.

During its fourth year of operations the company successfully managed the euro conversion and devoted resources to reporting and advisory services for the S Group's personnel and customers. It furthermore developed the Business Card Manage credit product. The company's total credits at the end of the year amounted to EUR 16.8 million (EUR 18.0 million at the end of 2001).

## Field Consulting

The main task of Field Consulting is to oversee the development of the cooperative societies' regional and business structure as well as to monitor the financial state and strategic performance of the cooperative societies and to direct any necessary measures.

Field Consulting carried out continuous monitoring of the cooperative societies' operational performance and financial position in accordance with the financial control principles approved by SOK's Supervisory Board. The financial position of the cooperative societies was defined in accordance with the approved financial position criteria. Field Consulting supported the annual planning of the cooperative societies by means of analyses and forecasts concerning the retail operating environment, and it issued general planning instructions and budgeting guidelines.

In accordance with the S Group's new strategy process, the regional cooperative societies update their strategies and strategic objectives on a rollover basis each year. Field Consulting participated together with the Business Development functions in supporting the introduction of the strategy process across the cooperative societies.

Field Consulting participated in renewing the co-operative agreements between the regional cooperative societies and SOK. The aim is to finalise the new co-operation agreements with all the regional cooperative societies during the current year.

Changes did not take place in the number of cooperative societies during the year. In connection with the reform of the Cooperative Societies Act, a project for overhauling the cooperative societies' statutes and a proposal for unifying the customer-owner concept were prepared for confirmation by SOK's Supervisory Board in the early months of 2002. The regional cooperative societies deliberated on the modifications to the statutes at meetings of the Councils of Representatives in spring 2002 and the new statutes of all the regional cooperative societies were entered in the Trade Register at the same time on 1 July 2002.

Field Consulting did its part in monitoring the cooperative societies' savings fund activities in accordance with the guarantee pool agreements. The savings fund activities of each cooperative society are the responsibility of its Board of Directors and the activities are monitored by auditors. Member investments constitute the cooperative societies' debt to their member investors. Each cooperative society is primarily responsible for repaying member investments from its own assets. In addition, the cooperative societies have two separate guarantee pool agreements covering member investments, one of which comprises 22 regional cooperative societies and the other covering 10 local cooperative societies that carry on savings fund activities. The savings fund investments made in the cooperative societies grew by EUR 55 million during the year and totalled EUR 471 million at the end of the year. In connection with the amendment of the cooperative societies' statutes, revised statutes covering savings fund activities were introduced at the cooperative societies.

Towards the end of the report year Parliament passed a bill on amending the Credit Institution Act. The Act will enter into force in February 2003. The legislative change did not correspond to the S Group's objectives because savings fund operations in their present form must be discontinued after a ten-year transition period. The transition period is nevertheless long enough to accommodate adjustments to the cooperative societies' funding requirements. During spring 2003 SOK will start up preparatory work on adjusting savings fund activities and surveying the possibilities offered by the customer account system on the basis of the regulations of the Credit Institution Act.

## Real-Estate Management

SOK Corporation's Real-Estate Management Department was responsible for the Corporation's real-estate property that is in use, the provision of facilities services and the development of real-estate holdings.

SOK's Supervisory Board appointed a Real-Estate Board to serve in 2002 and exercise the task of overseeing the development of services of the Real-Estate Management unit. The services offered must take into account the service requirements of the entire S Group's business areas. The Real-Estate Board assigned the task of formulating the S Group's service

strategy for real-estate properties and sites. This will be brought before SOK's Executive Board and presented to the Supervisory Board during 2003.

Real-estate investments amounted to EUR 13.9 million. The largest renovation sites were the Kilo Logistics Centre and the partial HEPAC and electrical upgrading of the Sokos Hotel Vaakuna in Helsinki. The work will be completed in autumn 2003. Renovation work on the Sokos property in Pori was seen to completion during the autumn. A fairly large modification was carried out on the Koy Turun Valtakulma property. The programme of repairs to properties was implemented in accordance with plans.

Sales of real-estate totalled EUR 26.1 million. The largest disposal was the Sokos property in Jyväskylä, which was sold to the Keskimaa Cooperative Society. For carrying out a Prisma project, the lot named Olarin Komeetanranta in Espoo was sold to the Helsinki Cooperative Society HOK. Service station and S-market properties in Hollola, Lahti and Janakkala were sold to Cooperative Society Hämeenmaa.

The amount of vacant premises at the end of the year was 15,851 m<sup>2</sup>. Vacant premises increased by 8,882 m<sup>2</sup> when HOT Hometechnics Ltd vacated its premises in connection with winding up its business operations.

The Real-Estate Management Department generated net turnover of EUR 105.3 million, of which the S Group accounted for 83.8 million, or 80 per cent.

The main duties of the Property Development unit are the development of new and existing business sites as well as related expert and developer services within the S Group. The most important project was the construction work for the Sokos Hotel Arina which got under way in Oulu. The Property Development unit offers customers, on a centralised basis, all the developer services that are necessary for developing business sites, ranging from zoning all the way to maintenance processes for the properties.

The main tasks of the Real-Estate Servicing and Maintenance unit is the development and marketing of maintenance services. The modelling of property maintenance logs was completed for the individual business areas. Several dozens of servicing manuals were produced. Servicing management is continuing at the hotels. Servicing of real-estate properties has been reorganised in the Greater Helsinki area. This process will be supported by the service co-operation partners that were selected last year.

Accounting and Administrative Services continued the launch of the Realisti real-estate software across the regional cooperative societies. The objective is to create a real-estate database that will cover the S Group and serve management needs. At the end of the year, 9 regional cooperative societies were using the Realisti software.

Real-Estate Management participated in a number of development programmes in the real-estate and construction field, the most important of which was the Vision for 2010 programme of the Real-Estate and Construction Cluster. The programme that has been drafted was divided into subprojects, within which Real-Estate Management will continue to participate in the metering and pilot projects.

The properties owned by SOK Corporation participated in the Kress Energy Savings Programme for the Service Sector. The ProGresS programme for the construction and real-estate industry was concluded in the spring. It pointed up the need

to create in Finland an environmental classification tool that can be used for classifying and comparing the environmental characteristics of buildings. Real-Estate Management took part in the work of the Steering Group, acting as an expert in the area of retail properties. Chain-specific technical environmental objectives for the Sokos Hotels and the ABC chains were seen to completion during the year in co-operation with the Chain Management units.

## Legal Affairs

The Legal Affairs unit has a centralised responsibility for SOK Corporation's legal affairs and it assists the cooperative societies in issues requiring legal expertise. Various agreements connected with business operations and their structure figure prominently in the Legal Affairs unit's activities. During the report year the Legal Affairs unit completed the drafting of agreements, principally for merger projects relating to the cooperative societies, real-estate property arrangements as well as the businesses in the Baltic countries. The unit furthermore drafted distributor agreements for the motor trade in connection with the new Block Exemption Regulation concerning vehicle sales.

The new Cooperative Societies Act came into force on 1 January 2002. On the basis of the act the S Group arranged internal training, participated in the revision of the cooperative societies' statutes and drafted SOK's revised statutes for 2003.

## Administrative Services

The Administrative Services unit is in charge of producing centralised office and administrative services for the units operating within the Ässäkeskus.

The service activities cover the following areas: leasing of office and guest entertainment premises, security and access monitoring, the purchase of office furnishings and supplies, telephone switchboard services, the purchase of mobile phone equipment and supplies, reception and information services, mailing and duplication services, working hours control, archiving services, staff canteen lunch, entertainment and guest services as well as cleaning services.

The premises at the Ässäkeskus were again nearly fully in use. The efficient use of the premises has contributed to the efficient provision of administrative services.

Implementation of the safety programme for the Ässäkeskus was continued: safety guidelines were refined and implementation of the instructions at different units was measured by means of a special safety benchmark. Safety training was provided for the staff of the entire Ässäkeskus under the theme "Non-Violent Self Defence." In the same connection, a safety and security exhibition was held at the Ässäkeskus.

The level of safety of the Ässäkeskus was audited and approved in December by risk management experts of the Tapiola Group insurance companies and the City of Helsinki Rescue Department.

The co-ordination of agreements at the S Group level was continued in respect of safety services, telecommunications agreements and office equipment.



# STRATEGIC AND BUSINESS DEVELOPMENT DIVISION



*Taavi Heikkilä*

Strategic and business development division covers strategic development, customer-owner and marketing services, information systems, e-business, activities in the Baltic region and St Petersburg and cooperative relations. Strategic and business development division is headed by Taavi Heikkilä, M. Sc. (Econ.).

## Corporate Planning

The focuses of Corporate Planning were on preparing the S Group's and SOK Corporation's strategies and Balanced Scorecards, monitoring the competitive and operating environment, overseeing environmental activities and directing the S Group's sponsorship programmes.

During the financial year the S Group's strategy and strategy process were updated. The S Group's strategy is based on the Group's mission statement, vision and core values. The S Group's strategy sets the policy for the competitive principles observed by the business areas and chains, and it also plays a major role in formulating the strategies of the regional cooperative societies and SOK Corporation. The strategy seeks to strengthen the unity of the S Group and to implement its mission statement in a competitive manner. A strategic initiative was the preparation of the S Group's Balanced Scorecard, which is an aid in assessing the Group's strategic performance.

SOK Corporation's strategy was also updated. The strategy defines SOK Corporation's strategic positioning and the objectives for tasks at the S Group level and for the operating subsidiaries.

The monitoring of the competitive and operating environment was geared to identifying the trends in various sectors of the economy. A central element was assessing and analysing the effects of globalisation on the competitive situation of the Finnish retail trade. The Corporate Planning function also produces daily information on the changing operating environment to serve the S Group's needs. The most important of the channels used in passing on the information is the S Group's intranet.

Implementation of the S Group's environmental policy was continued under the guidance of the Environmental Compliance Department. The main principles of environmental policy are continuous improvement together with maintenance and development of the staff's environmental knowledge. Environmental communications beamed at stakeholders have been implemented via SOK Corporation's Environmental Report, Annual Report and the S Channel website. During the year a social responsibility development project was launched. The principles of social responsibility were drafted and confirmed for the S Group.

During the year implementation of the confirmed sponsorship strategy was carried out and sponsorship programmes were planned and implemented in co-operation with the regional cooperative societies and SOK Corporation's units. The S Group's previously agreed sponsorship partners were, among others, the Finnish National Opera, the Savonlinna Opera Festival, Pori Jazz, the Taidekeskus Salmela art centre, Neste Rally Finland, the Finnish freestyle national team, whose member Janne Lahtela won an Olympic gold, and Sirkus Finlandia. In co-operation with the Mannerheim League for Child Welfare, the S Group carried out the "A Good Start to School-days" campaign that was targeted at all of Finland's first-graders. Far-ranging co-operation was started with the Finnish Red Cross.

## Customer-Owner and Marketing Services

Together with the regional cooperatives and chains, Customer-Owner Services produces and develops the customer-owners' service system in accordance with the S Group's mission statement. These services include membership management; administration of the S Benefit Card; savings fund and bonus calculations as well as related support services for the cooperative societies. Other services are the production of communications directed at customer-owners, a customer-owners' Call Centre and an Internet service.

Customer-owners received a monthly customer-owner circular, containing a letter from the management of the regional cooperative society, personal data on bonuses earned, an S Account statement and the *Yhteishyvä* magazine. In addition, the customer-owner circular contained information on product and service benefits targeted at customer-owners.

The offerings of services and benefits for customer-owners were expanded by starting up nationwide bonus co-operation with Matkatoimisto Area, a travel agent, on 1 March 2002.

The number of members of the cooperative societies at the end of 2002 was 1,078,649 households, an increase of 91,612 households on the previous year. Customer-owners increased their patronage of the S Group's locations and bonus sales were up 12 per cent on the previous year, reaching EUR

4.2 billion. Customer-owners received EUR 116 million in purchase bonuses. More than 2.3 million S Benefit Cards with their parallel cards were already in use, of which about 753,000 were equipped with a payment facility.

Marketing Services is the S Group's internal advertising agency, which designs and implements advertising for the regional cooperative societies, chains, subsidiaries and the entire S Group. During the year a joint-use digital database of materials was set up to aid Market Services in archiving and distributing marketing communications materials and to enhance communications planning and production.

The production of Marketing Services grew substantially compared with the previous year, its biggest internal clients being the Prisma, S-market and Sale chains, the Sokos and Sokos Hotels chains, Autokanava.net, the ABC roadside store chain and the customer-owner services as well as SOK's other mainline units.

## Information systems

The priorities for the development of information systems were again solutions that boost the cost-effectiveness of business processes and implement precision systems control and networking. Cost-effectiveness was improved through measures such as increasing the degree of automation in manually handled work stages. Precision systems control was promoted by improving the level of accuracy of available information. Networking was amplified both within the S Group and with external stakeholders with the aim of stage-by-stage integration and enhancement of long operational processes across organisational boundaries.

A second priority was improving the internal cost-effectiveness of information systems. By developing information technology processes, partnership relationships and IT hardware, substantial savings were achieved. Amongst the most significant IT solutions were the raising of the degree of automation of basic IT maintenance and the consolidation of parallel technical solutions in order to realise the benefits of large-scale production. A project for standardising the S Group's entire network of workstations and going over to a new software version got started in a pilot form and will be implemented Group-wide.

Overall management of data security was made a part of the Corporate Security unit, and at the same time the S Group's data security principles were reviewed. In the area of information technology security, a number of measures that maintain and raise the level of security were carried out. The most important project, which involves inspecting standby systems so that they can cope with future challenges, is continuing on into 2003.

Preparations for overhauling the S Group's IT strategy were continued in step with the work on defining the S Group's new operational model. As part of this effort, a preliminary IT architecture vision supporting the new operational model was formulated and definitions of the concepts underlying the new IT infrastructure services connected with implementing the architecture were started. The main work of defining the IT strategy was launched in the late months of the year after the results submitted by the Operational Model Working Group had been approved.

## E-Business

The task of the e-Business unit is to promote the utilisation of electronic channels as part of the S Group's multichannel operations. The unit's main areas of responsibility are e-Busi-

ness and the design of and policy guidelines for solutions promoting multichannel activities, as well as Sintra, the S Group's internal online service and [www.s-kanava.net](http://www.s-kanava.net), the service portal for customer-owners. In addition, the unit's task is to promote and plan the utilisation of technologies enabling use of the Internet (mobile, digital TV, Personal Digital Assistant (PDA)) in the different business areas.

Sintra, the S Group's internal intranet service that was revamped in 2001 was well received by the regional cooperative societies and the other units. The regional, chain-specific and unit-specific implementations based on Sintra's common frame structure were the development priority for Sintra in 2002. Sintra's unified structure increases the efficiency of the S Group's information management and the integration of it into business operations, whilst also speeding up the production and dissemination of information and thereby ultimately bringing an increase in organisational efficiency.

In August 2002 an ease-of-use survey dealing with Sintra was commissioned. Users praised Sintra's consistent and clear-cut structure, navigation facilities and the large amount of business-supporting information. Apart from promoting a unified intranet culture, the priorities for Sintra in 2003 were the development of decentralised maintenance as well as the integration of new services into Sintra's electronic workbench.

S-kanava (S Channel) is the S Group's service portal which enables the S Group's network services to be accessed easily from a single address. The development focus for the S Channel has shifted more decisively towards a business-support role and serving customer-owners. The S Channel's change in emphasis has also shown up clearly in the number of users of the service, which measured in terms of unique visitors grew by about 80 per cent compared with the figure a year earlier. The priority for the S Channel in 2002 was developing and improving existing services. During 2003 the S Channel will be renewed with the aim of making it into a transaction and communications channel that provides improved service for customer-owners.

The unit teamed up with SOK's Information Systems Department in autumn 2002 to launch an S Portal project that



*In 2002 nearly 100,000 new customer-owners joined.*

will lay the foundation for the development of the S Group's online services for years ahead. The S Portal will affect the S Group's existing Internet, extranet and public services as well as the network architecture underpinning them.

## The Baltic region and Russia

SOK's business activities in the Baltic region and St Petersburg comprise operations, associated companies and co-operation relationships in the Baltic area and Russia. The unit is responsible for developing and co-ordinating the nearby area strategy and operations.

Activities that were continued during the financial year were investment planning centring on the Baltic area, as well as the expansion of operations in the market, vehicle and agricultural trade.

## The Finnish Cooperative Union, FCU

Cooperative Relations was responsible for the practical activities of the Finnish Cooperative Union, FCU. The Union has no clerical staff of its own. The Union's main tasks are to promote the implementation of co-op principles in the practical work of the S Group, to assist the cooperative societies in their endeavour to enhance co-op administration and to improve the joint functioning of the S Group's different parts. The Union's members are all the S Group's cooperative societies and SOK.

The cooperative society representatives on the FCU Board of Directors were Jukka Huiskonen, LL.M. (chairman), Marja Lehtiranta, LL.M. (vice chairman, up to 24 April), the regular members being Tuula Entelä, director of investment (as from 24 April), Tytti Isohookana-Asunmaa, member of parliament, Pekka Kangasmäki, managing director, Ulla Kurvinen, lecturer (vice chairman as from 24 May), Simo Kutinlahti, farmer (as from 24 April), Kauko Mikkonen, professor, Otto Mikkonen, managing director (up to 24 April), Håkan Smeds, managing director, Heikki Taimi, municipal secretary, Juha Vuorenhela, LL.M. as well as SOK Corporation's representatives Jere Lahti, titular mining counsellor (up to 24 April), CEO Kari Neilimo (as from 24 April) and Tapio Peltola, titular organisation counsellor.

Training for the administrative staff at the S Group level was carried out in co-operation with the Jollas Institute. Two nationwide training sessions in administration were held in Helsinki during the year. In addition, numerous training events and development seminars directed at individual cooperative societies were arranged for the members of the Supervisory Boards and the Boards of Directors.

A total of 1,553 customer-owners took part in the administration of the regional cooperative societies, 81 of whom were members of the Board, 451 being members of the Supervisory Boards and 1,021 serving on the Council of Representatives.

The work of reforming the Cooperative Societies Act was seen to completion towards the end of 2001. Parliament passed the act in December and it came into force on 1 January 2002. In spring 2002 the cooperative societies amended their own statutes on the basis of the model statutes in accordance with the new act. The statutes of all the regional cooperative societies came into force and were entered in the Trade Register on 1 July 2002. The statutes of the local cooperative societies that carry on savings fund activities were entered in the Trade Register in the course of the autumn.

The revised statutes brought major reforms, notably, in respect of joining as a member and withdrawing from mem-

bership, cooperative contributions as well as the division of responsibilities among the administrative bodies. The regional cooperative societies increased the cooperative contribution as a rule from five hundred Finnish marks to one hundred euros through a bonus issue. The financial benefit which customer-owners received through the bonus issue amounted to a total of EUR 15.5 million.

As in previous years, the cooperative societies were assisted in other matters connected with amendments to statutes and Trade Register filings. In addition, the Cooperative Department took part in a number of sessions for administrative staff and stakeholders that were arranged by the cooperative societies.

An election of the Council of Representatives was held by Helsinki Cooperative Society HOK, Cooperative Society Arina, Cooperative Society Keula and Cooperative Society OSLA Handelslag. The cooperative societies were assisted in conducting the elections and counting the ballot results. Voter activity averaged 25 per cent. Owing to activation measures by various customer-members, the voting rate at many cooperative societies rose compared with previous elections. More than 60,000 customer-owners voted in the election held by Helsinki Cooperative Society HOK. An orientation and training session for the new Council members was held by all the cooperative societies that arranged an election, either during the meetings or as a separate event.

The S Group's eighth nationwide Merchants' Day was held on 15 June at Finlandia Hall in Helsinki and at the Jollas Institute. About 1,300 persons exercising responsible supervisory positions at the cooperative societies and SOK Corporation along with representatives of administration and management took part in the different events and functions during the day.

International cooperative movement relations are handled through the Finnish Consumer Cooperative Union (FCCU). The FCCU is a member of the International Cooperative Alliance (ICA) and of EURO COOP, a Brussels-based lobby organisation for consumer cooperatives. ICA has 236 member societies in 93 countries and the member societies have a total membership of over 730 million. Anne Santamäki is vice president, ICA Europe.

EURO COOP's membership is comprised of consumer cooperatives in 11 EU countries and it has associate members from four countries in eastern central Europe. EURO COOP acts as the representative of more than 3,200 cooperative societies and their 21 million members. EURO COOP is gaining significantly in stature in Brussels, and it has been decided to make its activities a priority for the Finnish Consumer Cooperative Union.

The number of elected officials in the regional cooperative societies of the S Group (excluding committees)

	Men	Women	Total
Executive Board	63	18	81
Supervisory Board <sup>1)</sup>	274	177	451
Council of Representatives	480	541	1 021
Total	817	736	1 553

<sup>1)</sup> incl. salaried staff members of the cooperative societies





*The For You, Our Customer training day was kicked off by building group spirit and a relaxed atmosphere. Amongst the subjects discussed in group sessions were customer promises made by the S Group's different chains.*

# HUMAN RESOURCES AND COMMUNICATIONS DIVISION



*Aino Toikka*

Human Resources and Communications include the Personnel, Training, Occupational Health Services, S Publications and Public Relations units. Human Resources and Communications were headed by Aino Toikka, M.A.

## Personnel unit

The Personnel unit was responsible for centralised services and control connected with personnel resources and employment issues.

S-ryhmän Työntajat SOKTA ry employers' organisation was responsible for the S Group's labour market co-operation and representing the Group within the employer federations. SOKTA functions as part of the Personnel unit.

In autumn 2002 the S Group's human resources strategy was overhauled. The model of the HR function was redefined so that it will support the S Group's business operations more efficiently. SOK's Personnel unit will function as a unit that controls the HR function.

Two field training groups were recruited in co-operation with the regional co-operative societies: 8 trainees for the university-level commercial field training group that started out in February and 11 trainees for the vocational polytechnic group launched in June. Field training programmes are used to ensure a crop of key employees and the necessary know-how in the S Group's different business areas and localities.

Wages and salaries were increased as from 1 March 2002 in accordance with collective agreements in the retail, lodging and restaurant sectors. Basic pay was supplemented at different units by making use of profit-related and incentive bonuses. The incentive systems aim to motivate personnel to top their previous achievements and to reward high performance and the development of their personal skills.

## The Jollas Institute

The Jollas Institute is the S Group's training and learning centre. It is a special vocational institute that trains the employees of SOK Corporation and the regional cooperative soci-

eties under the S Group. The Jollas Institute provides coaching and training services for all the chains and personnel groups of the S Group. Operations focus on training that supports the S Group's strategies and is planned in co-operation with the regional cooperative societies and chain managements. In 2002, there were close to 30,000 study days.

The main focuses of operations in 2002 were training courses for supervisors as well as the nationwide For You, Our Customer training programme. New training products included a training programme in chain management that was launched in the autumn, basic training for experts, training that prepares one for completing a special vocational degree in management and a supermarket trade orientation programme that was implemented in an online study environment as a pilot project. The S benchmark training programme that has been developed with the aim of improving the quality of the Sokos hotels was revamped and a round of updating was started. During the year training connected with a hygiene certificate was also started, including the taking in of tests.

Vocational training was organised to prepare the students for vocational degrees in sales and financial administration and for special vocational degrees in store supervision, food supervision, management as well as hotel, restaurant and institutional kitchen supervision. In addition, apprenticeship training-related demonstrations were organised for salespeople, food supervisors and store supervisors. In 2002, nearly 400 apprentices took part in the Jollas Institute's coaching programmes.

The most important project in 2002 was the For You, Our Customer 2002 training programme under the theme "Customer-ownership pays!" The project was carried out in co-operation with SOK's customer-owner services. The training course served to support the know-how and skills of the S Group's personnel within customer-owner affairs. The programme reached about 15,000 S Group staff in 2002.

The priorities for training programmes in 2003 will be training for supervisors as well as business area-specific training programmes that are constructed on the basis of competition strategies and business ideas. In order to meet the challenges brought by changes in the competitive environment the Group has put together a training package to strengthen chain operations as well as online study as a cost-effective mode of training.

## Occupational Health Services

Occupational healthcare develops the personnel's well-being, an example being regular health get-togethers at which the participants chart their vital resources for life and are supported in managing their work and life situations. The activity includes medical care with an occupational health emphasis.

The Fit for work training programme has been a priority within occupational health activities, and it will continue as part of the daily operations at SOK units.

The occupational health service's EDP systems were brought up to date at a number of units so that in coming years the programmes better support the development of operations as well as the evaluation of performance and quality.

## S Publications

Yhteishyvä magazine had a successful 98th year. As the organ of customer-owners and a tool for keeping in touch with the S Group's membership, the magazine, with its 1,335,000 readers, is already Finland's second most read magazine. The magazine was a big success by other measures as well: in readers' eyes, Yhteishyvä rose to the position of the best source of ideas and purchase tips of all of Finland's magazines (ALL and Suomen Gallup/survey 2002). Yhteishyvä is one of Finland's biggest magazines in terms of volume of advertising: in 2002 its share of the advertising market amongst customer magazines topped 50 per cent for the first time.

In 2002 Yhteishyvä was published 12 times, and the number of its pages, including supplements, was on average 182 pages. The average print run of Yhteishyvä in 2002 was 880,000, and at the end of the year it had reached 910,000 copies.

Ruokalehti, a separate cooking supplement, was published in every issue. During the report year, six other supplements were also published on subjects such as living, gardens, beauty, leisure and home electronics.

Samarbete, Yhteishyvä's Swedish-language sister magazine, has been published for 93 years. A Swedish version of Ruokalehti, Matladet, is published as a supplement to every issue of Samarbete. Samarbete had an average print run in 2002 of 32,500 copies.

Yhteishyvä magazine's online service [www.yhteishyva.net](http://www.yhteishyva.net) was expanded at the beginning of June by adding a Menovinkki (Entertainment Tips) service. It offers a wealth of general entertainment tips as well as information on the S Group's most important customer events, benefits that can be had at events with the S Bonus Card and hotel packages offered by the S Group's hotels. Other services offered by the [yhteishyva.net](http://yhteishyva.net) website are Ruokamaailma (Diners' World), Puutarhamaailma (Garden World) and [www.s-zone.net](http://www.s-zone.net), which is beamed at young people.

The S Group's online portal [www.s-kanava.net](http://www.s-kanava.net) discontinued publishing journalistic material on its pages at the start of the year, and its editorial content was moved to the pages that are centrally produced by S Publications.

Ässä, a magazine for S Group professionals, came out 11 times in 2002. The magazine supports the mobilisation of the S Group's strategies and development of the personnel's competence by offering a wide range of information on the S Group's operations and on changes in the retail operating environment.

SOK Corporation's personnel magazine S-viesti came out 11 times in 2002. The magazine was also published in pdf form on the S Group's Sintra intranet.

## Public Relations

The Public Relations unit was responsible for disseminating information on SOK Corporation's and the S Group's operations to different interest groups. The unit participated in the public discussion on retail sector events mainly by providing information to the media. SOK Corporation's Annual Report was published in Finnish, Swedish and English, as were its Interim Reports.

## PERSONNEL

The average number of SOK Corporation employees, converted to full-time staff, was 4,126 during the financial year. SOK Corporation's number of personnel at the end of 2002 was 4,645 employees, of whom 505 (10.9%) were SOK staff and 4,140 (89.1%) employees of the subsidiaries. The number of personnel increased by 108 from the previous year (2.4%).

The number of employees was increased by the two Prismas that were opened in Tallinn in autumn 2002. On the other hand, the headcount was reduced by the winding up of the home appliance trade of HOT Hometechnics Ltd and the disposal of the Kuusinen Oy business.

SOK Corporation personnel at 31 December 2002

	Number of personnel	Distribution %	Change
<b>SOK CORPORATION</b>			
Field Division	1,606	34.6	+317
Speciality Stores Division	2,134	45.9	-264
Automotive Division	512	11.0	+35
Administrative Division	189	4.1	-2
CEO's staff units	14	0.3	±0
Strategic and Business Development Division	123	2.7	+21
Human Resources and Communications Division	67	1.4	+1
<b>SOK CORPORATION, TOTAL</b>	<b>4,645</b>	<b>100.0</b>	<b>+108</b>
<b>SUBSIDIARIES</b>			
SOK	505	10.9	+11

## Employment relationships

The majority (93.1%) of SOK Corporation's personnel were employed under a permanent employment contract at the end of 2002. Full-time employees accounted for 73 per cent of the personnel and part-time employees for 27 per cent. Compared with the previous year, the number of permanent employment relationships rose by about 2.8 per cent, with full-timers increasing by 0.3 per cent, mainly owing to the opening of the new Prismas in Tallinn.

## Breakdown by gender

At the end of 2002, 40 per cent of SOK Corporation's personnel were men and 60 per cent women.

# SOK CORPORATION PERSONNEL IN 2002

## Personnel by job category

The largest employee group within SOK Corporation is wage-earners, who work primarily in the hotel and restaurant field and in the Sokos department stores. The majority of the personnel belonging to the wage-earners and salaried employees group were women.

## Age breakdown

The average age of SOK Corporation's personnel in 2002 was 39 years. The average age has risen by one year compared with the previous year. At the corporation level there were no significant differences in the age breakdown between men and women. On the other hand, there are still company-specific differences: the number of young people is the largest in the hotel and restaurant business and within retail sales in the Baltic countries.

## Staff well-being and competence development

The courses and training periods arranged by the Jollas Institute, which is responsible for S Group's internal training and development, were attended by about 3,000 SOK Corporation students in 2002 and there were about 5,500 train-

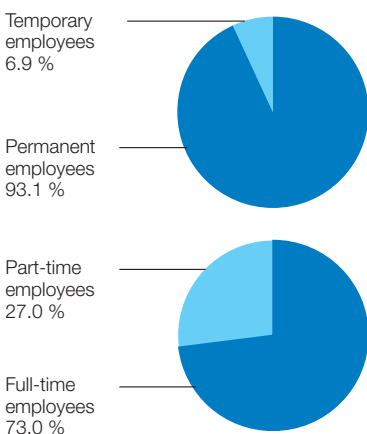
ing days. The principal course inputs were the S Benchmark training programme for the different hotels as well as various team training programmes for the different units.

In the 2002 financial year an extensive personnel survey was carried out within SOK, Oy Maan Auto Ab and Automaa Oy. At the same time, a questionnaire model entitled "A good S Group workplace" was designed. The criteria for a good workplace were identified as a basis for the questionnaire model, and it will be used across the entire S Group beginning in 2003.

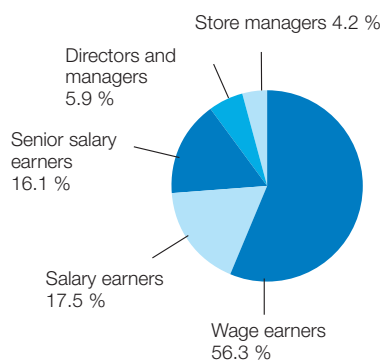
The Fit for work 2000 programme continued under the guidance of the SOK Occupational Health Services unit and was directed at the units that joined the programme in 2002. Two follow-up seminars were held for the occupational health staff, and together with the Jollas Institute a questionnaire was conducted on the benefits and results of the programme.

2002 saw the launch of the For You, Our Customer training programme targeted at the entire S Group staff under the theme of "Customer-ownership pays!" The objective of the training programme was for each participant to internalise the basic knowledge and skills involved in customer-ownership and to be able to promote the basic ideas of customer-ownership better in their own work. The entire SOK Corporation personnel will also participate in this training programme.

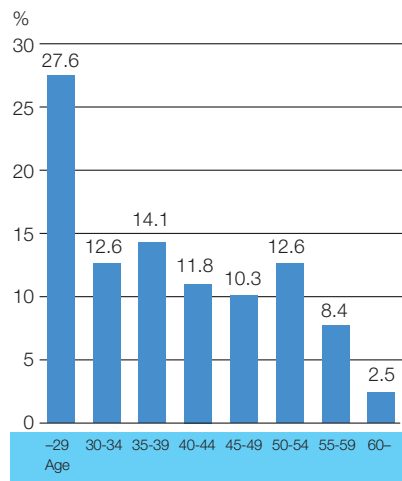
**EMPLOYMENT RELATIONS IN SOK CORPORATION, 31.12.2002**



**JOB CLASSIFICATION GROUPS WITHIN THE SOK CORPORATION, 31.12.2002**



**AGE STRUCTURE OF SOK CORPORATION'S PERSONNEL, 31.12.2002**





# THE S GROUP AND THE ENVIRONMENT

## Fundamentals

This report examines the development of environmental compliance within SOK Corporation in 2002. The report focuses on environmental management, the environmental competence of employees, properties, energy and water consumption, acquisitions and logistics, the product range, packaging, waste management, recycling services for customers, environmental communications and co-operation with interest groups. Among the central priority areas in 2002 were the extensive environmental investments made to improve the petrol pump areas of service stations and the formulation of technical environmental objectives for the ABC service station store chain and the Sokos Hotels chain. More detailed environmental information will be presented in both the printed and online version of SOK Corporation's Environmental Report, which will be published in April 2003.

## Environmental management

Within environmental management the S Group continued to implant its environmental policy that was updated in 1999. The main principles of environmental policy are continuous improvement together with maintenance and development of the staff's environmental knowledge. The overriding objective is to develop the S Group's operations according to the principles of sustainable development.

Within the S Group, attending to environmental compliance and implementing environmental policy in the field is the responsibility of both the units of SOK Corporation and the co-operative societies. It is SOK's task to co-ordinate environmental activities and to provide related expert services for all S Group staff. The SOK Business Planning Centre's experts in this field are the environmental manager and the environmental planning engineer. In addition, at every business unit of SOK Corporation one person has been appointed to take charge of environmental issues. At some units there is furthermore a separate environmental working group, or environmental issues are dealt with by the Management Group. The Environmental Co-ordination Working Group – comprising the persons in charge of environmental issues at the units and the Corporation's environmental experts – plays a key role in the development of environmental compliance. In 2002, the Working Group convened 4 times.

Systematic environmental efforts are based on a consistent mode of operations, which helps the Corporation create a common, readily understood "environmental language." The SOK Business Planning Centre is responsible for overseeing the introduction of environmental policy in the day-to-day operations of the business units. On the basis of the Corporation's environmental policy, environmental considerations have been derived for the purpose of guiding each unit in setting clear-cut goals and objectives. In addition, the Corporation mapped out schedules, responsible persons and actions that have been decided upon and can be carried out in practice using existing resources. This systematic operating model integrates environmental issues into the day-to-day decision-making process.

Indicators and comparative information are needed to serve as a basis for decision making. To facilitate the description of practical environmental actions, SOK Corporation has thus introduced measures such as environmental indicators for en-

ergy and water consumption as well as waste volumes. Environmental indicators will serve as a bridge for making a transition to environmental accounting, which is a system for producing environmental information that measures a company's environmental impacts. Unlike traditional accounting, this system evaluates the company's performance over a longer period of time with the aim of assessing what effect a given environmental action or function has on the company's earnings as well as whether both the company and the environment can benefit simultaneously. Development work on environmental accounting got started at the S Group level in 2002.

At SOK Corporation's different units, environmental programmes and a number of environmental projects based on them have laid a solid foundation for the systematic management of environmental affairs. Although the international ISO 14001 standard is observed in complying systematically with environmental requirements, certification of the environmental system is not the primary objective. Seeking certification makes sense if it brings substantial added value to our operations. In 1999 Hankkija Agriculture Ltd's seed and grain trade received a quality system certificate and, similarly, Hankkija's seed production was granted a quality and environmental system certificate in 2000. The Inex Group has environmental systems in accordance with the ISO 14001 standard at Inex Partners Oy's logistics centres in Kilo and Hakki-la as well as at Meria Nova's logistics centre in Piispankylä.

## Environmental competence of employees

In 2002, operations focused strongly on increasing and maintaining the environmental awareness of personnel. Information was supplied to employees through training, seminars, communications, reporting, pilot projects and co-operation with the authorities. Training in environmental compliance has been carried out in co-operation between the Jollas Institute and the S Group's units. At the Jollas Institute, environmental issues have been included in store opening training, management training days, commercial field training, management group seminars and vocational degrees in sales and service-station store sales.

In addition, the units have carried out their own internal training by means such as co-operating with goods suppliers and other interest groups. Environmental issues have been marketed to employees in the Ässä magazine, the company's Internet site and SOK Corporation's environmental report. Trade magazines, guidebooks, brochures, concepts, fairs and working groups have also served as important sources of information.

## Real estate

Taking environmental matters into consideration has figured prominently in the work going on at new building and renovation sites set up by the S Group's real estate arm as well as in the development of maintenance and servicing functions. SOK's Real Estate Management has participated in pioneering programmes in the property and construction field. The ProGresS environmental programme that was concluded in spring 2002 worked out definitions for sectoral and company-specific indicators. ProGresS indicated that a tool for the environmental classification of buildings is needed in Finland.

The PromisE system which can be used for classifying and comparing the environmental characteristics of buildings went into pilot use in 2002. In the initial stage it will serve as the company's self-assessment tool. In future, property owners, users and investors will be able to use PromisE to assess and compare the environmental characteristics of properties. SOK's Real-Estate Management has taken part in the work of the Project Steering Group as an expert in the area of retail properties. Towards the end of 2002 the Prisma operated by Cooperative Society Seutu in Nummela was test classified and a test classification of the Mylly (the Mill) Shopping Centre in Raisio was started.

Technical environmental objectives that serve as a design control tool in developer building were drawn up for the Sokos Hotels and ABC chains. Environmental objectives are defined for the construction site, the building and the construction process. Within the Sokos Hotels chain, technical environmental objectives have been used in practice in the Sokos Hotel Arina construction project in Oulu, in the project for expanding the Sokos Hotel Vantaa in Tikkurila and in the expansion project for the Sokos Hotel Rikala in Salo. Implementation within the ABC chain will take place in projects that start up in 2003.

During 2002 sizeable environmental investments were made at the petrol service stations in connection with the Ministry of Trade and Industry's decision concerning the storage of hazardous chemicals. The modification works were carried out to protect the soil and ground water of the service station petrol pump areas and to aid in the recovery of petrol fumes. All in all, environmental investments for the petrol pump areas were carried out at about two hundred S Group service station stores and unmanned stations.

## Energy and water consumption

SOK Real Estate is a party to the voluntary energy conservation agreement of the property and construction industry



*In October, plastic film was installed in the petrol pump area of Cooperative Society Hämeenmaa's ABC Karavaani to protect the soil and ground water.*

(KRESS). The agreement stipulates that a company must analyse its energy consumption, make plans for achieving higher efficiency, take steps to carry out these plans and engage in annual reporting. Energy-conscious planning solutions in the retail sector pertain primarily to ventilation, illumination and cold storage. By using energy more efficiently, SOK has been able substantially to decrease energy costs and the burden on the environment. Expert organisations in the industry offer for real-estate properties a real-time monitoring service for energy consumption over the Internet. SOK's own properties that are in business use and some of the cooperative societies' properties make use of this service.

## Procurements and logistics

The development of procurement and logistics functions should be considered as an activity that benefits the environment. Because Finland is a sparsely populated country, with long distances between towns and cities, it is both economically and environmentally sound to deliver goods to all customers in as rational a manner as possible, avoiding unnecessary transport, packaging and unloading. Co-operation between trade and industry enhances information management and provides better opportunities for the planning of logistics functions.

Over half of the daily consumer goods sold by the S Group's chains are transported to the stores by means of the procurement, storage and distribution services provided by Inex Partners Oy. Environmental co-operation between the S Group and Inex Partners is an important aspect of the entire logistics chain. A good example of successful co-operation is the Transbox, a recyclable plastic box for perishable goods. The goods are delivered in the box from the supplier to the store via the transport chain. At the store, the boxes can be placed on the counters without any unnecessary further handling. The introduction of the Transbox has resulted in less packaging waste, easier handling and time-savings. It has also helped to reduce deterioration in the quality of perishable goods. The Finnish Association of Logistics granted Inex Partners Oy its "Logistics Company of the Year in 2002" award.

During the year Inex Partners Oy has achieved a 50 per cent reduction in the amount of PVC plastic in the packaging of its imported products. Within in-store and transport packaging, it has given up the use of aluminium and EPS plastic (styrox) almost entirely.

Intrade Partners Oy acts as the procurement and logistics company of the S Group. Its main task is to provide products boasting competitive price/quality ratios and high-quality operations-related service for its customer chains.

Packaging requirements stress the need to avoid over-packaging or the importance of using packaging materials that can be utilised in other ways. It will be attempted to eliminate entirely the use of PVC plastic in packaging, whilst seeking to minimise the use of EPS plastic and to replace it with fibre-based packaging solutions. PVC or EPS plastic are not used in the packaging of the customer chains' own brands. Packaging materials and their recyclability must be marked in accordance with EU practices. Products that place a lower burden on the environment must feature a nationally or internationally approved environmental label. The company's instructions set environmental and ethical requirements on

goods suppliers, which are taken into consideration when evaluating a new supplier. Intrade Partners Oy is responsible for ensuring that purchased goods and the information provided concerning them comply with environmental legislation and requirements.

## Product ranges

The number of products featuring environmental labels included in the ranges is growing continuously. Organic products have consolidated their position in the food sector. At the end of 2002, the product range of the nationwide chain featured about 180 organic products. At its best, the volume of organic products offered at Group locations has topped the 400 mark.

In the case of non-food consumer goods, environmentally-labelled products comprise products marked with the Nordic Swan, the EU Flower the FSC Certificate. In 2002 nearly 1000 products in the textile assortments bore the "Safe textile: non-toxic certified" product safety emblem in accordance with the Öko-Tex 100 standard. Today it is common practice to deliver building materials that display the relevant environmental specifications.

Since autumn 1999, Fair Trade products have been available on the market. The best-known criterion of a Fair Trade product is the prohibition of child labour. These products are labelled with an elephant logo and must measure up to stringent environmental criteria as well: the use of pesticides must be kept at a minimum and both water systems and the soil are to be protected in accordance with strict regulations. Some Fair Trade products also meet the criteria set for organic products, for which the farmers are paid more. In 2002, the market stores stocked elephant-labelled coffee, tea, cocoa, honey, chocolate, sugar and bananas. Fair Trade bananas have achieved a market share of up to 7 per cent in market sales of bananas.

In addition to ordinary plastic and paper bags, the S Group has started to sell biodegradable shopping bags and fruit and vegetable bags made of corn starch.

In the agricultural trade, planting seed treated with the biological Cedemon preparation, which has been included in the Agrimarket chain's seed range for a couple of years now, was greeted with satisfaction. Chemically treated Cedemon is suited to both traditional and organic farming. I-Seed, a product jointly developed with Kemira was included in the assortment in 2002. I-Seed is based on the idea of a quick-start fertiliser that surrounds the seed and makes possible the efficient use of nutrients. Sales of wood pellets, which were started by the Agrimarket chain in 2001, doubled in 2002. Wood pellets marketed by VAPO Oy Energy are a domestic, environmentally friendly and economical fuel made from cutter chips, grinding dust and sawdust. Wood pellets are sold to single-family homes and to farms. The growth in sales of wood pellets has also increased the demand for pellet burners and fireplaces.

## Waste management

Wastes generated by the retail sector primarily comprise packaging waste. Packaging wastes can be prevented from arising and their amount can be reduced by means such as developing and placing in use recyclable transport conveyances (roll containers, pallets, crates). Packaging wastes are consigned for recycling or other types of reuse whenever possible. Well-run waste management entails reducing the amount of waste destined for landfills to under 10 per cent of the entire volume of waste generated. At best, it has been possible

to reduce the amount of waste sent to landfills to five per cent. Meeting this aim entails having motivated employees, good instructions, efficient societal co-operation and potential recycling and reuse solutions. One reason behind the higher rate of waste utilisation is that plastic and wood packages are sorted into energy fractions that are used to manufacture recycled fuels for energy generation. The focus in the sorting of wastes generated by the retail sector is on four main types of waste: biowaste, cardboard, energy waste and landfill waste.

The sorting of wastes generated by the S Group's own operations has been developed in compliance with municipality-specific waste management regulations. The best utilisation rate has been reached with corrugated cardboard, which accounts for about 50 per cent of all wastes generated by the Prisma supermarkets and S-markets. Sokotel Oy has seen to it that the utilisation rate of the wastes produced by its hotels and restaurants is on average 60 per cent. At the best, a utilisation rate of up to 80 per cent has been reached. The Sokos chain had a waste utilisation rate averaged 58 per cent.

At the Mylly (the Mill) Shopping Centre in Raisio the operation of the waste management system was monitored during the year. An expert service organisation in the sector is in charge of waste management, making use of the latest technology, notably in cardboard and energy waste compactors, and also employing a reporting system for waste volumes and costs. A system that monitors the degree of filling of the compactors has reduced the number of emptying times by as much as 40 per cent and increased the average weight of loads by about 25 per cent.

New technology has also been introduced at the Arabia Shopping Centre in Helsinki, which has a refuse room equipped with automated cardboard and energy waste compactors as well as a cooled biowaste tank. The collection of data on weighing and identification is based on barcodes and the system enables companies in the shopping centre to track the trend in waste volumes closely. This in turn facilitates the allocation of waste disposal bills to producers of the waste in accordance with the actual volumes of waste produced.

A centralised process of setting out products for sale is another way of preventing wastes from arising, reducing waste volumes and stepping up the rate of utilisation. In the Greater Helsinki area the setting out of consumer goods for sale has been handled at Inex Partners Oy's logistics centre in Hakki-la, Vantaa.

Changes in waste disposal legislation mean stricter local regulations, and thus new challenges for the S Group. For this reason, it has been important to continue a dialogue between the retail sector and the municipal authorities. Both the S Group and the municipalities are in favour of active co-operation to promote the rational and economical management of environmental issues.

## Recycling services for customers

The best-known recycling service for customers is the bottle and can recycling system. Collection is mainly handled using automated bottle and can collection machines. Over 95 per cent of glass and plastic deposit bottles are returned, while about 85 per cent of aluminium cans are returned. Other recycling services are related to biocentres and tyre recycling. The latest service offered is the collection of electronic scrap. At some of the business locations, preparations for the implementation of the system have been started up well before the legislation comes into effect.

Within SOK Corporation, Hankkija Agriculture Ltd and Maan Auto Oy have entered into an agreement with Finnish



Tyre Recycling Ltd. Used tyre recycling is funded by way of a recycling charge that is collected when the customer buys new tyres.

## Communications

Environmental information targeted at interest groups has been disseminated through the SOK Environmental Report, the environmental pages of the Annual Report and the S Group's Internet site. In a comparison of environmental and social responsibility reporting, SOK Corporation's Annual Report for 2001 was the best in the retail sector. Major points emphasised in the Annual Report were the presentation of environmental affairs and the treatment of personnel issues and the company's values. According to the evaluation, SOK Corporation deserves praise for the thorough manner in which environmental issues are dealt with in its Annual Report. On the strength of its Environmental Report, SOK Corporation joined the select group of companies that were commendable for their overall reporting. SOK Corporation's Environmental Report can be read and ordered at the address [www.s-kanava.net](http://www.s-kanava.net). Ordering the report via the Internet has proved to be very popular.

The environmental message has been communicated to households through *Yhteishyvä* magazine. The regional cooperatives have disseminated information using brochures, ecological experts, bulletin boards and various events. The internal communications tools of the S Group are the *Ässä* magazine and the S Intranet.

## Interest groups

SOK has continued actively to contribute to discussions in international environmental co-operation, particularly within EuroCoop's Environmental Working Group and EuroCommerce's Environmental and Logistics Committee. Central themes have been the EU's sustainable development strategy, the sustainable use of plant protection substances, the recycling of electrical and electronics junk, and issues relating to environmental marking and the utilisation of packaging. SOK has actively headed the work of the Environmental Committee of the Federation of Finnish Commerce and Trade (FFCT). SOK has also been represented in the following working groups: the Ministry of the Environment's Waste Management Committee and Sustainable Development Programme Section, the

Environmental System Working Group of the Ministry of Agriculture and Forestry's Foodstuffs Quality Strategy Group, and the Project Management Group of the Recycling Technologies and Waste Management project (a.k.a. Streams, a new technology programme initiated by TEKES, the National Technology Agency).

## Social responsibility

In November 2002 SOK's Executive Board approved the principles of social responsibility that had been drafted on the basis of the S Group's environmental policy that was approved in 1999. The principles encompass the economic, social and environmental dimensions of social responsibilities. Social responsibility is viewed as a natural part of the S Group's set of core values, and the principles are put into practice by means of action plans carried out by the operating units. The objective is to develop the management of economic, social and environmental information so as to produce added value for the S Group's business operations and, further ahead for its committed customer-owners.

In January 2003 SOK was accepted as a member of Finnish Business & Society associated, which was founded on 4 November 2002. Amongst the founding members were the Helsinki Cooperative Society HOK and Inex Partners Oy. The purpose of the society is to promote corporate social responsibility by means of a network involving companies, the public sector as well as consumers and citizens.

During the year a survey was carried out on how the Helsinki Cooperative Society HOK's customer-owners feel about their own cooperative societies' socially responsible activity and how responsibly they themselves act as consumers. A master's thesis that was reviewed by the Department of Economics and Management of the University of Helsinki provided the source material for a brochure entitled *The Daily Well-being Challenge*, which was published by HOK.

In December 2002 the S Group and the Finnish Red Cross signed a co-operation agreement for the period 2003–2005. The S Group's support will go to causes such as youth and first aid activities, thereby bringing the Red Cross closer the S Group's customer-owners and personnel.



*Abundant use of wood was made in constructing and fitting out the interior of the Sale market in Vierumäki.*

# CORPORATE SECURITY WITHIN SOK CORPORATION

The aim of corporate security operations is to support the continuity of SOK Corporation's central functions and processes in order to achieve strategic business objectives through the means and methods of corporate security. The aim is to safeguard personnel, customers, assets, the unhindered continuity of operations, information and the environment against damage, accidents and crime. Security operations are preventative in nature. They entail establishing capabilities and preparing for risks inherent in SOK Corporation's operations.

## Security management

In 2002, a focus area in corporate security was again security management. Within SOK and the S Group it was observed in particular that the need for preventive security activities will grow in coming years. Accordingly, it was decided to focus attention on emphasising the importance of security activities and ensuring that operational requirements are in place.

SOK's Executive Board approved the updated SOK Corporation corporate security policy, the S Group's data security principles and model for managing data security, the S Group's corporate security management and decision-making process and SOK Corporation's updated security organisation. In order to promote the above-mentioned matters, the S Group's Executive Board decided to set up an SOK Corporate Security unit as from 1 January 2003. The purpose of this unit will be to ensure the development, resources, responsibilities and management of corporate and data security in accordance with the S Group's strategies.

The purpose of the Corporate Security unit's activities is to develop and define the principles, rules of the game and objectives of corporate security activities as well as to support, manage and monitor their application and implemen-

tation within the S Group. The task is carried out primarily via SOK's chain management organisations, subsidiaries and the regional cooperative societies. A further aim of establishing a Corporate Security unit was to promote the introduction of a corporate security management system within the S Group.

The security programmes of SOK Corporation's companies and units were developed according to plans. The key emphasis within security programmes was on the management of damage and casualty risks. As part of risk management, a large number of safety audits were carried out at the regional cooperative societies, SOK's subsidiaries and units and in planning for new business activities. New risk management tools were created for identifying business risks.

A crisis management system was developed to ensure preparedness for alerting the organisation and providing available materials, and crisis management action guidelines were prepared for the Sokos department stores and Sokos as well as the Radisson SAS hotels. The SOK Corporation crisis management team organisation was updated. Co-operation with the authorities was developed and an agreement was concluded between the Control Risks Group and SOK concerning service in crisis situations.

## Personnel safety

The safety expertise of personnel throughout the entire S Group was stepped up by means of training and store opening training organised by the Jollas Institute. An important new training programme was safety and hotwork training for the ABC petrol pump area. Nearly all the personnel in charge of functions at the ABC chain's locations took part in this programme. Training of the safety wardens of the regional co-



*Extinguishing a car fire was one of the things practised on the ABC chain's safety courses.*



*The Crisis Management Team (CMT) Group's management as well as representatives of the police and the rescue authorities underwent a thorough grilling by the media during the situation exercises in crisis public information.*

operative societies, the chains and companies was handled by arranging a Corporate Security Day for the S Group's units. The travel safety guidelines for SOK Corporation personnel were updated.

### Crime prevention

SOK units continued inspections of the safety level of sites in connection with the Security-Protected campaign organised by the Federation of Finnish Commerce and Trade. Towards the end of the year there were 139 locations which were approved and complied with the requirements. Instructions for ensuring the safety of money services were added to the S-market concept.

### Security of property and business premises

The S Group's structural and technical safety manual was updated. Safety experts participated in the design of new chain locations that are under construction with the aim of ensuring that safety aspects are taken into account. The safety standards of the Sokos hotels and Sokos department stores were updated.

### Rescue operations

A project to review whether the safety plans measure up to the requirements of the Act and Decree on Rescue Services moved ahead. Safety plan models were prepared for the locations managed by the S Group and existing safety plans were reviewed. Training in manual fire extinguishing, first-aid training and evacuation exercises were arranged at the locations.

### Information security

SOK's Executive Board approved the update of the S Group's data security policy as a set of data security principles. In con-

nection with the update, data security was expanded to provide comprehensive coverage of all the subareas of data security. At the same time, SOK's Executive Board approved a model for managing the S Group's data security and decided to introduce the model. The data security programme was prepared for the period 2002–2005. A data security expert's post was established for the new Corporate Security unit. Antivirus updates were continued to the level of version 5.x. Installations of the SMS 2.0 network management system were made at the S Group's locations. Installations of Windows XP workstations were started in accordance with the data security concept. SMB, SQL and Apache data security fixes were installed in selected computers. Tests were made of the anti-hacking data security of Netista Oy's web portal.

### Occupational safety

Occupational safety activities were developed at SOK's subsidiaries and units. Statutory occupational safety organisations and programmes were reviewed.

### Security of operations

New safety instructions were prepared for the S Group's personnel and published on the Sintra intranet. A plan for transferring the S Group's central functions, which are located at the Ässäkeskus, was started in order to ensure the continuity of operations.

### Security of functions abroad

The entire SOK organisation joined the Control Risks Group's country service that monitors menacing situations in different countries from the standpoint of traveller security. Crisis management activities were developed for Finland's near-by areas by updating the organisation and by providing guideline materials. The number of SOK's own security staff in near-by areas was increased.

### Environmental protection

Environmental protection and safety were developed in cooperation with SOK Corporation's environmental experts. The systematic analysis of environmental risks was continued as part of risk management.

### Co-operation with stakeholders

SOK has been actively represented on the Security Committee of the Federation of Finnish Commerce and Trade, in the retail sector's working group on origin markings, in the Secman security forum and in the steering group of the private security field's legislative project. SOK joined as a corporate member of the Risk Management Society of Finland.



# SOK SUPERVISORY BOARD 2002

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.

**Kari Neilimo** (born 1944)  
Kangasala  
Chairman until 24.4.2002  
Ph. D. (Econ.)  
Professor of Business Administration, Tampere University  
SOK's CEO from 1.8.2002  
Chairman, Supervisory Board, Pirkanmaa Cooperative Society (until 6.6.2002)

**Otto Mikkonen** (born 1949)  
Joensuu  
Chairman from 24.4.2002  
Managing Director, KM-Yhtymä Oy  
Chairman, Supervisory Board, North Karelia Cooperative Society  
Retiring in 2004

**Håkan Smeds** (born 1948)  
Espoo  
First Vice Chairman  
Managing Director, Cooperative Society Varuboden  
Retiring in 2004

**Eino Laaksonen** (born 1936)  
Oulu  
Second Vice Chairman  
Principal, Pohjankartano Upper Secondary School  
Chairman, Supervisory Board, Cooperative Society Arina  
Retiring in 2004

**Arto Arvonen** (born 1944)  
Salo  
Managing Director, Salo District Cooperative Society (until 31.12.2002)  
Retiring in 2005

**Tuula Entelä** (born 1955)  
Espoo  
LL. M, B. Sc (Econ.)  
Director of Investment Sato-Yhtymä Oyj  
Until 24.4. 2002

**Esko Hakala** (born 1952)  
Kajaani  
Managing Director, Cooperative Society Maakunta  
Retiring in 2003

**Jukka Huiskonen** (born 1945)  
Mikkeli  
LL. M.  
J.Huiskonen, Attorneys-at-Law  
Chairman, Supervisory Board, Cooperative Society Suur-Savo  
Retiring in 2003

**Heikki Ikonen** (born 1943)  
Nurmes  
Farmer  
Chairman, Supervisory Board, Cooperative Society Jukola  
Retiring in 2005

**Pekka Kangasmäki** (born 1945)  
Porvoo  
B. Sc. (Econ.)  
Managing Director, Cooperative Society Osla  
Retiring in 2003

**Simo Kutinlahti** (born 1957)  
Keuruu  
Farmer  
Chairman, Supervisory Board, Cooperative Society Keskimaa Osk  
Retiring in 2004

**Jouko K. Leskinen** (born 1943)  
Helsinki  
LL.M.  
Chairman, Supervisory Board, Helsinki Cooperative Society HOK  
From 24.4.2002  
Retiring in 2005

**Maija-Liisa Lindqvist** (born 1951)  
Lahti  
Training planner  
Chairman, Supervisory Board, Cooperative Society Hämeenmaa  
Retiring in 2005

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.

Total remuneration paid to members of the Supervisory Board in 2002 is shown in the Notes to the Accounts on page 28.

**Seppo Linjakumpu** (born 1958)  
Kuusamo  
Agronomist  
Chairman, Supervisory Board, Cooperative Society Koillismaa  
Retiring in 2003

**Ahti Manninen** (born 1950)  
Lappeenranta  
Managing Director, South Karelia Cooperative Society  
Retiring in 2003

**Jorma Niiniahho** (born 1945)  
M. Sc. (Econ.)  
Managing Director, Cooperative Society Ympyrä  
From 24.4.2002  
Retiring in 2003

**Matti Ojanperä** (born 1941)  
Pori  
Managing Director, Cooperative Society Satakunta  
Retiring in 2003

**Max van der Pals** (born 1945)  
Lohja  
Farmer  
Chairman, Supervisory Board, Cooperative Society Seutu  
Retiring in 2004

**Jorma Sieviläinen** (born 1954)  
Rauma  
M.Sc.  
Managing Director, Cooperative Society Keula  
Retiring in 2005

**Timo Sonninen** (born 1948)  
Iisalmi  
Farmer  
Chairman, Supervisory Board, Cooperative Society PeeÄssä  
Retiring in 2005

**Matti Suokas** (born 1946)  
Kotka  
B. Sc. (Econ.)  
Director of Finance, Sunila Oy  
Chairman, Supervisory Board, Cooperative Society Ympyrä  
Until 24.4.2002

**Antero Taanila** (born 1941)  
Kokkola  
Administrative Director, Outokumpu Zinc Oy  
Chairman, Supervisory Board, Cooperative Society KPO  
Retiring in 2005

**Ulla-Maija Tolonen** (born 1951)  
Tampere  
M.Sc.  
Managing Director, Pirkanmaa Cooperative Society  
From 24.4.2002  
Retiring in 2005

**Eeva Ukkola** (born 1941)  
Anjalankoski  
Farmer  
Chairman, Supervisory Board, Cooperative Society Ympäristö  
Retiring in 2004

**Hanna Valtari** (born 1948)  
Seinäjoki  
Principal, Seinäjoki Vocational Training Institution  
Vice Chairman, Supervisory Board, South Ostrobothnia Cooperative Society  
Retiring in 2004

**Matti Vanto** (born 1945)  
Raisio  
LL. M.  
Lawyer, Naantali Town  
Chairman, Supervisory Board, Turku Cooperative Society  
Retiring in 2004

## PERSONNEL REPRESENTATIVES

**Tapani Tikkala** (born 1947)  
Helsinki  
Project Manager, Services to customer-owners  
Retiring in 2003

**Annikki Heikkinen** (born 1942)  
Helsinki  
Secretary, Real Estate Maintenance  
Retiring in 2003

## SOK EXECUTIVE BOARD 2002

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 2002 are Jere Lahti, CEO of the Society, Kari Neilimo, CEO, Reijo Lähteenmäki, 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 responsi-

bility 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 until 31.7.2002  
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

**Kari Neilimo** (born 1944)  
Chairman and Chief Executive Officer from 1.8.2002  
Ph. D (Econ.)  
Professor of Business Administration, Tampere University and Lappeenranta University of Technology Section, 1983–2002. Managing Director of Neiconsulting Oy, 1991–2002. Chairman, Supervisory Board, Pirkanmaa Cooperative Society, 1992–2002. Chairman, SOK Supervisory Board, 1991–2002.

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

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

**Kalle Lähdesmäki** (born 1952)  
M. Sc. (Econ.)  
Managing Director,

South Ostrobothnia Cooperative Society  
Member of SOK's Executive Board since 2001

**Reijo Lähteenmäki** (born 1941)  
M.Sc (Soc.Sc.)  
Various positions in SOK since 1985  
Director of SOK's Field Division  
Member of the Executive Board since 1999

**Kuisma Niemelä** (born 1958)  
M.A.  
Managing Director, Cooperative Society Keskimaa Osk  
Member of SOK's Executive Board since 2002

**Eero Saukkonen** (born 1947)  
B. Sc (Econ.)  
Managing Director, Cooperative Society PeeÄssä  
Member of SOK's Executive Board since 2002

**Jouko Vehmas** (born 1956)  
B. Sc. (Econ.)  
Managing Director, Cooperative Society Ympäristö  
Member of SOK's Executive Board since 2001



*SOK's Executive Board in 2002. In front, from the left: Reijo Lähteenmäki, Kari Neilimo, Jukka Salminen; in back, from the left: Eero Saukkonen, Kuisma Niemelä, Leo Laukkanen, Jouko Vehmas and Kalle Lähdesmäki.*



# SUPERVISORY SYSTEM

A supervisory system was established in order to supervise accounting and asset management, to ensure that strategic objectives are met and to see that operations run correctly and serve their purpose. The highest supervisory authorities in charge of internal supervision are the Executive Boards of the SOK and its subsidiaries. The key objective of the statutory audit of accounts is to ensure that the financial statements and the information provided by the Corporation's management give a true and fair view of the Group's financial performance and its financial position, and that the supervisory systems are effective. The auditors report regularly to SOK's Executive Board regarding their observations on administration and activities.

In addition to the auditors, SOK has an Audit Committee appointed by the General Meeting of the cooperative society. The committee's guidelines have been approved at the General Meeting. Its responsibilities include supervising the implementation of decisions taken by SOK Corporation's institutions across the S Group, and ensuring that the Group's overall resources are used efficiently. The Audit Committee is comprised of two administrative inspectors and the SOK auditors who are elected at the General Meeting of the cooperative society.

SOK Corporation has a Controller unit, which reports to the Chairman and CEO and acts as an independent, strategy-driven control, monitoring and supervisory unit for senior management. The unit focuses on identifying and preventing risks and assessing strategic performance. The Controller unit also makes statements to the Executive Board concerning proposed decisions relating to major capital expenditures or disposals. Furthermore, it controls and supervises the implementation and development of internal supervision across SOK Corporation. The Controller unit co-operates with the representatives of the regional cooperative societies and the auditors in participating in development of the internal supervision operational model. In line with the agreed division of responsibilities, the Controller unit also assists the auditors in supervision and financial statement audits, and helps SOK's Audit Committee carry out the audit of corporate governance.

SOK Corporation also has a comprehensive financial reporting system as well as a set of Group-wide and merger and acquisition principles set out by the Executive Board, which determine, for example, investments, disposals and, in particular, the order of priority for decision making concerning the S Group's internal business transfers.

## The auditors of SOK 2002

SOK has a minimum of two and a maximum of three auditors, selected by the Cooperative Meeting, and two deputies.

### REGULAR AUDITORS

#### **Tomi Englund**

M. Sc. Econ.  
Authorised Public Accountant

#### **Tapani Rotola-Pukkila**

Master of Economics  
Authorised Public Accountant

#### **Juhani Heiskanen**

Doctor Sc. Econ  
Authorised Public Accountant

### DEPUTIES

#### **Jorma Anttila**

M. Sc. Econ  
Authorised Public Accountant

#### **Eero Huusko**

M. Sc. Econ  
Authorised Public Accountant

## SOK AUDIT COMMITTEE 2002

### MANAGEMENT AUDITORS

#### **Pekka Ripatti**

Colonel  
Member of the North Karelia Cooperative Society Supervisory Board

#### **Kristina Dufholm**

Master of Laws  
The chairman of the Cooperative Society Varuboden  
Supervisory Board

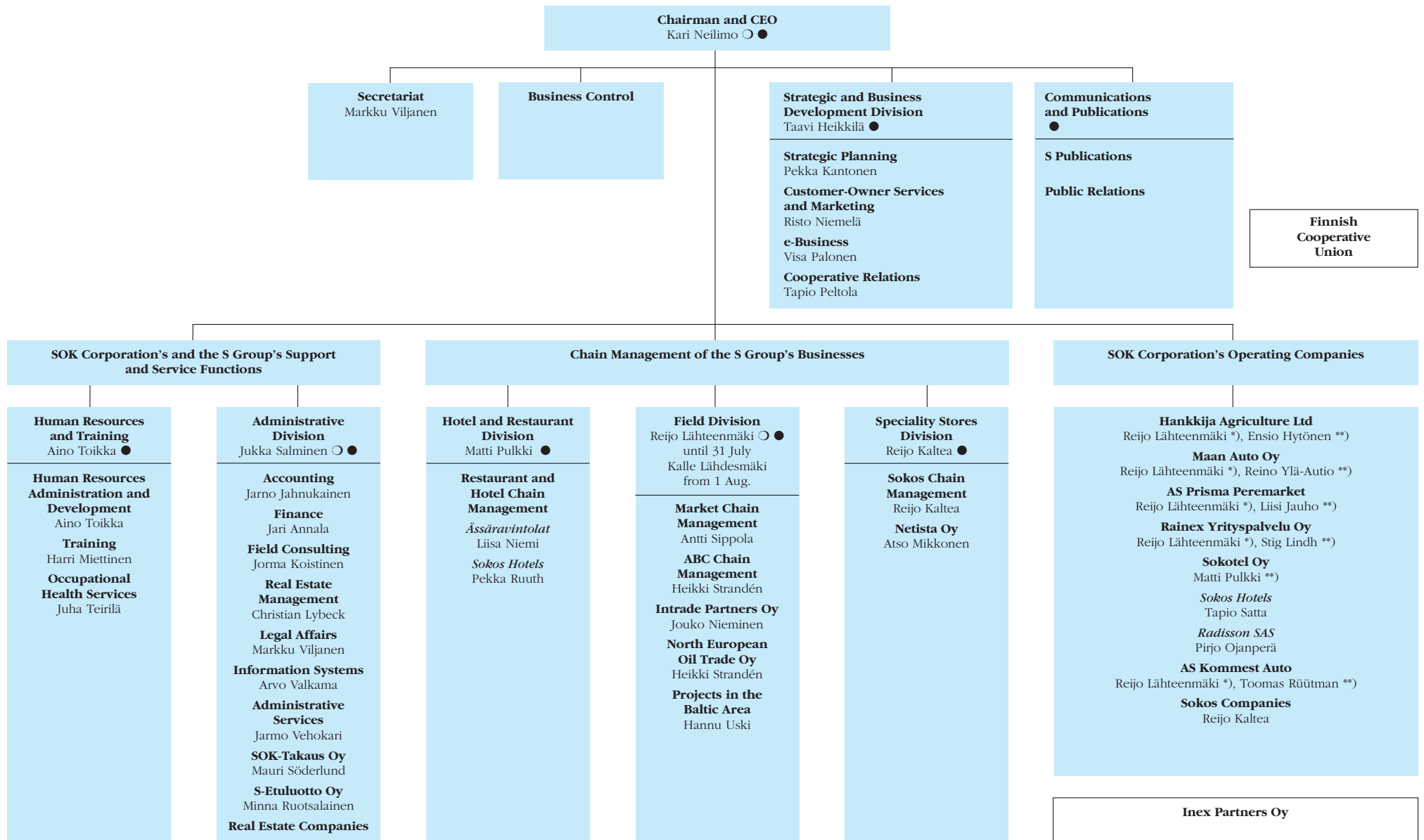
### DEPUTIES

#### **Mikko Ruohonen**

Professor  
Member of the Salo District Cooperative Society Executive Board

SOK auditors are also members of the audit committee.

# SOK CORPORATION ORGANISATION 2003



○ Member of the Executive Board

● Member of the Management Team. In addition, the Management Team includes Managing Director E. Hytönen and Director A. Sippola.

\*) Executive Board Chairman (R. Lähteenmäki until 31 July, K. Lähdesmäki from 1 August)

\*\*) Managing Director

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# THE S GROUP'S BUSINESS IDEA AND VALUES



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

64

The S Group consists of the cooperative societies and SOK with their subsidiaries.

SOK Corporation comprises SOK and its subsidiaries.

SOK Corporation's task is to support and serve the cooperative societies so that they can competitively produce services and benefits for their customer-owners and it carries on the business operations defined in the company's statutes.

## The S Group's core values

### **Excellence**

Excellence means valuing good operational and financial performance along with pride of accomplishment.

### **Responsibility**

Responsibility is reflected in feeling care for customer-owners, the staff and our own operating environment.

### **Renewal**

Renewal means ensuring the competitiveness of the S Group's companies and seeing to it that services and benefits for customer-owners are in step with the times.

### **Partnership**

Partnership springs from a respect for and a grasp of far-reaching and efficient co-operation.

# THE S GROUP

The S Group comprises SOK Corporation and the cooperative societies with their subsidiaries. The S Group's retail sales in 2002 totalled EUR 6,858 million, an increase of 4.7 per cent on the previous year. The growth was attributable mainly to the good trend of the market chains, the motor trade and fuel sales.

The S Group posted aggregate profit before extraordinary items of EUR 285 million. This was an increase of EUR 38 million on the previous year and the Group's best-ever result. The S Group made gross capital expenditures totalling EUR 242 million.

At the end of the year the S Group had 1,222 sites, an increase of six sites on the previous year. The most important investments for the site network were the big new S-markets that were opened in Helsinki's Arabia district, Veikkola near Kirkkonummi, Taalintehdas, Huitinen, Pirkkala and Eura, the opening of a machinery centre in Vantaa and the purchase of the Seaside Hotel business in Helsinki. In addition, two Prisma hypermarkets were opened in Tallinn.

The S Group had a year-end payroll of 22,814 employees, an increase of 199.

## The cooperative societies

The number of cooperative societies at the close of the year was 43, the same number as a year ago. Of them, 23 were regional cooperative societies and 20 were local cooperative societies.

Aggregate sales by the cooperative societies and their subsidiaries totalled EUR 5,640 million, representing growth of 5.6 per cent. The regional cooperative societies accounted for 97.9 per cent of sales.

The aggregate profit before extraordinary items of the cooperative societies was EUR 229 million, up EUR 22 million on the previous year.

Capital expenditures by the cooperative societies totalled EUR 232 million, or EUR 8 million more than a year ago. Deposits made by customer-owners in the savings funds of the cooperative societies amounted to EUR 471 million at the end

of the year, an increase of EUR 55 million.

The number of the cooperative societies' customer-owner households at the end of the year was 1,064,314, an increase of 94,064. Including the local cooperative societies, the total membership of the cooperative societies was 1,078,649.

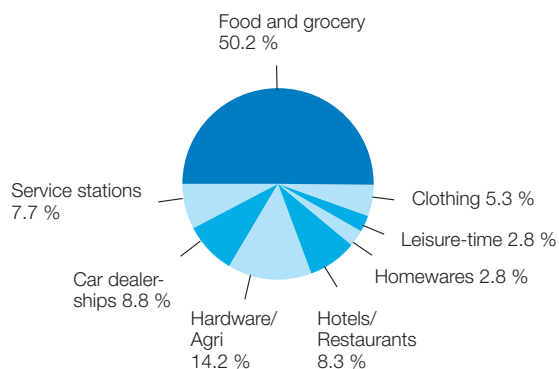
Bonus purchases made by customer-owners amounted to EUR 4.2 billion, for growth of 12 per cent. Bonuses repaid to customers by the cooperative societies and SOK Corporation totalled EUR 116 million, an increase of 16 per cent.

The cooperative societies and their subsidiaries employed a total of 18,169 people at the end of the year, representing an increase of 91 people.

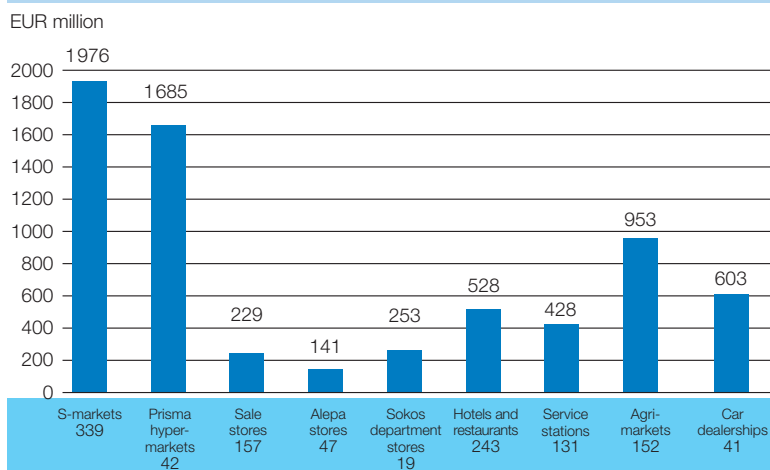
## Regional Cooperative Societies of the S Group

Cooperative Society Varuboden, *Kirkkonummi*  
 Southern Karelia Cooperative Society, *Lappeenranta*  
 Southern Ostrobothnia Cooperative Society, *Seinäjäoki*  
 Helsinki Cooperative Society HOK, *Helsinki*  
 Cooperative Society Jukola, *Nurmes*  
 Cooperative Society Keskimaa Osk, *Jyväskylä*  
 Koillismaa Cooperative Society, *Kuusamo*  
 Cooperative Society Arina, *Oulu*  
 Cooperative Society Hämeenmaa, *Lahti*  
 Cooperative Society Keula, *Rauma*  
 Cooperative Society KPO, *Kokkola*  
 Cooperative Society Maakunta, *Kajaani*  
 Cooperative Society Osla, *Porvoo*  
 Cooperative Society PeeÄssä, *Kuopio*  
 Cooperative Society Seutu, *Lohja*  
 Cooperative Society Suur-Savo, *Mikkeli*  
 Cooperative Society Ympyrä, *Hamina*  
 Cooperative Society Ympäristö, *Kouvola*  
 Pirkanmaa Cooperative Society, *Tampere*  
 Northern Karelia Cooperative Society, *Joensuu*  
 Salo District Cooperative Society, *Salo*  
 Satakunta Cooperative Society, *Pori*  
 Turku Cooperative Society, *Turku*

S GROUP RETAIL TRADE BY BRANCH 2002, Total EUR 6,857.7 million



S GROUP RETAIL SALES BY CHAIN 2002



## S GROUP KEY FIGURES 1998–2002

EUR million	1998	1999	2000	2001	2002	±%
<b>SOK CORPORATION</b>						
Net turnover	2 347	2 540	2 754	2 915	<b>2 998</b>	2.8
Depreciation	36	38	32	35	<b>35</b>	-1.5
Operating profit	59	56	57	35	<b>55</b>	56.9
Financial income and expenses (without value adjustments)	-10	-6	-5	-3	<b>-1</b>	-77.1
Profit/loss before extraordinary items, appropriations and taxes	42	49	54	39	<b>55</b>	17 EUR million
Profit/loss for the financial year	51	40	39	32	<b>44</b>	13 EUR million
Total assets	1 115	1 247	1 327	1 337	<b>1 372</b>	2.6
Fixed assets	504	524	542	530	<b>496</b>	-6.3
Stocks	143	141	140	129	<b>133</b>	3.5
Current assets (without stocks)	469	581	645	678	<b>742</b>	9.5
Capital and reserves (incl. capital loan)	317	362	403	435	<b>457</b>	5.1
Minority interest	15	15	16	16	<b>17</b>	2.2
Provisions for liabilities and charges	15	28	20	21	<b>12</b>	-44.3
Creditors	767	841	887	865	<b>887</b>	2.5
Interest-bearing creditors	450	463	482	413	<b>465</b>	12.6
Liquid funds	243	288	337	324	<b>421</b>	29.9
Net interest-bearing creditors	207	175	145	89	<b>44</b>	-50.7
Personnel at 31 Dec.	4 737	5 047	5 062	4 537	<b>4 645</b>	2.4
<b>SOK</b>						
Sales (excl. VAT)	966	1 111	1 230	1 494	<b>1 669</b>	11.7
Sales to cooperative societies	850	991	1 118	1 399	<b>1 579</b>	12.9
Operating profit before extraordinary items, appropriations and taxes	14	6	10	-9	<b>4</b>	13 EUR million
Profit/loss for the financial year	30	11	15	11	<b>14</b>	3 EUR million
Personnel at 31 Dec.	364	406	401	494	<b>505</b>	2.2
<b>COOPERATIVE SOCIETIES + SUBSIDIARIES</b>						
Sales	4 038	4 488	4 790	5 340	<b>5 640</b>	5.6
Number of societies	44	44	43	43	<b>43</b>	0.0
Membership	673 520	746 183	854 067	987 037	<b>1 078 649</b>	9.3
Personnel at 31 Dec.	14 576	16 228	16 817	18 078	<b>18 169</b>	0.5
<b>S GROUP</b>						
Retail sales	5 289	5 709	6 083	6 554	<b>6 858</b>	4.7
Outlets	1 203	1 209	1 177	1 216	<b>1 222</b>	0.5
Personnel at 31 Dec.	19 313	21 275	21 879	22 615	<b>22 814</b>	0.9

### CALCULATION OF KEY RATIOS

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

# ASSOCIATED COMPANIES

## Inex Group

At the close of 2002 the Inex Group comprised the parent company Inex Partners Oy and its wholly-owned subsidiary Meira Nova Oy. A major structural change was the sale of the Meira Oy business to Segafredo Zanetti Finland Oy. The transfer of the business took place on 1 December 2002. Inex Partners Oy is owned on a 50-50 basis by SOK and Tradeka (Co-operative Tradeka Corporation). Frozen foods logistics is handled in co-operation with the associated company Finnfröst Oy.

The Inex Group's operations developed well last year. This was attributable to the good performance of the customer chains and to Inex's own profitable operations. The added value generated by the operations has had a direct impact in strengthening the competitiveness of the customer chains.

The Inex Group's sales were up 5 per cent on the previous year, rising to EUR 1,746 million. The prevailing trend in the sales of Inex Partners Oy, Meira Nova Oy and Finnfröst Oy are still higher than the general trend in the sector. Consequently, Inex's purchasing and logistics position has strengthened.

The Inex Group's strong business development effort was directed at assortments – especially the store's own brands – as well as at international purchasing co-operation, operational processes, information management, operational equipment and staff.

In recognition of its good performance, Inex Partners Oy was chosen Logistics Company of the Year in 2002. The award was granted for high-calibre, versatile and long-term development of logistics. Meira Nova Oy received the same award in 1996.

The Inex Group generated a profit and came in ahead of its targets. The financial position was good.

Inex Partners Oy, which produces assortment, purchasing and logistics services for the grocery and speciality goods trade, continued its good development. The company had sales of EUR 1,580 million, up 5 per cent on the previous year. Development projects were carried out better than had been planned, thereby making possible an improvement in efficiency, operational reliability, quality and earnings. The company's competitive benefits for customers and its position in the markets strengthened. The financial performance of Inex Partners Oy exceeded the targets set.

Continued strong performance was reported by Meira Nova Oy, which produces assortment, purchasing and logistics services for the HoReCa sector. Sales totalled EUR 171 million, increasing by 4 per cent on the previous year. Meira Nova's share of the delivery wholesale trade in the HoReCa sector is about 30 per cent.

January-November sales of the coffee and spice company Meira Oy/Tucano Oy were EUR 43 million. The market share of Meira coffee brands dropped below 25 per cent. Within spices, however, Meira strengthened its position as the market leader, with a share of over 34 per cent.

Sales reported by Finnfröst Oy, the associated company that provides purchasing and logistics services for frozen foods, were EUR 150 million, up 6 per cent.

New challenges lie ahead. The competitive situation calls for continuous renewal. The internationalisation of the retail trade and structural changes within the industry are creating pressures to meet these challenges. This has been reflected in particular by a tightening in current price competition.

The good trend of the Inex Group and its client chains will continue for the most part in 2003. The competitive factors of primary importance are price-competitiveness, cost-effectiveness, delivery reliability, the store's own brands – an especially important factor – as well as the efficiency of the total process extending from the consumer to the production operation.

Inex Group had a payroll of 2,025 employees at the end of the year.

The managing director of the parent company and the Group is Martti Haaman.

## Hansacoop Oü

Hansacoop Oü has been responsible for the management, financial administration, purchasing, marketing and IT systems in Estonia of SOK's and ETK's market chains and restaurant operations that are based on the S Group concepts. SOK and ETK both owned 50 per cent stakes in the company. In accordance with decisions taken, the company's ownership was transferred to SOK during the financial year, after which its tasks, following the completion of the merger, have been handled by Prisma Peremarket AS (previously Hansafood AS).

## Agribalt Oy

Agribalt Oy is a company that is owned on a 50-50 basis by Hankkija Agriculture Ltd and Avena Oy and is engaged in the agricultural supply and machinery trade in the Baltic countries. It has subsidiaries in Jelgava, Latvia, and Paide, Estonia. The company had turnover of EUR 8.2 million and a staff of 42 employees.



# STATISTICS

## S GROUP RETAIL OUTLETS, 31 DECEMBER, 2002

	Outlets		Retail Sales, EUR million
	Number	Change	
Sokos Department Stores	19	-	253.0
Prisma Hypermarkets	42	-	1 684.9
<b>Total Department Stores</b>	<b>61</b>	<b>-</b>	<b>1 937.9</b>
S-markets	339	+10	1 975.6
Alepa Stores	47	+2	140.6
Sale Stores	157	-2	228.8
Other Market Outlets	2	-2	4.5
<b>Total Market Outlets</b>	<b>545</b>	<b>+8</b>	<b>2 349.5</b>
<b>Neighbourhood Stores</b>	<b>29</b>	<b>-2</b>	<b>18.2</b>
<b>Speciality Stores</b>	<b>17</b>	<b>-1</b>	<b>32.2</b>
Hotels	45	-2	305.6
Restaurants	172	-5	205.0
Cafés	26	+3	17.0
<b>Total Hotels and Restaurants</b>	<b>243</b>	<b>-4</b>	<b>527.6</b>
<b>Agrimarkets and Machine Centres</b>	<b>152</b>	<b>+2</b>	<b>952.7</b>
<b>Car Dealerships</b>	<b>41</b>	<b>-1</b>	<b>602.6</b>
<b>Service Stations and Fuel Sales</b>	<b>131*</b>	<b>+5</b>	<b>428.0</b>
<b>Other Services</b>	<b>3</b>	<b>-1</b>	<b>9.0</b>
<b>TOTAL</b>	<b>1 222</b>	<b>+6</b>	<b>6 857.7</b>

\*Also 103 unmanned petrol stations attached to stores

## SELECTED S GROUP DATA 1930–2002

Year	Cooperatives	Members	S Group Business Outlets			
			Retail Outlets	Service Operations <sup>1</sup>	Production Plants	Total
1930	423	225 367	2 406	79	85	2 570
1940	368	295 224	2 999	186	146	3 331
1950	376	484 011	4 074	273	165	4 512
1960	364	488 268	5 483	355	125	5 963
1970	274	572 610	4 220	557	70	4 847
1975	220	674 701	3 476	644	58	4 178
1980	202	682 651	2 801	504	38	3 343
1981	193	666 957	2 548	464	35	3 047
1982	183	661 295	2 405	436	34	2 875
1983	178	645 564	2 316	422	30	2 768
1984	92	636 354	2 208	325	30	2 563 <sup>2</sup>
1985	82	637 248	1 790	277	26	2 093
1986	81	616 262	1 586	274	26	1 886
1987	79	610 638	1 453	273	24	1 750
1988	77	591 345	1 340	276	19	1 635
1989	76	573 642	1 228	288	17	1 533
1990	67	542 455	1 071	302	16	1 389
1991	57	459 247	908	296	15	1 219
1992	47	418 990	838	288	12	1 138
1993	46	403 631	929	286	7	1 222
1994	46	429 325	916	268	6	1 190
1995	44	479 087	922	263	6	1 191
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
1999	44	763 282	952	255	2	1 209
2000	43	854 043	937	238	2	1 177
2001	43	987 037	967	247	2	1 216
2002	43	1 078 649	978	243	1	1 222

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



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