Board of Directors' Report and Financial Statements

1 Jan. – 31 Dec. 2013

Board of Directors' Report 1st Jan. – 31st Dec. 2013

General

Valio Ltd took in 1 888 million litres of raw milk in Finland, up 23 million litres on the previous year. The average procurement share by owner co-operatives delivering to Valio Ltd was 85% of the Finnish dairy milk volume.

Valio Group net sales stood at EUR 2 029 million (EUR 2 000 million), up 1.5% on 2012. Domestic net sales were at the previous year's level and international net sales increased by 3.9%

The milk margin amounted to EUR 1 026 million (EUR 991 million) of which EUR 118 million (EUR 105 million) was employed in investments.

The milk return stood at 48.0 cents per litre. The average price paid for raw milk was 47.5 cents per litre. At the end of the year, the Board of Directors reached a decision on after payments for 2013, amounting to 2.5 cents per litre. The total price paid for raw milk was EUR 25 million higher compared with the previous year. A total of EUR 907 million (EUR 883 million) was paid to owners, comprising the raw milk price, after payment, dividend and interest.

Valio Group net profit totalled EUR 65 million (EUR 43 million).

Shareholders and share capital

Valio Ltd has 18 shareholders, the same number as in the previous financial 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

Risks are identified and managed in the business operations. Valio Group's key risks relate to the development of market prices in the domestic and export markets, the market position of key product groups, exchange rates, and various property damage risks and their ramifications for business operations.

Insurances are employed to protect against risks such as would significantly influence Valio Group's operating capacity. Valio's most significant non-life insurances have been organised into insurance programs covering the whole Group.

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

The goal for occupational safety is zero accidents.

Legal proceedings

In spring 2013, the Finnish Market Court commenced its consideration of Valio's appeal concerning the decision on the pricing of Valio's basic milks, issued by the Finnish Competition Authority (FCA) on 20th December 2012, and the sanction of EUR 70 million related thereto. The Market Court is expected to reach a decision in the first half of 2014.

The Finnish Competition Authority (now the Finnish Competition and Consumer Authority), charged Valio with keeping in the years 2010–2012 the wholesale prices of Valio's basic milks lower than the cost determined for those milks by the FCA on 20th December 2012. The authority considers e.g. Valio's profit from co-operative business, which has been paid to Valio's owners, in accordance with section 7 of Valio's Articles of Association, as part of the raw milk price, to be a cost that must be covered in the price of basic milks. The reasoning for the new pricing stipulations handed down by the FCA differs entirely from the pricing guidelines submitted to Valio by the authority on 27th January 2010.

According to the EU Commission guidelines, an evaluation of what constitutes predatory pricing is not just about covering a part of the costs; the deciding factor is the generation of gross profit or any other relevant profit compared with the profit obtainable from an alternative, realistic method of operation. Anti-competitive predatory pricing can only emerge if the player has chosen to disregard an alternative, realistic opportunity to generate a higher profit by employing its resources in less profitable operations. Thus, pricing may be considered predatory even if all costs have been covered and the operations are profitable from the perspective of costs alone. In evaluating whether the criteria of predatory pricing are met, the only essential factor is the accrued profit in comparison with the alternative opportunity to generate a profit.

The manufacture of basic milks has always been profitable for Valio, and the company could not have achieved a better financial outcome by operating in an alternative manner. Valio has therefore contested all the FCA's allegations as completely unfounded, and considers the decision to be a stipulation to secure a profit margin, which is detrimental to efficient competition.

According to the FCA's decision, Valio's gross profit would have been higher, if Valio had not taken in from its owners the raw milk required for the manufacture of basic milks. The FCA's claim conflicts with Valio's method of operation as a co-operative. Furthermore, Valio considers the operating model that limits milk production, presented by the FCA as the most profitable model, constitutes a cartel, which is prohibited as an anti-competitive measure.

Since issuing its decision, the authority has proposed to the Market Court that Valio's gross profit would have been higher if it had sold the raw milk used for manufacturing basic milks to its competitors instead of competing in basic milk volumes. The authority's claim is completely erroneous, because it can be proven that no such market demand existed. Furthermore, Valio also considers that this operating model, presented by the FCA as more profitable, constitutes prohibited co-operation between players.

Since issuing its decision, the authority has also proposed that Valio lowering its price paid for raw milk which includes profit would lead to the outcome required by the authority, in the same way as raising the price of basic milk, which has been claimed to be too low. In the co-operative model, a requirement to lower the price paid for raw milk is an implication of a requirement to lower the profit.

The requirement to raise the price of basic milks means increasing the profit. The authority's proposition is logically impossible and cannot be reconciled with efficient competition.

With the cost calculation formula it has determined, the authority aims to generate a secured margin on basic milk for Valio's inefficient competitors, which would enable competitors to pay for raw milk the price generated by Valio's high grade product development without any contribution of their own. In practice, the authority refutes the existence of Valio's operations as a co-operative.

Valio has acquired statements from a number of professors of accounting which support the company's stand on the co-operative business logic of the Finnish dairy industry and the evaluation of the price paid for raw milk in terms of business economics.

The case is pending. Because Valio considers that there are no grounds for the authority's decision and proposal, the authority's proposed sanction and other possible financial consequences related to the case have not been included under provisions in the financial statements.

Research and development

Valio launched a total of 120 new products in 2013 (123), plus a number of new products in Russia, Sweden and Estonia. Nine new patent applications were filed in 2013 (7).

R&D and quality control costs totalled EUR 30.3 million (EUR 28.9 million), or 1.5% of net sales (1.4%).

Personnel

The average number of employees in Valio Group in 2013 was 4 613 (4 600), and at the end of the financial year the number stood at 4 567; on average, 3 683 employees worked in Finland and 930 in foreign subsidiaries. Of those, the highest number of staff was found in Russia, a total of 477, and Estonia, totalling 367.

Personnel distribution by gender in 2013 was 53% male and 47% female (53% and 47%). The average age of employees in 2013 was 40 years, as in the previous year.

The working time salaries paid by Valio Ltd in 2013 amounted to EUR 135.8 million (EUR 131.2 million). Pension costs for the year stood at EUR 10.1 million (EUR 17.4 million). Other labour costs and statutory employee costs including the supplementary insurance premium accounted for 38.4% of total salaries (44.7%).

Environmental protection

Valio's environmental system is certified in accordance with the ISO 14001 standard and covers the company's operations in Finland. 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 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 1.7 million in Finland, and environmental costs recorded as expense totalled EUR 12.1 million. The key environmental investments were those related to enhancing the re-use of water at the Lapinlahti plant and the Jyväskylä dairy. Those investments also reduce the waste water load. In addition, investments were made in the waste management arrangements at several locales due to the transition of waste management in Finland. Energy efficiency in production was improved by investing a total of EUR 0.3 million in waste heat recovery at the Seinäjoki plant and the Suonenjoki jam plant. Within a few years, Valio will incur considerable costs stemming from the renovation of waste water purification plants in a number of locales. Renovation projects at purification plants are in progress at the Riihimäki dairy, the Haapavesi plant, and the Suonenjoki jam plant.

Valio Group’s total energy consumption in 2013 stood at 749 GWh, waste water volume was 5.7 million cubic metres, waste water load directed at water purification plants was 11 200 tonnes calculated in terms of chemical oxygen demand (COD), and Valio Production generated 1 100 tonnes of waste that was not recycled or reused. Compared with the previous year, energy consumption decreased slightly, while waste water volume and waste water load both increased considerably.

More detailed environmental information regarding operations in Finland is published separately on Valio Ltd’s website at www.valio.com in the Corporate Responsibility Report.

Changes in Group structure

At the end of the financial year, Võru Juust AS was merged into Valio Eesti AS, which is a wholly-owned subsidiary of Valio Baltic AS. At the same time, Atleet OÜ was renamed Võru Juust OÜ.

Net sales

Consolidated net sales totalled EUR 2 029 million (EUR 2 000 million) and domestic net sales stood at EUR 1 274 million (EUR 1 273 million). Net sales from international operations totalled EUR 755 million (EUR 727 million). Valio Ltd net sales totalled EUR 1 778 million (EUR 1 749 million).

Capital expenditure

Consolidated investments totalled EUR 118 million (EUR 105 million), or 5.8% (5.2%) of net sales.

In Finland, the most significant investments were the new ingredients plant, and new power plant consuming Finnish produced fuel, which are being built at the Lapinlahti plant; raising production capacity for special milks at the Tampere dairy, cooking products at the Oulu dairy, and quark at the Seinäjoki plant; the new cleaning centre at the Vantaa plant, new packing lines at the Turenki plant, and the new refrigerated warehouse at the Suonenjoki jam plant.

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 266 million (EUR 235 million) at the year-end. Inventories stood at EUR 174 million at the end of the financial year and EUR 168 million at the beginning. Interest-bearing liabilities totalled EUR 331 million at the end of the financial year and EUR 298 million at the beginning. Loans from financial institutions increased by EUR 22 million. Net financing expenses amounted to EUR 7.8 million (EUR 8.6 million), or 0.4% (0.4%) of consolidated net sales.

Financial performance

Consolidated profit before taxes was EUR 78 million (EUR 60 million). Net taxes for the financial year totalled EUR 13 million (EUR 17 million). Net profit for the financial year stood at EUR 65 million (EUR 43 million).

Parent company profit before taxes and appropriations stood at EUR 64 million (EUR 52 million). Booked depreciation was the maximum permitted under Finland's tax laws. Income taxes for the financial year totalled EUR 15 million (EUR 15 million). Parent company net profit for the financial year stood at EUR 45 million (EUR 39 million).

The Valio Group milk margin stood at EUR 1 026 million and milk return at 48 cents per litre.

In Finland, Valio suffered a considerable loss of sales volumes in basic milks, as a result of which production had to be shifted to export products yielding a lower margin. The price increases in basic milks prompted by the decision of the Finnish Competition Authority compensated part of the losses, but only temporarily due to the loss of volume. In general, the product range developed towards value added products. The price levels of exports, and those freely determined of domestic products, were stable.

Year 2014

Valio's business has been stable in early 2014. The weakening of the Russian rouble has affected profitability to some degree. The imbalance in the global economy makes it difficult to anticipate development during the remainder of the year. It is also difficult to estimate the effects of the decision of the Finnish Competition Authority on the basic milks business. The changes that will take place and the company's ability to respond to them will determine the profitability of Valio's operations.

The Board of Directors' proposal on the distribution of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of 3.5% on the nominal value of the shares be declared, or EUR 119.00 per share, totalling EUR 5 814 459.00.

Supervisory Board

	Term began	Term ends
Pentti Santala Dairy farmer, Kauhajoki Chairman	1997	2015
Jaakko Rouhiainen Dairy farmer, Juva Vice Chairman	2001	2014
Kyösti Anttila Dairy farmer, Jalasjärvi	2005	2014
Jan de la Chapelle Dairy farmer, Raasepori	2009	2015
Anu Fräntilä-Riihonen Dairy farmer, Keuruu	2008	2014
Jukka Hakkarainen Dairy farmer, Valtimo (member as of 9th April 2013)	2013	2014
Arto Heikkinen Dairy farmer, Pyhäntä (member as of 9th April 2013)	2013	2015
Jari Hekkala Dairy farmer, Kalajoki	2012	2016
Hannu Kainu Dairy farmer, Kyyjärvi	1997	2014
Kimmo Kemppainen Dairy farmer, Paltamo (member to 9th April 2013)	2003	2015
Raimo Kielenniva Dairy farmer, Kärsämäki	2004	2015
Esa Kotala Dairy farmer, Lapua	2010	2016
Jarno Kämäräinen Dairy farmer, Kiuruvesi	2010	2015
Katariina Lampela Dairy farmer, Tervola	2012	2016
Hannu Latomäki[1)] Materials co-ordinator, Seinäjoki (member to 31st December 2013)	2008	2013
Marketta Laukkanen Dairy farmer, Tohmajärvi	2012	2015
Tapio Lehto[1)] Product packer, Seinäjoki	2013	2016
Pekka Lestinen Dairy farmer, Sysmä	1998	2016
Pirjo Louhevirta[1)] Sales representative, Sauvo	2011	2016

Veikko Matikainen Dairy farmer, Kouvola	2010	2016
Timo Neuvonen Dairy farmer, Parikkala	2012	2016
Anne Nykänen Dairy farmer, Mikkeli	2011	2014
Mauri Penttilä Dairy farmer, Vesilahti	2001	2016
Kari Piironen Dairy farmer, Nurmes (member to 9th April 2013)	2008	2014
Päivi Saarentola[1)] Marketing Manager, Helsinki	2011	2016
Anneli Santa-aho Dairy farmer, Lempäälä	2007	2016
Risto Sonninen Dairy farmer, Maaninka	2010	2016
Pentti Suokannas Dairy farmer, Askola	2008	2015
Juhani Ylikauma[1)] Coaching expert, Haapavesi (member as of 1st January 2014)	2014	2016
Päivi Ylä-Outinen Dairy farmer, Lappeenranta	2008	2015

[1)] Personnel representative

Board of Directors

Antti Rauhamaa Dairy farmer, Kärkölä Chairman	2006	2014
Vesa Kaunisto Dairy farmer, Veteli Vice Chairman	2013	2016
Jarmo Juutinen Dairy farmer, Vieremä	2010	2015
Sauli Lähteenmäki Dairy farmer, Rusko	2007	2015

Auditor

PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

Eero Suomela, Authorised Public Accountant

Valio Group five-year statistics

	2013	2012	2011	2010	2009
Milk volume taken in from owners, mill. l	1 888	1 865	1 870	1 899	1 899
Sum paid to owners, MEUR [1)]	907	883	836	787	776
Price paid for milk to the co-operatives by Valio, per litre total cents [2)]	47.5	46.7	44.1	40.9	40.4
Net sales, MEUR	2 029	2 000	1 929	1 822	1 787
Change %	1,5	3,7	5,9	2,0	-3,1
- Domestic, MEUR	1 275	1 273	1 235	1 168	1 233
Change %	0,1	3,1	5,7	-5,2	-4,5
- International operations, MEUR	755	727	694	654	554
Change %	3,9	4,7	6,1	18,1	0,2
Net sales/milk litre taken in from owners, €/l	1,07	1,07	1,03	0,96	0,94
Average no. of personnel	4 613	4 600	4 529	4 403	4 410
Wages and salaries, MEUR	195	193	183	173	168
R&D expenditure, MEUR	18	17	16	16	18
Book profit, MEUR	65	43	54	39	17
Balance sheet total, MEUR	1 228	1 124	1 011	986	949
Stocks, MEUR	174	168	163	145	144
Investments, MEUR	118	105	85	68	79
Depreciation according to plan, MEUR	73	72	70	67	62
Equity assets ratio, %	47	47	48	45	43
Milk margin, MEUR [3)]	1 026	991	961	901	863
Milk return, c/l [4)]	48.0	46.6	44.9	41.1	39.0

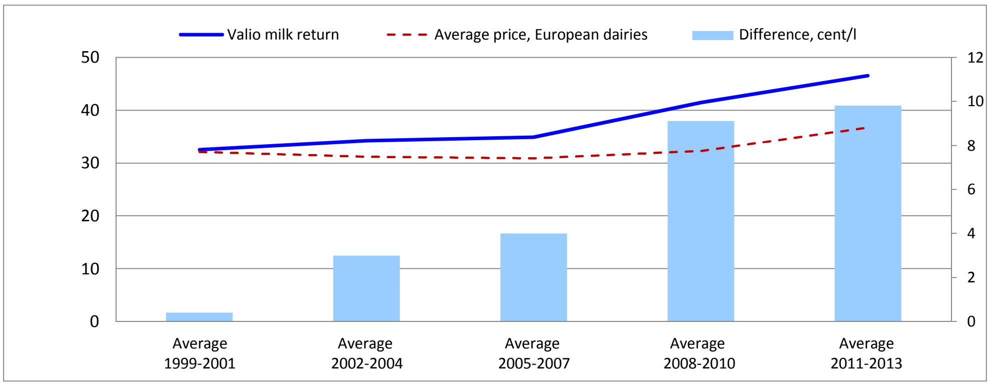
1) Comprising the raw milk price, after payment, dividend and interest

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

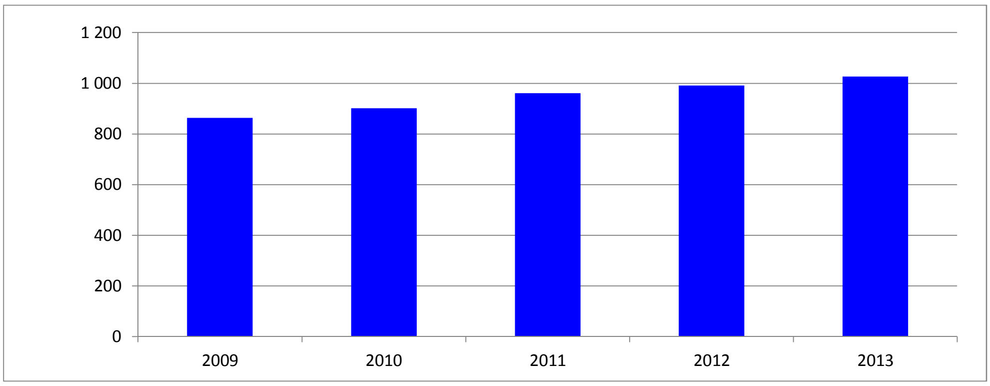
3) Net sales less all other costs excluding the price paid to the owners for raw milk, interest on shareholder loans, depreciation according to plan, and supplementary payments to the pension fund. In addition, the milk margin for 2010-2013 includes taxes for appropriations, and the tax effect of Valio 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.

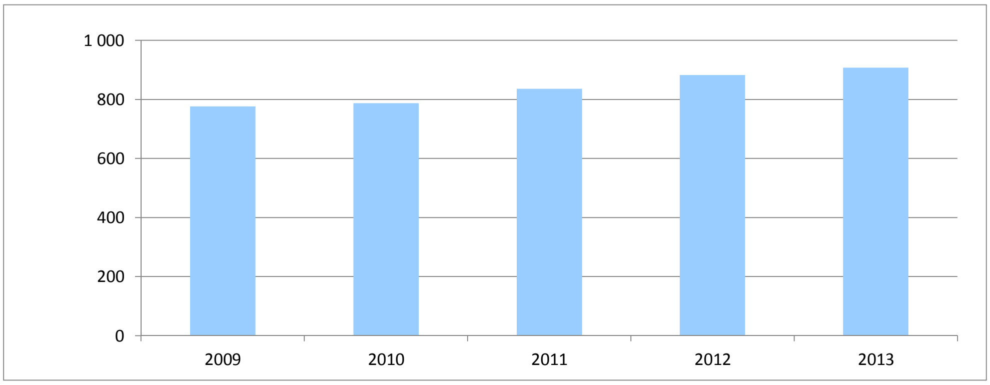
Valio's efficiency compared with competitors has improved



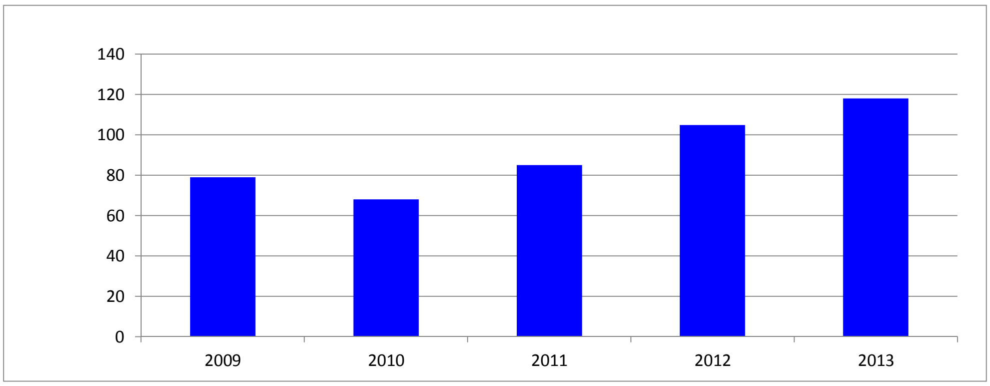
Valio Group milk margin, MEUR



Payments to owners, MEUR



Valio Group investments, MEUR



Consolidated Income Statement

	2013	2012
Net sales	**2 029 148**	1 999 687
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	**-13**	2 512
Production for own use	**1 069**	1 116
Other operating income	**36 522**	37 767
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	**1 277 321**	1 268 629
Increase (-) / decrease (+) in stocks	**-7 923**	-6 390
External services	**23 805**	24 796
	-1 293 203	-1 287 035
Staff expenses		
Wages and salaries	**195 214**	192 960
Social security expenses		
Pension expenses	**12 394**	19 482
Other social security expenses	**14 601**	14 316
	-222 209	-226 758
Depreciation and amortisation		
Depreciation according to plan	**73 339**	71 699
Other operating expenses	**-392 259**	-386 613
Operating profit (loss)	**85 716**	68 977
Financial income and expenses		
Income from other investments held as non-current assets		
From others	**10**	6
Other interest and financial income		
From others	**2 475**	3 001
Share of profit of associated companies	**331**	424
Interest and other financial expenses		
To others	**-10 598**	-12 002
	-7 782	-8 571
Profit (loss) before taxes	**77 934**	60 406
Income taxes		
Income taxes	**-16 874**	-17 328
Deferred taxes	**4 000**	170
	-12 874	-17 158
Net profit (loss) for the financial year	**65 060**	43 248

All figures in EUR '000s.

Consolidated Cash Flow Statement

	2013	2012
Cash flow from operations		
Operating profit	**85 716**	68 977
Adjustments		
Depreciation and amortisation	**73 339**	71 699
Changes in provisions	**-1 332**	725
Other adjustments	**1 545**	-47
Cash flow before change in working capital	**159 268**	141 354
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	**-31 621**	-17 392
Increase (-) / decrease (+) in stocks	**-5 650**	-4 516
Increase (+) / decrease (-) in current non-interest-bearing debts	**38 746**	1 277
Cash flow from operations before financial items and taxes	**160 743**	120 723
Interests and expenses paid for other financing costs of operations	**-10 958**	-12 019
Dividends received	**10**	6
Interest and other financial income received	**2 477**	3 054
Direct taxes paid	**-17 000**	-19 246
Cash flow from operations	**135 272**	92 518
Cash flow from investments		
Capital expenditure in tangible and intangible assets	**-117 688**	-104 975
Investment subsidies received	**60**	478
Proceeds from sale of tangible and intangible assets	**435**	2 597
Capital expenditure in investments	**-248**	-411
Proceeds from sale of investments	**-**	1 542
Repayment of loan receivables	**1 350**	-260
Other	**-5 984**	1 172
Cash flow from investments	**-122 075**	-99 857
Cash flow from financing activities		
Increase (+) / decrease (-) in current financing	**2 678**	-6 625
Proceeds from non-current financing	**67 902**	117 044
Repayment of non-current financing	**-46 247**	-32 380
Dividends paid	**-6 645**	-7 476
Cash flow from investments	**17 688**	70 563
Change in liquid assets	**30 885**	63 224
Liquid assets at beginning of financial year	**234 881**	171 657
Liquid assets at end of financial year	**265 766**	234 881

All figures in EUR '000s.

Consolidated Balance Sheet

ASSETS	31st Dec. 2013	31st Dec. 2012
Non-current assets		
Intangible assets		
Intangible rights	**5 557**	5 213
Other capitalised long-term expenditure	**16 564**	13 305
	22 121	18 518
Property, plant and equipment		
Land	**22 998**	23 679
Buildings and constructions	**204 733**	203 924
Machinery and equipment	**218 210**	224 705
Other tangible assets	**1 566**	1 585
Advance payments and construction in progress	**92 185**	52 334
	539 692	506 227
Investments		
Shares in Group companies	**302**	302
Shares in associated companies	**2 107**	1 776
Other shares and interests	**3 713**	3 472
	6 122	5 550
Current assets		
Stocks		
Raw materials and supplies	**36 525**	32 771
Work in progress	**14 587**	23 634
Finished goods	**119 186**	108 114
Other stocks	**3 207**	3 336
	173 505	167 855
Receivables		
Non-current receivables		
Loan receivables	**20**	20
Other receivables	**60**	560
Deferred tax receivable	**-**	850
	80	1 430
Current receivables		
Trade receivables	**150 807**	140 939
Deferred tax receivable	**2 411**	2 023
Other current receivables	**24 418**	20 928
Accrued income and prepaid expenses	**43 141**	25 266
	220 777	189 156
Investments		
Other current investments	**25 473**	35 975
Cash in hand and at banks	**240 293**	198 906
Total assets	**1 228 063**	1 123 617

All figures in EUR '000s.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31st Dec. 2013	31st Dec. 2012
Shareholders' equity		
Share capital	**166 128**	166 128
Other reserves		
Other reserves	**5 984**	5 984
Translation differences	**-11 723**	-5 739
Retained earnings (losses)	**350 829**	314 226
Net profit (loss) for the financial year	**65 060**	43 248
	576 278	523 847
Provisions		
Other provisions	**1 352**	2 684
Liabilities		
Non-current liabilities		
Loans from financial institutions	**174 832**	143 630
Deferred tax liability	**23 900**	28 415
Other liabilities	**46 546**	65 935
	245 278	237 980
Current liabilities		
Loans from financial institutions	**18 800**	27 527
Advances received	**705**	311
Trade payable	**206 793**	202 414
Current liabilities to participating interests	**224**	164
Deferred tax assets	**137**	-
Other liabilities	**96 802**	66 422
Accrued expenses and deferred income	**81 694**	62 268
	405 155	359 106
Total shareholders' equity and liabilities	**1 228 063**	1 123 617

All figures in EUR '000s.

Parent Company Income Statement

	2013	2012
Net sales	**1 777 886 090,33**	1 749 166 647,37
Increase (+) / decrease (-) in stocks of finished goods and work in progress	**-1 920 468,64**	2 787 995,53
Production for own use	**1 068 535,42**	1 116 008,07
Other operating income	**35 216 909,17**	35 777 053,55
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	**1 133 992 947,39**	1 123 734 377,51
Increase (-) / decrease (+) in stocks	**-3 697 466,94**	-2 666 632,21
External services	**19 055 069,80**	20 085 403,70
	-1 149 350 550,25	-1 141 153 149,00
Staff expenses		
Wages and salaries	**174 154 002,95**	168 608 469,46
Social security expenses		
Pension expenses	**10 064 201,38**	17 393 733,62
Other social security expenses	**10 831 144,10**	10 498 920,41
	-195 049 348,43	-196 501 123,49
Depreciation and amortisation		
Depreciation according to plan	**-66 422 378,52**	-64 051 315,72
Other operating expenses	**-329 461 888,21**	-326 562 088,31
Operating profit (loss)	**71 966 900,87**	60 580 028,00
Financial income and expenses		
Income from other investments held as non-current assets		
From others	**10 437,78**	6 448,93
Other interest and financial income		
From Group companies	**66 673,33**	114 749,15
From others	**1 938 145,89**	2 409 724,17
Interest expenses and other financial expenses		
To Group companies	**-22 220,90**	-64 416,06
To others	**-10 302 779,80**	-10 858 881,77
	-8 309 743,70	-8 392 375,58
Profit (loss) before appropriations and taxes	**63 657 157,17**	52 187 652,42
Appropriations		
Increase (-) / decrease (+) in depreciation difference	**-3 699 143,02**	2 495 156,69
Income taxes		
Income taxes for the financial year	**-14 656 294,60**	-15 439 066,43
Deferred taxes	**-292 504,40**	280 007,21
Income taxes from previous financial years	**274 477,26**	-103 719,47
	-14 674 321,74	-15 262 778,69
Net profit (loss) for the financial year	**45 283 692,41**	39 420 030,42

Parent Company Cash Flow Statement

	2013	2012
Cash flow from operations		
Operating profit	**71 967**	60 580
Adjustments		
Depreciation and amortisation	**66 422**	64 051
Changes in provisions	**62**	1 143
Other adjustments	**1 314**	3 051
Cash flow before change in working capital	**139 765**	128 826
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing receivables	**-13 024**	-7 677
Increase (-) / decrease (+) in stocks	**-1 777**	-5 455
Increase (+) / decrease (-) in current non-interest-bearing debts	**15 020**	-3 706
Cash flow from operations before financial items and taxes	**139 985**	111 988
Interests and expenses paid for other financing costs of operations	**-10 685**	-10 940
Dividends received	**10**	6
Interest and other financial income received	**2 007**	2 584
Direct taxes paid	**-14 508**	-17 461
Cash flow from operations	**116 809**	86 178
Cash flow from investments		
Capital expenditure in tangible and intangible assets	**-114 316**	-98 475
Investment subsidies received	**60**	478
Proceeds from sale of tangible and intangible assets	**335**	2 394
Capital expenditure in investments	**-248**	-412
Proceeds from sale of investments	**-**	1 542
Loans granted	**-8**	-4
Cash flow from investments	**-114 177**	-94 476
Cash flow from financing activities		
New current financing	**3316**	-
Repayment of current financing	**-**	-16 235
Proceeds from non-current financing	**67 902**	117 044
Repayment of non-current financing	**-34 720**	-22 191
Dividends paid	**-6 645**	-7 476
Cash flow from financing activities	**29 853**	71 143
Change in liquid assets	**32 485**	62 845
Liquid assets at beginning of financial year	**208 767**	145 922
Liquid assets at end of financial year	**241 252**	208 767

All figures in EUR '000s.

Parent Company Balance Sheet

ASSETS	31st Dec. 2013	31st Dec. 2012
Non-current assets		
Intangible assets		
Intangible rights	**5 149 377,62**	4 788 182,80
Other capitalised long-term expenditure	**16 459 918,23**	13 046 199,95
	21 609 295,85	17 834 382,75
Property, plant and equipment		
Land	**16 008 925,41**	15 852 925,41
Connection fees	**1 405 330,44**	1 378 024,44
Buildings and constructions	**171 732 351,99**	166 289 261,13
Machinery and equipment	**195 509 858,70**	200 770 149,19
Other tangible assets	**106 760,36**	106 760,36
Advance payments and construction in progress	**90 909 592,94**	49 958 155,68
	475 672 819,84	434 355 276,21
Investments		
Shares in Group companies	**115 224 732,57**	115 224 732,57
Shares in associated companies	**598 865,50**	598 865,50
Other shares and interests	**3 495 922,72**	3 247 902,72
	119 319 520,79	119 071 500,79
Current assets		
Stocks		
Raw materials and supplies	**33 232 943,76**	29 705 273,28
Work in progress	**14 575 764,27**	23 623 073,55
Finished goods	**86 082 264,71**	78 955 424,07
Other stocks	**1 017 737,65**	847 941,19
	134 908 710,39	133 131 712,09
Receivables		
Non-current receivables		
Non-current receivables from Group companies	**900**	-
Loan receivables	**19 705,40**	19 705,40
Other non-current receivables	**11 900,00**	4 200,00
	32 505,40	23 905,40
Current receivables		
Trade receivables	**92 928 703,75**	87 955 355,17
Current receivables from Group companies	**58 613 295,50**	61 480 534,73
Deferred tax assets	**169 511,79**	462 016,19
Other current receivables	**13 784 451,73**	10 772 230,55
Accrued income and prepaid expenses	**28 821 259,07**	20 926 408,75
	194 317 221,84	181 596 545,39
Investments		
Other current investments	**25 473 491,96**	35 974 811,84
Cash in hand and at banks	**215 778 887,72**	172 792 493,89
Total assets	**1 187 112 453,79**	1 094 780 628,36

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31st Dec. 2013	31st Dec. 2012
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)	**257 133 983,76**	224 359 049,34
Net profit (loss) for the financial year	**45 283 692,41**	39 420 030,42
	474 529 177,70	435 890 581,29
Appropriations		
Accumulated depreciation difference	**116 668 521,67**	112 969 378,65
Provisions	**847 558,92**	1 885 780,35
Liabilities		
Non-current liabilities		
Loans from financial institutions	**171 832 142,00**	138 629 950,00
Other liabilities	**46 800 797,84**	65 921 704,96
	218 632 939,84	204 551 654,96
Current liabilities		
Loans from financial institutions	**16 800 000,00**	16 000 000,00
Trade payable	**194 616 668,49**	179 880 781,87
Current liabilities to Group companies	**16 817 327,26**	25 437 513,27
Current liabilities to participating interests	**223 793,16**	163 990,50
Other liabilities	**96 476 362,83**	65 877 411,49
Accrued expenses and deferred income	**51 500 103,92**	52 123 535,98
	376 434 255,66	339 483 233,11
Total shareholders' equity and liabilities	**1 187 112 453,79**	1 094 780 628,36

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. Real estate companies are not included in the consolidated financial statements. Had they been consolidated, they would not have had any significant effect on the consolidated financial performance and shareholders' equity, or the true and fair view of the financial position.

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. 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	5–10 years
Computer hardware and software	3–5 years
Transport equipment and some refrigeration equipment	3–5 years

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

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

Liquid assets include cash in hand, cash at bank, and short-term investments in securities.

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.

R&D costs have been recorded as expenses.

The accounting of emission rights is performed in accordance with the statement by the Accounting Board dated 15th November 2005. 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 2013	2012	PARENT COMPANY 2013	2012
1. DISTRIBUTION OF NET SALES				
1.1. NET SALES BY DIVISION				
Fresh dairy products	**929 562**	882 825	**831 300**	799 764
Butter and spreads	**252 504**	242 318	**227 183**	219 334
Cheese	**566 100**	596 321	**440 768**	458 265
Powdered ingredients	**174 981**	154 290	**172 185**	147 353
Others	**106 001**	123 933	**106 450**	124 451
	2 029 148	1 999 687	**1 777 886**	1 749 167
1.2. NET SALES BY GEOGRAPHICAL AREA				
Domestic	**1 274 519**	1 273 102	**1 274 519**	1 273 102
Foreign	**754 629**	726 585	**503 367**	476 065
	2 029 148	1 999 687	**1 777 886**	1 749 167
2. OTHER OPERATING INCOME				
Logistics income	**19 672**	20 990	**19 862**	21 133
Rent income	**3 946**	3 895	**3 935**	3 877
Gain on investments under non-current assets	**112**	191	**-**	-
Gain on disposal of non-current assets	**63**	151	**63**	151
Sales income from laboratory services	**5 067**	4 723	**5 067**	4 723
Subsidies and grants received	**686**	431	**672**	431
Income from staff canteen	**1 900**	1 845	**1 900**	1 845
Income from energy sales	**1 163**	805	**1 163**	805
Other income	**3 913**	4 736	**2 555**	2 812
	36 522	37 767	**35 217**	35 777
3. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	**240**	196	**-54**	257
Other provisions	**1 092**	-921	**1 092**	-1 400
	1 332	-725	**1 038**	-1 143

Notes to the Income Statement

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
4. OTHER OPERATING EXPENSES				
Energy expenses	**47 394**	48 631	**44 514**	45 929
Water expenses	**14 584**	13 407	**14 506**	13 324
Transportation expenses	**110 627**	108 045	**98 460**	98 246
Rental expenses	**16 374**	15 189	**14 265**	13 369
Expenses for maintenance of real estate and machinery	**49 406**	46 328	**47 546**	44 394
Marketing expenses	**87 710**	85 953	**55 827**	60 193
Travel expenses	**7 361**	7 056	**5 618**	5 378
IT expenses	**18 240**	16 916	**17 131**	15 749
Administrative expenses	**23 522**	20 880	**20 966**	18 394
Voluntary staff expenses	**6 753**	6 134	**5 117**	4 625
Other expenses	**10 288**	18 074	**5 512**	6 961
	392 259	386 613	**329 462**	326 562

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
5. NUMBER OF PERSONNEL, AVERAGE				
Employees	**2 190**	2 243	**1 779**	1 819
Technical dairy employees	**1 016**	994	**963**	942
Management staff	**766**	726	**673**	627
Clerical staff	**641**	637	**268**	276
	4 613	4 600	**3 683**	3 664

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
6. STAFF EXPENSES				
Wages and salaries	**195 214**	192 960	**174 154**	168 608
Social security expenses				
Pension expenses	**12 394**	19 482	**10 064**	17 394
Other social security expenses	**14 601**	14 316	**10 831**	10 499
	222 209	226 758	**195 049**	196 501

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
7. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	**158**	178	**158**	178
Board of Directors, CEO, Managing Directors	**1 970**	2 040	**829**	843
	2 128	2 218	**987**	1 021

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
8. AUDITOR'S FEES				
To PricewaterhouseCoopers companies				
Audit	**366**	356	**170**	170
Auditor's statements	**2**	5	**2**	5
Tax services	**78**	55	**23**	11
Other services	**178**	195	**172**	195
	624	611	**366**	381

Notes to the Balance Sheet

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
9. ACCRUED INCOME AND PREPAID EXPENSES				
Rent of packing machines	**212**	257	**212**	257
Accrued income from exports	**1 991**	1 805	**1 991**	1 805
Royalties	**1 148**	965	**1 148**	965
Healthcare reimbursement	**870**	1 688	**870**	1 688
Income tax assets	**15 514**	6 114	**2 463**	2 647
Annual refunds	**18**	547	**18**	547
Social security costs	**20 210**	11 751	**20 144**	11 691
Travel advances	**133**	136	**133**	136
Research grants	**141**	165	**141**	165
IT maintenance agreements	**430**	270	**430**	270
Compensation for damages	**40**	-	**40**	-
Other prepayments and accrued income	**2 434**	1 568	**1 231**	755
	43 141	25 266	**28 821**	20 926
10. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	**15 213**	13 350	**13 801**	11 901
Additions 1.1.–31.12.	**1 376**	1 960	**1 262**	1 900
Disposals 1.1.–31.12.	**-288**	-	**-285**	-
Acquisition cost at year-end	**16 301**	15 310	**14 778**	13 801
Accumulated amortisation at beginning of year	**-10 005**	-9 110	**-9 013**	-8 192
Accumulated amortisation on disposals	**285**	-	**285**	-
Amortisation for the year	**-1 024**	-987	**-901**	-821
Accumulated amortisation at year-end	**-10 744**	-10 097	**-9 629**	-9 013
Book value at year-end	**5 557**	5 213	**5 149**	4 788
Other capitalised long-term expenditure				
Acquisition cost at beginning of year	**51 942**	55 945	**50 144**	46 734
Additions 1.1.–31.12.	**7 084**	3 423	**7 084**	3 410
Disposals 1.1.–31.12.	**-702**	-276	**-702**	-
Acquisition cost at year-end	**58 324**	59 092	**56 526**	50 144
Accumulated amortisation at beginning of year	**-38 658**	-42 315	**-37 098**	-33 840
Accumulated amortisation on disposals	**634**	-	**634**	-
Amortisation for the year	**-3 736**	-3 472	**-3 602**	-3 258
Accumulated amortisation at year-end	**-41 760**	-45 787	**-40 066**	-37 098
Book value at year-end	**16 564**	13 305	**16 460**	13 046
Total intangible assets	**22 121**	18 518	**21 609**	17 834

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2013	2012	**2013**	2012
11. PROPERTY, PLANT AND EQUIPMENT				
Land				
Acquisition cost at beginning of year	**22 978**	23 889	**17 231**	17 179
Additions 1.1.–31.12.	**183**	275	**183**	275
Disposals 1.1.–31.12.	**-163**	-485	**-**	-223
Acquisition cost at year-end	**22 998**	23 679	**17 414**	17 231
Book value at year-end	**22 998**	23 679	**17 414**	17 231
Buildings and constructions				
Acquisition cost at beginning of year	**510 213**	485 120	**465 816**	429 846
Additions 1.1.–31.12.	**26 652**	41 353	**26 338**	40 145
Disposals 1.1.–31.12.	**-184**	-5 630	**-9**	-4 175
Acquisition cost at year-end	**536 681**	520 843	**492 145**	465 816
Accumulated depreciation at beginning of year	**-309 043**	-299 379	**-299 526**	-284 309
Accumulated depreciation on disposals	**8**	3 562	**8**	3 562
Depreciation for the year	**-22 913**	-21 102	**-20 895**	-18 779
Accumulated depreciation at year-end	**-331 948**	-316 919	**-320 413**	-299 526
Book value at year-end	**204 733**	203 924	**171 732**	166 290
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	**632 659**	609 445	**586 961**	544 156
Additions 1.1.–31.12.	**40 353**	48 140	**35 769**	44 326
Disposals 1.1.–31.12.	**-17 938**	-4 971	**-17 370**	-1 521
Acquisition cost at year-end	**655 074**	652 614	**605 360**	586 961
Accumulated depreciation and write-offs at beginning of year	**-406 999**	-381 088	**-386 085**	-345 793
Accumulated depreciation on disposals	**17 366**	901	**17 366**	901
Depreciation for the year	**-45 665**	-46 138	**-41 024**	-41 193
Accumulated depreciation and write-offs at year-end	**-435 298**	-426 324	**-409 743**	-386 085
Book value at year-end	**219 776**	226 290	**195 617**	200 876
Prepayments and construction in progress				
Acquisition cost at beginning of year	**52 421**	44 334	**49 958**	42 334
Additions 1.1.–31.12.	**61 367**	83 133	**60 174**	80 485
Disposals 1.1.–31.12.	**-170**	-447	-	-
Transfer between items	**-16 837**	-74 260	**-14 810**	-72 621
Recorded as expense	**-4 412**	-240	**-4 412**	-240
Acquisition cost at year-end	**92 369**	52 520	**90 910**	49 958
Accumulated depreciation and write-offs at beginning of year	**-184**	-186	**-**	-
Accumulated depreciation and write-offs at year-end	**-184**	-186	**-**	-
Book value at year-end	**92 185**	52 334	**90 910**	49 958
Total property, plant and equipment	**539 692**	506 227	**475 673**	434 354
Depreciation according to plan for the year, total	**-73 339**	-71 699	**-66 422**	-64 051
Book value of production machinery and equipment at year-end	**240 660**	253 422	**175 843**	180 580

Notes to the Balance Sheet

12. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Finlandia Cheese Inc., USA	100	100
Jäätelöyhtymä Oy, Finland	100	100
Pakkasukko Oy, Finland	100	100
SIA Valio International, Latvia	100	100
Smeds & Co Oy, Finland	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
AS Valio Baltic, Estonia	100	0
Valio Eesti AS, Estonia	100	0
Võru Juust AS, Estonia	100	0
Valio International (Poland) Ltd, Poland	100	100
Valio Shanghai Ltd, China	100	100
Valio Sverige AB, Sweden	100	100

*) Group company Smeds & Co Oy owns one share.

PARTICIPATING INTERESTS

ASSOCIATED COMPANIES

Haapaveden Ympäristöpalvelut Oy, Finland	40,5	40,5
Pakastamo Oy, Finland	50,0	50,0
Suomen NP-Kierrätys Oy, Finland	25,0	25,0

REAL ESTATE COMPANIES

		Equity	Net income (loss) in latest year-end accounts
Kiinteistö Oy Tehontie 31, Kouvola	100	388	0

Notes to the Balance Sheet

13. PARENT COMPANY INVESTMENTS

	Shares in Group companies	Shares in participat-ing interests	Other shares
Acquisition cost at beginning of year	120 330	599	3 248
Additions	-	-	248
Acquisition cost at year-end	120 330	599	3 496
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	115 225	599	3 496

14. GROUP INVESTMENTS

	Shares in Group companies	Shares in participat-ing interests	Other shares
Acquisition cost at beginning of year	302	1 811	6 611
Additions	-	331	248
Disposals	-	-	-7
Acquisition cost at year-end	302	2 142	6 852
Accumulated depreciation and write-offs at beginning of year	-	-35	-3 139
Accumulated depreciation and write-offs at year-end	-	-35	-3 139
Book value at year-end	302	2 107	3 713

	CONSOLIDATED		PARENT COMPANY	
	2013	2012	**2013**	2012
15. SECURITIES				
Other securities	**25 473**	35 975	**25 473**	35 975
16. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	**-**	-	**55 303**	57 815
Other receivables	**-**	-	**311**	666
Loan receivables	**-**	-	**3 000**	3 000
	-	-	**58 614**	61 481

Notes to the Balance Sheet

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
17. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital, 1st Jan.	**166 128**	166 128	**166 128**	166 128
Share capital, 31st Dec.	**166 128**	166 128	**166 128**	166 128
Legal reserves, 1st Jan.	**5 984**	5 984	**5 984**	5 984
Legal reserves 31st Dec.	**5 984**	5 984	**5 984**	5 984
Translation difference for equity of foreign subsidiaries 1st Jan.	**-5 739**	-6 911	**-**	-
Translation difference for equity of foreign subsidiaries 31st Dec.	**-11 723**	-5 739	**-**	-
Retained earnings (losses), 1st Jan.	**357 474**	321 702	**263 778**	231 834
Dividends	**-6 645**	-7 476	**-6 645**	-7 476
Retained earnings (losses) 31st Dec.	**350 829**	314 226	**257 133**	224 358
Net profit (loss) for the financial year	**65 060**	43 248	**45 284**	39 420
Shareholders' equity 31st Dec.	**576 278**	523 847	**474 529**	435 890
Retained earnings (losses) 31st Dec.	**350 829**	314 226	**257 133**	224 358
Appropriations included in retained earnings	**-93 335**	-85 437	**-**	-
Net profit (loss) for the financial year	**65 060**	43 248	**45 284**	39 420
	322 554	272 037	**302 417**	263 778
18. PROVISIONS				
Provision for contingent pension liabilities	**980**	1 220	**480**	426
Other provisions	**372**	1 464	**368**	1 460
	1 352	2 684	**848**	1 886
19. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
From provisions	**170**	462	**170**	462
From other temporary differences in accounting and taxation	**367**	338	-	-
Taxable loss	**1 874**	2 073	-	-
	2 411	2 873	**170**	462
Deferred tax liabilities				
From appropriations	**24 037**	28 415	-	-
	24 037	28 415	**-**	-

Notes to the Balance Sheet

	CONSOLIDATED 2013	CONSOLIDATED 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
20. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	**3 210**	3 583	**3 177**	3 531
Holiday accrual including social security	**29 642**	28 504	**29 451**	28 349
Rebates granted	**14 650**	5 187	-	35
Wages and salaries including social security	**13 223**	12 015	**10 943**	9 355
Royalties and commissions	**205**	603	**205**	603
Tax liabilities	**16 243**	4 885	**3 801**	3 841
Other accrued expenses and deferred income	**4 521**	7 491	**3 923**	6 410
	81 694	62 268	**51 500**	52 124
21. LIABILITIES THAT FALL DUE OVER FIVE YEARS FROM NOW				
Other loans	**15 800**	630	**15 800**	630
	15 800	630	**15 800**	630
22. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	**-**	-	**49**	186
Other liabilities	**-**	-	**16 766**	25 250
Accrued expenses and deferred income	**-**	-	**2**	2
	-	-	**16 817**	25 438
23. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	**224**	62	**224**	62
Other liabilities	**-**	102	**-**	102
	224	164	**224**	164

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2013	2012	**2013**	2012
24. CONTINGENT LIABILITIES				
For own commitments				
Liabilities for which mortgages and pledges have been given as collateral				
Loans from financial institutions	**95 000**	95 000	**95 000**	95 000
Mortgages given	**217 139**	217 139	**217 139**	217 139
Mortgages	**46 120**	46 323	**46 120**	46 120
Guarantees	**28 861**	28 813	**20 561**	20 513
Leasing commitments				
over a period of 12 months	**7 235**	8 252	**6 975**	7 989
later	**19 659**	24 383	**19 204**	24 030
	26 894	32 635	**26 179**	32 019
For commitments of Group companies	-	-	**8 300**	8 300
For others	**13 294**	4 519	**13 294**	4 519
For own operations	**319 013**	324 707	**309 999**	315 791
For Group companies	-	-	**8 300**	8 300
For others	**13 294**	4 519	**13 294**	4 519
	332 307	329 226	**331 593**	328 610
25. EMISSION RIGHTS				
Gratuitously acquired emission rights, tCO2	**43 964**	108 338	**43 964**	108 338
Annual emission volumes, tCO2	**53 949**	77 177	**53 949**	77 177
Emission rights in possession, tCO2	**117 073**	152 247	**117 073**	152 247
The company has emission rights assets off balance sheet	**312**	502	**312**	502

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.

Proposal by the Board of Directors to the Annual General Meeting

Distributable earnings in the financial statements amount to EUR 302 417 676.17.

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	257 133 983,76 €
Net profit for the financial year	45 283 692,41 €
Total	302 417 676,17 €

The Board of Directors proposes to the Annual General Meeting that a dividend of 3.5% on the nominal value of the shares i.e. EUR 119.00 per share be declared	5 814 459,00 €

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	296 603 217,17 €
Total shareholders' equity	468 714 718,70 €

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

Helsinki, 24th February 2014

Antti Rauhamaa Chairman of the Board	Vesa Kaunisto	Pekka Laaksonen CEO
Jarmo Juutinen	Sauli Lähteenmäki	

THE AUDITOR'S NOTE

Our auditor's report has been issued today.

Helsinki, 24th February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Valio Ltd

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Valio Ltd for the year ended 31 December, 2013. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board or of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

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 Supervisory Board and of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 24 February, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
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 1st January to 31st December 2013, and the auditors' report.

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

The term in the Supervisory Board ends this year for the following members: Kyösti Anttila, Anu Fräntilä-Riihonen, Jukka Hakkarainen, Hannu Kainu, Anne Nykänen and Jaakko Rouhiainen.

In addition, a new member shall be elected to the Supervisory Board to replace Veikko Matikainen who resigned from his remaining term.

Helsinki, 24th February 2014

On behalf of the Supervisory Board

Pentti Santala
Chairman

Valio Ltd owners 31st Dec. 2013

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
Härmän Seudun Osuusmeijeri	Alahärmä	140
* Kaustisen Osuusmeijeri	Kaustinen	1
* Kuusamon Osuusmeijeri	Kuusamo	1
* Laaksojen Maitokunta	Ylivieska	1
Meijeriosuuskunta Milka	Vöyri	5
Osuuskunta ItäMaito	Lapinlahti	13 188
Osuuskunta Länsi-Maito	Tampere	6 336
* Osuuskunta Maitokolmio	Toholampi	245
* Osuuskunta Maitomaa	Suonenjoki	290
Osuuskunta Maitosuomi	Jyväskylä	7 516
Osuuskunta Normilk	Jyväskylä	7
Osuuskunta Pohjolan Maito	Haapavesi	8 489
* Osuuskunta Satamaito	Pori	1
Osuuskunta Tuottajain Maito	Riihimäki	12 437
* Paavolan Osuusmeijeri	Ruukki	53
Total		48 861
Total no. of shareholders 31st Dec. 2013		18
Total share capital		166 127 400 €

* No business relationship with Valio

Executive Board

	Member of Executive Board from	Employed by Valio Ltd since
Pekka Laaksonen CEO	2007	2007
Heikki Halkilahti Executive Vice President Group Administration	1993	1976
Rauno Hiltunen Executive Vice President Strategy and Advertising	2011	1984
Annikka Hurme Executive Vice President Cheese, Butter and Powders	2004	1989
Jyri-Pekka Kinnunen Executive Vice President Finance and Information Technology	2008	2008
Mika Koskinen Executive Vice President Russia, Eastern Markets and Industrial Sales	2012	2005
Tiina Mattila-Sandholm Professor, Executive Vice President Renewal and Fresh Dairy Products	2004	2004
Arto Tikkanen Executive Vice President, Deputy CEO Finland and Western Markets	2004	1981

Consultative Committee of the Executive Board

	Member of the Consultative Committee from
Professor Jaakko Aspara	2012
Dr Harald Einsmann	2008
Michael Thompson	2008

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