



Board of Directors' Report and Financial Statements

1 Jan. – 31 Dec. 2019

Board of Directors' Report 1 Jan. – 31 Dec. 2019

General

In 2019, we focused on improving our profitability in particular. The three-year programme introduced in 2018 to improve business operations' profitability proceeded as planned, resulting in a higher milk return.

Valio's management and reporting system was updated at the beginning of 2019, linked to the co-operation negotiations regarding head office operations held early in the year that resulted in a reduction of 80 personnel. The reorganisation was part of the three-year programme to adapt Valio's operations, through which the company aims to improve the profitability of its business operations.

Valio Group net sales stood at EUR 1 787 million (2018: EUR 1 734 million), up 3 percent on 2018. Domestic net sales rose by half a percent and international net sales by 7 percent. The milk margin amounted to EUR 838 million (EUR 800 million), and the milk return stood at 41.2 cents per litre (38.4 c/l).

In the domestic market, growth stemmed according to the prevalent trends especially from the snack products segment and plant-based products. Sales of Valio PROfeel® products continued to grow strongly, and the new high-protein puddings launched in February were a success. The range of plant-based products was extended with Valio Oddlygood® Veggie slices and grated. Developed in collaboration with coffee professionals and launched in September, the Valio Oddlygood® Barista oat drink found its way into the hearts of coffee lovers in both Finland and Sweden. In the traditional product categories, the volume of basic milks continued to shrink in line with the market trend as milk drinking decreased.

Net sales from international operations totalled EUR 715 million (EUR 669 million). The growth in net sales in nearby markets Sweden, Estonia and Russia was moderate, while in China they were up nearly 40% on the previous year. In the US, profitability improvement proceeded as planned. The global market price of butter decreased from the high level of 2018, but global markets for milk powders developed positively as the intervention stocks were cleared. Exports of Valio's value added powders developed positively.

Climate discussion accelerated during 2019, and both consumers and customers expect companies to provide concrete solutions for the reduction of their own emissions. In 2019, Valio continued its ambitious project to cut milk's carbon footprint to zero by 2035. In our continuing work on finding new solutions to reduce emissions in the milk production chain, we assembled Valio's Carbon-neutral Milk Chain team. In concrete measures, we have already trained 170 dairy farmers as carbon farmers, eliminated the use of black plastic in our packages, and advanced the development of a calculation method for our carbon footprint. Valio is the first food industry company to commit to setting scientifically evaluated climate goals for the reduction of greenhouse gas emissions in accordance with the Paris Agreement.

Valio Ltd took in 1 792 million litres of raw milk in Finland, 29 million litres less than the previous year. The average price paid for raw milk was 39.9 cents per litre (39.2 c/l). After payments for 2019 amounted to one cent per litre. The sustainability bonus was raised to two cents per litre at the beginning of July.

A total of EUR 722 million (EUR 722 million) was paid to owners, comprising the raw milk price, after payments, dividends, and interest.

Valio Group net profit totalled EUR 33 million (EUR -25 million).

Shareholders and share capital

Valio Ltd has 14 shareholders, down by one on the previous year. The fully paid-up share capital of Valio Ltd stands at EUR 166 127 400. Valio Ltd shares number 48 861. They are all of the same type and confer identical rights to dividends and the company's assets. The shares carry a redemption clause.

Risk management

Valio Group's key risks relate to the development of market prices in the domestic and export markets, the position of key product groups in different markets, and exchange rates.

Valio's external risk is increased global warming and the related growth in popularity of plant-based food products on the consumer market. In mitigation, the company has turned that into an opportunity by adding new items comprising plant-based protein to its product range during the past year, and by investing strongly in the Carbon-neutral Milk 2035 goal.

Product safety and quality lie at the heart of risk management for a company that manufactures food products. If those factors fail, the risk is damage caused by the products and associated liabilities. As an important receiver and processor of raw milk and distributor of food products, the continuity of business operations, processes and information systems are of key importance to Valio. The goal for occupational safety is zero accidents.

Risks are identified and managed in the business operations. The Risk Management unit administers Valio Ltd's non-life insurance policies and insurance programmes covering the whole Group. It also guides insuring subsidiaries. Valio insures against risks that would significantly influence 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 and at Valio Group level. The focal points in 2019 were especially cyber threats and the continuity of business operations.

Cash flow and balance sheet items denominated in foreign currencies are generally not hedged.

Legal proceedings

In July 2019, the District Court of Helsinki delivered its decision in the case concerning claims for damages related to the pricing of basic milks. Valio was obliged to pay 3.5 million euros to Osuuskunta Maitokolmio and 4.5 million euros to Osuuskunta Maitomaa in damages covering 2010–2012, plus legal interest for late payment and a share of the legal expenses for both. Valio is satisfied that a process which had lasted for nearly ten years has now come to a close.

Research and development

Valio launched a total of 146 new products in 2019 (122) in Finland, as well as new products in other markets. No new patent applications were filed in 2019 (1).

R&D and quality control costs totalled EUR 27.7 million (EUR 29.4 million), and 1.6% (1.7%) of net sales.

Personnel

The average number of employees in Valio Group in 2019 was 4 256 (4 259), and at the end of the financial year the number stood at 4 160 (4 200). On average, 3 251 employees (3 271) worked in Finland and 1 005 (988) in foreign subsidiaries.

Of the foreign subsidiaries, the highest number of staff was in Estonia, on average 470 (470), and Russia, averaging 413 (406). At the end of the year, the number of employees in Estonia stood at 467 (469), and in Russia at 416 (416).

Personnel distribution by gender in 2019 was 53% male and 47% female (53% and 47%). The average age of employees in 2019 was 42 years (42 years).

The salaries and other remunerations paid by Valio Group in 2019 amounted to EUR 187 million (EUR 181 million). Pension costs for the year stood at EUR 21 million (EUR 24 million).

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 used packages.

Capital expenditure during the financial year targeted at the reduction of environmental impacts amounted to EUR 1.3 million in Finland, and environmental costs recorded as expense totalled EUR 13.0 million. The most significant single investments related to the environment in 2019 were the utilisation of cold outdoor air and increased use of recycled water at the Seinäjoki plant, and the renovation of the surface water plant in Äänekoski. Published at the end of 2019, the BAT document delineating Europe-wide environmental protection regulations for the food industry has no significant impact on Valio's operations. The restrictions on dust emissions from the powders industry laid out in the document may spark investments within the next few years.

Valio Group's total energy consumption in 2019 stood at 786 GWh, waste water volume was 5.9 million cubic metres, and the waste water load directed at water purification plants was 10 600 tonnes calculated in terms of chemical oxygen demand (COD). Compared with the previous year, energy consumption and waste water volume decreased, and the waste water load showed a slight increase.

Valio has set a goal to reduce the carbon footprint of its milk value chain to zero by 2035. The key means will be to enhance carbon sinks with grass fields, reduce emissions from fields reclaimed from swamplands, and use the by-product flows from milk production to produce biofuel for vehicles. In 2019, Valio announced that it will commit itself to the Paris Climate Agreement, and be the first food industry company in Finland to set science-based climate targets. In 2019, Valio

started training dairy farmers in carbon farming to increase the carbon sequestration capacity of grass fields, and was surprised by the popularity of the training. In addition, Valio arranged a number of events focusing on means to reduce greenhouse gas emissions from fields reclaimed from swamplands. A letter of intent for promoting the use of manure was signed in 2019 with Gasum Oy, the leading biogas producer in Finland. The goal is to develop the use of manure in the production of biogas.

More detailed environmental information regarding operations in Finland is published separately on Valio Ltd's website in the Sustainability Report.

Net sales

Consolidated net sales amounted to EUR 1 787 million (EUR 1 734 million) and domestic net sales stood at EUR 1 071 million (EUR 1 065 million). Net sales from international operations totalled EUR 715 million (EUR 669 million). Valio Ltd net sales totalled EUR 1 497 million (EUR 1 449 million).

Capital expenditure

Consolidated investments totalled EUR 64 million (EUR 62 million), and 3.6% (3.6%) of net sales.

The most significant investments were to increase baby food capacity and build a dry mixing unit and consumer product packing unit in Lapinlahti, for the new cleaning centre in Haapavesi, and in a production process for plant-based products in Riihimäki.

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 109 million (EUR 128 million) at the year-end. The value of inventories stood at EUR 180 million at the end of the financial year and EUR 171 million at the beginning. Interest-bearing liabilities totalled EUR 342 million at the end of the financial year and EUR 402 million at the beginning. Loans from financial institutions decreased by EUR 54 million. Net financing expenses amounted to EUR 8 million (EUR 7 million), and 0.4% (0.4%) of consolidated net sales.

Financial performance

Consolidated profit before taxes was EUR 43 million (EUR -33 million). Net taxes for the financial year totalled EUR -10 million (EUR 8 million). Net profit for the financial year stood at EUR 33 million (EUR -25 million).

Parent company profit before taxes and appropriations stood at EUR 36 million (EUR -38 million). Booked depreciation was the maximum permitted under Finland's tax laws. Income taxes for the financial year totalled EUR -11 million (EUR 7 million). Parent company net profit for the financial year stood at EUR 35 million (EUR -27 million).

The Valio Group milk margin stood at EUR 838 million (EUR 800 million) and the milk return at 41.2 cents per litre (38.4 c/l).

Year 2020

The year has begun in exceptional circumstances. The coronavirus epidemic that originated in China at the beginning of 2020 will affect Valio's operations both in Finland and abroad in many different ways for at least the first half of the year.

The economic outlook in Finland is challenging. Consumer expectations for their own financial standing and the Finnish economy have weakened compared with the previous year, and the coronavirus epidemic will further hamper consumer purchasing power. In all markets, the operations of our customers in the restaurant, hotel and institutional kitchen businesses will become significantly harder during the next few months. Set against that, retail trade demand will increase as consumers spend more time at home. Our top priorities are preserving the well-being of our personnel and serving our customers. We work together with Valio's dairy co-operatives to support our dairy farmer entrepreneurs. In Finland, Valio also has an important role in emergency supply.

Other uncertainty factors in the operating environment include the impacts of climate change on the prerequisites of global milk production and dairy product consumption habits, trade policy conflicts, and Brexit. Global weather conditions during the year are expected to affect key milk production regions in Europe, New Zealand and the United States. Restrictions stemming from environmental impacts will have an increasing effect on milk production, especially in Europe.

In accordance with our strategy, we will develop our strong brands to make them more desirable, improve the customer and consumer experience at a variety of interfaces, and continue to launch innovative products that respond to consumer and customer needs. In international operations, we are seeking growth in value added powders in particular. We will ensure the sufficiency of powder capacity and better predictability of the milk volume by switching to contract production with the dairy co-operatives. Alongside dairy products, we will continue to develop plant-based products.

Valio's three-year programme to improve cost-efficiency and competitiveness, and consequently the milk return, is proceeding as planned.

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% on the nominal value of the shares be declared, or EUR 102 per share, totalling EUR 4 983 822.

Valio Group five-year statistics

	2019	2018	2017	2016	2015
Milk volume taken in from owners, mill. L	1 792	1 821	1 837	1 861	1 899
Sum paid to owners, MEUR ¹⁾	722	722	725	716	739
Price paid for milk to the co-operatives by Valio, per litre total cents ²⁾	39,9	39,2	39,0	38,1	38,5
Net sales, MEUR	1 787	1 734	1 708	1 638	1 718
Change %	3,0	1,5	4,3	-4,7	-11,9
- Domestic, MEUR	1 071	1 065	1 059	1 060	1 116
Change %	0,6	0,5	-0,1	-5,0	-11,7
- International operations, MEUR	715	669	649	577	602
Change %	6,9	3,0	12,4	-4,0	-12,3
Net sales/milk litre taken in from owners, €/l	1,00	0,95	0,93	0,88	0,90
Average no. of personnel	4 256	4 259	4 196	4 096	4 272
Wages and salaries, MEUR	187	181	181	167	181
R&D expenditure, MEUR	16	17	17	16	16
Book profit, MEUR	33	-25	5	18	13
Balance sheet total, MEUR	1 122	1 150	1 193	1 252	1 240
Stocks, MEUR	180	171	164	144	146
Investments, MEUR	64	62	98	127	119
Depreciation according to plan, MEUR	89	92	88	90	80
Equity assets ratio, %	48	44	45	43	42
Milk margin, MEUR ³⁾	838	800	797	772	806
Milk return, c/l ⁴⁾	41,2	38,4	37,9	36,1	36,5

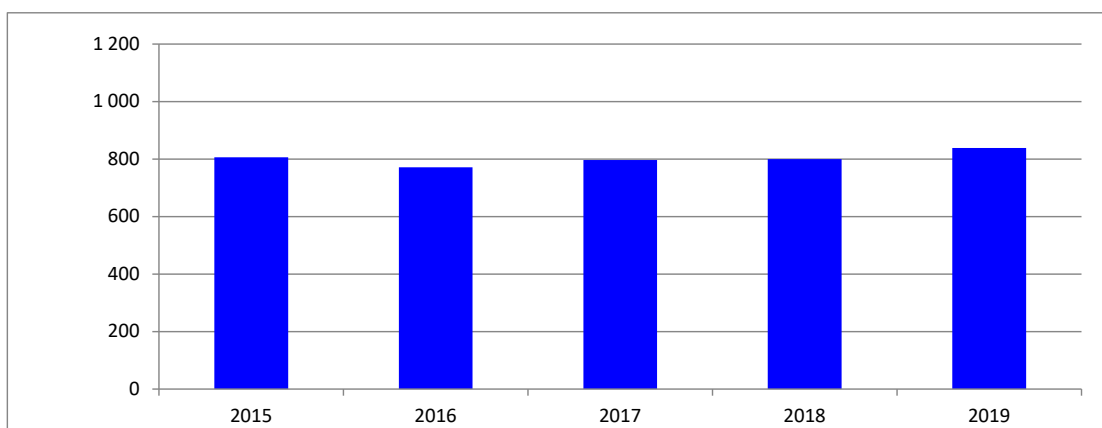
¹⁾ Comprising the raw milk price, after payment, dividend and interest.

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

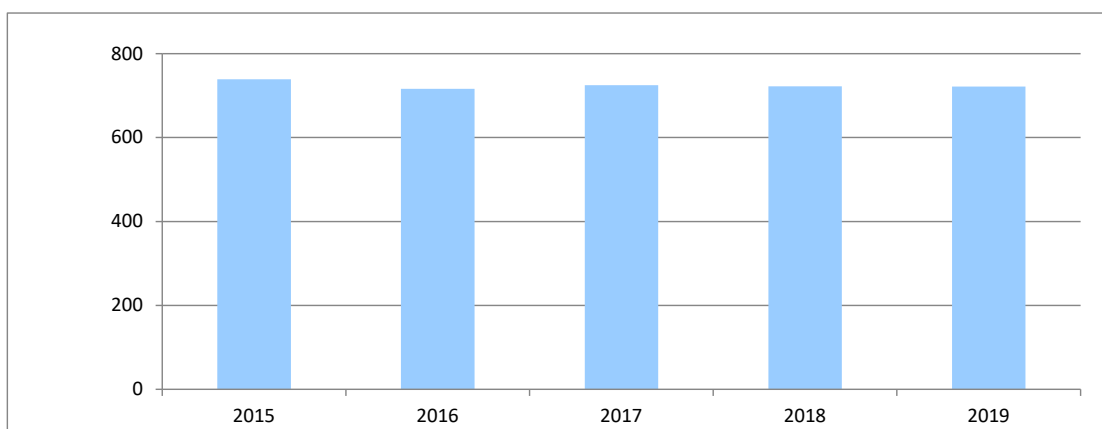
³⁾ Net sales less all other costs excluding the price paid to the owners for raw milk, interest on shareholder loans, depreciation according to plan, supplementary payments to the pension fund, pension contribution refunds, and items not included in actual business operations, such as sales gains from sales of business operations, provisions, sales gains and losses from real estate sales, write-offs of non-current assets, and costs arising from acquisitions of companies and business operations. The milk margin includes taxes for appropriations, and the tax effect of Valio Ltd profit less the tax share of the net profit corresponding to the amount of the average dividend percentage from the share capital.

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.

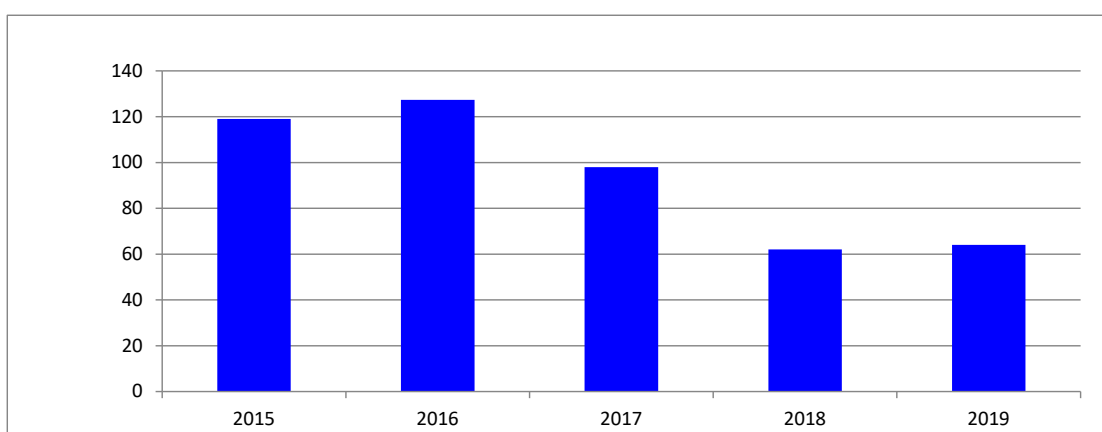
Valio Group milk margin, MEUR



Payments to owners, MEUR



Valio Group investments, MEUR



Consolidated Income Statement

	2019	2018
Net sales	1 786 527	1 733 949
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	-912	8 022
Production for own use	946	821
Other operating income	44 211	39 110
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1 108 402	1 101 247
Increase (-) / decrease (+) in stocks	-7 798	-254
External services	24 642	24 011
	-1 125 246	-1 125 004
Staff expenses		
Wages and salaries	186 653	181 419
Social security expenses		
Pension expenses	21 283	24 067
Other social security expenses	9 811	11 216
	-217 747	-216 702
Depreciation and amortisation		
Depreciation according to plan	88 779	92 306
Amortisation from assets held as non-current assets	603	185
	-89 382	-92 491
Other operating expenses	-347 826	-373 290
Operating profit/loss	50 571	-25 585
Financial income and expenses		
Income from other investments held as non-current assets		
From others	1	1
Other interest and financial income		
From others	676	987
Share of profit of associated companies	230	928
Interest and other financial expenses		
To others	-8 592	-9 424
	-7 685	-7 508
Profit/loss before appropriations and taxes	42 886	-33 093
Income taxes		
Income taxes	-1 339	-148
Deferred taxes	-8 989	8 143
	-10 328	7 995
Net profit /loss for the financial year	32 558	-25 098

All figures in EUR '000s.

Consolidated Cash Flow Statement

	2019	2018
Cash flow from operations		
Operating profit	50 571	-25 585
Adjustments		
Depreciation and amortisation	89 382	92 491
Changes in provisions	-5 573	-17 207
Other adjustments	-4 218	-1 895
Cash flow before change in working capital	130 162	47 804
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	-5 810	2 793
Increase (-) / decrease (+) in stocks	-8 551	-7 461
Increase (+) / decrease (-) in current non-interest-bearing debts	173	12 098
Cash flow from operations before financial items and taxes	115 974	55 234
Interests and expenses paid for other financing costs of operations	-8 753	-9 381
Dividends received	1	1
Interest and other financial income received	960	931
Direct taxes paid	-1 298	1 076
Cash flow from operations	106 884	47 861
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-63 312	-59 365
Investment subsidies received	44	103
Proceeds from sale of tangible and intangible assets	3 173	296
Capital expenditure in investments	-	-1 955
Proceeds from sale of investments	79	10
Repayment of loan receivables	192	448
Other	4 888	-4 649
Cash flow from investments	-54 936	-65 112
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	-11 175	-3 632
Proceeds from non-current financing	52 565	96 600
Repayment of non-current financing	-106 912	-83 999
Dividends paid	-4 984	-5 150
Cash flow from investments	-70 506	3 819
Change in liquid assets	-18 558	-13 432
Liquid assets at beginning of financial year	128 053	141 485
Liquid assets at end of financial year	109 495	128 053

All figures in EUR '000s.

Consolidated Balance Sheet

ASSETS	31.12.2019	31.12.2018
Non-current assets		
Intangible assets		
Intangible rights	4 004	4 561
Other intangible assets	14 178	14 874
	18 182	19 435
Property, plant and equipment		
Land	28 145	27 845
Buildings and constructions	306 809	317 878
Machinery and equipment	253 730	273 598
Other tangible assets	1 402	794
Advance payments and construction in progress	30 119	22 509
	620 205	642 624
Investments		
Shares in associated companies	9 120	9 140
Other shares and interests	2 532	2 583
	11 652	11 723
Current assets		
Stocks		
Raw materials and supplies	45 693	41 879
Work in progress	7 272	6 861
Finished goods	124 032	120 148
Other stocks	2 925	2 469
Advance payments	-	14
	179 922	171 371
Receivables		
Non-current receivables		
Loan receivables	1 469	1 441
Other receivables	198	154
Deferred tax receivable	1 025	1 289
	2 692	2 884
Current receivables		
Trade receivables	139 086	131 746
Deferred tax receivable	3 372	13 903
Other current receivables	26 846	18 326
Accrued income and prepaid expenses	10 817	10 336
	180 121	174 311
Investments		
Other current investments	-	22 995
Cash in hand and at banks	109 495	105 058
Total assets	1 122 269	1 150 401

All figures in EUR '000s.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2019	31.12.2018
Shareholders' equity		
Share capital	166 128	166 128
Other reserves		
Other reserves	5 984	5 984
Translation differences	-26 385	-31 273
Retained earnings/losses	357 545	387 627
Net profit/loss for the financial year	32 558	-25 098
	535 830	503 368
Provisions		
Other provisions	937	7 113
Liabilities		
Non-current liabilities		
Loans from financial institutions	172 111	235 600
Deferred tax liability	33 804	35 709
Other liabilities	77 060	45 575
	282 975	316 884
Current liabilities		
Loans from financial institutions	78 489	69 146
Advances received	440	211
Trade payable	148 764	138 814
Current liabilities to participating interests	626	151
Deferred tax assets	174	153
Other liabilities	22 256	60 156
Accrued expenses and deferred income	51 778	54 405
	302 527	323 036
Total shareholders' equity and liabilities	1 122 269	1 150 401

All figures in EUR '000s.

Parent Company Income Statement

	2019	2018
Net sales	1 496 945 656,07	1 448 542 148,10
Increase (+) / decrease (-) in stocks of finished goods and work in progress	-907 504,26	8 156 839,95
Production for own use	945 714,28	820 619,64
Other operating income	43 131 903,29	38 650 155,41
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	918 173 316,00	918 134 561,55
Increase (-) / decrease (+) in stocks	-3 146 604,83	-643 501,32
External services	19 191 367,88	17 767 324,86
	-934 218 079,05	-935 258 385,09
Staff expenses		
Wages and salaries	161 212 523,24	156 794 752,54
Social security expenses		
Pension expenses	18 929 217,15	22 073 757,18
Other social security expenses	4 622 158,08	6 224 283,03
	-184 763 898,47	-185 092 792,75
Depreciation and amortisation		
Depreciation according to plan	-82 247 609,00	-85 404 651,24
Amortisation from assets held as non-current assets	-603 151,43	-184 536,10
	-82 850 760,43	-85 589 187,34
Other operating expenses	-297 848 834,81	-322 398 539,67
Operating profit/loss	40 434 196,62	-32 169 141,75
Financial income and expenses		
Income from other investments held as non-current assets		
From Group companies	3 117 657,60	2 250 000,00
From others	555,56	516,11
Other interest and financial income		
From Group companies	-	28 701,84
From others	401 038,54	864 457,65
Reduction in value from investments held as non-current assets	7 000,00	-147 000,00
Interest expenses and other financial expenses		
To others	-8 272 927,81	-9 166 934,70
	-4 746 676,11	-6 170 259,10
Profit/loss before appropriations and taxes	35 687 520,51	-38 339 400,85
Appropriations		
Increase (-) / decrease (+) in depreciation difference	9 527 490,89	3 951 845,35
Group contribution received (+) and given (-)	270 000,00	260 000,00
	9 797 490,89	4 211 845,35
Income taxes		
Deferred taxes	-10 550 371,91	7 234 578,93
Income taxes from previous financial years	-	-6 458,16
	-10 550 371,91	7 228 120,77
Net profit/loss for the financial year	34 934 639,49	-26 899 434,73

Parent Company Cash Flow Statement

	2019	2018
Cash flow from operations		
Operating profit	40 434	-32 169
Adjustments		
Depreciation and amortisation	82 248	85 405
Changes in provisions	-5 569	-17 184
Other adjustments	-4 407	-2 836
Cash flow before change in working capital	112 706	33 216
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receiv	-14 632	8 759
Increase (-) / decrease (+) in stocks	-2 239	-8 800
Increase (+) / decrease (-) in current non-interest-bearing debts	4 164	5 276
Cash flow from operations before financial items and taxes	99 999	38 451
Interests and expenses paid for other financing costs of operations	-8 434	-9 271
Dividends received	3 118	2 251
Interest and other financial income received	685	836
Direct taxes paid	-16	1 217
Cash flow from operations	95 352	33 484
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-57 392	-52 470
Investment subsidies received	44	103
Proceeds from sale of tangible and intangible assets	3 132	319
Capital expenditure in investments	-	-1 955
Proceeds from sale of investments	79	-
Repayment of loan receivables	-	4 024
Cash flow from investments	-54 137	-49 979
Cash flow from financing activities		
Repayment of current financing	-10 873	-7 031
Proceeds from non-current financing	52 565	96 600
Repayment of non-current financing	-106 912	-83 999
Dividends paid	-4 984	-5 150
Cash flow from financing activities	-70 204	420
Change in liquid assets	-28 989	-16 075
Liquid assets at beginning of financial year	115 614	131 689
Liquid assets at end of financial year	86 625	115 614

All figures in EUR '000s.

Parent Company Balance Sheet

ASSETS	31.12.2019	31.12.2018
Non-current assets		
Intangible assets		
Intangible rights	3 856 632,50	4 334 446,03
Other intangible assets	13 942 911,53	14 594 407,81
	17 799 544,03	18 928 853,84
Property, plant and equipment		
Land	21 686 895,54	21 832 196,75
Connection fees	2 622 219,12	2 634 799,58
Buildings and constructions	286 354 371,90	297 441 016,83
Machinery and equipment	234 120 331,17	256 593 946,48
Other tangible assets	156 760,36	156 760,36
Advance payments and construction in progress	28 078 270,92	18 289 943,93
	573 018 849,01	596 948 663,93
Investments		
Shares in Group companies	114 922 462,29	114 929 217,95
Shares in associated companies	8 236 930,80	8 236 930,80
Other shares and interests	2 515 993,20	2 566 800,50
	125 675 386,29	125 732 949,25
Current assets		
Stocks		
Raw materials and supplies	33 871 999,63	30 760 224,48
Work in progress	6 342 410,92	6 061 703,90
Finished goods	83 368 690,84	84 556 902,12
Other stocks	959 032,83	924 203,15
	124 542 134,22	122 303 033,65
Receivables		
Non-current receivables		
Non-current receivables from Group companies	962 700,00	692 400,00
Other non-current receivables	64 021,23	16 616,19
	1 026 721,23	709 016,19
Current receivables		
Trade receivables	90 295 946,76	88 351 280,90
Current receivables from Group companies	37 216 879,13	28 627 428,85
Deferred tax assets	2 660 102,14	13 210 474,05
Other current receivables	24 466 114,57	15 707 505,47
Accrued income and prepaid expenses	8 187 809,72	7 682 607,42
	162 826 852,32	153 579 296,69
Investments		
Other current investments	-	22 995 078,92
Cash in hand and at banks	86 624 593,33	92 618 411,70
Total assets	1 091 514 080,43	1 133 815 304,17

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2019	31.12.2018
Shareholders' equity		
Share capital	166 127 400,00	166 127 400,00
Other reserves		
Legal reserve	5 984 101,53	5 984 101,53
Retained earnings/losses	163 919 403,25	195 802 659,98
Net profit/loss for the financial year	34 934 639,49	-26 899 434,73
	370 965 544,27	341 014 726,78
Appropriations		
Accumulated depreciation difference	169 017 736,33	178 545 227,22
Provisions	803 918,34	6 975 875,37
Liabilities		
Non-current liabilities		
Loans from financial institutions	172 111 111,10	235 600 000,00
Other liabilities	78 330 320,12	46 628 680,41
	250 441 431,22	282 228 680,41
Current liabilities		
Loans from financial institutions	78 488 888,90	69 146 309,90
Trade payable	130 694 003,51	123 662 863,88
Current liabilities to Group companies	29 520 376,59	27 974 535,16
Current liabilities to participating interests	625 534,42	151 377,35
Other liabilities	20 838 410,01	58 788 327,56
Accrued expenses and deferred income	40 118 236,84	45 327 380,54
	300 285 450,27	325 050 794,39
Total shareholders' equity and liabilities	1 091 514 080,43	1 133 815 304,17

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.

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:

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

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, cash at bank, and short-term investments in securities. The company's liquid assets also include an escrow account of 1.7 million euros, the use of which is limited.

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.

All figures in EUR '000s.

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
1. DISTRIBUTION OF NET SALES				
1.1. NET SALES BY DIVISION				
Fresh dairy products	716 318	719 734	605 808	608 115
Butter and spreads	293 874	287 033	278 646	269 548
Cheese	494 562	473 300	340 842	324 555
Powdered ingredients	188 982	166 689	182 153	156 981
Others	92 791	87 193	89 497	89 343
	1 786 527	1 733 949	1 496 946	1 448 542
1.2. NET SALES BY GEOGRAPHICAL AREA				
Domestic	1 071 453	1 065 092	1 071 453	1 065 092
Foreign	715 074	668 857	425 493	383 450
	1 786 527	1 733 949	1 496 946	1 448 542
2. OTHER OPERATING INCOME				
Logistics income	25 667	20 534	25 627	20 472
Rent income	3 518	3 709	3 532	3 722
Gain on disposal of non-current assets	3 115	471	3 074	364
Sales income from laboratory services	3 142	3 206	3 142	3 206
Sale of business operations	3 678	3 807	3 678	3 807
Other income	5 091	7 383	4 079	7 079
	44 211	39 110	43 132	38 650
3. PURCHASES DURING THE FINANCIAL YEAR				
Purchases of raw milk from procurement co-operatives	714 224	714 405	714 224	714 405
Other purchases	394 178	386 842	203 949	203 730
	1 108 402	1 101 247	918 173	918 135
4. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	-48	348	-48	339
Other provisions	6 224	17 044	6 220	17 030
	6 176	17 392	6 172	17 369

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
5. OTHER OPERATING EXPENSES				
Production	105 298	105 961	99 102	99 681
Transportation	108 151	103 784	97 610	93 600
Rents	16 828	16 028	13 890	13 438
Marketing	50 249	50 067	31 846	29 168
Administration	45 955	48 710	39 240	41 643
Other expenses	21 345	48 740	16 161	44 869
	347 826	373 290	297 849	322 399
6. NUMBER OF PERSONNEL, AVERAGE				
	4 256	4 259	3 251	3 271
7. STAFF EXPENSES				
Wages and salaries	186 653	181 419	161 213	156 795
Social security expenses				
Pension expenses	21 283	24 067	18 929	22 074
Other social security expenses	9 811	11 216	4 622	6 224
	217 747	216 702	184 764	185 093
8. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	185	166	185	166
Board of Directors	210	248	210	248
Valio Executive Board, CEO, Managing Directors	4 139	4 608	2 513	2 878
	4 534	5 022	2 908	3 292
9. AUDITOR'S FEES				
To PricewaterhouseCoopers companies				
Audit	349	340	160	165
Auditor's statements	5	7	5	4
Tax services	487	46	480	46
Other services	237	204	234	190
	1 078	597	879	405

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
10. ACCRUED INCOME AND PREPAID EXPENSES				
Personnel items	2 147	97	2 071	-
Excise taxes	3 096	3 888	2 205	2 420
Interest	22	305	22	305
Miscellaneous accrued income	1 487	789	1 487	789
Other prepayments and accrued income	4 066	5 257	2 405	4 169
	10 817	10 336	8 188	7 683
11. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	20 979	20 225	18 949	18 240
Additions 1.1–31.12	576	771	525	726
Disposals 1.1–31.12	-	-17	-	-17
Acquisition cost at year-end	21 554	20 979	19 474	18 949
Accumulated amortisation at beginning of year	-16 418	-14 943	-14 615	-13 334
Accumulated amortisation on disposals	-	17	-	17
Amortisation for the year	-1 132	-1 492	-1 002	-1 298
Accumulated amortisation at year-end	-17 550	-16 418	-15 617	-14 615
Book value at year-end	4 004	4 561	3 857	4 334
Other intangible assets				
Acquisition cost at beginning of year	71 749	66 576	71 317	66 126
Additions 1.1–31.12	3 973	5 523	3 916	5 242
Disposals 1.1–31.12	-403	-375	-403	-51
Acquisition cost at year-end	75 319	71 724	74 830	71 317
Accumulated amortisation at beginning of year	-56 862	-51 933	-56 723	-51 623
Accumulated amortisation on disposals	403	375	403	51
Amortisation for the year	-4 682	-5 292	-4 567	-5 151
Accumulated amortisation at year-end	-61 141	-56 850	-60 887	-56 723
Book value at year-end	14 178	14 874	13 943	14 594
Total intangible assets	18 182	19 435	17 800	18 928

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
12. PROPERTY, PLANT AND EQUIPMENT				
Land				
Acquisition cost at beginning of year	28 303	27 490	24 467	24 112
Additions 1.1–31.12	16	517	16	517
Disposals 1.1–31.12	-174	-162	-174	-162
Acquisition cost at year-end	28 145	27 845	24 309	24 467
Book value at year-end	28 145	27 845	24 309	24 467
Buildings and constructions				
Acquisition cost at beginning of year	770 070	753 689	731 636	719 758
Additions 1.1–31.12	19 293	19 034	18 821	16 648
Disposals 1.1–31.12	-4 744	-4 787	-4 739	-4 770
Acquisition cost at year-end	784 619	767 936	745 718	731 636
Accumulated depreciation at beginning of year	-451 017	-421 861	-434 195	-407 472
Accumulated depreciation on disposals	4 665	4 501	4 660	4 405
Depreciation for the year	-31 458	-32 698	-29 828	-31 128
Accumulated depreciation at year-end	-477 810	-450 058	-459 363	-434 195
Book value at year-end	306 809	317 878	286 354	297 441
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	864 879	829 760	802 239	771 659
Additions 1.1–31.12	32 547	44 133	24 989	40 566
Disposals 1.1–31.12	-1 123	-10 312	-463	-9 828
Write-offs	-	-158	-	-158
Acquisition cost at year-end	896 304	863 423	826 765	802 239
Accumulated depreciation and write-offs at beginning of year	-590 168	-546 365	-545 488	-507 389
Accumulated depreciation on disposals	1 059	10 158	406	9 729
Depreciation for the year	-51 507	-52 824	-46 850	-47 828
Write-offs	-556	-	-556	-
Accumulated depreciation at year-end	-641 172	-589 031	-592 488	-545 488
Book value at year-end	255 132	274 392	234 278	256 751
Prepayments and construction in progress				
Acquisition cost at beginning of year	22 539	32 602	18 290	29 072
Additions 1.1–31.12	27 687	21 735	23 674	16 759
Disposals 1.1–31.12	-	-	-	-
Transfer between items	-19 400	-31 282	-13 179	-26 995
Recorded as expense	-707	-546	-707	-546
Acquisition cost at year-end	30 119	22 509	28 078	18 290
Accumulated depreciation and write-offs at beginning of year	-	-	-	-
Accumulated depreciation and write-offs at year-end	-	-	-	-
Book value at year-end	30 119	22 509	28 078	18 290
Total property, plant and equipment	620 205	642 624	573 019	596 948
Depreciation according to plan for the year, total	-88 779	-92 306	-82 248	-85 405
Book value of production machinery and equipment at year-end	229 370	246 636	212 112	231 824

Notes to the Balance Sheet

13. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Finlandia Cheese Inc., USA	100	100
Dairy USA LLC	100	0
Import USA LLC	100	0
Butter USA LLC	100	0
SIA Valio International, Latvia	100	100
UAB Valio International, Lithuania	100	100
Nordic Dairy Holding Oy, Finland	100	100
Rushold M Oy, Finland*	100	0
OOO Valio Center Odintsovo, Russia	100	0
OOO Valio, Russia	100	0
Valio Eesti AS, Estonia	100	0
Valio Shanghai Ltd, China	100	100
Valio Sverige AB, Sweden	100	100
Jäätelöyhtymä Oy, Finland**	100	100
Pakkasukko Oy, Finland**	100	100
Smeds & Co Oy, Finland**	100	100

* Group company Smeds & Co Oy owns one share.

** 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	47,9	47,9

Notes to the Balance Sheet

14. PARENT COMPANY INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	120 035	8 237	2 567
Transfers between items	-	-	-
Additions	-	-	-
Disposals	-7	-	-51
Acquisition cost at year-end	120 028	8 237	2 516
Accumulated depreciation and write-offs at beginning of year	-9 983	-	-
Accumulated depreciation and write-offs at year-end	-9 983	-	-
Reversal of write-offs at beginning of year	4 878	-	-
Reversal of write-offs at year-end	4 878	-	-
Book value at year-end	114 922	8 237	2 516

15. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	0	9 175	2 583
Additions	-	-	-
Disposals	-	-20	-51
Acquisition cost at year-end	0	9 155	2 532
Accumulated depreciation and write-offs at beginning of year	-	-35	-
Accumulated depreciation and write-offs at year-end	-	-35	-
Book value at year-end	0	9 120	2 532

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
16. SECURITIES				
Other securities	-	22 995	-	22 995
17. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	-	-	37 217	28 574
Other receivables	-	-	963	746
Loan receivables	-	-	-	-
	-	-	38 180	29 320

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
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
Translation difference for equity of foreign subsidiaries 1 Jan.	-31 273	-26 624	-	-
Translation difference for equity of foreign subsidiaries 31 Dec.	-26 385	-31 273	-	-
Retained earnings (losses), 1 Jan.	362 529	392 777	168 903	204 046
Correction of error in earlier financial year, 1 Jan.	-	-	-	-3 094
Dividends	-4 984	-5 150	-4 984	-5 150
Retained earnings (losses), 31 Dec.	357 545	387 627	163 919	195 802
Net profit (loss) for the financial year	32 558	-25 098	34 935	-26 899
Shareholders' equity 31 Dec.	535 830	503 368	370 966	341 015
19. PROVISIONS				
Provision for contingent pension liabilities	419	372	419	372
Other provisions	518	6 741	385	6 604
	937	7 113	804	6 976
20. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
From matching differences	161	3 573	161	3 386
From other temporary differences in accounting and taxation	1 015	704	-	-
Taxable loss	3 221	10 915	2 499	9 824
	4 397	15 192	2 660	13 210
Deferred tax liabilities				
From appropriations	33 978	35 862	-	-
	33 978	35 862	-	-

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
21. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	2 605	2 766	2 605	2 766
Staff costs	38 122	32 312	35 015	29 585
Discounts granted	2 931	3 678	-	34
Taxes	1 464	1 291	135	-
Other accrued expenses and deferred income	6 655	14 358	2 363	12 942
	51 778	54 405	40 118	45 327
22. LIABILITIES THAT FALL DUE OVER FIVE YEARS FROM NOW				
Other loans	2 000	10 444	2 000	10 444
	2 000	10 444	2 000	10 444
23. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	-	-	1 291	38
Other liabilities	-	-	28 229	27 937
	-	-	29 520	27 975
24. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	626	151	626	151
	626	151	626	151

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2019	2018	2019	2018
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	3 205	3 222	3 205	3 222
Leasing commitments	47 278	31 524	40 986	26 782
Total for own commitments	313 742	298 005	307 450	293 263
For others	5 754	6 695	5 754	6 695
	319 496	304 700	313 204	299 958
Liabilities for which mortgages and pledges have been given as collateral				
Loans from financial institutions	60 000	60 000	60 000	60 000
26. EMISSION RIGHTS				
Gratuitously acquired emission rights, tCO ₂	37 125	38 909	37 125	38 909
Other increases (CER), tCO ₂	15 700	15 000	15 700	15 000
Annual emission volumes, tCO ₂	59 833	73 010	59 833	66 025
Emission rights in possession, tCO ₂	60 183	73 513	60 183	73 513
The company has emission rights assets off balance sheet	9	187	9	187

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.

Majakka Voima Oy

Valio Ltd has an overall financial commitment of 24.5 million euros valid to the end of 2024 concerning shares in Majakka Voima Oy, of which 7.6 million euros were entered as subscribed and paid in the financial statements on 31 December 2019. The shareholding will in due course enable electricity produced by Fennovoima Oy to be purchased at cost price.

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 31.6 million euros on 31 December 2019.

Proposal by the Board of Directors to the Annual General Meeting

Distributable earnings in the financial statements amount to EUR 198 854 042.74. 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	163 919 403,25 €
Net loss for the financial year	34 934 639,49 €
Total	198 854 042,74 €

The Board of Directors proposes to the Annual General Meeting that a dividend of 3.0% on the nominal value of the shares
i.e. EUR 102 per share be declared.

4 983 822,00 €

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	193 870 220,74 €
Total shareholders' equity	365 981 722,27 €

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

23 March 2020

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.

24 March 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Valio Ltd

Report on the Audit of the Financial Statements

Statement

It is our opinion that the financial statements give a true and fair view of the Group and parent company's financial performance and financial position, in accordance with the laws and regulations governing the preparation of financial statements in Finland, and fulfil the statutory requirements.

Object of audit

We have audited the financial statements of Valio Ltd (Business ID 0116297-6) for the financial year 1 January to 31 December 2019. The financial statements comprise the consolidated and parent company balance sheet, income statement, cash flow statement, and the notes to the accounts.

Basis for our 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 the Financial Statements section of our report.

We believe 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 group companies in accordance with the ethical requirements applicable in Finland and relevant to our audit, and have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO 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 the statutory requirements. The Board of Directors and the CEO are also responsible for internal control such as they deem necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing the parent company's and the Group's ability to continue operating as a going concern; disclosing, as applicable, matters relating to the going concern principle 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 company or 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 on whether the financial statements in full are free of material misstatement, whether due to fraud or error, and to issue an auditor's report including 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 aggregate, they could reasonably be expected to influence the financial decisions of users made on the basis of the 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 in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 appropriacy of the accounting policies employed, as well as the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriacy of the Board of Directors' and the CEO'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 on 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 CEO are responsible for other information comprising the Board of Directors' report.

Our opinion on the financial statements does not extend to the other information.

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

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

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

Other statements

We recommend that the financial statements be adopted. The proposal by the Board of Directors on the distribution of profit is in accordance with the Limited Liability Companies Act. We recommend that the members of the Board of Directors of the parent company and the CEO be discharged from liability for the financial year audited by us.

Helsinki, 24 March 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

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 2019, 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, 24 March 2020

On behalf of the Supervisory Board

Esa Kotala
Chairman

Valio Ltd owners 31 Dec. 2019

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	1
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
* Paavolan Osuusmeijeri	Ruukki	53
Total		48 861
Total no. of shareholders 31 Dec. 2019		14
Total share capital		166 127 400 €

* No business relationship with Valio

Supervisory Board 31 Dec. 2019

	Term began	Term ends
Esa Kotala, Chairman Dairy farmer, Lapua Osuuskunta Maitosuomi	2010	2022
Jaakko Rouhiainen, Vice Chairman Dairy farmer, Juva Osuuskunta Maitosuomi	2001	2020
Kyösti Anttila Dairy farmer, Jalasjärvi Osuuskunta Maitosuomi	2005	2020
Tuomo Haikonen Dairy farmer, Heinola Osuuskunta Tuottajain Maito	2015	2021
Ville Hakala Dairy farmer, Hartola Osuuskunta Tuottajain Maito	2016	2022
Arto Heikkinen Dairy farmer, Pyhäntä Osuuskunta Maitosuomi	2013	2021
Mikko Heikkinen Dairy farmer, Lapinlahti Osuuskunta Maitosuomi	2017	2021
Jari Hekkala Dairy farmer, Kalajoki Osuuskunta Pohjolan Maito	2012	2022
Hannu Hokkanen Dairy farmer, Kangasniemi Osuuskunta Maitosuomi	2018	2021
Mikko Huuskonen ¹⁾ Process expert, Suonenjoki	2017	2019
Esa Karjalainen Dairy farmer, Puumala Osuuskunta Tuottajain Maito	2016	2020
Raimo Kielenniva Dairy farmer, Kärämäki Osuuskunta Pohjolan Maito	2004	2021
Katariina Lampela Dairy farmer, Tervola Osuuskunta Pohjolan Maito	2012	2022
Tapio Lehto ¹⁾ Product packer, Seinäjoki	2013	2019

Matti Leikkanen Dairy farmer, Sastamala Osuuskunta Länsi-Maito	2016	2022
Janna Luotola ¹⁾ Development Manager, Helsinki	2016	2019
Lassi Mäkinen Dairy farmer, Lieto Osuuskunta Länsi-Maito	2015	2021
Petri Natunen Dairy farmer, Joroinen Osuuskunta Maitosuomi	2019	2020
Vesa Parvinen Dairy farmer, Parikkala Osuuskunta Tuottajain Maito	2015	2022
Mauri Penttilä Dairy farmer, Vesilahti Osuuskunta Länsi-Maito	2001	2022
Jarkko Pirinen Dairy farmer, Iitti Osuuskunta Tuottajain Maito	2014	2022
Ari Pirttiniemi Dairy farmer, Saarijärvi Osuuskunta Maitosuomi	2017	2020
Jari Puhakka Dairy farmer, Ilimantsi Osuuskunta Maitosuomi	2018	2021
Satu Pulkka Dairy farmer, Vieremä Osuuskunta Maitosuomi	2018	2022
Juha Törmä Dairy farmer, Tyrnävä Osuuskunta Pohjolan Maito	2017	2020
Juhani Ylikauma ¹⁾ Coaching expert, Haapavesi	2014	2019
Päivi Ylä-Outinen Dairy farmer, Lappeenranta Osuuskunta Tuottajain Maito	2008	2021

¹⁾ Personnel representative

Board of Directors 31 Dec. 2019

Vesa Kaunisto, Chairman Dairy farmer, Veteli Osuuskunta Pohjolan Maito	2013	2022
Pentti Suokannas, Vice Chairman Dairy farmer, Askola Osuuskunta Tuottajain Maito	2015	2020
Jarno Kämäräinen Dairy farmer, Kiuruvesi Osuuskunta Maitosuomi	2017	2021
Sauli Lähteenmäki Dairy farmer, Rusko Osuuskunta Länsi-Maito	2007	2021

Auditor

PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

Jouko Malinen, Authorised Public Accountant

Executive Board 31 Dec. 2019

	Member of the Executive Board from	Employed by Valio Ltd since
Annikka Hurme CEO	2004	1989
Teresa Laimio Executive Vice President People and Compliance	2017	2002
Juha Penttilä Executive Vice President Operations	2018	1992
Tuomas Salusjärvi Executive Vice President Business and Development	2014	2007
Elli Siltala Executive Vice President Markets	2016	2001
Jyri Virrantuomi Executive Vice President Finance Deputy CEO from 1 September 2019 onwards	2018	2018
Jyri-Pekka Kinnunen Deputy CEO and Member of the Executive Board to 31 August 2019		



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