Board of Directors’ Report and Financial Statements and Notes to the Accounts

1 st Jan. 2008 – 31 st Dec. 2008 .

BOARD OF DIRECTORS' REPORT 1st Jan. – 31st Dec. 2008

General

Valio Group's financial performance before extraordinary items and taxes totalled a loss of MEUR 4 and was down MEUR 19 compared with the previous year. The most significant cause of the loss was the weakening of the Russian rouble, and also of the Swedish krona, against the Euro towards the end of the year. The price paid for raw milk was MEUR 135 more than for the year 2007.

In Finland, Valio took in 1 881 million litres of milk, or 34 million litres less than in the previous year.

The average procurement share by owner co-operatives delivering to Valio remained at 86% of the Finnish dairy milk volume. Valio Group took in total deliveries of 2 044 million litres of milk, which includes procurement for Valio dairies in Estonia.

Valio Group net sales stood 8% higher than for 2007.

Domestic net sales rose by 16%, with the sales by value of cheeses, milks, butter and spreads showing the greatest improvement.

Foreign subsidiaries showed a 7% decrease in net sales compared with 2007. Net sales in subsidiaries operating in Russia, Estonia and Sweden grew, while those of the Belgian subsidiary fell back considerably as ownership of the products packed and supplied by the company was transferred to the customer, excluding inventory.

The new building for the ongoing butter and spreads plant investment in Seinäjoki (Finland) was completed towards the end of the financial year. The completion of the distribution centre in Moscow has been delayed.

Shareholders and share capital

Valio Ltd has 22 shareholders, the same number as in the previous financial year. The fully paid up share capital of Valio Ltd is EUR 99 677 800.

There are 29 317 shares and they are all of the same type holding similar rights to dividends and company assets. The shares are encumbered with a redemption clause.

Risk management

The objectives, principles and responsibilities pertaining to risk management are determined in Valio's risk management policy. The objective is to identify those significant events and uncertainty factors that affect the realisation of Valio's strategic, operational and financial goals. Responsibility for risk management implementation lies with the divisions.

Valio's key strategic risks are related to market position, investments, brand and reputation. The key operating risks are related to the supply chain process, product safety and quality, information systems, and vulnerability arising from the concentration of operations.

Valio's core assets are raw milk and energy. The high global market prices for dairy products early in the year allowed for a good price paid for raw milk. Valio Group hedges against the price of electricity, but dispensed with hedging against the oil price during the financial year 2007.

The primary focus of risk management lies in preventive measures and their development. Valio's quality management system covers quality and environmental issues, and has been certified in accordance with ISO 9001:2000 and ISO 14001. The goal for occupational safety is zero accidents.

According to Valio's insurance policy, insurances are employed to protect against risks such as would significantly influence the Group's operating capacity, financial performance, financial position or the implementation of the strategy. During 2008, Valio's most significant non-life insurances were reorganised into insurance programmes covering the whole Group as of 2009. At the same time, coverage was adjusted to correspond to the risks associated with international operations.

Research and development

Valio launched a total of 83 new products in 2008 (2007: 116). The new products generated net sales amounting to MEUR 51 during the year (2007: MEUR 50). The share of domestic net sales of new products that have been on the market for less than five years rose slightly to stand at 29.7% in December compared with 29.0% a year before.

The most successful new products in 2008 were functional Valio Gefilus® MAX daily dose drinks and the Valio Evolus® Double Effect product family, low fat Valio Täyteläinen Ruoka 2 (cooking cream) and Valio Oltermanni 9, and lactose free Valio laktoositon vanhan ajan vaniljakastike (old-fashioned style vanilla sauce) and Valio laktoositon Oivariini (lactose free Valio Oivariini).

Current products' manufacturing processes require continuous development. In 2008, Valio R&D contributed to the improvement of cheese souring control, and the revamp of the demineralisation process from whey at the Lapinlahti plant. Cheese yield improvement, the Seinäjoki butter and spreads plant revamp, and optimisation projects concerning the use of raw milk in manufacturing fermented milk products also employed R&D expertise.

Starter production utilisation rose to a record level, yet error costs were lower than those of the previous year. Ingredients plants began to utilise new fast microbiological analytics, and new chemical analysis methods were developed to meet the needs of starter sales.

Valio actively patents its inventions to protect the results of its technological development work and support the international marketing of innovations. The *Lactobacillus rhamnosus* GG genome was decoded and two patent applications were submitted relating to the properties of LGG®. A total of seven new patent applications were submitted in 2008 (2007: 6). Net sales from products manufactured using patented methods totalled MEUR 160 (2007: MEUR 139).

Valio R&D's research work also resulted in four new doctoral dissertations, three in the field of nutrition sciences and one in milk technology, and work related thereto also yielded several patent applications. A number of clinical trials were conducted in 2008, which demonstrated for example the beneficial effects on blood pressure and cholesterol values of the new Valio Evolus® Double Effect product.

New areas of research included an extensive study supported by the Finnish Funding Agency for Technology and Innovation (TEKES) on processing technology for and the nutritional qualities of milk proteins. The development of the taste of cheese was a key area in taste research. In 2008, new contacts were made with nutritional researchers in Russia and the United States. No progress was achieved in the matter of EU health claims since health claim applications processing by the European Food Safety Authority (EFSA) has been delayed, and EFSA has adopted very strict policy regarding its statements. In the autumn, Valio R&D actively participated in preparatory work for a centre of excellence for health and well-being, taking responsibility for one of the three research programmes.

Valio R&D investment for 2008 totalled MEUR 16.2 (2007: MEUR 13.7), or 0.9% of net sales (0.8%). Production and raw milk quality control costs stood at MEUR 9.6 in 2008 (2007: MEUR 9.0). R&D and quality control costs totalled MEUR 25.8 (2007: MEUR 22.7), or 1.4% of net sales (1.3%).

Personnel

The average number of employees in Valio Group in 2008 was 4 375 (2007: 4 214), and at the end of the financial year the number stood at 4 352; on average, 3 631 employees worked in Finland and 744 in foreign subsidiaries. Of those, the highest number of staff was found in the Estonian subsidiaries, totalling 348, while the Russian subsidiaries employed a total of 177 people, and the Belgian subsidiary a total of 150.

The average number of employees in Valio Ltd was 3 529 (2007: 3 412).

Personnel distribution by gender in 2008 was 51% men and 49% women in Valio Group, and 52% men and 48% women in the parent company (2007: 51% men and 49% women both in the Group and the parent company).

The average age of employees in 2008 was 40 years both in the Group and the parent company, as it was in 2007. Personnel training costs amounted to MEUR 1.8 in the Group (2007: MEUR 1.4) and MEUR 1.2 in the parent company (2007: MEUR 1.1).

The working time salaries paid by Valio Ltd in 2008 amounted to MEUR 111.0 (2007: MEUR 100.0). Other labour costs and statutory employee costs including the supplementary insurance premium accounted for 58.7% of total salaries (2007: 51.3%). Pension costs for the year stood at MEUR 22.7 (2007: MEUR 16.1).

Environmental issues

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 internal audits or inspections conducted by an external auditor.

Significant environmental effects 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.

Investments during the financial year targeted at the reduction of environmental impacts amounted to MEUR 7.0 in Finland, and environmental costs recorded as expense totalled MEUR 9.2. The key environmental investments were the Fines Recovery System added to the powder driers at the Seinäjoki plant in accordance with the conditions of the environmental permit, and the renovation of the Janakkala municipal waste water purification plant conducted in co-operation with the municipality and other industrial operators. In the coming years, Valio will incur further costs from the renovation of waste water purification plants in a number of towns where it operates, and from continuing the Fines Recovery System investments at the powdered ingredients plants.

In 2008, Valio mapped out risks associated with contaminated land areas it owns. A report disclosed no formerly unknown or new responsibilities that would result in significant cleaning costs. The report did result in a plan being drawn up to examine eleven sites in more detail to be able better to evaluate the risks related thereto.

Valio Group operations consumed 710 GWh of energy; waste water volume totalled 5.2 million cubic metres; calculated as oxygen, the waste water loading was 10 700 tonnes; and waste disposed as refuse totalled 3 217 tonnes. Compared with the previous year, the waste water volume decreased by 3%, and the amount of waste disposed as refuse was normalised, although contaminated soil cleaning was conducted at two sites. More detailed environmental figures for the Finnish operations are published as part of the Corporate Responsibility Report.

Consolidated net sales

Consolidated net sales totalled MEUR 1 844 (MEUR 1 713). Domestic net sales stood at MEUR 1 291 (MEUR 1 117). Net sales from international operations (exports from Finland and foreign subsidiaries) totalled MEUR 553 (MEUR 596).

Parent company net sales

Valio Ltd net sales totalled MEUR 1 642 (MEUR 1 490). Domestic net sales stood at MEUR 1 290 (MEUR 1 115) and net sales from exports at MEUR 352 (MEUR 375).

Investments 2008

Consolidated gross investments totalled MEUR 118 (MEUR 94), or 6.4% (5.5%) of net sales. Investments of MEUR 57 were made in land and buildings and MEUR 53 in machinery and equipment.

Investments in intangible assets stood at MEUR 5. Advance payments, mainly on machinery and equipment, totalled MEUR 3. Consolidated net investments totalled MEUR 113.

The most significant ongoing investments are the renovation of the butter and spreads plant in Seinäjoki and the construction of the logistics centre in Moscow.

Finance

Both Group and parent company liquidity remained satisfactory throughout the financial year despite the fact that the parent company’s liquid assets decreased in the second half of 2008. Cash in hand and at banks and short-term investments totalled MEUR 82 at the year-end, compared to MEUR 146 at the start. Stocks stood at MEUR 175 at the end of the financial year and MEUR 132 at the beginning. Interest-bearing liabilities totalled MEUR 294 at the end of the financial year and MEUR 239 at the beginning. Net financing expenses amounted to MEUR 8.9 (MEUR 7.0), or 0.5% (0.4%) of consolidated net sales. Net interest expenses stood at MEUR 9.8 (MEUR 7.6).

The parent company's long-term loans to subsidiaries stood at MEUR 28.0 (MEUR 1.1) and short-term loans at MEUR 21.1 (MEUR 5.3).

Financial Performance

Consolidated loss before taxes was MEUR -4 (MEUR +15). Net taxes for the financial year totalled MEUR 2 (MEUR 5). Loss for the financial year stood at MEUR -5 (MEUR +10).

Parent company loss before taxes and appropriations stood at MEUR -5 (MEUR +13). The difference between depreciation according to plan and booked depreciation amounted to MEUR -1.5 (MEUR +0.6). Booked depreciation was within the maximum permitted under Finland's Business Taxation Act. Income taxes for the financial year totalled MEUR 1 (MEUR -3). Loss for the financial year stood at MEUR -5 (MEUR +10).

Year 2009

The poor economic outlook in Finland and the whole world will impact Valio. Valio took the decision to reduce the price paid for raw milk to milk producers by 4.7 cents per litre as of the beginning of March 2009. Furthermore, actions have been taken aimed at reducing costs. The Board of Directors has made a proposal to increase the share capital of Valio Ltd.

Events after the close of the financial year

The merger of Valio Ltd's wholly-owned subsidiary Nordic Jam Ltd into Valio Ltd entered into force on 1st March 2009.

The Board of Directors' proposal on the distribution of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of 4.7% on the nominal value of the shares, or EUR 159.80 per share be declared, totalling EUR 4 684 856.60

Supervisory Board

	Term began	Term ends
Pentti Santala Dairy farmer, Kauhajoki Chairman	1997	2009
Jaakko Rouhiainen Dairy farmer, Juva Vice Chairman	2001	2011
Kyösti Anttila Dairy farmer, Jalasjärvi	2005	2011
Anu Fräntilä-Riihonen Dairy farmer, Keuruu (member as of 16th April 2008)	2008	2011
Jyri Hautamäki[1)] Forklift operator, Seinäjoki	2008	2010
Maija-Leena Heiniö Dairy farmer, Kisko	1999	2009
Tapio Hytönen Dairy farmer, Konnevesi	2001	2010
Jarmo Juutinen Dairy farmer, Vieremä	2007	2010
Hannu Kainu Dairy farmer, Kyyjärvi	1997	2011
Merja Keisala Dairy farmer, Töysä (member to 16th April 2008)	2002	
Kimmo Kemppainen Dairy farmer, Paltamo	2003	2009
Raimo Kielenniva Dairy farmer, Kärsämäki	2004	2009
Harri Laamanen Dairy farmer, Ylitornio	2001	2010
Minna Laine[1)] Accountant, Helsinki	2008	2010
Hanna Laitinen[1)] Quality Manager, Helsinki	2005	2010
Hannu Latomäki[1)] Material co-ordinator, Seinäjoki	2008	2010
Pekka Lestinen Dairy farmer, Sysmä	1998	2010
Veikko Mitikka Dairy farmer, Iitti (member to 16th April 2008)	2007	
Jaakko Männistö Dairy farmer, Merijärvi	2003	2010
Osmo Oinonen Dairy farmer, Polvijärvi	2006	2009

Markku Pajunen Dairy farmer, Mikkeli	2005	2011
Reino Parkko Dairy farmer, Elimäki	1999	2010
Mauri Penttilä Dairy farmer, Vesilahti	2001	2010
Kari Piironen Dairy farmer, Nurmes (member as of 16th April 2008)	2008	2011
Anneli Santa-aho Dairy farmer, Lempäälä	2007	2010
Matti Siitonen Dairy farmer, Parikkala	1998	2010
Pentti Suokannas Dairy farmer, Askola (member as of 16th April 2008)	2008	2009
Onni Törrönen Dairy farmer, Juuka (member to 16th April 2008)	2001	
Sirkku Ukkola Dairy farmer, Miehikkälä (member to 16th April 2008)	2006	
Pentti Vartiainen Dairy farmer, Kiuruvesi	2004	2009
Päivi Ylä-Outinen Dairy farmer, Ylämaa (member as of 16th April 2008)	2008	2009

[1)] Personnel representative

Board of directors

Antti Rauhamaa Dairy farmer, Kärkölä Chairman	2006	2011
Tauno Uitto Agricultural Counsellor, Tyrnävä Vice Chairman	1996	2010
Esa Juntunen Dairy farmer, Vieremä	1998	2009
Sauli Lähteenmäki Dairy farmer, Rusko	2007	2009

Auditor

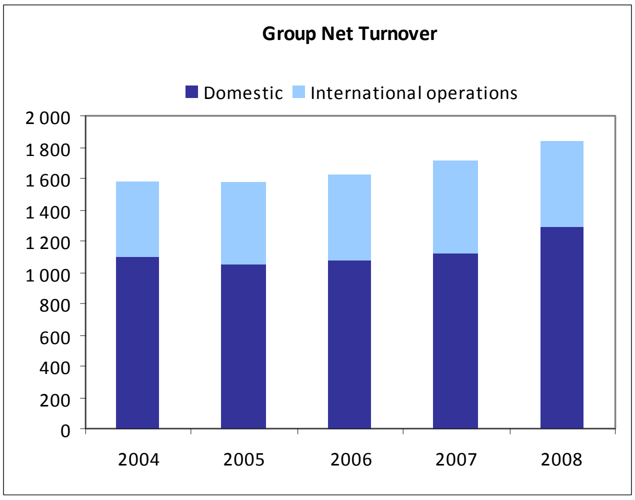
PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

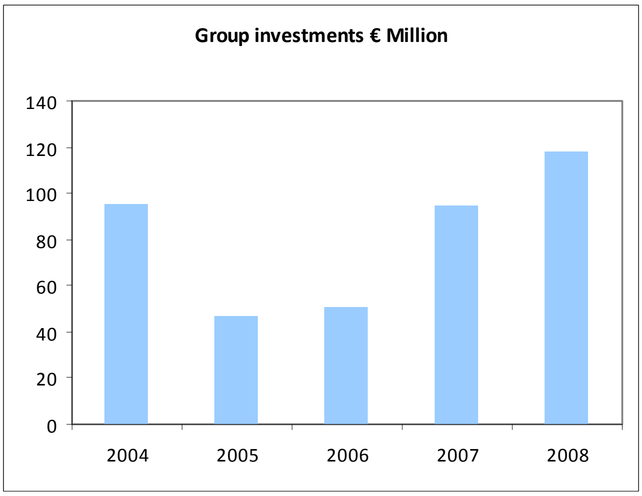
Markku Marjomaa, M.Sc. (Econ.), Authorised Public Accountant

Five-year group statistics

	2008	2007	2006	2005	2004
Net sales, MEUR	1 844	1 713	1 621	1 579	1 582
Change %	7.6	5.7	2.7	-0.2	1.0
- Domestic, MEUR	1 291	1 117	1 075	1 055	1 092
Change %	15.5	3.9	1.9	-3.3	1.2
- International operations, MEUR	553	596	546	524	490
Change %	-7.2	9.2	4.3	6.9	0.7
Balance sheet total, MEUR	919	875	817	807	841
Liabilities, % of the balance sheet total	64	60	57	56	58
Equity assets ratio, %	36	40	42	43	40
Return on shareholders' equity, %	-1.6	2.9	0.9	2.7	14.0
R&D expenditure, MEUR	16	14	12	12	11
Wages and salaries, MEUR	164	145	139	135	135
Average no. of personnel	4 375	4 214	4 166	4 199	4 389
Inventories, MEUR	175	132	134	126	120
Investments, MEUR	118	94	51	47	95
Depreciation according to plan, MEUR	55	54	58	54	53
Operating profit, MEUR	5	22	13	23	68
Operating profit, %	0.3	1.3	0.8	1.5	4.3
Price paid for milk to the co-operatives by Valio, per litre total cents [1)]	47.2	39.3	37.1	35.9	36.8
Milk volume taken in, mill. l	2 044	2 056	2 093	2 073	1 989
Net sales/milk litre taken in, c/l	0.98	0.89	0.83	0.81	0.84

[1)] Includes basic price, and extra payments according to composition and quality; after payment.





Consolidated Income Statement

	2008	2007
Net sales	1 843 546	1 713 028
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	31 415	-1 254
Production for own use	1 221	966
Other operating income	49 245	43 851
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1 280 200	1 155 640
Increase (-) / decrease (+) in stocks	-11 654	-4 810
External services	43 124	36 429
	-1 311 670	-1 187 259
Staff expenses		
Wages and salaries	163 698	145 497
Social security expenses		
Pension expenses	23 971	17 188
Other social security expenses	20 532	15 915
	-208 201	-178 600
Depreciation and amortisation		
Depreciation according to plan	55 108	54 097
	-55 108	-54 097
Other operating expenses	-345 398	-314 553
Operating profit (loss)	5 050	22 082
Financial income and expenses		
Income from other investments held as non-current assets		
From others	297	292
Other interest and financial income		
From others	5 211	6 284
Share of profit (loss) of associated companies	63	-119
Interest and other financial expenses		
To others	-14 444	-13 464
	-8 873	-7 007
Profit (loss) before taxes	-3 823	15 075
Income taxes	-2 297	-3 099
Deferred taxes	740	-2 064
Profit (loss) for the financial year before minority share	-5 380	9 912
Minority share of the profit (loss) for the financial year	76	-
Net profit (loss) for the financial year	-5 456	9 912

All figures in EUR '000s.

Consolidated Balance Sheet

ASSETS	31st Dec. 2008	31st Dec. 2007
Non-current assets		
Intangible assets		
Intangible rights	3 892	3 536
Goodwill	18	38
Other capitalised long-term expenditure	10 254	9 982
	14 164	13 556
Property, plant and equipment		
Land	22 713	21 067
Buildings and constructions	155 119	125 496
Machinery and equipment	201 480	196 131
Other tangible assets	1 358	1 194
Advance payments and construction in progress	76 998	55 147
	457 668	399 035
Investments		
Shares in Group companies	302	2 526
Shares in associated companies	542	444
Other shares and interests	4 062	6 775
	4 906	9 745
Current assets		
Stocks		
Raw materials and supplies	29 615	26 809
Work in progress	17 039	12 166
Finished goods	126 368	92 231
Other stocks	1 640	1 024
	174 662	132 230
Receivables		
Non-current receivables		
Loan receivables	114	158
Other receivables	94	58
Deferred tax assets	-	571
	208	787
Current receivables		
Trade receivables	139 600	134 856
Current receivables from participating interests	25	26
Other current receivables	22 554	17 714
Deferred tax receivable	2 341	2 053
Accrued income and prepaid expenses	20 641	18 216
	185 161	172 865
Investments		
Other current investments	891	92 996
Cash in hand and at banks	80 999	53 466
Total assets	918 659	874 680

All figures in EUR '000s.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31st Dec 2008	31st Dec. 2007
Shareholders' equity		
Share capital	99 678	99 678
Other reserves	-2 900	3 896
Retained earnings (losses)	236 608	232 427
Net profit (loss) for the financial year	-5 456	9 912
	327 930	345 913
Minority interest	291	-
Provisions		
Other provisions	2 789	5 063
Liabilities		
Non-current liabilities		
Loans from financial institutions	115 556	67 318
Deferred tax liability	26 342	25 915
Other liabilities	75 561	59 990
	217 459	153 223
Current liabilities		
Loans from financial institutions	64 395	24 224
Advances received	190	280
Trade payable	208 784	203 708
Current liabilities to participating interests	212	141
Other liabilities	44 382	92 892
Accrued expenses and deferred income	52 227	49 236
	370 190	370 481
Total shareholders' equity and liabilities	918 659	874 680

All figures in EUR '000s.

Consolidated Cash Flow Statement

	2008	2007
Cash flow from operations		
Operating profit	5 050	22 082
Adjustments:		
Depreciation and amortisation	55 108	54 097
Changes in provisions	-2 274	-3 441
Other adjustments	-5 563	-1 583
Cash flow before change in working capital	52 321	71 155
Change in working capital		
Incr. (-) / decr. (+) in current non-interest-bearing receival	-12 296	-14 982
Incr. (-) / decr. (+) in stocks	-42 432	1 895
Incr. (+) / decr. (-) in current non-interest-bearing debts	12 066	24 325
Cash flow from operations before financial items and taxes	9 659	82 393
Interests and expenses paid for other financing costs of operations	-14 048	-13 391
Dividends received	297	292
Interest and other financial income received	5 281	6 176
Direct taxes paid	-2 389	1 916
Cash flow from operations	-1 200	77 386
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-117 823	-94 232
Investment subsidies received	228	237
Proceeds from sale of tangible and intangible assets	1 382	1 789
Capital expenditure in investments	-95	-293
Proceeds from sale of investments	9 730	2 026
Repayment of loan receivables	579	453
Other	-6 796	-1 650
Cash flow from investments	-112 795	-91 670
Cash flow from financing activities		
Pledged deposit accounts *)	-67 220	0
Increase (+) / decrease (-) in current financing	-16 551	1 816
Proceeds from loans	120 907	52 537
Repayment of loans	-49 202	-26 695
Dividends paid	-5 731	-4 985
Cash flow from investments	-17 797	22 673
Change in liquid assets	-131 792	8 389
Liquid assets at beginning of financial year	146 462	138 073
Liquid assets at end of financial year*)	14 670	146 462

*) Pledged deposit accounts have been released during the financial year 2009.

All figures in EUR '000s.

Parent Company Income Statement

	2008	2007
Net sales	1 641 683 696,85	1 489 862 037,13
Increase (+) / decrease (-) in stocks of finished goods and work in progress	28 794 310,05	-3 130 362,47
Production for own use	1 220 661,86	966 310,39
Other operating income	40 874 056,81	39 145 979,72
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1 162 320 087,86	1 008 089 674,82
Increase (-) / decrease (+) in stocks	-3 133 687,83	54 361,20
External services	28 312 374,06	31 730 258,84
	-1 187 498 774,09	-1 039 874 294,86
Staff expenses		
Wages and salaries	143 504 243,47	128 451 689,90
Social security expenses		
Pension expenses	22 705 182,89	16 106 625,28
Other social security expenses	16 060 976,84	11 906 847,94
	-182 270 403,20	-156 465 163,12
Depreciation and amortisation		
Depreciation according to plan	-50 636 169,85	-50 197 732,01
Other operating expenses	-289 760 358,45	-262 724 083,62
Operating profit (loss)	2 407 019,98	17 582 691,16
Financial income and expenses		
Income from Group companies	0,00	1 983 263,00
Income from other investments held as non-current assets		
From others	297 376,75	292 372,18
Other interest and financial income		
From Group companies	611 869,69	254 551,17
From others	4 485 856,12	5 492 199,06
Interest expenses and other financial expenses		
To Group companies	-502 784,54	-65 915,68
To others	-11 816 256,83	-12 748 516,22
	-6 923 938,81	-4 792 046,49
Profit (loss) before appropriations and taxes	-4 516 918,83	12 790 644,67
Appropriations		
Increase (-) / decrease (+) in depreciation difference	-1 518 236,24	620 391,15
Income taxes	0,00	-2 445 066,20
Deferred taxes	1 167 671,97	-933 986,75
Income taxes from previous financial years	-1 399,96	-69 927,24
Net profit (loss) for the financial year	-4 868 883,06	9 962 055,63

Parent Company Balance Sheet

ASSETS	31st Dec. 2008	31st Dec. 2007
N o n - c u r r e n t a s s e t s		
Intangible assets		
Intangible rights	3 311 859,18	3 113 237,76
Goodwill	19 999,92	39 999,92
Other capitalised long-term expenditure	9 449 909,85	9 493 314,26
	12 781 768,95	12 646 551,94
Property, plant and equipment		
Land	15 046 703,91	12 652 133,66
Connection fees	1 092 801,66	934 644,82
Buildings and constructions	143 748 111,66	116 845 919,54
Machinery and equipment	180 212 436,89	181 329 146,64
Other tangible assets	95 586,76	92 146,41
Advance payments and construction in progress	40 257 151,20	30 400 477,85
	380 452 792,08	342 254 468,92
Investments		
Shares in Group companies	76 639 795,48	41 906 600,06
Shares in associated companies	598 305,50	563 305,50
Other shares and interests	3 812 775,34	6 398 920,15
	81 050 876,32	48 868 825,71
C u r r e n t a s s e t s		
Stocks		
Raw materials and supplies	19 179 157,87	17 937 215,83
Work in progress	15 333 771,36	10 771 409,83
Finished goods	101 447 674,51	75 621 444,29
Other stocks	977 383,51	679 919,42
	136 937 987,25	105 009 989,37
Receivables		
Non-current receivables		
Receivables from Group companies	28 000 000,00	1 122 400,00
Other receivables	0,00	15 353,03
	28 000 000,00	1 137 753,03
Current receivables		
Trade receivables	99 147 467,37	88 173 244,17
Current receivables from Group companies	62 207 866,52	41 941 639,96
Current receivables from participating interests	25 213,16	26 394,86
Other current receivables	18 681 138,15	16 288 115,60
Deferred tax assets	2 340 610,79	1 172 938,82
Accrued income and prepaid expenses	9 320 025,69	11 147 850,34
	191 722 321,68	158 750 183,75
Investments		
Other shares and holdings	0,00	10 000 000,00
Other current investments	0,00	82 939 253,11
Cash in hand and at banks	65 786 709,06	30 799 998,17
T o t a l a s s e t s	896 732 455,34	792 407 024,00

Parent Company Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31st Dec. 2008	31st Dec. 2007
Shareholders'equity		
Share capital	99 677 800,00	99 677 800,00
Other reserves		
Legal reserve	5 984 101,53	5 984 101,53
Retained earnings (losses)	157 109 043,47	152 878 461,34
Net profit (loss) for the financial year	-4 868 883,06	9 962 055,63
	257 902 061,94	268 502 418,50
Appropriations		
Accumulated depreciation difference	99 812 815,03	98 294 578,79
Provisions	2 084 965,55	4 511 303,16
Liabilities		
Non-current liabilities		
Loans from financial institutions	80 000 000,00	30 000 000,00
Other liabilities	75 242 201,37	59 583 946,01
	155 242 201,37	89 583 946,01
Current liabilities		
Loans from financial institutions	52 341 336,34	22 408 969,26
Trade payable	188 931 873,23	175 993 810,04
Current liabilities to Group companies	51 801 030,72	3 084 383,02
Current liabilities to participating interests	211 336,20	140 563,48
Other liabilities	43 382 592,49	91 668 398,02
Accrued expenses and deferred income	45 022 242,47	38 218 653,72
	381 690 411,45	331 514 777,54
Total shareholders' equity and liabilities	896 732 455,34	792 407 024,00

Parent Company Cash Flow Statement

	2008	2007
Cash flow from operations		
Operating profit	2 407	17 583
Adjustments:		
Depreciation and amortisation	50 636	50 198
Changes in provisions	-2 426	-3 593
Other adjustments	-5 522	-1 192
Cash flow before change in working capital	45 095	62 996
Change in working capital		
Incr. (-) / decr. (+) in current non-interest-bearing receival	-13 975	-14 642
Incr. (-) / decr. (+) in stocks	-31 928	3 185
Incr. (+) / decr. (-) in current non-interest-bearing debts	19 412	19 388
Cash flow from operations before financial items and taxes	18 604	70 927
Interests and expenses paid for other financing costs of operations	-11 922	-12 741
Dividends received	297	2 276
Interest and other financial income received	5 168	5 638
Direct taxes paid	-2 425	2 500
Cash flow from operations	9 722	68 600
Cash flow from investments		
Capital expenditure in tangible and intangible assets	-89 354	-57 540
Investment subsidies received	141	141
Proceeds from sale of tangible and intangible assets	1 359	1 517
Capital expenditure in investments	-37 051	-3 293
Proceeds from sale of investments	9 650	2 026
Loans granted	-43 290	-4 715
Repayment of loan receivables	577	561
Cash flow from investments	-157 968	-61 303
Cash flow from financing activities		
Pledged deposit accounts *)	-67 220	-
New current financing	69 191	2 409
Repayment of current financing	-36 482	-486
Proceeds from loans	110 703	21 390
Repayment of loans	-47 387	-25 030
Dividends paid	-5 731	-4 984
Cash flow from financing activities	23 074	-6 701
Change in liquid assets	-125 172	596
Liquid assets at beginning of financial yea	123 739	123 143
Liquid assets at end of financial year*)	-1 433	123 739

*) Pledged deposit accounts have been released during the financial year 2009.

All figures in EUR '000s.

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 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.

Minority interest has been separated from the consolidated shareholders' equity and performance and presented as a separate item.

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. In the previous financial year the income statements were translated 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 or 10 years
Goodwill	5 years
Consolidated goodwill	5 years
Buildings and constructions	10,15 or 25 years
Machinery and equipment	10 years
Computer hardware and software	5 years
Transport equipment and some refrigeration equipment	5 years

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

Inventories are valued at the lower of cost on a first-in first-out basis, or fair value.

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

In the cash flow statement, deposit accounts pledged as a security for liabilities are not included in liquid assets at the end of the financial year, but in cash flow from financing activities.

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 company is a shareholder of an electrical energy purchasing company that handles hedging related to buying electricity on behalf of its shareholders.

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 2008	CONSOLIDATED 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
1. DISTRIBUTION OF NET SALES				
1. 1. NET SALES BY DIVISION				
Fresh dairy products	835 617	716 808	782 778	670 857
Butter and spreads	205 912	190 947	188 786	176 697
Cheese	591 604	522 828	472 477	419 912
Powdered ingredients	86 152	120 873	85 286	115 817
Others	124 261	161 572	112 357	106 579
	1 843 546	1 713 028	1 641 684	1 489 862
1. 2. NET SALES BY GEOGRAPHICAL AREA				
Domestic	1 290 539	1 116 947	1 289 390	1 115 189
Foreign	553 007	596 081	352 294	374 673
	1 843 546	1 713 028	1 641 684	1 489 862
2. OTHER OPERATING INCOME				
Logistics income	22 872	25 884	20 616	23 346
Rent income	4 056	4 517	4 038	4 560
Gain on disposal of non-current assets	5 636	1 201	5 523	1 192
Sales income from laboratory services	3 301	3 310	3 301	3 310
Subsidies and grants received	1 442	1 327	1 442	1 327
Income from staff canteen	1 553	1 413	1 553	1 413
Income from energy sales	977	992	494	544
Other income	9 408	5 207	3 907	3 454
	49 245	43 851	40 874	39 146
3. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	1 455	2 184	1 455	1 784
Provision for reorganisation	875	1 549	875	1 549
Other provisions	-56	-292	96	260
	2 274	3 441	2 426	3 593
4. OTHER OPERATING EXPENSES				
Energy expenses	38 584	33 924	36 161	31 902
Water expenses	11 882	10 684	11 625	10 481
Transportation expenses	101 342	99 964	94 624	88 052
Rental expenses	15 955	14 803	13 230	12 542
Expenses for maintenance of real estate and machinery	41 337	36 131	37 652	33 203
Marketing expenses	72 313	64 458	48 401	43 028
Sales promotion expenses	3 236	2 373	3 236	2 373
Travel expenses	7 506	6 929	5 980	5 422
IT expenses	14 261	12 371	13 195	11 692
Administrative expenses	20 335	18 622	16 140	14 521
Voluntary staff expenses	5 416	4 874	3 157	3 180
Bad debt	1 347	101	-81	-9
Other expenses	11 884	9 319	6 440	6 337
	345 398	314 553	289 760	262 724

Notes to the Income Statement

	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
5. NUMBER OF PERSONNEL, AVERAGE				
Employees	2 295	2 246	1 856	1 806
Technical dairy employees	886	855	820	790
Management staff	625	558	553	508
Clerical staff	569	555	300	308
	4 375	4 214	3 529	3 412
6. STAFF EXPENSES				
Wages and salaries	163 698	145 497	143 504	128 451
Social security expenses				
Pension expenses	23 971	17 188	22 705	16 107
Other social security expenses	20 532	15 915	16 061	11 907
	208 201	178 600	182 270	156 465
7. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	123	128	123	128
Board of Directors, CEO	1 774	1 674	620	481
	1 897	1 802	743	609
8. AUDITOR'S FEES				
To PricewaterhouseCoopers companies				
Audit	321	296	180	170
Auditor's statements	7	2	7	2
Tax services	146	66	60	26
Other services	123	78	91	65
	597	442	338	263

Notes to the Income Statement

	CONSOLIDATED 2008	2007	PARENT COMPANY 2008	2007
9. ACCRUED INCOME AND PREPAID EXPENSES				
Rent of packing machines	270	300	270	300
Accrued income from exports	916	79	916	79
Royalties	1 206	1 033	1 206	1 033
Healthcare reimbursement	707	846	691	846
Income tax assets	11 785	3 927	2 444	20
Annual refunds	903	-	903	-
Pension costs	101	5 197	-	5 197
Social security costs	-	780	-	780
EU subsidies	195	105	195	105
Travel advances	207	188	207	188
Research grants	518	913	518	913
Research agreements	165	425	165	425
IT maintenance agreements	402	249	366	249
Compensation for damages	455	-	440	-
Other prepayments and accrued income	2 811	4 174	999	1 013
	20 641	18 216	9 320	11 148
10. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	12 375	11 202	11 789	10 936
Additions	1 302	1 194	957	853
Disposals	-	-2	-	-
Acquisition cost at year-end	13 677	12 394	12 746	11 789
Accumulated amortisation at beginning of	-8 854	-7 951	-8 676	-7 811
Amortisation for the year	-931	-907	-758	-865
Accumulated amortisation at year-end	-9 785	-8 858	-9 434	-8 676
Book value at year-end	3 892	3 536	3 312	3 113
Goodwill				
Acquisition cost at beginning of year	19 138	19 136	100	100
Acquisition cost at year-end	19 138	19 136	100	100
Accumulated amortisation at beginning of	-19 100	-19 078	-60	-40
Amortisation for the year	-20	-20	-20	-20
Accumulated amortisation at year-end	-19 120	-19 098	-80	-60
Book value at year-end	18	38	20	40
Other capitalised long-term expenditure				
Acquisition cost at beginning of year	68 974	66 959	61 013	58 899
Additions	4 249	2 412	3 771	2 114
Disposals	-13	-98	-	-
Acquisition cost at year-end	73 210	69 273	64 784	61 013
Accumulated amortisation at beginning of	-59 017	-55 089	-51 520	-47 409
Amortisation for the year	-3 939	-4 202	-3 814	-4 111
Accumulated amortisation at year-end	-62 956	-59 291	-55 334	-51 520
Book value at year-end	10 254	9 982	9 450	9 493
Total intangible assets	14 164	13 556	12 782	12 647

Notes to the Income Statement

	CONSOLIDATED 2008	2007	PARENT COMPANY 2008	2007
11. PROPERTY, PLANT AND EQUIPMENT				
Land				
Acquisition cost at beginning of year	20 160	14 145	13 587	13 726
Additions	2 553	7 061	2 553	-
Disposals	-	-139	-	-139
Acquisition cost at year-end	22 713	21 067	16 140	13 587
Book value at year-end	22 713	21 067	16 140	13 587
Buildings and constructions				
Acquisition cost at beginning of year	397 514	386 682	380 372	371 293
Additions	43 347	10 985	39 639	9 186
Disposals	-4	-107	-	-107
Acquisition cost at year-end	440 857	397 560	420 011	380 372
Accumulated depreciation at beginning of	-272 063	-258 617	-263 526	-251 028
Depreciation for the year	-13 675	-13 447	-12 737	-12 498
Accumulated depreciation at year-end	-285 738	-272 064	-276 263	-263 526
Book value at year-end	155 119	125 496	143 748	116 846
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	774 165	739 529	737 148	706 377
Additions	42 484	35 593	32 437	31 088
Disposals	-388	-960	-243	-317
Acquisition cost at year-end	816 261	774 162	769 342	737 148
Accumulated depreciation at beginning of	-576 880	-541 316	-555 727	-523 023
Depreciation for the year	-36 543	-35 521	-33 307	-32 704
Accumulated depreciation at year-end	-613 423	-576 837	-589 034	-555 727
Book value at year-end	202 838	197 325	180 308	181 421
Prepayments and construction in progress				
Acquisition cost at beginning of year	53 180	17 960	30 400	16 244
Additions	64 260	53 738	32 169	28 561
Disposals	-13 657	-179	-8	-
Transfer between items	-26 721	-16 363	-22 240	-14 396
Recorded as expense	-64	-9	-64	-9
Acquisition cost at year-end	76 998	55 147	40 257	30 400
Book value at year-end	76 998	55 147	40 257	30 400
Total property, plant and equipment	457 668	399 035	380 453	342 254
Depreciation according to plan for the year, total	-55 108	-54 097	-50 636	-50 198
Book value of production machinery and equipment at year-end	179 893	173 707	160 945	160 958

Notes to the Income Statement

12. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Finlandia Cheese Inc., USA	100,0	100,0
Jäätelöyhtymä Oy, Finland	100,0	100,0
Nordic Jam Oy, Finland	100,0	100,0
N.V. Valio - Vache Bleue S.A., Belgium *)	100,0	100,0
Frigo-Way S.P.R.L., Belgium	100,0	0,0
Vache Bleue S.A.R.L., France	100,0	0,0
Pakkasukko Oy, Finland	100,0	100,0
SIA Valio International, Latvia	100,0	100,0
Smeds & Co Oy, Finland	100,0	100,0
UAB Valio International, Lithuania	100,0	100,0
Nordic Dairy Holding Oy, Finland	100,0	100,0
Rushold M Oy, Finland *)	100,0	0,0
OOO Valio Center Odintsovo, Russia	100,0	0,0
OOO Valio, Russia	100,0	0,0
AS Valio Baltic, Estonia	100,0	0,0
Valio Eesti AS, Estonia	100,0	0,0
Võru Juust AS, Estonia	100,0	0,0
Atleet Oü, Estonia	100,0	0,0
Valio International (Poland) Ltd, Poland	100,0	100,0
Valio Shanghai Ltd, China	70,0	70,0
Valio Sverige AB, Sweden	100,0	100,0

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

PARTICIPATING INTERESTS
ASSOCIATED COMPANIES

Haapaveden Puhdistamo Oy, Finland	40,5	40,5
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	100,0	388	-

Notes to the Income Statement

13. PARENT COMPANY INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	80 683	563	9 162
Additions	36 956	35	60
Disposals	-2 223	-	-2 646
Acquisition cost at beginning of year	115 416	598	6 576
Accumulated depreciation and write-offs at year-end	-43 654	-	-3 141
Reversal of write-offs at year-end	4 878	-	378
Book value at year-end	76 640	598	3 813

14. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	2 526	479	9 914
Additions	-	98	-
Disposals	-2 224	-	-2 713
Acquisition cost at year-end	302	577	7 201
Accumulated depreciation and write-offs at year-end	-	-35	-3 139
Book value at year-end	302	542	4 062

	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
15. SECURITIES				
Other securities	-	82 996	-	82 939
Other shares	-	10 000	-	10 000
Market value	-	10 537	-	10 537
Difference	-	537	-	537
16. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	-	-	40 193	36 063
Other receivables	-	-	837	433
Loan receivables	-	-	49 132	6 404
Accrued income and prepaid expenses	-	-	45	164
	-	-	90 207	43 064
17. RECEIVABLES FROM PARTICIPATING INTERESTS				
Trade receivables	25	25	25	25
Other receivables	-	1	-	1
	25	26	25	26

Notes to the Income Statement

	CONSOLIDATED 2008	2007	PARENT COMPANY 2008	2007
18. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital, 1st Jan.	99 678	99 678	99 678	99 678
Share capital, 31st Dec.	99 678	99 678	99 678	99 678
Legal reserves				
1st Jan.	3 896	5 546	5 984	5 984
Translation differences	-6 796	-1 650	-	-
Legal reserves 31st Dec.	-2 900	3 896	5 984	5 984
Retained earnings (losses), 1st Jan.	242 339	237 412	162 840	157 862
Dividends	-5 731	-4 985	-5 731	-4 984
Retained earnings (losses) 31st Dec.	236 608	232 427	157 109	152 878
Net profit (loss) for the financial year	-5 456	9 912	-4 869	9 962
Shareholders' equity 31st Dec.	327 930	345 913	257 902	268 502
Retained earnings (losses) 31st Dec.	236 608	232 427	157 109	152 878
Appropriations included in retained earnings	-74 966	-73 751	-	-
Net profit (loss) for the financial year	-5 456	9 912	-4 869	9 962
	156 186	168 588	152 240	162 840
19. PROVISIONS				
Provision for contingent pension liabilities	1 841	3 296	1 841	3 296
Provision for reorganisation	-	875	-	875
Other provisions	948	892	244	340
	2 789	5 063	2 085	4 511
20. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
From change in provisions	542	2 624	542	1 173
Taxable loss	1 799		1 799	
	2 341	2 624	2 341	1 173
Deferred tax liabilities				
From appropriations	26 271	25 839	-	-
From matching differences	71	76	-	-
	26 342	25 915	-	-
21. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	4 616	4 105	4 358	3 961
Holiday accrual including social security	24 531	21 294	23 983	21 294
Rebates granted	2 589	1 780	1 594	1 162
Pension contributions	246	-	246	-
Social security insurances	1 843	-	1 843	-
Wages and salaries including social security	12 191	11 521	9 587	8 666
Royalties and commissions	1 552	1 496	1 552	1 496
Other accrued expenses and deferred income	4 659	9 040	1 859	1 640
	52 227	49 236	45 022	38 219

Notes to the Income Statement

	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
22. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	-	-	1 261	2 045
Other liabilities	-	-	50 149	891
Accrued expenses and deferred income	-	-	391	148
	-	-	51 801	3 084
23. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	211	141	211	141
Other liabilities	1	-	-	-
Accrued expenses and deferred income	-	-	-	-
	212	141	211	141
24. CONTINGENT LIABILITIES				
For own commitments				
Liabilities for which mortgages and pledges have been given as collateral				
Loans from financial institutions	110 000	50 000	110 000	50 000
Mortgages given	101 139	101 139	101 139	101 139
Pledged deposits	67 491	356	67 200	-
Pledged shares	1 821	5 667	1 821	5 667
	170 451	107 162	170 160	106 806
Mortgages	46 120	46 120	46 120	46 120
Guarantees	30 004	44 032	20 521	34 746
Leasing commitments				
over a period of 12 months	7 137	3 661	6 607	3 370
later	18 221	6 121	17 474	5 474
	25 358	9 782	24 081	8 844
For commitments of Group companies	-	-	9 483	9 286
For others	6 651	8 259	6 651	8 131
For own operations	271 933	207 096	260 882	196 516
For Group companies	-	-	9 483	9 286
For others	6 651	8 259	6 651	8 131
	278 584	215 355	277 016	213 933

25. 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.

	CONSOLIDATED 2008	CONSOLIDATED 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
26. EMISSION RIGHTS				
Gratuitously acquired emission rights, tCO_2		108 539	104 254	108 539
Annual emission volumes, tCO_2		88 702	90 902	88 702
Emission rights in possession, tCO_2		108 539	98 254	108 539
Sales of emission rights, 1000 EUR		-	92	-
The company has emission rights assets off balance sheet			117	-

Proposal by the Board of Directors to the Annual General Meeting

Distributable earnings in the financial statements amount to EUR 150,441,640.66. 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	157 109 043,47	€
Profit for the financial year	-4 868 883,06	€
Total	152 240 160,41	€

The Board of Directors proposes to the Annual General Meeting that a dividend of 4.7% on the nominal value of the shares of EUR 159.80 be declared. 4 684 856,60 €

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

Share capital	99 677 800,00	€
Legal reserves	5 984 101,53	€
Retained earnings	147 555 303,81	€
Total shareholders' equity	253 217 205,34	€

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

Helsinki, 5th March 2009

Antti Rauhamaa	Tauno Uitto	Pekka Laaksonen CEO
Esa Juntunen	Sauli Lähteenmäki	

AUDITORS' NOTE

An auditor's report has been submitted today.

Helsinki, 5th March 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
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 on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, 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 and fair presentation of the financial statements and the report of the Board of Directors 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and Board of Directors of the parent company as well as the Managing Director have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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.

We recommend 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 at the balance sheet is in compliance with the Limited Liability Companies Act. We recommend that the Members of the Supervisory Board and the Board of Directors as well as the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 5 March 2009
PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

Statement by the Supervisory Board

We have examined the financial statements for 1st January to 31st December 2008, 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: Maija-Leena Heiniö, Kimmo Kemppainen, Raimo Kielenniva, Osmo Oinonen, Pentti Santala, Pentti Suokannas, Pentti Vartiainen and Päivi Ylä-Outinen.

Helsinki, 6th March 2009.

On behalf of the Supervisory Board

Pentti Santala
Chairman

Valio ltd owners

31st Dec. 2008

Valio 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, Board of Directors, and the Division Board for each function.

Name	Domicile	No. of shares
		EUR 3 400/share
Alueosuuskunta Promilk	Lapinlahti	3 124
Evijärven Osuusmeijeri	Evijärvi	42
* Hirvijärven Osuusmeijeri	Jalasjärvi	46
* Hämeenlinnan Osuusmeijeri	Hämeenlinna	1
Härmän Seudun Osuusmeijeri	Alahärmä	82
Kainuun Osuusmeijeri	Sotkamo	898
* Kaustisen Osuusmeijeri	Kaustinen	1
* Kuusamon Osuusmeijeri	Kuusamo	265
* Laaksojen Maitokunta	Ylivieska	1
Liperin Osuusmeijeri	Liperi	162
Meijeriosuuskunta Milka	Vöyri	3
Nurmeksen Osuusmeijeri	Nurmes	626
Osuuskunta Idän Maito	Joensuu	2 877
Osuuskunta Länsi-Maito	Tampere	3 693
* Osuuskunta Maitokolmio	Toholampi	244
* Osuuskunta Maitomaa	Suonenjoki	290
Osuuskunta Maitosuomi	Jyväskylä	4 381
Osuuskunta Normilk	Jyväskylä	4
Osuuskunta Pohjolan Maito	Haapavesi	4 948
* Osuuskunta Satamaito	Pori	348
Osuuskunta Tuottajain Maito	Riihimäki	7 249
* Paavolan Osuusmeijeri	Ruukki	32
Yhteensä		29 317

Shareholders 31st Dec. 2008	22

Total share capital EUR 99 677 800

* No business relationship with Valio

Division Boards 1st Jan. 2009

Valio Supervisory Board appoints Division Boards consisting of elected officials to all business divisions to supervise the owners´ interests. Dairy farmers and personnel are represented on the Division boards. Division boards monitor Valio´s general development and the operations, finances and the investments of the division.

		Term expires
Fresh Dairy Products and Domestic Sales and Marketing	Esa Juntunen, Chairman	2009
	Sauli Lähteenmäki, Vice Chairman	2009
	Jukka Hakkarainen	2010
	Tapio Hytönen	2009
	Pekka Lestinen	2009
	Pirjo Louhevirta [1)]	2011
	Jaakko Männistö	2010
	Osmo Oinonen	2010
	Markku Pajunen	2010
	Jouko Raatikainen [1)]	2011
	Jorma Ritvanen	2010
	Pentti Santala	2009
Cheese, Butter and Ingredients	Sauli Lähteenmäki, Chairman	2009
	Tauno Uitto, Vice Chairman	2009
	Kyösti Anttila	2009
	Maija-Leena Heiniö	2009
	Jari Hekkala	2010
	Jarmo Juutinen	2010
	Raimo Kielenniva	2010
	Tauno Lemettinen [1)]	2011
	Mauri Penttilä	2009
	Matti Siitonen	2009
	Ari Vuojolainen	2010
	Päivi Ylä-Outinen	2010
International Operations and Innovations	Tauno Uitto, Chairman	2009
	Esa Juntunen, Vice Chairman	2009
	Anu Fräntilä-Riihonen	2009
	Marja-Leena Harju [1)]	2011
	Hannu Kainu	2010
	Juha Kantoniemi	2010
	Kimmo Kemppainen	2009
	Harri Laamanen	2009
	Reino Parkko	2009
	Kari Piironen	2010
	Jaakko Rouhiainen	2010
	Anneli Santa-aho	2009
	Matti Seitsonen	2010
	Pentti Suokannas	2010
	Pentti Vartiainen	2010

[1)] Personnel representative

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