



Board of Directors' Report and Financial Statements

1 Jan. – 31 Dec. 2020

Board of Directors' Report 1 Jan. – 31 Dec. 2020

General

Valio's goals in 2020 were to increase net sales and improve profitability. Despite the coronavirus pandemic, the company recorded a good financial performance. The three-year programme introduced in 2018 to improve business operations' profitability proceeded well, and the milk return continued to improve.

The coronavirus pandemic affected our operations in all markets. Assembled promptly in the early phase of the pandemic, the coronavirus management group convened at first on a daily basis. Valio swiftly implemented along with other measures even stricter hygiene practices, to secure employee health and run product supply performance continuously above 99 percent. All plants operated as per normal and we delivered an excellent response to customer demand.

Valio Group net sales stood at EUR 1,808 million (2019: EUR 1,787 million), up 1.2% on 2019. Domestic net sales decreased by 0.9 percent, and international net sales rose 4.3 percent. The milk margin amounted to EUR 861 million (EUR 838 million), and the milk return stood at 41.5 cents per litre (41.2 c/l).

The coronavirus pandemic affected retail sales in particular, as well as hotel, restaurant and catering (HoReCa) sales. People stayed at home and cooked for themselves, boosting retail sales. Eating in restaurants and staff canteens fell away, so orders placed to Valio by the HoReCa sector decreased. The core product sales of Valio butter and milk powder to industrial customers remained good.

One of Valio's great strengths is flexible production capacity, so we were able to shift production quickly from large package sizes designed for restaurants to consumer packages. The coronavirus pandemic raised costs, and some project implementations had to be postponed. The pandemic also meant that the amount of work required in particular jobs decreased temporarily. As a consequence, we conducted co-operation negotiations in spring 2020, which resulted in lay-offs in head office functions.

Net sales from international operations totalled EUR 746 million (EUR 715 million). The growth was strongest in China, where demand recovered quickly after the coronavirus shock in early 2020, and net sales increased by more than 40 percent on the previous year. Growth in net sales in nearby markets Sweden, Estonia and Russia was moderate. In the US, the pandemic caused steep price fluctuations, which weakened financial performance. Net sales were however reasonable. The global market price of butter collapsed in early 2020, but recovered towards the end of the year to reach the level of 2019, while that of milk powders also began to rise towards the end of the year, again after an early slump.

Valio Ltd took in 1,807 million litres of raw milk in Finland, 15 million litres more than in the previous year. The average price paid for raw milk was 40.9 cents per litre (39.9 c/l). The price included after payments of 1.5 cents per litre for standard raw milk. A total of EUR 747 million (EUR 722 million) was paid to the owners, comprising the raw milk price, after payments, dividends, and interest. Valio was again able to keep the price paid for raw milk above the European average. Valio Group net profit totalled EUR 37 million (EUR 33 million).

Valio's strategy was updated in 2020. Our vision is to be the world's most innovative dairy and food company. We have four focus areas, where we will seek future growth. Business operations focusing on milk in the domestic market is the strongest of these, and we will continue its further development. Raw materials and solutions that generate added value for our customers is an important new focus area, whereby we seek growth globally, for example in Asia. We also see potential for growth in plant-based products, where we are further developing our offering as well as looking to export markets. In addition, we are continuously evaluating various new business opportunities. In conjunction with the strategy update, we also updated our organisation structure.

Valio is owned by 4,300 dairy farms through co-operatives. Valio and the milk procurement co-operatives switched to contract production at the beginning of 2021. The goal is to secure the future of dairy farms in both the medium and long term, and to maximise the price paid for raw milk to the co-operatives, and consequently to the dairy farmers.

Contract production means that the milk procurement co-operatives supply a pre-agreed volume of raw milk to Valio, and better anticipation of the total volume enables Valio to adjust its production capacity to market demand.

Contract production thereby secures the sufficiency of powder manufacturing capacity, and in 2020 sales of value added powders grew by 10 percent. The use of value added powders could enable for instance a chocolate manufacturer to reduce a product's sugar content without changing the taste, while other customers benefit in different ways. In Finland, a new packaging plant for consumer powders was built in Lapinlahti, and the Seinäjoki powder drying tower's production capacity was improved. These investments are preparing Valio to grow its exports of value added powders.

The market for plant-based products continued its global growth. Valio Oddlygood® Barista became a favourite with consumers in Finland. We launched Valio Oddlygood® Veggie grated, which is used like cheese. As consumer buying power weakened in the course of the coronavirus pandemic, we launched more items under the Valio Hyvä suomalainen Arki® brand. Sales of basic milks continued to decline in line with the market trend for people to drink less milk.

Valio was ranked the most sustainable brand in Finland for the seventh time. We are working determinedly with a range of measures towards our ambitious goal to operate a carbon neutral milk production chain by 2035. Dairy farms now have access to the CARBO® environmental calculator that helps them measure their own carbon footprint and find the most efficient means to reduce it. Measures that reduce emissions to benefit the climate often generate savings that have an economic impact, too. The milk procurement co-operatives introduced three new milk lorries that run on biogas.

As of the beginning of 2021, all 4,300 dairy farms meet Valio's sustainability criteria for animal well-being, and receive a sustainability extra for their work. The requirements include, for example, anticipatory and systematic health care for cows.

Shareholders and share capital

Valio Ltd has 14 shareholders, the same number as in 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

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 is of key importance, enabling the company to ensure a high level of supply performance to its customers every day. At the same time, Valio contributes to securing Finland's national emergency supply in various exceptional conditions.

The goal for occupational safety is zero accidents. Product safety and quality also 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. Reputational risk that damages the Valio brand is also associated with product safety and quality.

Deliberation in some quarters on foods of animal origin is challenging the traditional dairy business. Global warming is part of that discussion. Different areas of sustainability ranging from climate to animal well-being are important to Valio, and a part of our continuing work. Our ambitious goal to neutralise the carbon footprint of milk by 2035 is just one example of how we convert a risk into an opportunity, and we are part of the solution. At the same time, the market for plant-based foods is growing and we are part of that growth.

In 2020, a key risk was realised in the form of the ongoing coronavirus pandemic. Valio has nevertheless been able to maintain its supply performance at a very high level throughout the crisis. The crisis management model promptly introduced at the very beginning of the pandemic has ensured the health of our personnel and business operations' continuity.

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 in 2020 were, in particular, cyber threats and the continuity of business operations. Insurance renewals were implemented successfully despite the hardening insurance markets.

Research and development

Valio launched a total of 122 new products in 2020 (2019: 122) in Finland, as well as new products in other markets. Four new patent applications were filed in 2020 (2019: 0).

R&D and quality control costs totalled EUR 28.0 million (EUR 27.7 million), or 1.5% (1.6%) of net sales.

Personnel

The average number of employees in Valio Group in 2020 was 4,246 (2019: 4,256), and at the end of the financial year the number stood at 4,197 (4,160). On average, 3,230 (3,251) employees worked in Finland and 1,016 (1,005) in foreign subsidiaries.

Of the foreign subsidiaries, the highest number of staff was found in Estonia, on average 477 (470), and Russia, averaging 420 (413). At the end of the financial year, the number of employees in Estonia stood at 487 (467), and in Russia at 437 (416).

Personnel distribution by gender in 2020 was 53% male and 47% female (53% and 47%). The average age of employees was 42 years (42 years).

The salaries and other remunerations paid by Valio Group in 2020 amounted to EUR 187 million (EUR 187 million). Pension costs for the year stood at EUR 23 million (EUR 21 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 spent packages.

Capital expenditure during the financial year targeted at the reduction of environmental impacts amounted to EUR 0.8 million in Finland, and environmental costs recorded as expense totalled EUR 13.0 million. The most significant single investment related to the management of environmental impacts was the reconstruction of the waste water sewer in Äänekoski. The reports relating to the document delineating Europe-wide environmental protection regulations for the food industry, published at the end of 2019, were submitted to the environmental protection authorities in 2020. Based on authorities' decisions, the document has no significant impact on Valio's operations.

Valio Group's total energy consumption in 2020 stood at 788 GWh, waste water volume was 6.0 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 increased slightly, and waste water volume showed a clear increase. The waste water load was at the previous year's level. In 2020, Valio's Finnish operations started a

review of waste management, with the goal of shifting more materials from waste fractions for incineration to recyclable fractions.

Valio decided in 2020 to set Science Based Targets on climate. According to the targets, greenhouse gas emissions from milk production per litre of raw milk taken in will be halved by 2030, compared with 2019. Valio continued training dairy farmers in carbon farming. Due to the coronavirus pandemic, we invested in an electronic learning platform, in co-operation with environmental foundation the Baltic Sea Action Group. The platform is going live in early 2021. In October, Valio introduced a new environmental calculator for all dairy farms that enables calculation of the carbon footprint of the milk produced by the farm. We also initiated training in its use. Studies on employing cattle manure in biogas production continued, and decentralised biogas production appears to be best in terms of reducing climate impacts. The first milk lorry using biogas produced at a farm is commencing milk collection at the beginning of 2021. Valio started a three-year project together with the Natural Resources Institute Finland, which will focus on studying cultivation methods that reduce emissions from peatlands. In addition, ten measurement chambers were installed at four Valio dairy farms to measure soil carbon balance.

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

Net sales

Consolidated net sales amounted to EUR 1,808 million (EUR 1,787 million) and domestic net sales stood at EUR 1,062 million (EUR 1,071 million). Net sales from international operations totalled EUR 746 million (EUR 715 million). Valio Ltd net sales totalled EUR 1,515 million (EUR 1,497million).

Capital expenditure

Consolidated investments totalled EUR 61 million (EUR 64 million), or 3.4% (3.6%) of net sales.

The most significant investments were in building a dry mixing unit and consumer product packing unit in Lapinlahti, and to increase milk powder capacity in Seinäjoki, and processed cheese tub capacity in Moscow.

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 194 million (EUR 109 million) at the year-end. The value of inventories stood at EUR 178 million at the end of the financial year and EUR 180 million at the beginning. Interest-bearing liabilities totalled EUR 318 million at the end of the financial year and EUR 342 million at the beginning. Loans from financial institutions decreased by EUR 14 million. Net financing expenses amounted to EUR 8 million (EUR 8 million), or 0.5% (0.4%) of consolidated net sales.

The company has a capital loan, in accordance with Section 12 of the Limited Liability Companies Act, totalling 34,860,800 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 4,860,000 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.

Financial performance

Consolidated profit before taxes was EUR 45 million (EUR 43 million). Net taxes for the financial year totalled EUR -8 million (EUR -10 million). Net profit for the financial year stood at EUR 37 million (EUR 33 million).

Parent company profit before taxes and appropriations stood at EUR 32 million (EUR 36 million). Booked depreciation was the maximum permitted under Finland's tax laws. Income taxes for the financial year totalled EUR -6 million (EUR -11 million). Parent company net profit for the financial year stood at EUR 24 million (EUR 35 million).

The Valio Group milk margin stood at EUR 861 million (EUR 838 million) and the milk return at 41.5 cents per litre (41.2 c/l).

Year 2021

The start of the year has been governed by the guidelines of our new strategy, with strategic projects launched as planned. These are expected to generate new growth, improve operational efficiency and enhance profitability in the coming years. As a result of contract production, raw milk volumes have begun to decrease moderately.

The coronavirus pandemic continues. It is important for us to look after the health of our personnel and to maintain production. We continue to prioritise people's well-being and serving our customers in all our operations, and act in co-operation with our dairy co-operatives to support the dairy farms.

A key issue regarding product exports, as well as importing ingredients and supplies, is whether international borders will remain open. Valio's strength is that milk, the most important ingredient of our products manufactured in Finland, is produced locally, at Valio owners' dairy farms. Products are manufactured at 12 plants which helps ensure the national emergency supply.

The coronavirus pandemic will make our restaurant, hotel and institutional kitchen customers' operations difficult. On the other hand, as people spend more time at home, retail demand is strong. The market conditions for butter and milk powders seems moderately positive on a global scale. We see growth potential especially in value added powders in for example China and elsewhere in Asia.

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.

Valio's three-year programme to improve cost-efficiency and competitiveness, and consequently the milk return, will continue to the end of 2021.

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

	2020	2019	2018	2017	2016
Milk volume taken in from owners, mill. L	1,807	1,792	1,821	1,837	1,861
Sum paid to owners, MEUR ¹⁾	747	722	722	725	716
Price paid for milk to the co-operatives by Valio, per litre total cents ²⁾	40.9	39.9	39.2	39.0	38.1
Net sales, MEUR	1,808	1,787	1,734	1,708	1,638
Change %	1.2	3.0	1.5	4.3	-4.7
- Domestic, MEUR	1,062	1,071	1,065	1,059	1,060
Change %	-0.9	0.6	0.5	-0.1	-5.0
- International operations, MEUR	746	715	669	649	577
Change %	4.3	6.9	3.0	12.4	-4.0
Net sales/milk litre taken in from owners, €/l	1.00	1.00	0.95	0.93	0.88
Average no. of personnel	4,246	4,256	4,259	4,196	4,096
Wages and salaries, MEUR	187	187	181	181	167
R&D expenditure, MEUR	16	16	17	17	16
Book profit, MEUR	37	33	-25	5	18
Balance sheet total, MEUR	1,171	1,122	1,150	1,193	1,252
Stocks, MEUR	178	180	171	164	144
Investments, MEUR	61	64	62	98	127
Depreciation according to plan, MEUR	85	89	92	88	90
Equity assets ratio, %	50	48	44	45	43
Milk margin, MEUR ³⁾	861	838	800	797	772
Milk return, c/l ⁴⁾	41.5	41.2	38.4	37.9	36.1

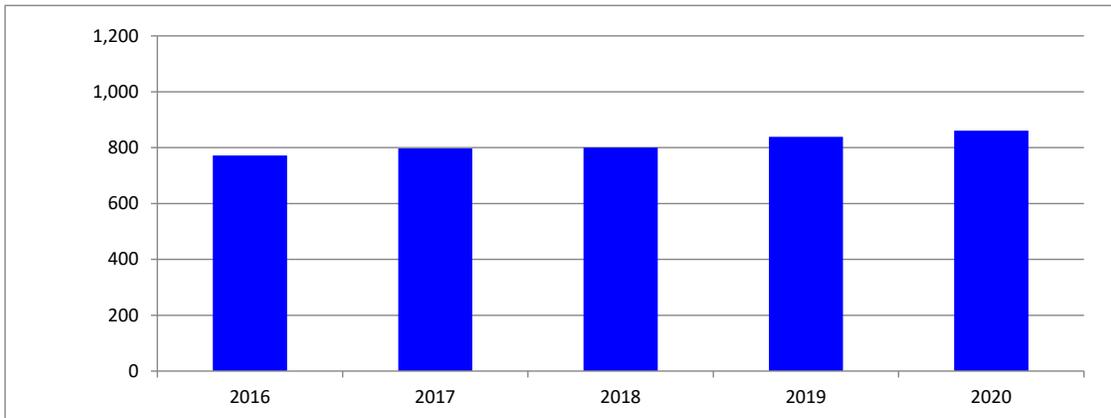
¹⁾ Comprising the raw milk price, after payment, dividend and interest.

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

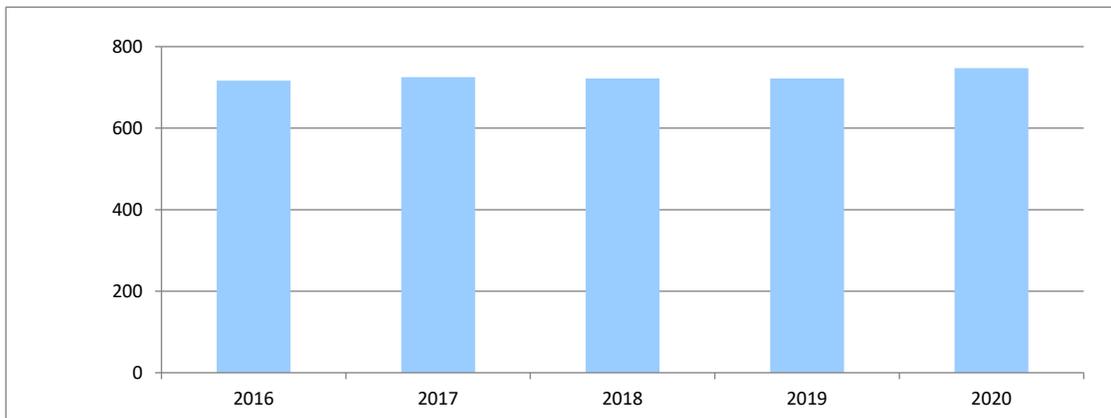
³⁾ Net sales less all other costs excluding the price paid to the owners for raw milk, interest on shareholder loans, depreciation according to plan, supplementary payments to the pension fund, pension contribution refunds, and items not included in actual business operations, such as sales gains from 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.

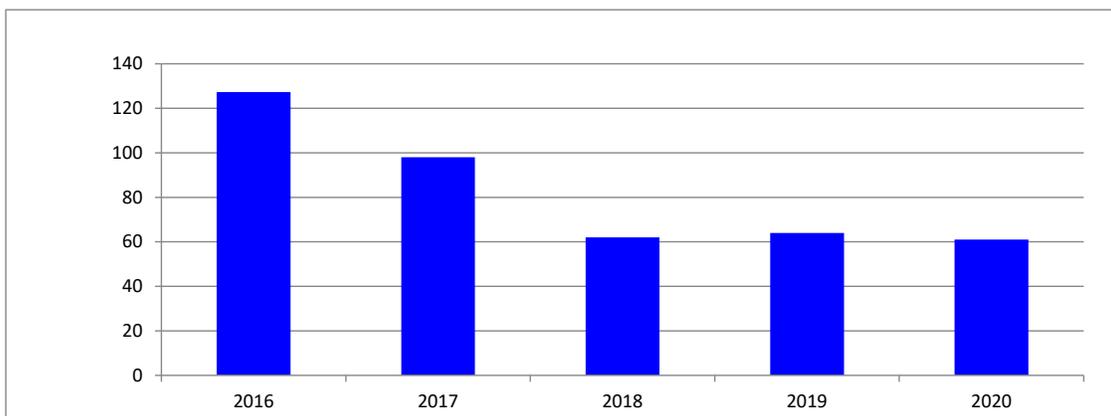
Valio Group milk margin, MEUR



Payments to owners, MEUR



Valio Group investments, MEUR



Consolidated Income Statement

	2020	2019
Net sales	1,807,875	1,786,527
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	1,711	-912
Production for own use	546	946
Other operating income	33,044	44,211
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1,134,359	1,107,798
Increase (-) / decrease (+) in stocks	1,129	-7,798
External services	20,217	24,642
	-1,155,705	-1,124,642
Staff expenses		
Wages and salaries	186,775	186,653
Social security expenses		
Pension expenses	22,857	21,283
Other social security expenses	11,804	9,811
	-221,436	-217,747
Depreciation and amortisation		
Depreciation according to plan	85,027	88,779
Amortisation from assets held as non-current assets	92	603
	-85,119	-89,382
Other operating expenses	-327,431	-348,430
Operating profit/loss	53,485	50,571
Financial income and expenses		
Income from other investments held as non-current assets		
From others	1	1
Other interest and financial income		
From others	261	676
Share of profit of associated companies	-13	230
Interest and other financial expenses		
To others	-8,710	-8,592
	-8,461	-7,685
Profit/loss before appropriations and taxes	45,024	42,886
Income taxes		
Income taxes	-5,097	-1,339
Deferred taxes	-2,698	-8,989
	-7,795	-10,328
Net profit /loss for the financial year	37,229	32,558

All figures in EUR '000s.

Consolidated Cash Flow Statement

	2020	2019
Cash flow from operations		
Operating profit	53,485	50,571
Adjustments		
Depreciation and amortisation	85,119	89,382
Changes in provisions	827	-5,573
Other adjustments	-870	-4,218
Cash flow before change in working capital	138,561	130,162
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	5,890	-5,810
Increase (-) / decrease (+) in stocks	1,623	-8,551
Increase (+) / decrease (-) in current non-interest-bearing debts	-1,733	173
Cash flow from operations before financial items and taxes	144,341	115,974
Interests and expenses paid for other financing costs of operations	-7,844	-8,753
Dividends received	1	1
Interest and other financial income received	263	960
Direct taxes paid	-4,694	-1,298
Cash flow from operations	132,067	106,884
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-60,160	-63,312
Investment subsidies received	3	44
Proceeds from sale of tangible and intangible assets	179	3,173
Capital expenditure in investments	-1,334	-
Proceeds from sale of investments	-	79
Repayment of loan receivables	373	192
Other	-10,787	4,888
Cash flow from investments	-71,726	-54,936
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	13,180	-11,175
Proceeds from non-current financing	127,361	52,565
Repayment of non-current financing	-111,665	-106,912
Dividends paid	-4,984	-4,984
Cash flow from investments	23,892	-70,506
Change in liquid assets	84,233	-18,558
Liquid assets at beginning of financial year	109,495	128,053
Liquid assets at end of financial year	193,728	109,495

All figures in EUR '000s.

Consolidated Balance Sheet

ASSETS	31.12.2020	31.12.2019
Non-current assets		
Intangible assets		
Intangible rights	3,796	4,004
Other intangible assets	14,289	14,178
	18,085	18,182
Property, plant and equipment		
Land	27,755	28,145
Buildings and constructions	300,625	306,809
Machinery and equipment	244,369	253,730
Other tangible assets	1,204	1,402
Advance payments and construction in progress	17,532	30,119
	591,485	620,205
Investments		
Shares in associated companies	10,441	9,120
Other shares and interests	2,531	2,532
	12,972	11,652
Current assets		
Stocks		
Raw materials and supplies	42,251	45,693
Work in progress	7,708	7,272
Finished goods	125,270	124,032
Other stocks	3,070	2,925
	178,299	179,922
Receivables		
Non-current receivables		
Loan receivables	1,345	1,469
Other receivables	195	198
Deferred tax receivable	779	1,025
	2,319	2,692
Current receivables		
Trade receivables	134,495	139,086
Deferred tax receivable	1,202	3,372
Other current receivables	30,616	26,846
Accrued income and prepaid expenses	7,918	10,817
	174,231	180,121
Cash in hand and at banks	193,728	109,495
Total assets	1,171,119	1,122,269

All figures in EUR '000s.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2020	31.12.2019
Shareholders' equity		
Share capital	166,128	166,128
Other reserves		
Other reserves	5,984	5,984
Translation differences	-37,172	-26,385
Capital loan	30,000	-
Retained earnings/losses	385,119	357,545
Net profit/loss for the financial year	37,229	32,558
	587,288	535,830
Provisions		
Other provisions	1,672	937
Liabilities		
Non-current liabilities		
Capital loan	4,861	-
Loans from financial institutions	176,722	172,111
Deferred tax liability	34,351	33,804
Other liabilities	70,063	77,060
	285,997	282,975
Current liabilities		
Loans from financial institutions	60,289	78,489
Advances received	335	440
Trade payable	156,438	148,764
Current liabilities to participating interests	440	626
Deferred tax assets	133	174
Other liabilities	24,693	22,256
Accrued expenses and deferred income	53,834	51,778
	296,162	302,527
Total shareholders' equity and liabilities	1,171,119	1,122,269

All figures in EUR '000s.

Parent Company Income Statement

	2020	2019
Net sales	1,514,642,826.49	1,496,945,656.07
Increase (+) / decrease (-) in stocks of finished goods and work in progress	-1,266,246.57	-907,504.26
Production for own use	546,386.74	945,714.28
Other operating income	31,560,541.00	43,131,903.29
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	939,411,314.76	917,568,652.82
Increase (-) / decrease (+) in stocks	559,768.82	-3,146,604.83
External services	17,011,080.87	19,191,367.88
	-956,982,164.45	-933,613,415.87
Staff expenses		
Wages and salaries	161,703,925.93	161,212,523.24
Social security expenses		
Pension expenses	20,653,746.39	18,929,217.15
Other social security expenses	6,695,858.34	4,622,158.08
	-189,053,530.66	-184,763,898.47
Depreciation and amortisation		
Depreciation according to plan	-78,981,729.21	-82,247,609.00
Amortisation from assets held as non-current assets	-88,447.57	-603,151.43
	-79,070,176.78	-82,850,760.43
Other operating expenses	-279,781,971.37	-298,453,497.99
Operating profit/loss	40,595,664.40	40,434,196.62
Financial income and expenses		
Income from other investments held as non-current assets		
From Group companies	0.00	3,117,657.60
From others	476.67	555.56
Other interest and financial income		
From others	21,223.40	401,038.54
Reduction in value from investments held as non-current assets	-	7,000.00
Interest expenses and other financial expenses		
To others	-8,652,897.02	-8,272,927.81
	-8,631,196.95	-4,746,676.11
Profit/loss before appropriations and taxes	31,964,467.45	35,687,520.51
Appropriations		
Increase (-) / decrease (+) in depreciation difference	-2,739,008.79	9,527,490.89
Group contribution received (+) and given (-)	268,000.00	270,000.00
	-2,471,008.79	9,797,490.89
Income taxes		
Deferred taxes	-2,348,363.98	-10,550,371.91
Income tax for the financial year	-3,554,408.08	-
	-5,902,772.06	-10,550,371.91
Net profit/loss for the financial year	23,590,686.60	34,934,639.49

Parent Company Cash Flow Statement

	2020	2019
Cash flow from operations		
Operating profit	40,596	40,434
Adjustments		
Depreciation and amortisation	78,982	82,248
Changes in provisions	843	-5,569
Other adjustments	-779	-4,407
Cash flow before change in working capital	119,642	112,706
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	-15,266	-14,632
Increase (-) / decrease (+) in stocks	1,826	-2,239
Increase (+) / decrease (-) in current non-interest-bearing debts	10,439	4,164
Cash flow from operations before financial items and taxes	116,641	99,999
Interests and expenses paid for other financing costs of operations	-7,786	-8,434
Dividends received	1	3,118
Interest and other financial income received	22	685
Direct taxes paid	-3,152	-16
Cash flow from operations	105,726	95,352
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-52,836	-57,392
Investment subsidies received	3	44
Proceeds from sale of tangible and intangible assets	100	3,132
Capital expenditure in investments	-1,334	-
Proceeds from sale of investments	-	79
Cash flow from investments	-54,067	-54,137
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	13,180	-10,873
Proceeds from non-current financing	127,361	52,565
Repayment of non-current financing	-111,665	-106,912
Dividends paid	-4,984	-4,984
Cash flow from financing activities	23,892	-70,204
Change in liquid assets	75,551	-28,989
Liquid assets at beginning of financial year	86,625	115,614
Liquid assets at end of financial year	162,176	86,625

All figures in EUR '000s.

Parent Company Balance Sheet

ASSETS	31.12.2020	31.12.2019
Non-current assets		
Intangible assets		
Intangible rights	3,678,395.62	3,856,632.50
Other intangible assets	14,132,091.63	13,942,911.53
	17,810,487.25	17,799,544.03
Property, plant and equipment		
Land	21,686,895.54	21,686,895.54
Connection fees	2,836,419.12	2,622,219.12
Buildings and constructions	282,839,964.40	286,354,371.90
Machinery and equipment	225,971,281.27	234,120,331.17
Other tangible assets	156,760.36	156,760.36
Advance payments and construction in progress	13,191,676.38	28,078,270.92
	546,682,997.07	573,018,849.01
Investments		
Shares in Group companies	114,922,462.29	114,922,462.29
Shares in associated companies	9,570,990.80	8,236,930.80
Other shares and interests	2,515,766.15	2,515,993.20
	127,009,219.24	125,675,386.29
Current assets		
Stocks		
Raw materials and supplies	33,348,949.00	33,871,999.63
Work in progress	6,771,957.06	6,342,410.92
Finished goods	81,672,898.13	83,368,690.84
Other stocks	922,314.64	959,032.83
	122,716,118.83	124,542,134.22
Receivables		
Non-current receivables		
Non-current receivables from Group companies	1,231,000.00	962,700.00
Other non-current receivables	63,192.94	64,021.23
	1,294,192.94	1,026,721.23
Current receivables		
Trade receivables	89,877,984.24	90,295,946.76
Current receivables from Group companies	52,225,250.67	37,216,879.13
Deferred tax assets	311,738.16	2,660,102.14
Other current receivables	27,943,469.81	24,466,114.57
Accrued income and prepaid expenses	6,460,881.99	8,187,809.72
	176,819,324.87	162,826,852.32
Cash in hand and at banks	162,175,895.41	86,624,593.33
Total assets	1,154,508,235.61	1,091,514,080.43

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2020	31.12.2019
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	-
Retained earnings/losses	193,870,220.74	163,919,403.25
Net profit/loss for the financial year	23,590,686.60	34,934,639.49
	419,572,408.87	370,965,544.27
Appropriations		
Accumulated depreciation difference	171,756,745.12	169,017,736.33
Provisions	1,558,690.86	803,918.34
Liabilities		
Non-current liabilities		
Capital loan	4,860,800.00	-
Loans from financial institutions	176,722,222.23	172,111,111.10
Non-current liabilities to Group companies	955,000.00	955,000.00
Other liabilities	69,793,633.47	77,375,320.12
	252,331,655.70	250,441,431.22
Current liabilities		
Loans from financial institutions	60,288,888.88	78,488,888.90
Trade payable	139,651,435.26	130,694,003.51
Current liabilities to Group companies	44,009,004.13	29,520,376.59
Current liabilities to participating interests	439,783.33	625,534.42
Other liabilities	23,252,594.37	20,838,410.01
Accrued expenses and deferred income	41,647,029.09	40,118,236.84
	309,288,735.06	300,285,450.27
Total shareholders' equity and liabilities	1,154,508,235.61	1,091,514,080.43

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 and cash at bank. The company's liquid assets also include an escrow account of 0.9 million euros, the use of which is limited.

The company has a capital loan, in accordance with Section 12 of the Limited Liability Companies Act, totalling 34,860,800 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 4,860,000 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. In drawing up the financial statements, the management has considered the realised and presumed effects on the company's operations and the valuation of asset items. 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.

Despite the coronavirus pandemic, Valio recorded a good financial performance, even though the pandemic affected the company's operations in all markets. Assembled promptly in the early phase of the pandemic, the coronavirus management group convened at first on a daily basis. Valio swiftly implemented along with other measures even stricter hygiene practices to secure employee health and product supply performance. The coronavirus pandemic affected retail sales in particular, as well as hotel, restaurant and catering (HoReCa) sales. The sales of the HoReCa sector decreased considerably as a result of the pandemic, but the increase in retail trade compensated the losses in the HoReCa sector. All plants operated as per normal, and supply performance continuously exceeded 99 per cent. Additional costs brought about by the pandemic were covered through different savings measures.

All figures in EUR '000s.

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
1. DISTRIBUTION OF NET SALES				
1.1. NET SALES BY DIVISION				
Fresh dairy products	724,533	716,318	610,490	605,808
Butter and spreads	277,966	293,874	264,337	278,646
Cheese	493,830	494,562	339,934	340,842
Powdered ingredients	231,818	188,982	222,772	182,153
Others	79,728	92,791	77,110	89,497
	1,807,875	1,786,527	1,514,643	1,496,946
1.2. NET SALES BY GEOGRAPHICAL AREA				
Domestic	1,062,161	1,071,453	1,062,161	1,071,453
Foreign	745,714	715,074	452,482	425,493
	1,807,875	1,786,527	1,514,643	1,496,946
2. OTHER OPERATING INCOME				
Logistics income	17,482	25,667	17,441	25,627
Rent income	3,394	3,518	3,400	3,532
Gain on disposal of non-current assets	254	3,115	184	3,074
Sales income from laboratory services	3,331	3,142	3,331	3,142
Sale of business operations	766	781	766	781
Other income	7,817	7,988	6,439	6,976
	33,044	44,211	31,561	43,132
3. PURCHASES DURING THE FINANCIAL YEAR				
Purchases of raw milk from procurement co-operatives	739,356	714,224	739,356	714,224
Other purchases	395,003	393,574	200,055	203,345
	1,134,359	1,107,798	939,411	917,569
4. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	60	-48	60	-48
Other provisions	-795	6,224	-815	6,220
	-735	6,176	-755	6,172

Notes to the Income Statement

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
5. OTHER OPERATING EXPENSES				
Production	105,328	105,298	99,853	99,102
Transportation	108,362	108,151	95,973	97,610
Rents	17,281	16,828	14,366	13,890
Marketing	41,710	50,853	25,539	32,450
Administration	41,708	53,086	35,711	46,371
Other expenses	13,043	14,214	8,340	9,030
	327,431	348,430	279,782	298,453
6. NUMBER OF PERSONNEL, AVERAGE				
	4,246	4,256	3,230	3,251
7. STAFF EXPENSES				
Wages and salaries	186,775	186,653	161,704	161,213
Social security expenses				
Pension expenses	22,857	21,283	20,654	18,929
Other social security expenses	11,804	9,811	6,696	4,622
	221,436	217,747	189,054	184,764
8. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	136	185	136	185
Board of Directors	191	210	191	210
Valio Executive Board, CEO, Managing Directors	3,801	4,139	2,368	2,513
	4,129	4,534	2,695	2,908
9. AUDITOR'S FEES				
To PricewaterhouseCoopers companies				
Audit	343	349	162	160
Auditor's statements	3	5	3	5
Tax services	313	487	304	480
Other services	300	237	300	234
	959	1,078	769	879

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
10. ACCRUED INCOME AND PREPAID EXPENSES				
Personnel items	911	2,147	750	2,071
Excise taxes	2,431	3,096	2,207	2,205
Interest	21	22	21	22
Miscellaneous accrued income	1,094	1,487	1,094	1,487
Other prepayments and accrued income	3,461	4,066	2,389	2,405
	7,918	10,817	6,461	8,188
11. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	21,554	20,979	19,474	18,949
Additions 1.1–31.12	761	576	722	525
Disposals 1.1–31.12	-7	-	-	-
Acquisition cost at year-end	22,308	21,554	20,196	19,474
Accumulated amortisation at beginning of year	-17,550	-16,418	-15,617	-14,615
Accumulated amortisation on disposals	7	-	-	-
Amortisation for the year	-968	-1,132	-900	-1,002
Accumulated amortisation at year-end	-18,512	-17,550	-16,517	-15,617
Book value at year-end	3,796	4,004	3,678	3,857
Other intangible assets				
Acquisition cost at beginning of year	75,250	71,749	74,830	71,317
Additions 1.1–31.12	4,039	3,973	3,973	3,916
Disposals 1.1–31.12	-	-403	-	-403
Acquisition cost at year-end	79,289	75,319	78,803	74,830
Accumulated amortisation at beginning of year	-61,099	-56,862	-60,887	-56,723
Accumulated amortisation on disposals	-	403	-	403
Amortisation for the year	-3,900	-4,682	-3,784	-4,567
Accumulated amortisation at year-end	-65,000	-61,141	-64,671	-60,887
Book value at year-end	14,289	14,178	14,132	13,943
Total intangible assets	18,085	18,182	17,810	17,800

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
12. PROPERTY, PLANT AND EQUIPMENT				
Land				
Acquisition cost at beginning of year	27,265	28,303	24,309	24,467
Additions 1.1–31.12	491	16	214	16
Disposals 1.1–31.12	-	-174	-	-174
Acquisition cost at year-end	27,755	28,145	24,523	24,309
Book value at year-end	27,755	28,145	24,523	24,309
Buildings and constructions				
Acquisition cost at beginning of year	780,519	770,070	745,718	731,636
Additions 1.1–31.12	27,232	19,293	26,413	18,821
Disposals 1.1–31.12	-13	-4,744	-	-4,739
Acquisition cost at year-end	807,739	784,619	772,131	745,718
Accumulated depreciation at beginning of year	-475,770	-451,017	-459,363	-434,195
Accumulated depreciation on disposals	12	4,665	-	4,660
Depreciation for the year	-31,356	-31,458	-29,927	-29,828
Accumulated depreciation at year-end	-507,113	-477,810	-489,291	-459,363
Book value at year-end	300,625	306,809	282,840	286,354
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	893,120	864,879	826,765	802,239
Additions 1.1–31.12	40,040	32,547	36,398	24,989
Disposals 1.1–31.12	-2,637	-1,123	-1,071	-463
Write-offs	-	-	-	-
Acquisition cost at year-end	930,523	896,304	862,091	826,765
Accumulated depreciation and write-offs at beginning of year	-638,538	-590,168	-592,488	-545,488
Accumulated depreciation on disposals	2,391	1,059	896	406
Depreciation for the year	-48,802	-51,507	-44,371	-46,850
Write-offs	-	-556	-	-556
Accumulated depreciation at year-end	-684,950	-641,172	-635,963	-592,488
Book value at year-end	245,573	255,132	226,128	234,278
Prepayments and construction in progress				
Acquisition cost at beginning of year	29,939	22,539	28,078	18,290
Additions 1.1–31.12	15,246	27,687	8,801	23,674
Disposals 1.1–31.12	-	-	-	-
Transfer between items	-27,646	-19,400	-23,681	-13,179
Recorded as expense	-7	-707	-7	-707
Acquisition cost at year-end	17,532	30,119	13,192	28,078
Accumulated depreciation and write-offs at beginning of year	-	-	-	-
Accumulated depreciation and write-offs at year-end	-	-	-	-
Book value at year-end	17,532	30,119	13,192	28,078
Total property, plant and equipment	591,485	620,205	546,683	573,019
Depreciation according to plan for the year, total	-85,027	-88,779	-78,982	-82,248
Book value of production machinery and equipment at year-end	223,577	229,370	206,857	212,112

Notes to the Balance Sheet

13. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Valio USA 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 ***	50.5	50.5
*** Share of ownership, %		

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	120,028	8,237	2,516
Transfers between items	-	-	-
Additions	-	1,334	-
Disposals	-	-	-
Acquisition cost at year-end	120,028	9,571	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	9,571	2,516

15. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	-	9,155	2,532
Additions	-	1,334	-
Disposals	-	-13	-1
Acquisition cost at year-end	-	10,476	2,531
Accumulated depreciation and write-offs at beginning of year	-	-35	-
Accumulated depreciation and write-offs at year-end	-	-35	-
Book value at year-end	-	10,441	2,531

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
16. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	-	-	52,225	37,217
Other receivables	-	-	1,231	963
Loan receivables	-	-	-	-
	-	-	53,456	38,180

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
17. 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.	-	-	-	-
Capital loan, 31 Dec.	30,000	-	30,000	-
Translation difference for equity of foreign subsidiaries 1 Jan.	-26,385	-31,273	-	-
Translation difference for equity of foreign subsidiaries 31 Dec.	-37,172	-26,385	-	-
Retained earnings (losses), 1 Jan.	390,103	362,529	198,854	168,903
Dividends	-4,984	-4,984	-4,984	-4,984
Retained earnings (losses), 31 Dec.	385,119	357,545	193,870	163,919
Net profit (loss) for the financial year	37,229	32,558	23,590	34,935
Shareholders' equity 31 Dec.	587,288	535,830	419,572	370,966
18. PROVISIONS				
Provision for contingent pension liabilities	359	419	359	419
Other provisions	1,313	518	1,200	385
	1,672	937	1,559	804
19. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
From matching differences	312	161	312	161
From other temporary differences in accounting and taxation	1,069	1,015	-	-
Taxable loss	600	3,221	-	2,499
	1,981	4,397	312	2,660
Deferred tax liabilities				
From appropriations	34,484	33,978	-	-
	34,484	33,978	-	-

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
20. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	3,472	2,605	3,472	2,605
Staff costs	37,387	38,122	35,207	35,015
Discounts granted	4,325	2,931	171	-
Taxes	1,969	1,464	529	135
Other accrued expenses and deferred income	6,681	6,655	2,268	2,363
	53,834	51,778	41,647	40,118
21. LIABILITIES THAT FALL DUE OVER FIVE YEARS FROM NOW				
Other loans	30,000	2,000	30,000	2,000
	30,000	2,000	30,000	2,000
22. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	-	-	512	1,291
Other liabilities	-	-	43,497	28,229
	-	-	44,009	29,520
23. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	440	626	440	626
	440	626	440	626

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2020	2019	2020	2019
24. 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	3,208	3,205	3,208	3,205
Leasing commitments	41,048	47,278	35,083	40,986
Total for own commitments	307,515	313,742	301,550	307,450
For others	4,811	5,754	4,811	5,754
	312,326	319,496	306,361	313,204
Liabilities for which mortgages and pledges have been given as collateral				
Loans from financial institutions	30,000	60,000	30,000	60,000
25. EMISSION RIGHTS				
Gratuitously acquired emission rights, tCO2	35,385	37,125	35,385	37,125
Other increases (CER), tCO2	32,200	15,700	32,200	15,700
Annual emission volumes, tCO2	66,476	59,833	66,476	59,833
Emission rights in possession, tCO2	54,136	60,183	54,136	60,183
The company has emission rights assets off balance sheet	218	9	218	9

26. 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 9 million euros were entered as subscribed and paid in the financial statements on 31 December 2020. 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 28.4 million euros on 31 December 2020.

Proposal by the Board of Directors to the Annual General Meeting

Distributable earnings in the financial statements amount to EUR 217,460,907.34.

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	193,870,220.74 €
Net loss for the financial year	23,590,686.60 €
Total	217,460,907.34 €

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	212,477,085.34 €
Capital loan	30,000,000.00 €
Total shareholders' equity	414,588,586.87 €

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

22 March 2021

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.

23 March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Auditor's Report (Translation of the Finnish Original)

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 Ltd (business identity code 0116297-6) for the year ended 31 December 2020. 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 skepticism 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 Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 23 March 2021

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 2020, 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, 23 March 2021

On behalf of the Supervisory Board

Esa Kotala
Chairman

Valio Ltd owners 31 Dec. 2020

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		<u>48,861</u>
Total no. of shareholders 31 Dec. 2020		<u>14</u>
Total share capital		166,127,400 €

* No business relationship with Valio

Supervisory Board 31 Dec. 2020

	Term began	Term ends
Esa Kotala, Chairman Dairy farmer, Lapua Osuuskunta Maitosuomi	2010	2022
Satu Pulkka, Vice Chairman Dairy farmer, Vieremä Osuuskunta Maitosuomi	2018	2022
Marjo Ala-Kopsala Dairy farmer, Toholampi Osuuskunta Pohjolan Maito	2020	2021
Kyösti Anttila Dairy farmer, Jalasjärvi Osuuskunta Maitosuomi	2005	2023
Hannu Gröhn Dairy farmer, Nurmes Osuuskunta Maitosuomi	2020	2023
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 specialist, Suonenjoki	2017	2022
Esa Karjalainen Dairy farmer, Puumala Osuuskunta Tuottajain Maito	2016	2023
Katariina Lampela Dairy farmer, Tervola Osuuskunta Pohjolan Maito	2012	2022

Tapio Lehto ¹⁾ Product packer, Seinäjoki	2013	2022
Matti Leikkanen Dairy farmer, Sastamala Osuuskunta Länsi-Maito	2016	2022
Janna Luotola ¹⁾ Contract Manufacturing Manager, Helsinki	2016	2022
Lassi Mäkinen Dairy farmer, Lieto Osuuskunta Länsi-Maito	2015	2021
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	2022
Mauri Penttilä Dairy farmer, Vesilahti Osuuskunta Länsi-Maito	2001	2022
Jarkko Pirinen Dairy farmer, Iitti Osuuskunta Tuottajain Maito	2014	2022
Jari Puhakka Dairy farmer, Iломantsi Osuuskunta Maitosuomi	2018	2021
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	2021

¹⁾ Personnel representative

Board of Directors

Vesa Kaunisto, Chairman Dairy farmer, Veteli Osuskunta Pohjolan Maito	2013	2022
Pentti Suokannas, Vice Chairman Dairy farmer, Askola Osuskunta Tuottajain Maito	2015	2023
Jarno Kämäräinen Dairy farmer, Kiuruvesi Osuskunta Maitosuomi	2017	2021
Sauli Lähteenmäki Dairy farmer, Rusko Osuskunta Länsi-Maito	2007	2021

Auditor

PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

Niina Vilske, Authorised Public Accountant

Executive Board 31 Dec. 2020

	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
Jyri Virrantuomi Executive Vice President Finance and Strategy Deputy CEO	2018	2018
Marianne Tammela Executive Vice President People	2021*	2019

*Official member of the Executive Board from 1 January 2021 onwards
(present in meetings of the Executive Board since 1 August 2020)



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