Board of Directors' Report and Financial Statements

1 Jan. – 31 Dec. 2022

Board of Directors’ Report 1 Jan. – 31 Dec. 2022

General

Our operating environment was turbulent in 2022. The most acute phase of the coronavirus pandemic began to weaken, and Russia invaded Ukraine in February. The year was characterised by an unprecedented rise in production costs at farms and in the food industry, as well as high inflation in general.

Distinguished by nearly 120 years of history, Valio has continued to prevail in even uncertain times. Our strengths include smooth decision-making, anticipation and preparedness, and skilled staff.

Valio is owned by some 3 700 dairy farms through co-operatives, and the company’s main purpose is to pay the best possible return to its owners.

Dairy farms faced an extremely difficult year, as the prices of fertilisers, energy, and animal feed in some cases multiplied. Problems also arose regarding the availability of several production inputs. Valio’s costs increased drastically, too, for instance due to the rise in energy prices. In these difficult circumstances, Valio was nevertheless able to enhance its operations, implement cost savings, and absorb higher costs into its product prices. The global market prices were also favourable. Consequently, we generated a record-high milk return, and were able to raise the price paid for raw milk to dairy co-operatives by a total of around 36 per cent. This was a major achievement in very challenging market conditions. All production plants operated as per normal throughout the year, and supply performance was at a good level.

Valio Group net sales stood at EUR 2 236 million (2021: EUR 1 934 million), up 15.6% on 2021. Domestic net sales increased by 17.6 per cent, and international net sales by 12.4 per cent. Part of the growth is explained by the acquisition of Heinon Tukku Oy in summer 2021, whose net sales were included in the figures for the second half of 2021. The milk margin amounted to EUR 1 008 million (EUR 862 million), and the milk return stood at 52.5 cents per litre (43.7 c/l).

Valio Ltd took in 1 682 million litres of raw milk in Finland, 42 million litres less than in the previous year. The average price paid for raw milk was 52.1 cents per litre (42.3 c/l). The price included after payments to dairy co-operatives for 2022. A total of EUR 883 million (EUR 736 million) was paid to the owners, comprising the raw milk price, after payments, dividends, and interest. Valio Group net profit totalled EUR 26 million (EUR 37 million).

Valio’s vision is to be a trailblazer in innovative solutions and brands in the dairy and food industries. Business operations focused on milk in the domestic market is our strongest strategic area, and we will continue to further its development. Another important strategic focus is ingredients and solutions that generate value added for our industrial customers, through which we seek growth globally, for example in Asia. We are also targeting international markets with plant-based products.

In Finland, we increased our market share in, for example, snack products, cheeses, and plant-based products. We extended product families, such as Valio

Herkku yoghurts and Valio PROfeel® snacks, and introduced new sliced cheese products.

We developed new, innovative baking and cooking products designed to make everyday life easier – using both milk and plant-based ingredients. New flavours were added to the Oddlygood® gurt and Oddlygood® Barista product ranges, and we launched vegan Oddlygood® Dreamy Desserts.

Net sales from Valio's international operations totalled EUR 832 million (EUR 740 million).

The global market prices of international industrial products, such as industrial butter and skim milk powder, continued to increase in early 2022 and reached an exceptionally high level. They peaked in the spring and then began to fall. Uncertainties in the global economy, and in China in particular, as well as widespread inflation cut global demand for butter and milk powder.

Investments in value added ingredients continued. The sales of both lactose free Valio Eila® and organic milk powders increased.

In China, net sales denominated in euros increased by 28 per cent compared with 2021. The growth originated mainly in the rise in market prices of basic products, such as skim milk powder and whey powder. We also launched a new whey-based value-added powder that we sold first in China. The operating environment continued to be challenging for baby foods, as strict restrictions due to the coronavirus affected many companies operating in the Chinese market, and sales decreased.

In the US, net sales denominated in euros increased by 19 per cent. Our core business, Finlandia cheeses and butter, developed favourably. In Sweden, net sales denominated in euros increased by 17 per cent. Growth was generated by lactose free milk drinks, cooking products, and yoghurts, as well as Valio PROfeel® and Oddlygood® products. Net sales in Estonia increased by 29 per cent with growth in all categories.

Valio implemented its strategy effectively during the year. In summer 2021, we acquired wholesale business Heinon Tukku Oy, renamed Valio Aimo® in January 2022. The coronavirus pandemic loosened its grip in the summer, and eating out increased.

At the beginning of 2022, Mandatum Asset Management became a minority shareholder in Oddlygood Global Oy. Growth financing will accelerate internationalisation. Oddlygood® net sales increased by 21 per cent on the previous year. New records were set for market share in Sweden, Finland, and the Baltics States, and Oddlygood® was launched in Poland.

As part of our strategy we continuously evaluate new business opportunities. In February, we founded Suomen Lantakaasu Oy in collaboration with energy company St1 Oy. The joint venture is part of the practical implementation of our climate programme. In December, the Finnish Ministry of Economic Affairs and Employment proposed funding of EUR 19.2 million towards the construction of Finland's biggest biogas liquefaction plant in Kiuruvesi. The subsidy is conditional on approval from the European Commission.

In March, we announced that Valio was buying the Gold&Green brand, as well as the intellectual property and R&D operations of Gold&Green Foods Ltd Oy, from food company Paulig. Valio aims to hold an even stronger position in the growing plant protein markets. In the autumn, we launched new Gold&Green products and relaunched Nyhtökaura.

Russia’s invasion of Ukraine in February made it ethically and economically impossible for Valio to continue operating in Russia. At the end of April, Valio completed negotiations on selling its Russian operations to Velkom Group. The sale was implemented immediately and Valio’s operations in Russia terminated. The sale included Valio’s Russian business operations and the processed cheese plant in Ershovo. The Viola® processed cheese brand, produced and sold only in Russia, was also included in the sale. Russian net sales accounted for around five per cent of Valio’s total net sales. Valio exports products to some 60 countries around the world, so we have spread the risk across different markets. Russia’s significance to Valio’s business operations was therefore not as great as in 2014, when exports to Russia were halted due to the invasion of Crimea and subsequent sanctions imposed by the EU and counter sanctions by Russia.

As a result of Russia’s war of aggression, energy prices rose and concerns emerged on energy availability in Europe. Valio incurred substantial added costs due to those rising prices, as our plants consume a lot of heat and electricity.

Part of our risk management practice involves a group of Valio experts producing for the management an overview of the energy conditions, and devising measures to reduce attached risk. We also engage in frequent dialogue with the authorities and decision-makers relating to the availability of energy and to preparation. In the autumn, we rehearsed procedures to be followed in case of a power cut, investigated readiness for the availability of critical ingredients and materials, and supported preparations at the dairy farms.

Energy efficiency improvement is another important issue. The biggest energy efficiency investment in Valio’s history was completed at the Lapinlahti plant. The new flue gas condenser decreases energy consumption by more than 10 per cent.

In 2022, we started a new programme set to run to 2025 on the improvement of financial performance, where we will, for example, look for new cost-conscious ways of working and focus on aspects such as reducing any wastage of time.

Changes in group structure

Heinon Tukku Oy ceased operations as a separate company, and its business operations were divided into two companies at the beginning of 2022. Valionova tukku- ja logistiikkapalvelut Oy comprising supply and wholesale operations remained a wholly-owned Valio subsidiary, and the other operations were merged into Valio Ltd. In January, Mandatum Asset Management became a minority shareholder in Oddlygood Global Oy, which went on to establish its first subsidiaries in the United States, Estonia, and Sweden in late 2022. All Valio operations in Russia were sold to Velkom Group in April, and on conclusion of the sale, Valio’s business operations in Russia were terminated in full. Valio and energy company St1 Oy founded the joint venture Suomen Lantakaasu Oy in February.

Shareholders and share capital

Valio Ltd has 13 shareholders, the same number as in the previous year. The share capital of Valio Ltd stands at EUR 166 127 400, and Valio Ltd shares number 48 861. They are all of the same type and confer identical rights to dividends and the company's assets, with the exception that dividends can be partially distributed to Valio's procurement co-operatives in proportion to their supplied milk volumes. The shares carry a redemption clause.

Risk management

As an international food industry player, Valio's business operations are affected by the global operating environment and milk market, as well as domestic demand and competition. As a significant raw milk processor and food product manufacturer and distributor, the continuity of business operations, processes and information systems are of key importance, enabling us to ensure a high level of supply performance to customers every day. At the same time, Valio contributes to securing Finland's national emergency supply in various exceptional conditions.

Product safety and quality lie at the heart of risk management, and if they fail, the risk is personal damage caused by products, and possible liability risks for both consumers and Valio's customer companies. The goal for occupational safety is zero accidents. Reputational risk that damages the Valio brand is also associated with the risk factors.

Russia's war of aggression in Ukraine increased the instability of the general operating environment, especially regarding the prices and availability of energy, but cyber threats also became more common. Given the extensive sanctions imposed against Russia, the obligation to identify customers and suppliers has grown. Furthermore, high inflation and the rise of interest rates caused uncertainty among consumers. The continuing shortages of microchips and shipping containers, growing political tensions, and extreme weather phenomena will increase supply chain risks. Despite the continuing coronavirus pandemic, Valio has been able to maintain its supply performance at a high level throughout the crisis.

Different areas of sustainability ranging from global warming prevention to animal well-being are important to Valio and part of our continuing work. Consumers are increasingly demanding more alternatives to foods of animal origin. This will lead to growth in the market for plant-based products, where Valio has a strong presence. Valio's ambitious goal is to cut the carbon footprint of its milk to zero by 2035, and a comprehensive climate programme is advancing to that end.

The key goal of Valio's risk management is to identify, evaluate and manage the risks that threaten the company's goals for its business operations. That is the responsibility of the business operation units supported by the Risk Management Office. The risks are classified as strategic, operative, financial, and compliance.

The Risk Management Office administers Valio Ltd's non-life insurance policies and insurance programmes covering the whole Group. It also guides insuring in subsidiaries. Valio insures against risks that would significantly impact the Group's operating capacity. The scope of insurance cover and sufficient insured amounts are continuously evaluated, for example in conjunction with the risk mapping of Valio locales, taking the Valio Group level perspective into account. The focal points were, in particular, cyber threats and the continuity of business operations. In 2021, insurance renewals were implemented successfully despite the tightening insurance markets.

Research and development

Valio launched a total of 66 new products in 2022 (2021: 93) in Finland, as well as new products in other markets. No new patent applications were filed in 2022 (2021: 3). The Gold&Green® R&D team joined Valio R&D in 2022.

R&D and quality control costs totalled EUR 30.0 million (EUR 34 million), or 1.3% (1.7%) of net sales.

Personnel

The number of employees in Valio Group in 2022 changed considerably as of April, when the Russian business operations were sold to Velkom Group and the personnel of Valio Russia transferred to Velkom Group as a result. There was a small change in the parent company's personnel structure following the acquisition of Heinon Tukku Oy, as wholesaler Valio Aimo® was partially integrated into Valio Ltd on 31 January 2022. Heinon Tukku Oy ceased operations as a separate company, and its business operations were divided into two companies at the beginning of 2022. Valionova tukku- ja logistiikkapalvelut Oy comprising supply and wholesale operations remained a wholly-owned Valio subsidiary, and the other operations were merged into Valio Ltd.

The average number of employees in Valio Group in 2022 was 4 457 (2021: 4 518), and at the end of the financial year the number stood at 4 256 (4 586). On average, 3 472 (3 317) employees worked in Finland and 717 (1 028) in foreign subsidiaries. Valionova Tukku- ja Logistiikkapalvelut Oy, the Finland subsidiary of significant size, had on average 246 employees (1 February – 31 December 2022).

Of the foreign subsidiaries, the highest number of staff was found in Estonia, on average 452 (481), and early in the year also in Russia, averaging 408 (429). At the end of the financial year, the number of employees in Estonia stood at 454 (448).

Personnel distribution by gender in 2022 was 55% male and 45% female (54% and 46%). The average age of employees in 2022 was 42 years (42 years).

The salaries and other remunerations paid by Valio Group in 2022 amounted to EUR 215 million (EUR 202 million). Pension costs for the year stood at EUR 25 million (EUR 23 million).

From the employees' perspective, 2022 was the third exceptional year resulting from the coronavirus pandemic, and Russia's invasion of Ukraine also caused significant changes in the operating environment. The unique conditions required flexibility from Valio employees in both on-site and remote working. The personnel in all countries where Valio operates, regarding both on-site and remote working, did very well to implement Valio's strategy and secure operations.

Environmental protection

Valio's environmental system is certified in accordance with the ISO 14001 standard, and covers the company's operations in Finland and Estonia. No significant deviations from environmental legislation or the requirements of the authorities have been detected in the internal audits that are part of Valio's environmental system, or in inspections conducted by an external auditor.

Significant environmental impacts of Valio operations are caused by the waste water load resulting from production wastage, water and energy consumption as a downside of maintaining a high level of hygiene, and waste management of spent packages.

Capital expenditure during the financial year targeted at the reduction of environmental impacts amounted to EUR 2.3 million in Finland, and environmental costs recorded as expense totalled EUR 13.1 million. The most significant single investment related to the management of environmental impacts was the purchase of a flue gas condenser for the heating plant in Lapinlahti. The decisions on amendments to environmental permits related to the document delineating Europe-wide environmental protection regulations for the food industry, published at the end of 2019, were issued to Valio in 2022. The amendments to permits were issued in accordance with the BAT conclusions. In some powder drying units, practical studies on conforming to the new permitted limits to be applied as of the end of 2023 are ongoing.

Valio Group's total energy consumption in 2022 stood at 791 GWh, waste water volume was 6.0 million cubic metres, and the waste water load directed at water purification plants was 9 640 tonnes calculated in terms of chemical oxygen demand (COD). Compared with the previous year, energy consumption decreased slightly, waste water volume by 1.4 per cent, and the waste water load by 4.4 per cent. The figures do not include the environmental data for Valio's Russian operations for the period 1 January – 25 April 2022. Based on the information for 2021 as a whole, the Russian operations accounted for around 1.5% of Valio Group's energy consumption, and around 1% of the total waste water volume and load.

The Science Based Targets set by Valio with regard to climate were approved in spring 2021. According to the targets, the greenhouse gas emissions of milk production per litre of raw milk taken in will be halved by 2030 compared with 2019. Furthermore, the goal is to halve the energy use emissions from the plants in total, and cut the emissions from milk collection logistics by one-third in the same timeframe. Valio participated for the fourth time in CDP evaluation (evaluation of the environmental programmes and measures taken by companies by an independent party). The result (A-F) improved in several categories, but the overall score remained in the second-best class (B).

Valio continued training dairy farmers in carbon farming in 2022, more extensively as the coronavirus pandemic eased, and the training has now been provided at around 1 100 farms. Carbon farming is practised on nearly 100 000 hectares of farmed land at Valio dairy farms. Training in the application of the Valio Carbo® Farm Calculator continued throughout the year. A total of nearly 2 000 farms calculated the carbon footprint of their own production, which accounts for around 60% of Valio's total milk procurement. The model used as the basis for the Valio Carbo® calculator was developed further together with the Natural Resources Institute Finland and Atria Plc. Based on discussions held in autumn 2022, it is now certain that the Valio Carbo® Farm Calculator will become the national standard in carbon footprint calculation for cattle farming in Finland.

Suomen Lantakaasu Oy was entered into the Finnish Trade Register in early 2022 as a joint venture between Valio and energy company St1 Oy. The new company started work immediately, and planning for its first production plant, in the Upper Savo region, continued throughout the year. In late 2022, the Finnish Ministry of Economic Affairs and Employment proposed an investment subsidy of around 19 million euros for the project. In a hybrid model for biogas production, the central plant (digestor unit and gas liquefaction unit) will be built in Kiuruvesi, and satellite plants are planned for different parts of Upper Savo, from which the gas will be transported in containers to the central plant for liquefaction. It is intended that the investment decision will be made in 2023, pending environmental and building permits, and production is due to start in 2026. Other areas were mapped in 2022, too, for hybrid production in different parts of Finland.

Valio is involved in a number of research and development projects studying emission reductions and carbon sequestering in farmland. In 2022, Valio joined two EU project consortiums that study the mitigation of the climate impacts of methane generated by cows in cattle sheds, using various catalytic techniques. In our CARBO project, the soil carbon balance was measured at a total of ten measurement points at four Valio dairy farms. In addition, nitrous oxide measurements commenced at two dairy farms. The carbon balance was measured at several research farms within other projects. The data gathered will be employed to develop carbon sequestration modelling. A feed additive to reduce the methane emissions from bovine digestion was successfully piloted at three dairy farms in early 2022. Its use is being expanded to cover nearly 50 dairy farms in early 2023.

More detailed environmental information on operations in Finland is published as part of the Sustainability Report on Valio Ltd's website.

Net sales

Consolidated net sales amounted to EUR 2 236 million (EUR 1 934 million) and domestic net sales stood at EUR 1 404 million (EUR 1 194 million). Net sales from international operations totalled EUR 832 million (EUR 740 million). Valio Ltd net sales totalled EUR 1 944 million (EUR 1 536 million).

Capital expenditure

Consolidated investments totalled EUR 55 million (EUR 56 million), or 2.5% (2.9%) of net sales.

The most significant investments were in improving energy efficiency and making changes in heat production in Finland and Estonia, and increasing plant-based product capacity in Turenki and pudding product capacity in Seinäjoki. The renovation of maturation cellars for AURA® cheese started in Äänekoski. In addition, production equipment and IT systems were replaced and product ranges and packages redesigned in Finland and Estonia.

Furthermore, Valio acquired intellectual property rights related to the Gold&Green® brand and technology.

Finance

Both Group and parent company liquidity remained good throughout the financial year. Cash in hand and at banks, and short-term investments, totalled EUR 235 million (EUR 245 million) at the year-end. The value of inventories stood at EUR 254 million at the end of the financial year and EUR 210 million at the beginning. During the financial year, the rise in the general cost level increased the amount of capital tied to stocks. Interest-bearing liabilities totalled EUR 325 million at the end of the financial year and EUR 380 million at the beginning. Loans from financial institutions decreased by EUR 57 million. Of loans from financial institutions, short-term loans stood at EUR 30 million (EUR 111 million) and long-terms loans at EUR 210 million (EUR 185 million). The parent company has at its disposal binding lines of credit totalling EUR 110 million (EUR 110 million). Net financing expenses amounted to EUR 7 million (EUR 7 million exuding the reduction in value of investments), or 0.3% (0.4%) of consolidated net sales.

Valio Ltd has a capital loan, in accordance with Section 12 of the Limited Liability Companies Act, totalling 58 826 800 euros. Of that amount, 30 000 000 euros is capital loan recorded under shareholders' equity, in accordance with Chapter 5, Section 5c of the Finnish Accounting Act. The share of capital loans recorded in shareholders' equity has no due date. Interest is paid once a year. The share of capital loans recorded in liabilities, 28 826 800 euros, comprises loans with a due date that shall be paid as a lump sum on their due date. Interest is paid once a year. The principal and interest on the loans shall be repaid at a lower priority than debts to other creditors, were the company to be placed in liquidation or declared bankrupt. The principal may otherwise only be returned and interest paid to the extent that the total of the company's non-restricted shareholders' equity and all capital loans exceeds the amount of loss confirmed for the company's most recent financial year or included in more recent financial statements at the time of payment. No security shall be given for the payment of the principal or interest. If interest cannot be paid, it shall be transferred for payment on the basis of the first such financial statements that allow its payment. No unpaid interest not entered as cost has accrued for the loans.

Financial performance

Consolidated profit before taxes was EUR 38 million (EUR 48 million). Net taxes for the financial year totalled EUR -14 million (EUR -12 million). Net profit for the financial year stood at EUR 26 million (EUR 37 million).

Parent company profit before taxes and appropriations stood at EUR 62 million (EUR 29 million). Income taxes for the financial year totalled EUR -16 million (EUR -8 million). Parent company net profit for the financial year stood at EUR 59 million (EUR 22 million).

The Valio Group milk margin stood at EUR 1 008 million (EUR 862 million) and the milk return at 52.5 cents per litre (43.7 c/l).

Year 2023

Year 2023 is continuing to progress along the guidelines of Valio's strategy. Our goal is that strategic projects will generate new growth, improve operational efficiency, and enhance profitability in the coming years.

The Suomen Lantakaasu Oy biogas plant project will put the plant's construction out to tender, and more detailed planning is starting. The project will proceed to the investment decision stage once, for example, environmental and building permits have been granted. The goal is for the plant to start operating in 2026.

The operating environment is still unstable. Russia continues its attacks in Ukraine, and, in addition to the human suffering, the war is impacting global markets for both energy and food. The market prices of industrial products in particular have fallen considerably in early 2023.

There has to date been sufficient electricity, heat, and fuel available in Europe. The early spring temperatures will affect energy sufficiency, and whether controlled power cuts have to be implemented in Finland. We have rehearsed procedures to be followed in case of a power cut, in order to minimise any damage.

IMF forecasts indicate that global economic growth will slow in 2023. Consumer confidence has hit a record low in Finland, though inflation is expected to fall.

Dairy farm expenses rose at an unprecedented pace in 2022. At the end of 2022, the prices of many agricultural factors of production began to fall, and based on grain futures the markets expect the price of grain to be lower in 2023 than 2022. The outlook for expected costs is, however, extremely uncertain.

Valio’s main purpose is to pay the best possible return to its owners, i.e. dairy farms through the co-operatives. In commercial negotiations with retailers, important factors in addition to the prices of dairy products include volumes and the scope of the product range. The result is determined by the balance between these, and consumer demand. The retail trade makes consumer pricing decisions independently.

Valio is renewing the dairy farm sustainability programme in May. In the future, dairy farms will be able to receive a higher price for their milk based on grazing and opportunities for cows to stay outdoors, farming that supports biodiversity, and work aimed at reducing the carbon footprint of the farm. The reform is significant for agriculture overall in Finland, as around 80 per cent of the milk produced in the country is covered by Valio’s sustainability programme.

The Board of Directors’ proposal on the distribution of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of 3.33% on the nominal value of the shares be declared, or EUR 113.22 per share, totalling EUR 5 532 042.42.

Valio Group five-year statistics

	2022	2021	2020	2019	2018
Milk volume taken in from owners, mill. L	1 682	1 723	1 807	1 792	1 821
Sum paid to owners, MEUR [1]	883	736	747	722	722
Price paid for milk to the co-operatives by Valio, per litre total cents [2]	52,1	42,3	40,9	39,9	39,2
Net sales, MEUR	2 236	1 934	1 808	1 787	1 734
Change %	15,6	7,0	1,2	3,0	1,5
- Domestic, MEUR	1 404	1 194	1 062	1 071	1 065
Change %	17,6	12,4	-0,9	0,6	0,5
- International operations, MEUR	832	740	746	715	669
Change %	12,4	-0,7	4,3	6,9	3,0
Net sales/milk litre taken in from owners, €/l	1,33	1,12	1,00	1,00	0,95
Average no. of personnel	4 457	4 518	4 246	4 256	4 259
Wages and salaries, MEUR	215	202	187	187	181
R&D expenditure, MEUR	18	22	16	16	17
Book profit, MEUR	26	37	37	33	-25
Balance sheet total, MEUR	1 328	1 309	1 171	1 122	1 150
Stocks, MEUR	254	210	178	180	171
Investments, MEUR	55	56	61	64	62
Depreciation according to plan, MEUR	90	89	85	89	92
Equity assets ratio, %	49	48	50	48	44
Milk margin, MEUR [3]	1 008	862	861	838	800
Milk return, c/l [4]	52,5	43,7	41,5	41,2	38,4

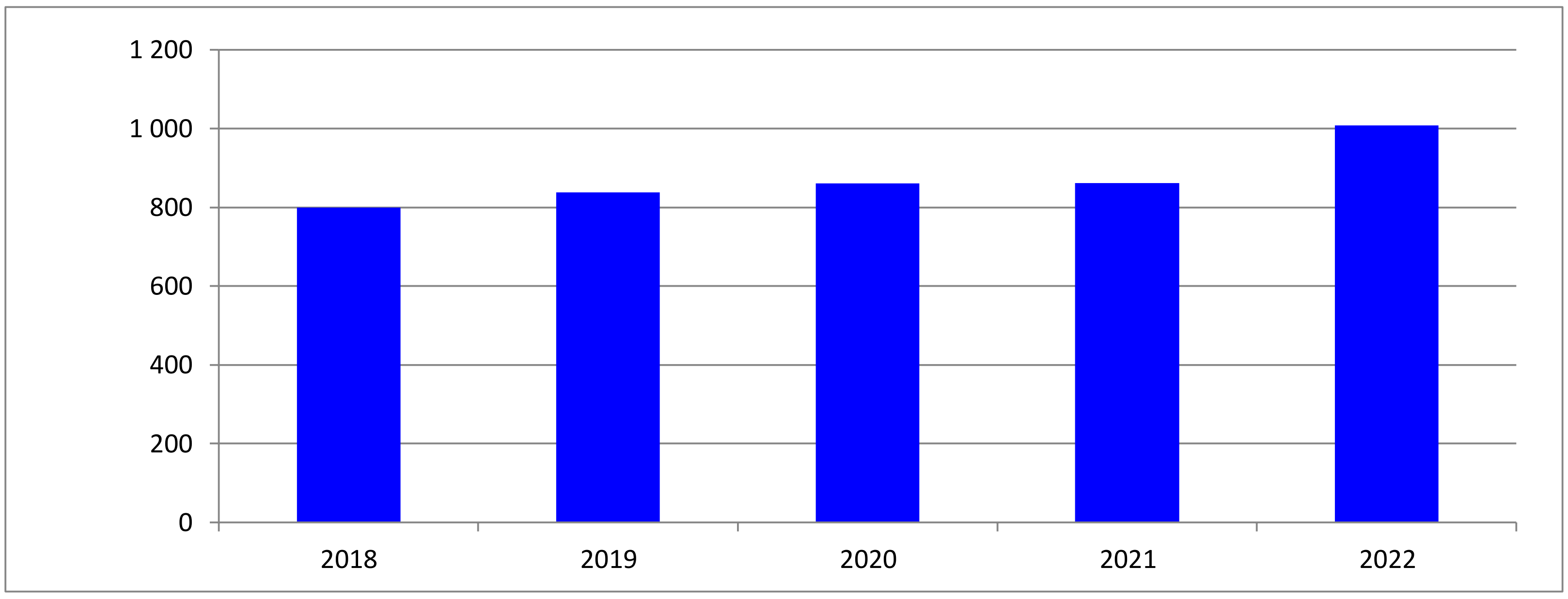
[1] Comprising the raw milk price, after payment, dividend and interest.

[2] Includes the basic price, and extra payments according to composition and quality; extra payments for organic milk; after payment

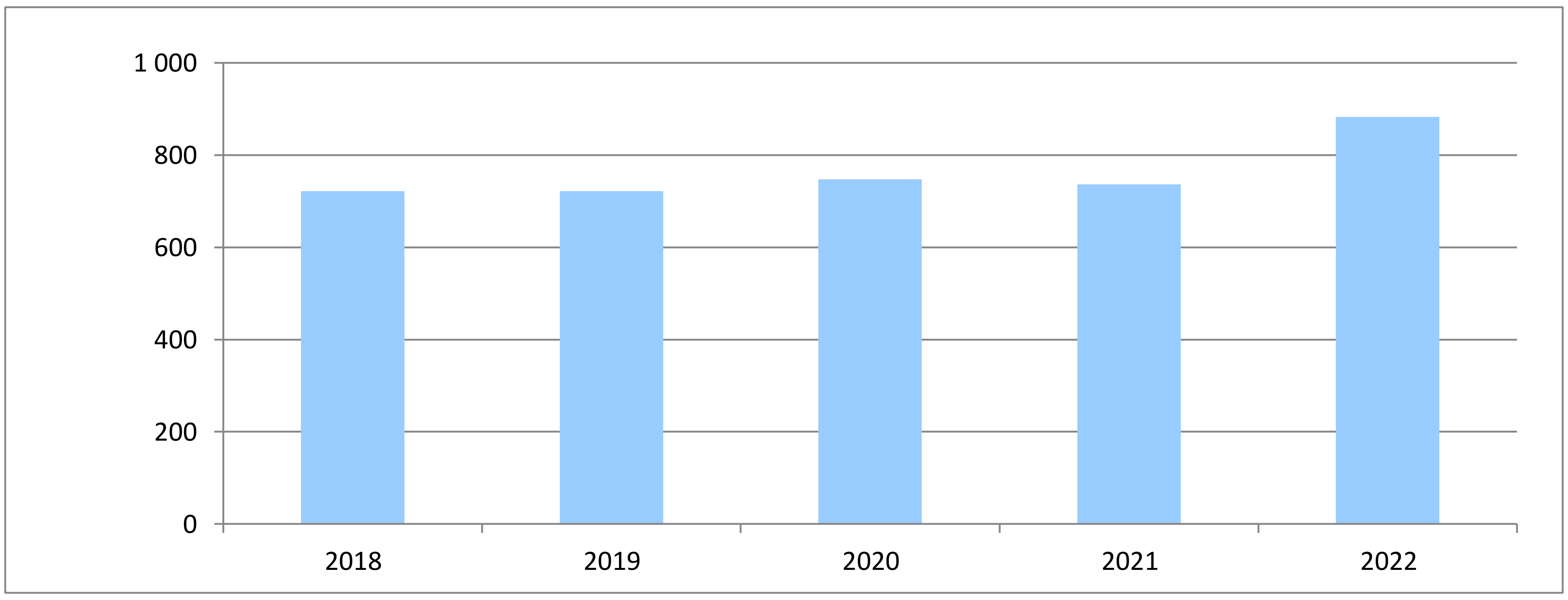
[3] Net sales less all other costs excluding the price paid to the co-operatives for raw milk, interest on shareholder loans, depreciation according to plan, supplementary payments to the pension fund, pension contribution refunds, and items not included in actual business operations, such as sales gains from sales of business operations, provisions, sales gains and losses from real estate sales, write-offs of non-current assets, costs arising from acquisitions of companies and business operations, and subsidiaries' minority interest of the profit. The milk margin includes Valio Ltd's taxes, with the tax share of the net profit corresponding to the amount of the average dividend percentage from the share capital, and taxes of subsidiaries. Taxes also include the cost effect of direct taxes resulting from depreciation deficit.

[4] Milk margin less estimated required financing for investments, and the figure is divided by the milk volume taken in from the owners of Valio Ltd.

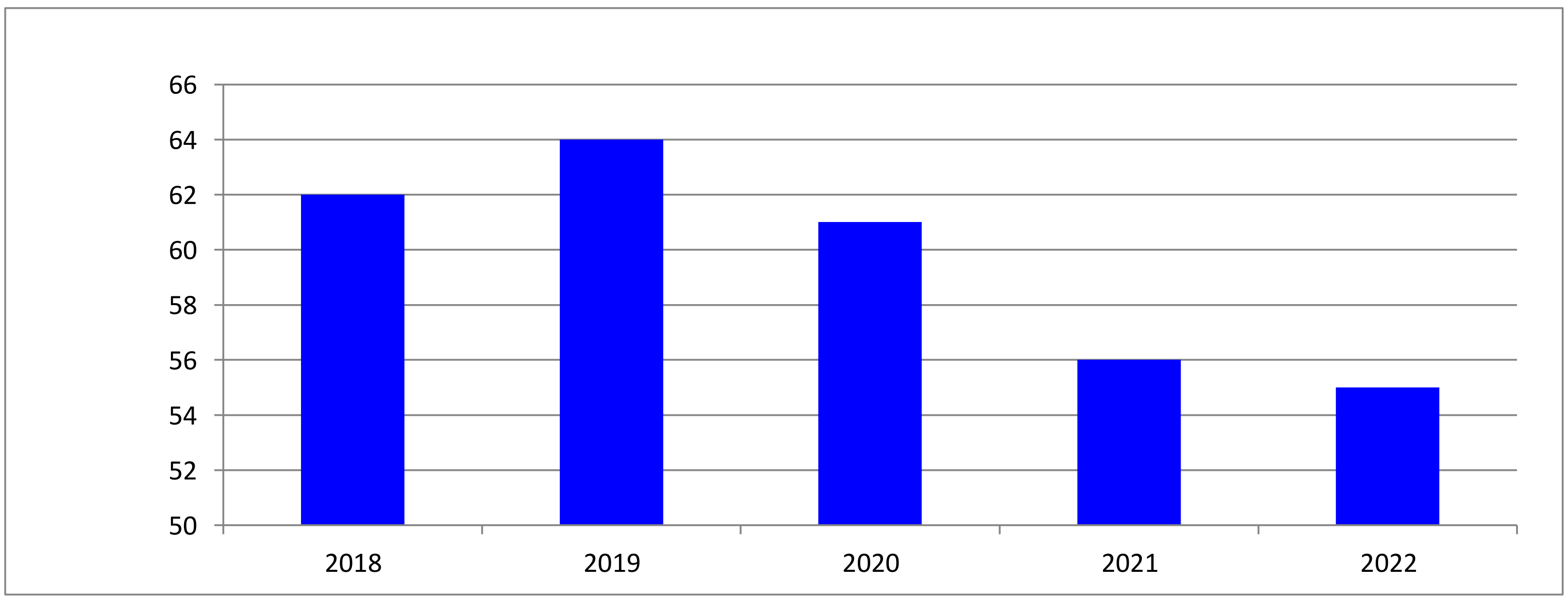
Valio Group milk margin, MEUR



Payments to owners, MEUR



Valio Group investments, MEUR



Consolidated Income Statement

	2022	2021
Net sales	**2 236 175**	1 934 274
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	**51 204**	13 408
Production for own use	**615**	463
Other operating income	**35 655**	32 302
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	**1 478 208**	1 206 955
Increase (-) / decrease (+) in stocks	**-4 563**	-4 799
External services	**21 745**	19 423
	-1 495 390	-1 221 579
Staff expenses		
Wages and salaries	**214 621**	202 308
Social security expenses		
Pension expenses	**24 967**	22 603
Other social security expenses	**14 319**	13 599
	-253 907	-238 510
Depreciation and amortisation		
Depreciation according to plan	**86 782**	86 407
Amortisation from assets held as non-current assets	**179**	1 202
Depreciation of consolidation goodwill	**2 916**	1 458
	-89 877	-89 067
Other operating expenses	**-439 825**	-365 041
Operating profit/loss	**44 650**	66 250
Financial income and expenses		
Other interest and financial income		
From others	**2 461**	1 080
Share of profit of associated companies	**24**	128
Reduction in value from investments held as non-current assets	**-10**	-10 400
Interest and other financial expenses		
To others	**-9 249**	-8 618
	-6 774	-17 810
Profit/loss before appropriations and taxes	**37 876**	48 440
Income taxes		
Income taxes	**-17 809**	-12 027
Deferred taxes	**3 671**	488
	-14 138	-11 539
Minority interest of the profit for the financial year	**-2 654**	-
Net profit/loss for the financial year	**26 392**	36 901

All figures in EUR '000s.

Consolidated Cash Flow Statement

	2022	2021
Cash flow from operations		
Operating profit	**44 650**	66 250
Adjustments		
Depreciation and amortisation	**89 877**	89 067
Changes in provisions	**3 111**	31
Other adjustments	**1 227**	-2
Cash flow before change in working capital	**138 865**	155 346
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	**-34 105**	-5 669
Increase (-) / decrease (+) in stocks	**-43 833**	-32 178
Increase (+) / decrease (-) in current non-interest-bearing debts	**31 631**	42 207
Cash flow from operations before financial items and taxes	**92 558**	159 706
Interests and expenses paid for other financing costs of operations	**-9 933**	-8 625
Dividends received	**1**	75
Interest and other financial income received	**2 371**	1 099
Direct taxes paid	**-8 929**	-12 377
Cash flow from operations	**76 068**	139 878
Cash flow from investments		
Capital expenditure in tangible and intangible assets	**-52 922**	-56 332
Investment subsidies received	**361**	1 070
Proceeds from sale of tangible and intangible assets	**68**	311
Capital expenditure in investments	**-1 000**	-75 403
Proceeds from sale of investments	**5**	-
Repayment of loan receivables	**-169**	55
Other	**23 315**	4 667
Cash flow from investments	**-30 342**	-125 632
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	**4 128**	-5 815
Proceeds from non-current financing	**75 200**	128 766
Repayment of non-current financing	**-130 149**	-81 089
Dividends paid	**-4 984**	-4 984
Cash flow from investments	**-55 805**	36 878
Change in liquid assets	**-10 079**	51 124
Liquid assets at beginning of financial year	**244 852**	193 728
Liquid assets at end of financial year	**234 773**	244 852

Liquid assets include cash in hand and at banks, and short-term investments in securities:

	31.12.2022	31.12.2021
Short-term investments in securities	**78 812**	-
Cash in hand and at banks	**155 961**	244 852
Liquid assets in cash flow statement	**234 773**	244 852

All figures in EUR '000s.

Consolidated Balance Sheet

ASSETS	31.12.2022	31.12.2021
Non-current assets		
Intangible assets		
Intangible rights	**7 137**	2 874
Goodwill	**7 509**	9 110
Consolidation goodwill	**68 621**	71 537
Other intangible assets	**15 542**	15 819
	98 809	99 340
Property, plant and equipment		
Land	**24 801**	28 167
Buildings and constructions	**255 356**	283 558
Machinery and equipment	**203 194**	229 282
Other tangible assets	**867**	1 125
Advance payments and construction in progress	**29 440**	21 027
	513 658	563 159
Investments		
Shares in associated companies	**2 196**	1 173
Other shares and interests	**2 515**	2 524
	4 711	3 697
Current assets		
Stocks		
Raw materials and supplies	**45 744**	47 538
Work in progress	**9 709**	7 979
Finished goods	**195 152**	151 917
Other stocks	**3 542**	3 043
Prepayments	**163**	-
	254 310	210 477
Receivables		
Non-current receivables		
Loan receivables	**1 626**	1 457
Other receivables	**213**	226
Deferred tax receivable	**230**	581
	2 069	2 264
Current receivables		
Trade receivables	**172 123**	149 156
Deferred tax receivable	**2 197**	958
Other current receivables	**37 229**	25 306
Accrued income and prepaid expenses	**7 658**	9 682
	219 207	185 102
Short-term investments in securities		
Other securities	**78 812**	-
Cash in hand and at banks	**155 961**	244 852
Total assets	**1 327 537**	1 308 891

All figures in EUR '000s.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2022	31.12.2021
Shareholders' equity		
Share capital	**166 128**	166 128
Other reserves		
Other reserves	**5 984**	5 984
Translation differences	**-27 867**	-32 922
Capital loan	**30 000**	30 000
Retained earnings/losses	**449 698**	417 781
Net profit/loss for the financial year	**26 392**	36 901
	650 335	623 872
Minority interest	**15 610**	-
Provisions		
Other provisions	**1 181**	501
Liabilities		
Non-current liabilities		
Capital loan	**28 827**	13 627
Loans from financial institutions	**209 644**	185 333
Deferred tax liability	**31 108**	33 510
Other liabilities	**37 654**	56 592
	307 233	289 062
Current liabilities		
Loans from financial institutions	**30 289**	111 389
Advances received	**644**	1 268
Trade payable	**198 489**	172 040
Current liabilities to participating interests	**381**	436
Deferred tax assets	**-**	9
Other liabilities	**45 379**	40 250
Accrued expenses and deferred income	**77 996**	70 064
	353 178	395 456
Total shareholders' equity and liabilities	**1 327 537**	1 308 891

All figures in EUR '000s.

Parent Company Income Statement

	2022	2021
Net sales	**1 944 175 496,12**	1 536 038 187,28
Increase (+) / decrease (-) in stocks of finished goods and work in progress	**33 969 456,74**	5 332 806,88
Production for own use	**615 136,11**	463 262,86
Other operating income	**47 893 841,47**	36 849 809,06
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	**1 266 956 277,57**	937 707 779,86
Increase (-) / decrease (+) in stocks	**-4 406 852,27**	-5 115 179,00
External services	**33 953 754,58**	14 154 999,57
	-1 296 503 179,88	-946 747 600,43
Staff expenses		
Wages and salaries	**183 585 553,57**	170 281 543,31
Social security expenses		
Pension expenses	**22 308 056,18**	18 870 795,43
Other social security expenses	**8 449 926,07**	7 707 143,79
	-214 343 535,82	-196 859 482,53
Depreciation and amortisation		
Depreciation according to plan	**-83 577 184,19**	-79 040 869,85
Amortisation from assets held as non-current assets	**-163 099,11**	-1 201 896,40
	-83 740 283,30	-80 242 766,25
Other operating expenses	**-363 421 179,98**	-308 065 672,28
Operating profit/loss	**68 645 751,46**	46 768 544,59
Financial income and expenses		
Income from other investments held as non-current assets		
From Group companies	**-**	75 000,00
From others	**401,10**	401,10
Other interest and financial income		
From Group companies	**2 591,17**	27 789,89
From others	**1 899 932,14**	610 354,81
Reduction in value from investments held as non-current assets	**-10 160,00**	-10 055 370,00
Interest expenses and other financial expenses		
To Group companies	**-164 056,72**	-
To others	**-8 808 054,42**	-8 645 373,95
	-7 079 346,73	-17 987 198,15
Profit/loss before appropriations and taxes	**61 566 404,73**	28 781 346,44
Appropriations		
Increase (-) / decrease (+) in depreciation difference	**12 282 271,45**	4 559 370,48
Group contribution received (+) and given (-)	**1 020 000,00**	-3 142 286,66
	13 302 271,45	1 417 083,82
Income taxes		
Deferred taxes	**-12 609,19**	-230 924,11
Income tax for the financial year	**-15 605 055,49**	-7 884 239,98
	-15 617 664,68	-8 115 164,09
Net profit/loss for the financial year	**59 251 011,50**	22 083 266,17

Parent Company Cash Flow Statement

	2022	2021
Cash flow from operations		
Operating profit	**68 646**	46 769
Adjustments		
Depreciation and amortisation	**83 577**	79 041
Changes in provisions	**3 087**	46
Other adjustments	**1 203**	-93
Cash flow before change in working capital	**156 513**	125 763
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	**-60 816**	10 583
Increase (-) / decrease (+) in stocks	**-37 241**	-11 659
Increase (+) / decrease (-) in current non-interest-bearing debts	**27 722**	10 106
Cash flow from operations before financial items and taxes	**86 178**	134 793
Interests and expenses paid for other financing costs of operations	**-9 646**	-8 652
Dividends received	**1**	75
Interest and other financial income received	**1 813**	629
Direct taxes paid	**-6 743**	-8 233
Cash flow from operations	**71 603**	118 612
Cash flow from investments		
Capital expenditure in tangible and intangible assets	**-47 749**	-48 915
Investment subsidies received	**361**	1 070
Proceeds from sale of tangible and intangible assets	**73**	30
Investments in shares of subsidiaries and associated companies	**-2 500**	-80 103
Transfer of shares of subsidiaries	**3 165**	-
Cash flow from investments	**-46 650**	-127 918
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	**40 197**	-5 815
Proceeds from non-current financing	**75 200**	128 766
Repayment of non-current financing	**-130 149**	-67 089
Amortisation of non-current financing	**5**	-
Dividends paid	**-4 984**	-4 984
Group contribution received	**1 001**	-
Cash flow from financing activities	**-18 730**	50 878
Change in liquid assets	**6 223**	41 572
Liquid assets at beginning of financial year	**202 448**	162 176
Liquid assets transferred in business reorganisation	**807**	-1 300
Liquid assets at end of financial year	**209 478**	202 448

Liquid assets include cash in hand and at banks, and short-term investments in securities:

	31.12.2022	31.12.2021
Short-term investments in securities	**78 812**	-
Cash in hand and at banks	**130 666**	202 448
Liquid assets in cash flow statement	**209 478**	202 448

All figures in EUR '000s.

Parent Company Balance Sheet

ASSETS	31.12.2022	31.12.2021
Non-current assets		
Intangible assets		
Intangible rights	**6 682 081,98**	2 569 984,84
Goodwill	**70 681 113,73**	-
Other intangible assets	**15 070 026,75**	14 123 448,16
Prepayments	**155 766,75**	-
	92 588 989,21	16 693 433,00
Property, plant and equipment		
Land	**21 731 233,25**	21 731 233,25
Connection fees	**2 961 849,12**	2 961 849,12
Buildings and constructions	**244 410 249,75**	265 657 211,12
Machinery and equipment	**184 037 834,02**	205 511 953,98
Other tangible assets	**156 760,36**	156 760,36
Advance payments and construction in progress	**26 742 004,85**	19 319 894,81
	480 039 931,35	515 338 902,64
Investments		
Shares in Group companies	**120 820 641,67**	194 363 109,09
Shares in associated companies	**1 594 660,80**	594 660,80
Other shares and interests	**2 515 134,58**	2 514 249,58
	124 930 437,05	197 472 019,47
Current assets		
Stocks		
Raw materials and supplies	**42 276 465,91**	38 455 571,82
Work in progress	**8 062 868,74**	6 777 627,23
Finished goods	**131 325 841,22**	87 000 034,84
Other stocks	**1 516 829,00**	930 870,82
Prepayments	**85 935,27**	-
	183 267 940,14	133 164 104,71
Receivables		
Non-current receivables		
Non-current receivables from Group companies	**1 523 600,00**	503 300,00
Other non-current receivables	**63 192,94**	63 192,94
	1 586 792,94	566 492,94
Current receivables		
Trade receivables	**119 232 676,50**	87 745 764,59
Current receivables from Group companies	**60 549 396,20**	48 766 330,66
Deferred tax assets	**212 057,17**	80 814,05
Other current receivables	**33 722 271,55**	20 914 184,48
Accrued income and prepaid expenses	**6 760 542,90**	6 922 071,46
	220 476 944,32	164 429 165,24
Short-term investments in securities		
Other securities	**78 812 424,13**	-
Cash in hand and at banks	**130 665 512,83**	202 447 742,16
Total assets	**1 312 368 971,97**	1 230 111 860,16

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2022	31.12.2021
Shareholders' equity		
Share capital	**166 127 400,00**	166 127 400,00
Other reserves		
Legal reserve	**5 984 101,53**	5 984 101,53
Capital loan	**30 000 000,00**	30 000 000,00
Retained earnings/losses	**229 993 422,61**	212 893 978,44
Net profit/loss for the financial year	**59 251 011,50**	22 083 266,17
	491 355 935,64	437 088 746,14
Appropriations		
Accumulated depreciation difference	**155 352 475,59**	167 179 629,84
Provisions	**1 060 285,80**	404 070,27
Liabilities		
Non-current liabilities		
Capital loan	**28 826 800,00**	13 626 800,00
Loans from financial institutions	**209 644 444,45**	185 333 333,34
Non-current liabilities to Group companies	**955 000,00**	955 000,00
Other liabilities	**37 560 932,47**	56 410 932,47
	276 987 176,92	256 326 065,81
Current liabilities		
Loans from financial institutions	**30 288 888,88**	111 388 888,88
Advances received	**3 509,90**	-
Trade payable	**181 408 540,74**	135 537 948,12
Current liabilities to Group companies	**67 897 999,43**	38 200 042,52
Current liabilities to participating interests	**380 892,47**	436 179,29
Other liabilities	**43 698 276,83**	35 771 325,41
Accrued expenses and deferred income	**63 934 989,77**	47 778 963,88
	387 613 098,02	369 113 348,10
Total shareholders' equity and liabilities	**1 312 368 971,97**	1 230 111 860,16

Notes to the Consolidated and Parent Company Financial Statements

ACCOUNTING PRINCIPLES

The consolidated financial statements include the parent company and the subsidiaries in which the parent company holds more than 50% of the voting rights, either directly or indirectly. Associated companies have been consolidated using the equity method.

The consolidated financial statements have been prepared using the acquisition method. All intercompany accounts and transactions have been eliminated.

The income statements of foreign Group companies have been translated into Finnish currency at the average exchange rate of the financial year, and balance sheets at the exchange rate on the closing day of the financial year. The exchange rate differences generated in the translation and the translation adjustments created in the translation of shareholders' equity of foreign subsidiaries are included in other reserves.

The figures for the comparison period of the financial statements have been corrected in net sales and other operating costs to correspond with the accounting principles for 2022. The excise taxes previously shown under net sales are reported as part of other operating costs.

Exchange rate differences resulting from a long-term loan granted to a foreign subsidiary which is comparable to an investment of shareholders' equity are recorded for the Group as translation difference of shareholders' equity.

Intangible assets and property, plant and equipment of non-current assets are recorded in the balance sheet at the acquisition cost less depreciation according to plan and reduction in value. Depreciation according to plan is calculated as straight-line depreciation on the basis of the useful life of the item. The depreciation plan is the same as in the previous year.

Depreciation and amortisation periods are:

Consolidation goodwill	25 years
Goodwill	20–25 years
Intangible rights and other capitalised long-term expenditure	5–10 years
Buildings and constructions	10–25 years
Machinery and equipment	5–20 years
Computer hardware and software	3–5 years
Transport equipment and some refrigeration equipment	3–15 years
Other intangible assets	5 years

Investments and non-current financial assets have been recorded in the balance sheet at the lower of acquisition price or fair value.

Liquid assets include cash in hand and cash at bank.

The company uses derivatives to hedge currency exchange risks. In the financial statements, open forward exchange contracts have been valued according to the precautionary principle. Unrealised negative changes in fair value are recorded as expenses for the financial year, while unrealised positive changes in fair value are not rendered as income.

The company has a capital loan, in accordance with Section 12 of the Limited Liability Companies Act, totalling 58,826,800 euros. Of that amount, 30,000,000 euros is capital loan recorded under shareholders' equity, in accordance with Chapter 5, Section 5c of the Finnish Accounting Act. The share of capital loans recorded in shareholders' equity has no due date. Interest is paid once a year. The rest of the capital loan, amounting to 28,826,800 euros, has a due date, and shall be repaid as a lump sum on the due date. Interest is paid once a year. The principal and interest on the loans shall be repaid at a lower priority than debts to other creditors, were the company to be placed in liquidation or declared bankrupt. The principal may otherwise only be returned and interest paid to the extent that the total of the company's non-restricted shareholders' equity and all capital loans exceeds the amount of loss confirmed for the company's most recent financial year or included in more recent financial statements at the time of payment. No security shall be given for the payment of the principal or interest. If interest cannot be paid, it shall be transferred for payment on the basis of the first such financial statements that allow its payment. No unpaid interest not entered as cost has accrued for the loans.

Products manufactured in-house have been valued at the lower of immediate acquisition cost or sales price. Purchased products, raw materials and packing materials are valued at weighted average price or using the FIFO method.

Deferred tax liabilities or assets have been calculated on the temporary differences between taxation and the financial statements, and on taxable loss using the prevailing tax base at balance sheet date.

The accounting of emission rights is performed in accordance with statement 1767/2005 of the Accounting Board. If the realised emission tonnage exceeds the rights granted, the cost of the excess tonnage is booked at the fair value of the day of closing the accounts and provisions are booked as counter-account. If the realised tonnage is below the rights granted, these assets are specified in the notes to the accounts. Trading of emission rights is booked as transactions on an accrual basis.

The coronavirus pandemic did not change the accounting principles. The management has not identified value reduction indicators, and the pandemic has not had a significant effect on the valuation of non-current or current assets.

All figures in EUR '000s.

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
1. DISTRIBUTION OF NET SALES				
1.1. NET SALES BY DIVISION				
Fresh dairy products	**810 419**	747 322	**690 954**	630 800
Butter and spreads	**327 510**	272 573	**311 577**	257 920
Cheese	**500 905**	491 020	**372 708**	341 474
Powdered ingredients	**294 083**	223 465	**282 089**	211 731
Others	**303 258**	199 894	**286 847**	94 114
	2 236 175	1 934 274	**1 944 175**	1 536 039
1.2. NET SALES BY GEOGRAPHICAL AREA				
Domestic	**1 404 003**	1 194 087	**1 391 063**	1 089 446
Foreign	**832 172**	740 187	**553 112**	446 593
	2 236 175	1 934 274	**1 944 175**	1 536 039
2. OTHER OPERATING INCOME				
Logistics income	**19 613**	20 152	**23 123**	20 061
Rent income	**3 678**	3 389	**8 105**	5 220
Sales income from laboratory services	**3 140**	3 216	**3 140**	3 216
Other income	**9 224**	5 545	**13 526**	8 353
	35 655	32 302	**47 894**	36 850
3. PURCHASES DURING THE FINANCIAL YEAR				
Purchases of raw milk from procurement co-operatives	**875 687**	728 663	**875 687**	728 663
Other purchases	**602 521**	478 292	**391 269**	209 045
	1 478 208	1 206 955	**1 266 956**	937 708
4. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	**134**	13	**134**	13
Other provisions	**-814**	1 158	**-790**	1 142
	-680	1 171	**-656**	1 155

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
5. OTHER OPERATING EXPENSES				
Production	**128 924**	111 063	**116 431**	102 985
Transportation	**134 990**	115 901	**119 915**	98 654
Rents	**19 576**	17 487	**16 906**	14 327
Marketing	**50 526**	45 884	**31 080**	28 711
Administration	**56 933**	48 722	**47 167**	39 475
Other expenses	**48 876**	25 984	**31 922**	23 914
	439 825	**365 041**	**363 421**	**308 066**
6. NUMBER OF PERSONNEL, AVERAGE				
	4 457	4 518	**3 472**	3 317
7. STAFF EXPENSES				
Wages and salaries	**214 621**	202 308	**183 586**	170 282
Social security expenses				
Pension expenses	**24 967**	22 603	**22 308**	18 871
Other social security expenses	**14 319**	13 599	**8 450**	7 707
	253 907	238 510	**214 344**	196 860
8. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	**165**	166	**165**	166
Board of Directors	**226**	182	**226**	182
Valio Executive Board, CEO, Managing Directors	**4 303**	4 443	**2 921**	2 773
	4 694	4 791	**3 312**	3 121
9. AUDITOR'S FEES				
To PricewaterhouseCoopers companies				
Audit	**399**	395	**203**	167
Auditor's statements	**16**	36	**15**	36
Tax services	**316**	501	**201**	446
Other services	**66**	981	**66**	981
	797	1 913	**485**	1 630

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
10. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	**16 302**	22 309	**13 912**	20 196
Additions 1.1–31.12	**5 459**	671	**5 149**	579
Disposals 1.1–31.12	**-493**	-6 678	**-365**	-6 863
Acquisition cost at year-end	**21 268**	16 302	**18 696**	13 912
Accumulated amortisation at beginning of year	**-13 428**	-18 512	**-11 342**	-16 517
Accumulated amortisation on disposals	**367**	5 956	**240**	5 962
Amortisation for the year	**-1 070**	-872	**-912**	-787
Accumulated amortisation at year-end	**-14 131**	-13 428	**-12 014**	-11 342
Book value at year-end	**7 137**	2 874	**6 682**	2 570
Goodwill				
Acquisition cost at beginning of year	**30 738**	-	**-**	-
Additions 1.1–31.12		30 738	**74 551**	-
Disposals 1.1–31.12	**-**	-	**-**	-
Acquisition cost at year-end	**30 738**	30 738	**74 551**	-
Accumulated amortisation at beginning of year	**-**	-	**-**	-
Accum. amortisation from acquisition 1 July	**-21 628**	-20 807		
Accumulated amortisation on disposals	**-**	-	**-**	-
Amortisation for the year	**-1 601**	-821	**-3 870**	-
Accumulated amortisation at year-end	**-23 229**	-21 628	**-3 870**	-
Book value at year-end	**7 509**	9 110	**70 681**	-
Consolidation goodwill				
Acquisition cost at beginning of year	**72 995**	-	**-**	-
Additions 1.1–31.12	**-**	72 995	**-**	-
Disposals 1.1–31.12	**-**	-	**-**	-
Acquisition cost at year-end	**72 995**	72 995	**-**	-
Accumulated amortisation at beginning of year	**-1 458**	-	**-**	-
Accum. amortisation from acquisition 1 July	**-**	-		
Accumulated amortisation on disposals	**-**	-	**-**	-
Amortisation for the year	**-2 916**	-1 458	**-**	-
Accumulated amortisation at year-end	**-4 374**	-1 458	**-**	-
Book value at year-end	**68 621**	71 537	**-**	-
Other intangible assets				
Acquisition cost at beginning of year	**71 321**	79 325	**70 863**	78 803
Additions 1.1–31.12	**6 177**	17 072	**5 747**	3 782
Disposals 1.1–31.12	**-152**	-12 425	**-97**	-11 722
Acquisition cost at year-end	**77 346**	83 971	**76 513**	70 863
Accumulated amortisation at beginning of year	**-57 029**	-65 032	**-56 740**	-64 671
Accum. amortisation from acquisition 1 July	**-**	-11 294	**-**	-
Accumulated amortisation on disposals	**97**	12 280	**97**	11 579
Amortisation for the year	**-4 872**	-4 106	**-4 644**	-3 648
Accumulated amortisation at year-end	**-61 804**	-68 153	**-61 287**	-56 740
Book value at year-end	**15 542**	15 819	**15 226**	14 123
Total intangible assets	**98 809**	99 340	**92 589**	16 693

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
11. PROPERTY, PLANT AND EQUIPMENT				
Land				
Acquisition cost at beginning of year	**27 251**	27 982	**24 693**	24 523
Additions 1.1–31.12	**-**	185	**-**	170
Disposals 1.1–31.12	**-2 450**	-	**-**	-
Acquisition cost at year-end	**24 801**	28 167	**24 693**	24 693
Book value at year-end	**24 801**	28 167	**24 693**	24 693
Buildings and constructions				
Acquisition cost at beginning of year	**818 263**	808 709	**784 589**	772 131
Additions 1.1–31.12	**9 858**	14 747	**9 638**	13 692
Disposals 1.1–31.12	**-5 277**	-1 277	**-824**	-1 234
Acquisition cost at year-end	**822 844**	822 179	**793 403**	784 589
Accumulated depreciation at beginning of year	**-536 429**	-507 631	**-518 931**	-489 290
Accumulated depreciation on disposals	**809**	1 243	**808**	1 204
Depreciation for the year	**-31 868**	-32 234	**-30 870**	-30 845
Accumulated depreciation at year-end	**-567 488**	-538 622	**-548 993**	-518 931
Book value at year-end	**255 356**	283 558	**244 410**	265 657
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	**930 718**	931 496	**856 721**	862 091
Additions 1.1–31.12	**23 598**	40 107	**21 928**	23 599
Disposals 1.1–31.12	**-4 988**	-30 713	**-1 387**	-28 969
Write-offs	**-**	-	**-**	-
Acquisition cost at year-end	**949 328**	940 890	**877 262**	856 721
Accumulated depreciation and write-offs at beginning of year	**-701 679**	-685 779	**-651 052**	-635 963
Accumulated amortisation from additions of acquisition 1 July	**-**	-6 712	**-**	-
Accumulated depreciation on disposals	**3 781**	30 382	**1 266**	28 671
Depreciation for the year	**-47 369**	-48 374	**-43 281**	-43 760
Write-offs	**-**	-	**-**	-
Accumulated depreciation at year-end	**-745 267**	-710 483	**-693 067**	-651 052
Book value at year-end	**204 061**	230 407	**184 195**	205 669
Prepayments and construction in progress				
Acquisition cost at beginning of year	**20 479**	17 677	**19 320**	13 192
Additions 1.1–31.12	**25 467**	20 223	**21 592**	13 569
Disposals 1.1–31.12	**-570**	-4	**-**	-
Transfer between items	**-14 913**	-16 753	**-13 146**	-7 324
Recorded as expense	**-1 023**	-117	**-1 023**	-117
Acquisition cost at year-end	**29 440**	21 027	**26 743**	19 320
Accumulated depreciation and write-offs at beginning of year	**-**	-	**-**	-
Accumulated depreciation and write-offs at year-end	**-**	-	**-**	-
Book value at year-end	**29 440**	21 027	**26 743**	19 320
Total property, plant and equipment	**513 658**	563 159	**480 040**	515 339
Depreciation according to plan for the year, total	**-89 696**	-87 865	**-83 577**	-79 041
Book value of production machinery and equipment at year-end	**186 861**	212 185	**169 384**	189 779

Notes to the Balance Sheet

12. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Valio USA Inc., USA	100	100
Meijeri USA LLC	100	0
Tuonti USA LLC	100	0
Voi USA LLC	100	0
SIA Valio International, Latvia	100	100
UAB Valio International, Lithuania	100	100
Nordic Dairy Holding Oy, Finland	100	100
Valio Eesti AS, Estonia	100	0
Valio Shanghai Ltd, China	100	100
Valio Sverige AB, Sweden	100	100
Oddlygood Global Oy, Finland	77	77
Oddlygood USA, Inc., USA	77	0
Oddlygood Sweden AB, Sweden	77	0
Oddlygood Estonia Oü, Estonia	77	0
Valionova tukku- ja logistiikkapalvelut Oy, Finland	100	100
Jäätelöyhtymä Oy, Finland *	100	100
Smeds & Co Oy, Finland *	100	100

*) No business operations

PARTICIPATING INTERESTS

ASSOCIATED COMPANIES

Haapaveden Ympäristöpalvelut Oy, Finland	40,5	40,5
Pakastamo Oy, Finland	50,0	50,0
Majakka Voima Oy **	52,9	52,9
Suomen Lantakaasu Oy, Finland	50,0	50,0

** Share of ownership, %

Notes to the Balance Sheet

13. PARENT COMPANY INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	199 469	10 650	2 514
Additions	1 500	1 000	11
Disposals	-75 042	-	-10
Acquisition cost at year-end	125 927	11 650	2 515
Accumulated depreciation and write-offs at beginning of year	-9 983	-10 055	-
Accumulated depreciation and write-offs at year-end	-9 983	-10 055	-
Reversal of write-offs at beginning of year	4 878	-	-
Reversal of write-offs at year-end	4 878	-	-
Book value at year-end	120 821	1 595	2 515

14. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	-	11 607	2 524
Additions	-	1024	-
Disposals	-	-	-9
Acquisition cost at year-end	-	12 631	2 515
Accumulated depreciation and write-offs at beginning of year	-	-10 435	-
Accumulated depreciation and write-offs at year-end	-	-10 435	-
Book value at year-end	-	2 196	2 515

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
15. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	**-**	-	**55 415**	37 016
Other receivables	**-**	-	**6 658**	12 254
	-	-	**62 073**	49 269
16. ACCRUED INCOME AND PREPAID EXPENSES				
Personnel items	**1 970**	1 936	**1 825**	1 722
Discounts granted	**945**	1	**945**	-
Excise taxes	**-**	433	**-**	200
Interest	**91**	1	**91**	1
Other prepayments and accrued income	**4 652**	7 311	**3 900**	4 999
	7 658	9 682	**6 761**	6 922
17. SHORT-TERM INVESTMENTS IN SECURITIES				
Other securities	**78 812**	-	**78 812**	-
	78 812	-	**78 812**	-
18. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital, 1 Jan.	**166 128**	166 128	**166 128**	166 128
Share capital, 31 Dec.	**166 128**	166 128	**166 128**	166 128
Legal reserves, 1 Jan.	**5 984**	5 984	**5 984**	5 984
Legal reserves, 31 Dec.	**5 984**	5 984	**5 984**	5 984
Capital loan, 1 Jan.	**30 000**	30 000	**30 000**	30 000
Capital loan 31 Dec.	**30 000**	30 000	**30 000**	30 000
Translation difference for equity of foreign subsidiaries 1 Jan.	**-32 922**	-37 172	**-**	-
Translation difference for equity of foreign subsidiaries 31 Dec.	**-27 867**	-32 922	**-**	-
Retained earnings (losses), 1 Jan.	**454 682**	422 348	**234 977**	217 460
Cost adjustments to previous financial year 1 Jan.	**-**	417	**-**	417
Dividends	**-4 984**	-4 984	**-4 984**	-4 984
Retained earnings (losses), 31 Dec.	**449 698**	417 781	**229 993**	212 893
Net profit (loss) for the financial year	**26 392**	36 901	**59 251**	22 083
Shareholders' equity 31 Dec.	**650 335**	623 872	**491 356**	437 088
19. PROVISIONS				
Provision for contingent pension liabilities	**213**	347	**213**	347
Other provisions	**968**	154	**847**	57
	1 181	501	**1 060**	404

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
20. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
From matching differences	**212**	81	**212**	81
From other temporary differences in accounting and taxation	**1 857**	885	**-**	-
Taxable loss	**358**	573	**-**	-
	2 427	1 539	**212**	81
Deferred tax liabilities				
From appropriations	**31 108**	33 519	**-**	-
	31 108	33 519	**-**	-
21. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	**2 792**	3 465	**2 792**	3 465
Staff costs	**45 751**	44 744	**42 039**	39 384
Discounts granted	**8 863**	8 973	**4 585**	371
Taxes	**13 956**	5 491	**10 398**	1 352
Other accrued expenses and deferred income	**6 634**	7 391	**4 121**	3 207
	77 996	70 064	**63 935**	47 779
22. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	**-**	-	**131**	505
Other liabilities	**-**	-	**68 722**	38 650
	-	-	**68 853**	39 155
23. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	**338**	436	**338**	436
Other liabilities	**43**	-	**43**	-
	381	436	**381**	436

24. DERIVATIVES

Hedged item: Trade receivables in CNY.
Hedging derivative: CNH currency derivative with nominal value of 130,000,000.00. Fair value of the derivative on financial statements date + 24,781.14 euros.
Type of hedging: Hedging of cash flow.

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2022	2021	**2022**	2021
25. CONTINGENT LIABILITIES				
For own commitments				
Mortgages given	**217 139**	217 139	**217 139**	217 139
Mortgages	**46 120**	46 120	**46 120**	46 120
Guarantees	**3 226**	3 255	**3 226**	3 215
Leasing commitments	**25 516**	27 199	**21 233**	22 662
Total for own commitments	**292 001**	293 713	**287 718**	289 136
For others	**2 923**	3 867	**2 923**	3 867
	294 924	297 580	**290 641**	293 003
Liabilities for which mortgages and pledges have been given as collateral				
Loans from financial institutions	**30 000**	30 000	**30 000**	30 000
26. EMISSION RIGHTS				
Emission rights acquired free of charge, tCO2	**44 500**	10 511	**44 500**	10 511
Other increases/decreases, tCO2	**-4 000**	11 400	**-4 000**	11 400
Annual emission volumes, tCO2	**23 134**	42 115	**23 134**	42 115
Emission rights in possession, tCO2	**27 527**	29 142	**27 527**	29 142
The company has emission rights assets off balance sheet	**355**	-1264	**355**	-1264

The decision-making process regarding the emission rights acquired free of charge was still unfinished at the time of the financial statements in 2021. These emission rights acquired free of charge concerning 2021 were obtained in spring 2022 and are included in the figure for 2022. Hence, the company did not record a provision in the financial statements for 2021.

27. OTHER FINANCIAL LIABILITIES

Real estate investments
The company has made value added tax deductions on real estate investments which involve a possible obligation to re-evaluate the amount of tax deducted if the premises are taken into use where value added taxation is not applicable. Such a change is not, however, in sight.

Redemption obligations in energy contracts
Valio Ltd has made several contracts, some long-term, for energy supply to its production plants. The contracts include redemption obligations to power plants, if Valio withdraws from a contract during the contract period. The maximum amount of redemption obligations stood at 32.3 million euros on 31 December 2022.

Proposal by the Board of Directors to the Annual General Meeting

Distributable earnings in the financial statements amount to EUR 289,244,434.11 euros. There have been no material changes in the company's financial position after the balance sheet date, and neither does the liquidity test referred to in section 13:2 of the Companies Act affect the amount of distributable earnings. The Board of Directors proposes to the Annual General Meeting that the distributable assets be used as follows:

Retained earnings	229 993 422,61 €
Net profit for the financial year	59 251 011,50 €
Total	289 244 434,11 €

The Board of Directors proposes to the Annual General Meeting that a dividend of 3.33% on the nominal value of the shares i.e. EUR 113,22 per share be declared.	5 532 042,42 €

Should the Annual General Meeting approve the above proposal, company shareholders' equity would be as follows:

Share capital	166 127 400,00 €
Legal reserves	5 984 101,53 €
Retained earnings	283 712 391,69 €
Capital loan	30 000 000,00 €
Total shareholders' equity	485 823 893,22 €

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

28 March 2023

Vesa Kaunisto Chairman of the Board	Pentti Suokannas	Annikka Hurme CEO
Sauli Lähteenmäki	Jarno Kämäräinen	

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

29 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske
Authorised Public Accountant

Auditor’s Report

To the Annual General Meeting of Valio Ltd

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the group’s and the company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Valio Oy (business identity code 0116297-6) for the financial year ended 31 December 2022. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other Statements

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 29 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske
Authorised Public Accountant (KHT)

STATEMENT BY THE SUPERVISORY BOARD

We have examined the financial statements of Valio Ltd, the consolidated financial statements and the Board of Directors’ report for 1 January to 31 December 2022, and the auditor’s report.

We recommend approval of the financial statements and consolidated financial statements, and concur with the Board of Directors’ proposal for profit distribution.

Helsinki, 29 March 2023

On behalf of the Supervisory Board

Esa Kotala
Chairman

Valio Ltd owners 31 Dec. 2022

Valio Ltd is owned by dairy farmer communities that collect or process milk.
Production is primarily based on milk delivered by co-operatives committed to Valio.

The company's owner-management comprises the Annual General Meeting, Supervisory Board, and Board of Directors.

Name	Domicile	No. of shares
		EUR 3,400/share
Evijärven Osuusmeijeri	Evijärvi	72
* Hirvijärven Osuusmeijeri	Jalasjärvi	78
* Hämeenlinnan Osuusmeijeri	Hämeenlinna	1
* Kaustisen Osuusmeijeri	Kaustinen	1
* Kuusamon Osuusmeijeri	Kuusamo	1
* Laaksojen Maitokunta	Ylivieska	54
Osuuskunta Länsi-Maito	Tampere	6 336
* Osuuskunta Maitokolmio	Toholampi	245
* Osuuskunta Maitomaa	Suonenjoki	290
Osuuskunta Maitosuomi	Lapinlahti	20 849
Osuuskunta Pohjolan Maito	Haapavesi	8 496
* Osuuskunta Satamaito	Pori	1
Osuuskunta Tuottajain Maito	Riihimäki	12 437
Total		48 861

Total no. of shareholders 31 Dec. 2022	13
Total share capital	166 127 400 €

* No business relationship with Valio

Supervisory Board 31 Dec. 2022

	Term began	Term ends
Esa Kotala, Chairman Dairy farmer, Lapua Osuuskunta Maitosuomi	2010	2025
Satu Pulkka, Vice Chairman Dairy farmer, Vieremä Osuuskunta Maitosuomi	2018	2025
Broända Mats Dairy farmer, Kruunupyy Osuuskunta Maitosuomi	2021	2023
Hannu Gröhn Dairy farmer, Nurmes Osuuskunta Maitosuomi	2020	2023
Tuomo Haikonen Dairy farmer, Heinola Osuuskunta Tuottajain Maito	2015	2024
Arto Heikkinen Dairy farmer, Pyhäntä Osuuskunta Maitosuomi	2013	2024
Mikko Heikkinen Dairy farmer, Lapinlahti Osuuskunta Maitosuomi	2017	2024
Jari Hekkala Dairy farmer, Kalajoki Osuuskunta Pohjolan Maito	2012	2025
Tarja Hietanen[1)] Product packer, Jyväskylä	2021	2022
Hannu Hokkanen Dairy farmer, Kangasniemi Osuuskunta Maitosuomi	2018	2024
Mikko Huuskonen[1)] Process specialist, Suonenjoki	2017	2022
Ari Kantonen Dairy farmer, Taipalsaari Osuuskunta Tuottajain Maito	2022	2025
Esa Karjalainen Dairy farmer, Puumala Osuuskunta Tuottajain Maito	2016	2023
Otto Kokkila Dairy farmer, Petäjävesi Osuuskunta Maitosuomi	2022	2024

Katariina Lampela Dairy farmer, Tervola Osuuskunta Pohjolan Maito	2012	2025
Matti Leikkanen Dairy farmer, Sastamala Osuuskunta Länsi-Maito	2016	2025
Janna Luotola[1)] Contract Manufacturing Manager, Helsinki	2016	2022
Lassi Mäkinen Dairy farmer, Lieto Osuuskunta Länsi-Maito	2015	2024
Petri Natunen Dairy farmer, Joroinen Osuuskunta Maitosuomi	2019	2023
Markus Ojanperä[1)] Production specialist, Riihimäki	2020	2022
Vesa Parvinen Dairy farmer, Parikkala Osuuskunta Tuottajain Maito	2015	2025
Mauri Penttilä Dairy farmer, Vesilahti Osuuskunta Länsi-Maito	2001	2025
Jarkko Pirinen Dairy farmer, Iitti Osuuskunta Tuottajain Maito	2014	2025
Jukka Rahja Dairy farmer, Kalajoki Osuuskunta Pohjolan Maito	2021	2024
Antti Saari Dairy farmer, Lapua Osuuskunta Maitosuomi	2020	2023
Juha Törmä Dairy farmer, Tyrnävä Osuuskunta Pohjolan Maito	2017	2023
Päivi Ylä-Outinen Dairy farmer, Lappeenranta Osuuskunta Tuottajain Maito	2008	2024

[1)] Personnel representative

Board of Directors

Vesa Kaunisto, Chairman Dairy farmer, Veteli Osuuskunta Pohjolan Maito	2013	2025
Pentti Suokannas, Vice Chairman Dairy farmer, Askola Osuuskunta Tuottajain Maito	2015	2023
Jarno Kämäräinen Dairy farmer, Kiuruvesi Osuuskunta Maitosuomi	2017	2024
Sauli Lähteenmäki Dairy farmer, Rusko Osuuskunta Länsi-Maito	2007	2024

Auditor

PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

Niina Vilske, Authorised Public Accountant

Executive Board 31 Dec. 2022

	Member of the Executive Board from	Employed by Valio Ltd since
Annikka Hurme CEO	2004	1989
Teresa Laimio Executive Vice President Sustainability and Stakeholder relations	2017	2002
Juha Penttilä Executive Vice President Operations	2018	1992
Tuomas Salusjärvi Executive Vice President Growth Businesses and R&D	2014	2007
Elli Siltala Executive Vice President Core Businesses and Brand	2016	2001
Marianne Tammela Executive Vice President People	2021	2019
Jyri Virrantuomi Executive Vice President Finance and Strategy Deputy CEO	2018	2018

Valio

TOGETHER WE MAKE life BETTER