



ÖPPNAS HÄR

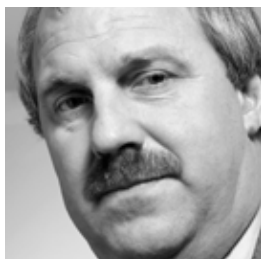


Annual Report 2007

A close-up photograph of a textured, blue and green object, possibly a piece of fabric or a container. The object has a vibrant blue base color with green and red accents. The word "Omskakas!" is printed in white, bold, sans-serif font on the blue surface. The background is a plain, light color.

Omskakas!

The old rules of the game are out of date



The market is not like it used to be. 2007 brought with it new circumstances and new conditions. The well-worn cliché that “we live in a changing world” has proved itself many times. The world around us is now completely different than a year ago: A milk market in

balance. Regulations repealed. Greater price fluctuations. Shorter cycles. Three increases in the price of milk delivered to dairies in the autumn alone. And a market that is more unsettled and uncertain than for many years.

Traditionally, we have lived in a relatively sheltered and highly predictable market. We have felt a sense of stability and security, the map and the terrain have fitted one another closely. But the new, larger and more open market shifts the conditions. Suddenly, the map and the terrain look different. No one, inside or outside Skåne Dairy, has any experience of the market development and price trends we are now experiencing.

The new goal posts

The conditions have changed and we have all got to get used to new goal posts that we don't actually recognize. And of course this is a cause of worry and doubt among our members. Then it is even more important to keep our gaze fixed on our objectives. Because I believe that the mobility and fluctuation we have experienced during 2007 will open up broad possibilities for our business during 2008.

During 2007, we approved a business plan with a new,

challenging vision: to become the best known health company in the Nordic region. The work in achieving this goal is already underway. Now it's a matter of meeting the consumer market not only in Scania, but throughout the entire Nordic region.

Gratifyingly enough, a lot of what is most highly valued are things we are already skilled at: value added, first-class premium products within ecology and health, locally produced and smart packaging solutions.

We should also safeguard and develop our brand names, not least the Skåne Dairy brand name itself which is a Blue-Chip asset. It is up to us to work long-term and methodically towards our goals even if the world around us is not as stable as it once was.

Capable of meeting changes

We need to be flexible in the prevailing the world. We must also be able to adapt and reap short-term gains, which we have done for example during the autumn in milk powder.

I would say that we need to keep our eye on the long-term and maintain flexibility: a long-term faith in our strategies and plans, combined with a flexibility which means we can safeguard ourselves against depressions and fluctuations.

Out of chaos comes order. The turbulence we have experienced has still provided us with good potential for the future. During the year, we have moved from producing a surplus raw material to having a product which is in great demand. What possibilities we have before us in 2008!

Anders Olsson, *Chairman*

Key events 2007

January

Vita Hjertego' Gul, which Skåne Dairy produces and has jointly developed, is launched in Norway by our cooperation partner Mills. During the year, this healthy vegetable alternative to traditional cheese is rewarded with the newly instituted prize of the Norwegian retail trade as Innovation of the Year for 2007.

February

Seven of Skåne Dairy's milk suppliers receive the 2006 Gold Medal from Her Highness Crown Princess Victoria after having delivered milk of the absolute best quality for 23 years.

March

The Company decides on a new business plan which is to form operations for the coming 10 years.

April

A major ProViva campaign is rolled out with TV commercials and shop demonstrations throughout the country. At the same time, a new version of the homepage www.proviva.com is launched.

Avena del Barista, an oat-based drink specially developed for coffee, is launched. This is completely free of Soya and milk and can be drunk by both lactose intolerant and vegans.

May

The final of the Milk Churn is decided at Heleneholms sports arena in Malmö. The Milk Churn is Sweden's largest school sports competition and the year's winner comes from Herretorps school in Vellinge.

June

During the summer, more than 3,000 children take part in Calvin's football school which is a cooperation scheme together with the Scanian Football Association and the Swedish National Football Association.

July

All of Skåne Dairy's milk producers are now certified and the dairy products can begin to be marked carrying the Swedish Seal quality stamp.

At the MAI gala at Malmö Stadium, the year's final of the Calvin Race was decided. With almost 10,000 participants, this is one of Sweden's most popular sport competitions for children.

August

The Board of directors decides, effective as of September, to raise the supplementary payment for those members who supply ecological milk to 75 öre per kg.

September

Skåne Dairy reorganises to support the business plan. The management group is changed and rejuvenated. Half of the senior management are women.

For the fourth year running, Skåne Dairy arranges the Health Summit Meeting in Stockholm. There, both international experts and representatives of Swedish commerce and industry discuss matters such as health and ecology with members of the government.

Milk Energy scholarships are awarded for the twentieth time to 15 youngsters who have distinguished themselves in sports or culture.

October

Skåne Dairy and the US Functional Foods company NextFoods sign an agreement entailing that the ProViva concept can be exported across the Atlantic. NextFoods are to launch a shot with the same beneficial bacteria as ProViva, and Skåne Dairy will be assisting with their knowledge.

Skåne Dairy begin cooperation with the Danish Thise Mejeri in Jutland. The ecological dairy is initially to supply acidulated ecological products in the first quarter of 2008 to be sold under Skåne Dairy's brand names.

The contract price to the milk suppliers is raised by 25 öre per kg. This became possible once retail prices were raised.

November

Skåne Dairy and the Danish dairy company Løgismose sign an international agreement entailing that Skåne Dairy becomes, effective as of 2008, owners to a third of Løgismose Mejeri A/S. This will imply a major breakthrough of Scanian dairy produce on the Danish market.

The contract prices to the milk suppliers are raised by 40 öre per kg of milk. In addition, a decision is adopted as to a further contract price increase of 15 öre effective at the turn of the year, as well as 20 öre extra for ecological milk, which gives an ecological supplementary payment of 95 öre per kg effective as of 1 January 2008.

In the Scandinavian Dairy Contest for 2007, Scandinavia's best dairy produce are chosen and Marsvinsholm Herrgård 17 % cheese wins the gold medal in the Matured Hard Cheese category. In addition, Allerum XO wins the silver medal and Marsvinsholm 28 % the bronze.

In November, a decision is adopted that the cheese factory in Hörby is to be moth-balled. Instead, more milk powder and condensed milk is to be produced.

December

All one litre milk packages apart from the ecological milk have now been provided with a screw cap to make it easier to open and reclose.

	2007	2006	2005
Net turnover (SEK million)	2 835	2 717	2 780
Earnings after financial items (SEK million)	9	18	8
Investments (SEK million)	153	126	88
Equity ratio (%)	35,5	36,7	35,4
Average number of annual employees	567	587	676
Number of milk suppliers	657	764	834

This is what we look like

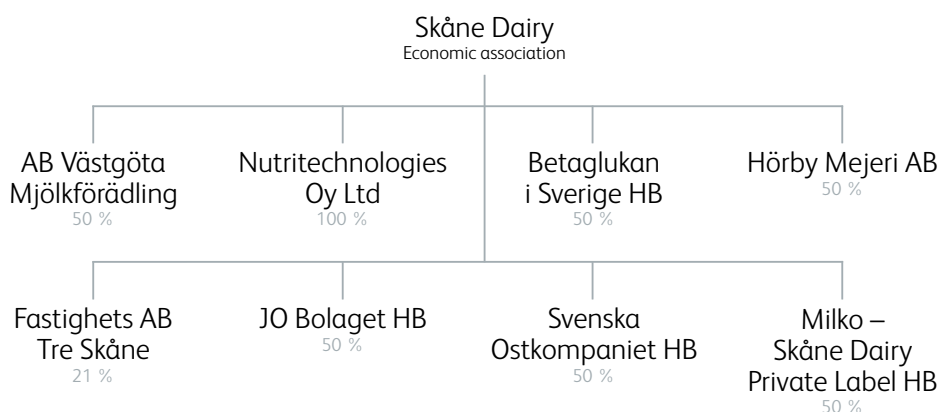
Skåne Dairy is the food company close to you which produces and sells good and healthy food. Milk is our most important raw material. We work in a strong atmosphere of commercial development together with our customers and produce products with smart values and high profit-

ability. The base is in Scania but the domestic market is the entire Nordic region. Skåne Dairy has a turnover of SEK 2.8 billion and a workforce of 567. We are owned by 750 members in Scania and parts of Småland, of whom 657 are active milk suppliers.

Skåne Dairy's Organisation



Skåne Dairy with operative subsidiaries and associated companies at 31 December 2007



It's now it happens And it happens quickly



Globally, we are seeing major changes. Milk production is declining at the same time as consumption is increasing, which results in prices rising. This creates unique possibilities for Skåne Dairy. In China, Brazil and Russia milk consumption is on the increase,

and Australia has been hit by drought which has greatly reduced their exports of milk powder. Taken as a whole, these factors mean a price increase on the milk raw material and the consumer price.

Nevertheless, I feel that a litre of milk is still a cheap everyday drink, above all considering the major benefits milk offers.

A new business plan

The year 2007 was not only a year of change in the world around us but also internally in the company. The Board of Directors adopted a decision on a new business plan for the period 2008-2015 which builds on creating an independent Skåne Dairy with stable growth and profitability. A profitability which, over a period, permits improved payments to the owners.

The business plan rests on two foundations:

1. maintaining our position as the local dairy company in southernmost Sweden.
2. creating profitable growth with a portfolio of premium products in the Nordic region under the vision of becoming "the best known health company in the Nordic region".

This business plan has been given a warm reception by both the workforce and our customers. It now constitutes a clear guideline for our decisions. As a key part in our work on change, we have revamped the organisation to achieve a higher degree of commercialism, improved team spirit and an increased focus on consumers.

The year that's past

During the first half of the year our profitability fell below expectations because of lower domestic milk consumption, a poorer earnings outcome for juice and continued problems in the cheese business. In the latter part of the year we were able however to reap the fruits of the high milk powder prices, continued development of ProViva

and a good level of sales of sour milk products.

Unfortunately, we can still see a decline in milk volumes. This latter feature is a trend throughout Sweden, where deliveries have fallen by approx. 5 % during the year. Gratifyingly enough we were able to see during the second half of the year improved profitability within Ostkompaniet as a result of the Plus project which has been implemented, as well as improved prices in the retail trade. Nevertheless, we must continue to improve profitability in our cheeses.

As far as the retail trade is concerned, a greater part of the work of the year has been devoted to motivating a correct price level against the background of increased costs for our raw materials. There is a general level of understanding for these cost increases. Where we have not fully succeeded in getting the message across is in the matter of compensation for other cost increases, such as for example energy and packaging.

When it comes to efficiency, I am in the happy position however of being able to ascertain that Skåne Dairy is one of Europe's best companies in terms of turnover per employee.

What does 2008 hold?

We will single-mindedly continue our growth strategy in the Nordic region and here we will focus on:

- The best lactose-free product range on the market
- New ProViva variations
- A concentrated drive on ecological products on offer
- A strong Denmark focus as a result of the purchase of Løgismose

Another central matter for Skåne Dairy is the issue of the climate. For the last couple of years we have been actively cooperating with dairy farmers, suppliers and customers leading to both long and short-term environmental objectives.

The ambition is to be able to begin to climate mark our products already during 2008/09.

Our plan for 2008 is moreover based on further price increases in the marketplace.

A time of change

We have a new future strategy and our own changes have commenced.

We now need to tune-in all of our feelers in order to understand what the world outside expects of us – and how we can meet these expectations. To rephrase it: what

happens now happens quickly.

In the long term, good profitability is our goal, which in the short term means investments and costs in new markets and consumer segments. A committed team together with successful customers and strong owners is the recipe for creating the Skåne Dairy we will live with and by tomorrow.

Ola Erics, *CEO*



Being in the right place at the right time

Keeping to the forefront is vital on every market. Not least the dairy market. Here, there are plenty of players and even more who want to make a break in. Competition is stiff.

The most important channel for us direct out in the shops is our sales team. Our 19 sellers are a great asset to us who constantly maintain their positions, both locally and nationally.

The task of our Key Account Managers is to handle the central customers such as, for example, ICA, COOP, Axfood and Bergendahls. This role is decisive for our possibilities to find the right positions in our interplay with the retail trade. This is vital work which must take place quicker and smarter than our competitors. If we do not keep our noses out in front someone else will take over.

A key ingredient in the sales channel is that we are in charge of the milk planning. Profitability is to be found in putting the right volumes on the right markets. The world market prices control profitability in how milk planning is to respond.

Businesses and markets

1) THE RETAIL TRADE

All channels focus on premium products and profitability. We refrain from transactions where profitability does not reach the desired result.

3) INDUSTRIAL BUSINESS AREA

This business area focuses on the industrial sale of cream, condensed milk and milk powder. Volumes rose dramatically during 2007, which was because of the high price level.

4) ECOLOGY BUSINESS AREA

Skåne Dairy is concentrating seriously on being able to offer the Swedish trade attractive ecological products. The portfolio includes products from Skåne Dairy, These Mejeri in Jutland and Løgismose Mejeri on Fyn.

5) DENMARK

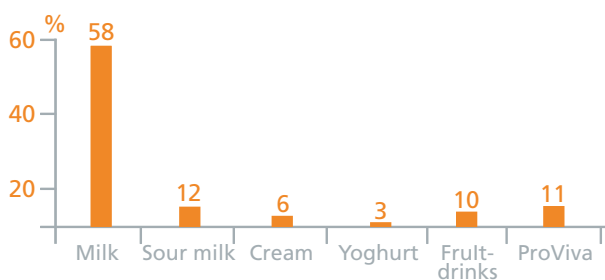
As a part of the business plan, Skåne Dairy have purchased a holding in Løgismose Mejeri in order to lay the foundation for our entry on the Danish market.

We cooperate in respect of products out of the premium product range (for example ProViva, lactose-free milk and quality cheese) but also relating to standard products such as, for example, standard milk, sour milk and cooking products. We are also looking to develop new dairy products.

6) FINLAND

In Finland, we are in a position to note healthy growth thanks to increased volumes of such products as ProViva and cheese.

Volume proportions, sales



2) LARGE SCALE CATERING BUSINESS AREA

The large scale catering business focuses on both the local market and the national market. Examples of customers are school kitchens, hotels and restaurants. Large scale catering has good potential but works with small margins.

Dramatic price increases have given increased profitability in cheese

Ostkompaniet has also experienced a turbulent year – 2007 began with stiff competition and depressed prices and ended with dramatic price increases and a shortage of cheese. The earnings from the company was finally considerably better than for the previous year.

During the autumn, Ostkompaniet has raised prices to its customers in two stages, by a total of 25-30 per cent. Profitability in Ostkompaniet has moreover been favourably affected by an earnings reinforcement program, “the Plus project”.

Matured cheeses increased

Ostkompaniet’s matured cheeses, including Allerum and Marsvinsholm, have enjoyed a highly favourable sales development trend throughout the year, with a volume increase of 16 per cent. The matured cheeses are a part of the campaign entitled “Taste it and you want more”, which has been highly successful. Out of the total cheese product range, the proportion of matured cheese has risen.

Another important part of the refined product range is the health-profiled cheeses. In this area, competition has been very keen and Ostkompaniet has lost sales volume, in particular concerning the low fat cheese variety Västana.

Reduced cheese production

Both Skåne Dairy and Milko each decided during the year to mothball a cheese factory and instead produce more milk powder. These decisions were occasioned by a dramatic increase in the prices of milk powder during

the summer making this sector of production a more profitable business than cheesemaking.

Rationalising operations

The refining operations have been coordinated in Ostkompaniet so that all piecing, grating and packing of cheeses takes place in Kristianstad. Work at the joint factory has gone smoothly since the fusion, and productivity has increased. During the spring of 2008, operations will be further rationalised.

During the year, all farmers who supply raw materials to the cheesemaking factory were certified in compliance with Swedish Seal, so that the products from Ostkompaniet will be entitled to carry this symbol during the spring of 2008.

Svenska Ostkompaniet HB is owned to fifty per cent each by Skåne Dairy and Milko. The business mission of the company is to refine, sale and market hard cheeses on the Swedish market. Ostkompaniet’s product range includes such cheeses as Allerum, Glimminge and Marsvinsholm which are manufactured by Skåne Dairy, as well as Västana and Hälsinge produced by Milko.

Turnover: SEK 866 million (871)

Average workforce: 93 (96)

(Figures for 2006 given in brackets.)





Ett resultat
av svensk forskning
1 liter

The best known health company in the Nordic region

A strategy for the future

Of course, when all's said and done Skåne Dairy is a dairy. And milk is probably the first thing you think about when you hear our name.

But things are happening in society that we must be sensitive to if we are to keep out in front. Consumers are becoming more aware of what they eat and drink and discussions in the media relate increasingly to the climate, the environment, health and wellbeing.

In order to meet all of these new impacts, we also have to change the view of our trademark – from “dairy” to “health company”. Our vision, which we formulated in our business plan during the year, is to become the best known health company in the Nordic region.

But, we become nothing just because we say we are

We have a solid starting platform. Scanian consumers feel that Skåne Dairy is safe, reliable and stands for health and awareness. Surveys have shown that every one of these parameters has been strengthened during the past year.

“The milk from home” contributes to the feeling of security and closeness. What is locally produced is immensely important from the viewpoint of the environment and climate, which is close to top of the list in consumers’ awareness.

Our base products are firmly anchored with the Scanian consumers and many of our products are considered healthy. When consumers are asked about what they mean by healthy the answer is “milk, juice, soured milk and ProViva”. As research is further refined and new discoveries are announced, the consumer will, to an even higher degree, consider everything from milk to our documented research products as healthy.

The demand for ecological products is on the increase, like the demand for lactose-free products. During 2007, we have laid the foundation for these value-added products which are intended to reach the market to an even greater extent during next year. Among other efforts, we are supporting those dairy farmers who want to switch over to ecological production by raising their financial rewards.

We are thereby investing to meet consumers’ demand for healthy products. These will be available under two strong brand names: Skåne Dairy for milk based health products and ProViva for fruit based health products.

Today’s consumers are prepared to pay for the value-added to be gained from healthy products.

We keep the environment in mind

Mushrooms picked on New Year's Eve, tulips in bloom in January – everyday we stumble on items of news about our change in climate and its effects. Surveys show that the issue of climate is now third in the list of questions which concern Swedes most, after health and the economy. This increasing focus has given a lift to questions such as closely produced food, ecology, seasonally adapted consumption, transport and a future climate marking of food products.

Skåne Dairy works with environmental issues by cooperating with dairy farmers, suppliers and customers in order to set up both long-term and short-term environmental goals.

Our overall approach

The cooperation throughout the entire chain from the feed the cow eats to consumers' purchasing behaviour is vital to minimise the stress on the environment. Skåne Dairy works systematically forwards led by the ambition to be the best climate alternative in our food category.

Closely produced

We are the close food company which, within a radius of 100 kilometres from any of our plants, can reach all Scanian dairy farmers. Even if our transport routes are already short and we can describe the vast majority of our products as closely produced in the correct sense of the words, the environment and the climate are constantly in focus for the whole of our operations. Milk production involves an effect on the environment, both in the form of natural and unnatural emissions.

Farms and ecology

Together with the dairy farmers, we work to reduce the effects of farming on the environment. We have a responsibility to ensure that the milk which the consumers drink has been produced in an environmentally acceptable way and, as a result, the farm is the very soul of our activities.

All of our dairy farmers are certified in compliance with IP-Seal, which entails that we are entitled to mark our products with the Swedish Seal. This is also a long-term commitment to power the development of farming to become the cleanest in the world!

We are working with commitment for increased ecological production. This forward drive is put into effect through greatly increased financial reward to those farmers who want to switch to ecological production.

Transports

Despite our short transport routes, we are working on finding more environmentally friendly alternatives and constantly optimising our transport, both as regards internal transport and distribution to our customers.

We are concentrating on gas-driven vehicles within the framework of the EU project entitled Civitas SMILE and are also continuously working on increasing the filling levels of our tanker trucks and improving our route planning for both ingoing and outgoing transport.

Production and packages

We are making every effort to change our energy sources in production to more environmentally acceptable alternatives. Every plant has annual targets for a number of environmental factors (see follow-up and targets in our detailed environmental audit report at www.skanemejerier.se).

Among other things, we measure emissions into the waterways, water consumption and energy consumption in order to make constant efforts towards improvement.

Skåne Dairy has a packaging policy where we assume responsibility for our packages being recycled. We are also working on continuously reducing packaging weights with a view to reducing the consumption of natural resources. The greater part of Skåne Dairy's volumes are transported in return transport packaging such as cargo trolleys and plastic trays.



With the focus on personnel

A well functioning workforce is one of our most important resources and is a basic requirement for reaching results.

This is so vitally important to us that personnel policy has become a part of our strategy. We are and will continue to be an attractive employer and we want to maintain workplaces where we engage and involve our workforce. A strong team spirit results in job satisfaction and enjoyment. And this in turn leads to a satisfied workforce and increased profitability.

Health and rehabilitation

Holding as we do the vision of becoming the best known health company in the Nordic region, the health of our own workforce is self-evidently an area of high priority. Our drive against ill health and the effective work involved in rehabilitation and adaptation have resulted in a fall in absence through sickness – over five years we have even succeeded in halving this figure.

In addition to our own commitment, cooperation with business healthcare schemes is an important factor and our work is now progressively changing over to more preventive inputs so that our workforce will keep healthy. By way of example mention might be made of advice and counselling which is given as soon as a sickness note is filed, continuous follow-up and contact with those who have reported sick.

We know that health requires a personal commitment of its own and as a result we stimulate and support individual, active initiatives. By training, health tests, counselling and a large programme of different activities at different levels we hope to increase knowledge and awareness as to how to create a lifestyle which promotes good health.

Our subsidizing of exercise, massage in work time and access to free fruit are examples of measures which lead to favourable results.

Workforce index

In Skåne Dairy's earnings and target-gearred culture, our workforce is included as a strategically long-term key ration. We take annual measurements of a workforce index in order to gain a picture of how well we have succeeded in our personnel policy and how well our core values of team spirit, respect and confidence together with honest leadership are maintained. This analysis shows what driving forces and targets we have.

Upskilling

The commitment and skills of our workforce are vital factors for future results.

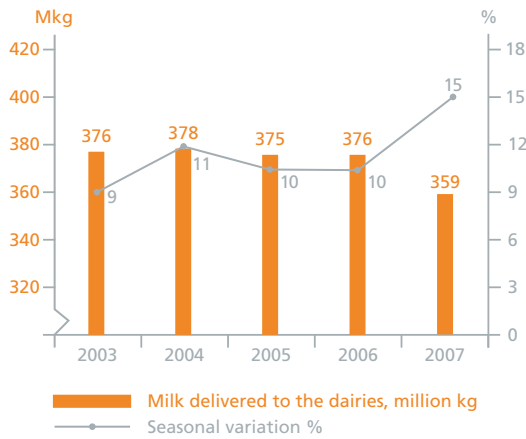
We are constantly trying to stimulate increased learning by means of training on all levels. Managers and supervisors are trained in such factors as leadership and the working environment in order to be able to create as well a functioning workplace as possible.

At each workplace, there are also staff members who coordinate other fundamental training schemes within, for example, hygiene. Together with the Swedish Food Workers Union, we provide training schemes whose purpose is that all members of the workforce will be trained in questions relating to the working environment.

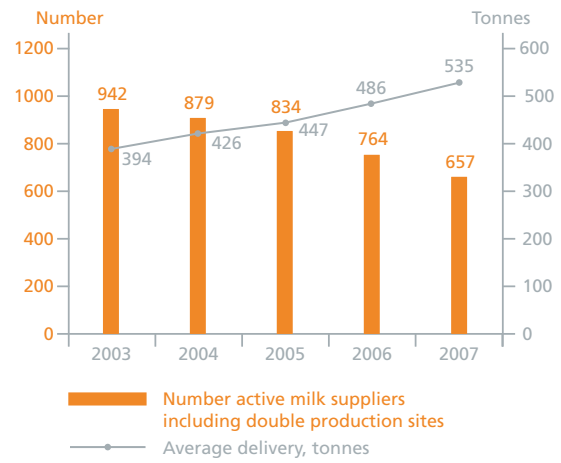
We are also constantly striving to develop our skills in the field of dairy engineering. Also in this area, it is our ambition that all staff members within production will complete a basic training scheme in this subject. These training schemes will continue throughout 2008.

Our Owners

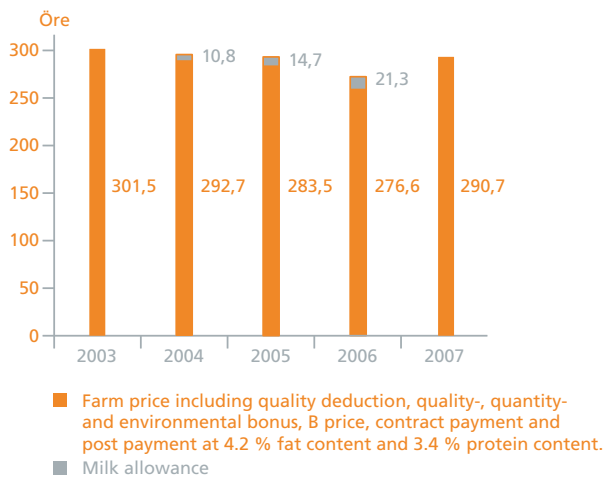
Milk delivered to the dairies Seasonal variation



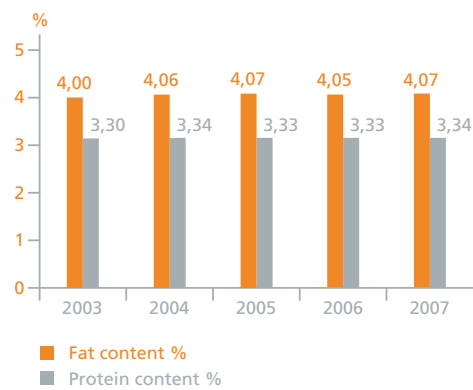
Number active milk suppliers Average delivery



Milk price, öre per kg

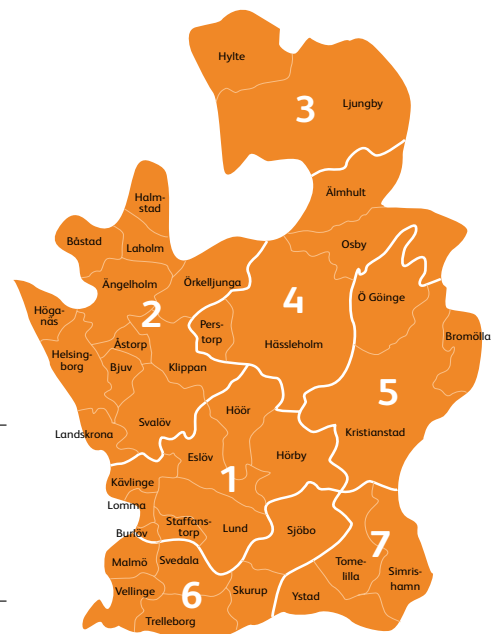


Fat content Protein content



Supplier structure by circuit 31 December 2007

Circuit	Number supplier	Annual production	Mean delivery tonnes	Proportion supplier supplying		Resigned
				<100 tonnes (%)	>500 tonnes (%)	
1	111	51 600 527	465	6,3	28,8	26
2	126	65 782 866	522	10,3	35,7	18
3	59	25 630 944	435	10,2	33,9	7
4	88	40 445 694	460	6,8	29,5	13
5	96	64 946 669	677	3,1	41,7	7
6	79	52 333 104	662	6,3	40,5	21
7	93	47 965 488	516	9,7	3,8	15
Total	652	348 717 845	535	9,6	31,6	107



The route to success is via our members

Without them we would never have been able to develop the premium products which make us great on the market. With a guaranteed high standard of quality in the milk production, we can refine milk products under strong brand names.

After years of stagnated milk prices and depressed profitability, milk production has declined. Throughout the world more dairy produce are being consumed than ever before, with the result that during the year the price of milk has risen and faith in the future has returned.

Reduced delivery of milk to the dairies and larger farms

Delivery of milk to the dairies fell by 4.6 per cent to 359 million kg of milk (376 million kg 2006).

In total in Sweden, milk delivered to the dairies declined during the year by 4.6 per cent to 2,986 million kg. Skåne Dairy's proportion of milk delivered to the dairies in Sweden was 12.0 per cent.

The seasonal variation has increased from the preceding year. Measured as the relation between the highest and the lowest monthly volume, the difference was 15 per cent (10). The number of milk suppliers fell by 107 (70) to 657 (764) or by 14.0 per cent (8.4). In the country as a whole, the number of milk suppliers has fallen by 11.5 per cent to 6,829

The average delivery increased by 49 tonnes to 535 tonnes (486), in other words by 10 per cent.

The dairy farms' environment and quality work

During the year, quality bonus has been paid of SEK 15.4 million (16.5). The bonus acts as a stimulant for quicker quality increases and, during the year, an average of 69 per cent (70) of suppliers received a bonus. Quality bonus has been paid at SEK 5.1 million (4.7). This is a logistics supplement for suppliers with a delivery of more than 500,000 kg of milk.

The outcome of the quality deduction was SEK 9.5 million (8.9). For nine years now, Skåne Dairy has been conducting an Environmental bonus programme in order to stimulate environmental improvement measures on the dairy farms and good animal husbandry. Two years ago, work began on transferring Environmental Bonus to IP-Seal. During the year all suppliers have been affiliated to the IP-Seal.

With this certification programme, the suppliers have the opportunity to apply for state certification support

and Skåne Dairy has the possibility to market the products under the trademark Swedish Seal. Åsens mjölk became the first product to be marketed under this brand name. Independent inspections by certification companies guarantee that we live up to the IP-Seal.

Since 1997, Skåne Dairy has 13 dairy farms which are certified in compliance with ISO 9002 and 14001 and, from these dairy farms, 15.4 million kg of milk were delivered. During the year, these farms have been phased into the IP-Seal.

Our work for a healthy environment with reduced ammonia emissions and improved emissions of nitrogen and phosphorus have continued unbroken since 1997, in that Skåne Dairy's milk suppliers annually carry out a circuit analysis and plant nutrient balance for their farm and production.

In order to optimise the use of fertilizers and feed, continuous analyses are carried out. Since the milk suppliers work with chlorine-free washing and pesticide and cleaning agents, we contribute to a cleaner environment. This same effect is also gained because our suppliers refrain from using pesticides on pasture and grazing land intended for milk cows.

All milk farms have conducted the Swedish Farmers' Union's Environmental Overview and participated in the obligatory course of training held every other year.

The EU ordinance on food hygiene has been converted into new branch guidelines. Skåne Dairy has introduced this project by special animal husbandry programmes and traceability. We have also begun the work involved in climate marking.

Ecological strategy

In connection with the new business plan, approval was given to an ecological strategy with the target of delivering approx. 35 million kg of ecological milk by the year 2010. This year, Skåne Dairy has a total of 25 dairy farms conducting ecological operations and together these farms delivered 13.9 million kg.

During the year, ecological supplements were paid at SEK 8.5 million (5.8). Effective as of 1 January, all ecological products are to be marked with a specific logotype for EU ecological products.

Gold awards

For 2007, eight of Skåne Dairy's milk suppliers received the highest award available from the Swedish Milk Marketing Board, a gold medal for 23 years' high milk quality.

The owners

The medals are awarded in February 2008 by His Royal Highness King Carl XVI Gustaf in Stockholm.

Contract system

The contract system was introduced in 2001. The system is a market-gearred method of approach for paying for the milk raw material on the basis of product use and earnings.

During the autumn, the milk powder prices rose dramatically and in order to stimulate increased delivery of milk to the dairies on the margins the Board decided to pay deliveries in excess of contract in the fourth quarter of the year by an extra 50 öre per kg.

In total, there is an allocated figure of 425 million kg of milk to members, including retired members. The active members' basic contract is 363 million kg, retired members 34 million kg and 28 million kg is for passive members.

Global changes

The EU milk grant was disconnected during the year from the milk quotas and is now directly included in the farm support. The EU regulations relating to European milk production have been dismantled over several years. This has resulted in milk production and consumption within Europe being in balance at the same time as export supports and import protection have been phased out.

The consumption of dairy produce is on the increase in the world, principally because of a rise in the standard of living in Asia. However, the world production of milk has not kept pace, among other things because of severe drought in Australia and a transfer of production from milk to grain principally in North America.

Early during the year the European stockpiles of powder, condensed milk and industrial cooking fats were emptied. The overall consequence was that world market prices rose dramatically and reached a peak during the autumn.

The price trend in generic products made it possible to raise market prices for cheese and perishable goods on the Swedish market. At the end of the year however prices for the generic products fell. These prices are expected to fluctuate in the future, probably at a higher price level than previously.

Delivery price

The contract price to the milk suppliers during the year was raised twice. On 1 October, the contract price was raised by 25 öre and on 1 November by 40 öre per kg of milk, in other words by a total of 65 öre.

Fat and protein payment

The basic price for milk is set at a fat content of 4.0 per cent and a protein content of 3.4 per cent. The milk fat was valued during the year at 22 SEK per kg (22). The protein was valued in relation to the protein content delivered. Below 3.4 per cent, the protein was valued at SEK 40 per kg and above 3.4 per cent at SEK 28 per kg.

Skåne Dairy's delivered average fat content was 4.07 per cent (4.05) and average protein content 3.34 per cent (3.33). The target is that the milk delivered to the dairies will have a 3.4 per cent protein content.

Our owners

Our members and milk suppliers are at the same time our owners who finance operations. In order to strengthen our owners' commitment and make for an increased proportion of individual joint ownership, the Board has decided to establish an inquiry into direct ownership in Skåne Dairy's subsidiaries.

Skåne Dairy in figures

3% av RDI
4 µg (8% av RDI)
4 µg (8% av RDI)
120 mg (15% av RDI)
14 µg (9% av RDI)
sverket rekommenderat dagligt intag
id högst +8°C

Directors' report

Directors' report

The Board of Directors and the Chief Executive Officer of Skåne Dairy ek. för. (Corporate Identity Number 716439-3949) herewith submit Skåne Dairy's Annual Accounts and Consolidated Financial Statements for the financial year 1 January – 31 December 2007.

Comparative figures for 2006 are given in brackets and, where applicable, have been converted in view of changed accounting principles.

Supplementary information is provided in the Notes to the Financial Statements.

Information on operations

The Association is owned by 750 (843) members. Operations have been conducted for the greater part in the Parent Company. Production takes place at the Association's own dairy plants in Malmö, Lunnarp and Kristianstad.

There are plants which are owned to 50 per cent: in Hörby (production of cheese), Kristianstad (refining of cheese in the form of piecing and packing) and in Falköping (production of milk powder). Sales of purchased products are also included in operations, as well as distribution undertakings to other food producing companies.

Milk delivered to dairies

During the year, milk delivered to dairies amounts to 359 million kg (376). Skåne Dairy's share of the total quantity of milk delivered to Sweden's dairies was 12.0 per cent (12.0).

Members and milk producers

Members at start of year	843
New members	14
Resigning members	107
Members remaining	750
Milk producers at start of year	764
Reduction during the year	107
Milk producers at end of year	657

At the end of the year, members' contributed capital amounts to SEK 89.5 million (85.3). During the year, amortisation took place of SEK 6.5 million and deposits were repaid of SEK 2.2 million (this sum also includes those members who chose to transfer all of their deposit capital to debenture deposits). Repayment of deposits takes place

over a 5 year period at 1/5 per year.

The contributed capital of lost members for 2007 amounted to SEK 8.4 million. Payment of deposit capital will take place during 2008 of a total of SEK 3.3 million.

Milk payment and farm price

During the year, payment to milk producers amounts to SEK 1 023 million (1 015) for the delivered milk quantity of 359 million kg (376). The contract price to the milk suppliers rose during the last three months of 2007. The mean farm price paid for delivered milk amounts during the year to SEK 2.91 (2.77) per kg milk for a mean fat content of 4.2 per cent and a mean protein content of 3.4 per cent.

Operating earnings

	Group		Parent Company	
MSEK	2007	2006	2007	2006
Net turnover	2 835	2 717	2 835	2 717
Gross earnings	475	483	474	483
Earnings after financial items	9,3	18,0	3,6	17,7
Year's earnings	10,4	18,1	4,9	18,0

Effects on the environment

The operations of the Company are certificated in compliance with the environmental management standard ISO 14001:2004. The Company conducts three operations under permit in compliance with the Environmental Code.

The permits relate to plants for the production of food products. These operations affect the environment essentially by the employment of fossil energy resources as well as emissions into the air and into the waterways.

During 2007, a project was launched aimed at using, in one of our operations, steam from a heating plant which is driven by biofuel.

The production under permit and their operations employ more than two thirds of the Company's workforce.

More information is available at Skåne Dairy's website, www.skanemejerier.se.

Key events

- During the year a new business plan was approved and as a consequence the organisation of the Company has been restructured and a new management group appointed. The business plan builds on two cornerstones, on the one hand a powerful direct distribution in southern Sweden of a broad dairy portfolio, and on the other hand profitable growth through a premium portfolio in the Nordic region.
- During the year the international dairy industry has moved from an environmental surplus to a shortage. As a result of this, Skåne Dairy during the latter part of 2007 took the initiative to raise prices to the retail trade.
- As a consequence of a growing shortage of milk raw material and consequential raised product prices on the market, the delivery prices paid to the milk suppliers were raised dramatically first in October and then in November.
- During recent years, Hörby Mejeri AB has been greatly affected by the trend of international cheese prices. Despite rising cheese prices during the autumn of 2007, entailing improved profitability for the company, the plant was "mothballed" during the autumn. This decision was occasioned by the fact that the prices of milk powder rose dramatically during the summer and it became a more profitable business than cheesemaking.
- Skåne Dairy and the Danish dairy company Løgismose have signed an agreement entailing that Skåne Dairy, effective as of 2008, will be owners of a third of Løgismose Mejeri A/S. Turnover in Løgismose amounted in 2007 to approx. DKK 60 million. The acquisition will involve increased sales of Scanian dairy produce to consumers in Denmark.
- After the end of the financial year, Bornholms Andelsmejeri's holding in Hörby Mejeri AB was acquired. As a result of this acquisition, Hörby Mejeri AB becomes a wholly owned subsidiary to Skåne Dairy.

Expected future developments

The level of price paid to the milk suppliers will continue to lie on a high level because of continued high demand for milk raw material. Fluctuations, both down and up, will take place to a greater extent than previously. A continued concentration on premium products such as lactose-free products, ProViva and ecological products will be put into effect.

Activities in Research and Development

Skåne Dairy has a few people employed at its research department. The overriding task is to gather, evaluate, implement and manage development projects as well as to provide guidelines for Skåne Dairy's product development work on the broad scale. Activities in research and development are successful in creating and participating in research networks and in securing new knowledge within the Company. The Company is geared to the market and delivers key product concepts continuously. This level of skills has been shown not least in having products approved within the area of health foods in compliance with the rules of the food industry for health claims. Of only a few approved products, Skåne Dairy owns ProViva and PrimaLiv.

The product development work is essentially carried on at the product development department in Lunnarp.

Less than 1 per cent of turnover is devoted to research and development.

Operations abroad

In Finland, where a sales office is in place, four people are employed. Deliveries take place direct from Sweden to the Finnish retail trade. The market has continued to develop favourably for Skåne Dairy's brand name cheeses and ProViva. The Finnish organisation also has the sales responsibility for the Oatly oat products from Oatly AB and also, as of 2008, for cheese products from Milko. As of 2008, Skåne Dairy will be joint owners of Løgismose Mejeri A/S in Denmark.

Investments and Financing

The Parent Company's balance sheet total amounts to SEK 1 156 million (1 091), an increase by 6 per cent.

Investments in buildings, machinery and equipment amount to SEK 153 million. The largest investments relate to cold storage construction in Malmö, a new packing machine in Malmö as well as increased ProViva capacity in Lunnarp. The utilisation of overdraft facilities and loans has risen by SEK 37 million. Group equity ratio has fallen from 36.7 per cent to 35.5 per cent.

Post payment

The Board of Directors has decided that no post payment will be made during 2007.

Deposit issue

The Board proposes, for 2007, a deposit issue of 4.5 per cent of the total deposit capital as at 31 December 2007 for members, including retiring members as at 31 December 2007. This corresponds to approx. SEK 0.11 per kg of milk delivered to the dairies or SEK 3.8 million. The payment will be made once the Association Meeting has adopted the decision on deposit issue.

Contribution issue

The Board of Directors proposes that no transfer be made from profits to members' contributions for 2007.

Proposed allocation of profits in the Parent Company At the disposal of the Association Meeting:

Profits brought forward	57 027 655 SEK
Year's profit	4 906 296 SEK
Total	61 933 951 SEK
Allocation to reserve fund	300 000 SEK
Dividend on debentures	21 688 SEK
Deposit issue	3 769 551 SEK
To be carried forward	57 842 712 SEK
Total	61 933 951 SEK

The Group

Equity in the Group amounted at 31 December 2007 to SEK 61 944 thousand. Allocations to restricted reserves have been proposed at SEK 300 000. Of the year's total sales and purchases, less than 1 per cent relates to intra-group transactions.

Annual General Meeting

The Annual General Meeting of the Association will take place on 22 April 2008.

Income statement

SEK thousands	Not	Group		Parent Company	
		2007	2006	2007	2006
Net turnover	1	2 834 981	2 717 373	2 834 713	2 717 373
Purchases from milk producers		-1 022 919	-1 014 783	-1 022 919	-1 014 783
Other costs for goods sold	2-3	-1 337 317	-1 219 984	-1 337 317	-1 219 984
Gross earnings		474 745	482 606	474 477	482 606
Sales costs	2, 4	-400 630	-387 168	-400 601	-387 280
Administration costs	2, 5	-56 045	-67 905	-56 045	-67 905
R&D costs	2, 6	-14 215	-13 458	-14 215	-13 458
Other operating incomes	7	3 465	2 268	3 465	2 268
Operating earnings		7 320	16 343	7 081	16 231
Earnings from financial investments					
Earnings from participations in affiliates	13	8 885	-11 037	7 252	-11 592
Earnings from other securities and receivables which are fixed assets	14	7 420	21 508	3 638	21 928
Other interest incomes and similar earnings items		2 048	2 079	2 003	2 071
Interest expenses and similar earnings items	8	-16 341	-10 917	-16 341	-10 917
Earnings after financial items		9 332	17 976	3 633	17 721
Allocations					
Difference between booked depreciation and depreciation according to plan	20			275	275
Pre-tax profits		9 332	17 976	3 908	17 996
Tax paid	9	1 070	103	998	28
Net profit/loss for the year		10 402	18 079	4 906	18 024

Balance sheet

SEK thousands	Note	Group		Parent Company	
		31/12/07	31/12/06	31/12/07	31/12/06
ASSETS					
Fixed assets					
Intangible fixed assets					
Goodwill/Brand names	10	2 252	3 516	2 595	4 030
		2 252	3 516	2 595	4 030
Material fixed assets					
Buildings and land	11	81 042	63 371	81 042	63 371
Machinery and other technical plant	11	375 022	355 744	375 022	355 744
Equipment, tools and installations	11	116 550	103 488	116 550	103 488
Investment in progress		35 248	18 416	35 248	18 416
		607 862	541 019	607 862	541 019
Financial fixed assets					
Shares in subsidiaries	12			1 845	1 845
Receivables from subsidiaries					218
Participations in affiliated companies	13	39 002	19 730	42 033	24 394
Other long-term securities holdings	15	41 398	42 330	41 398	42 330
Other long-term receivables		21 443	21 524	32 998	32 080
		101 843	83 584	118 274	100 867
Total fixed assets		711 957	628 119	728 731	645 916
Current assets					
Inventories					
	16				
Raw materials and requisites		65 082	50 859	65 082	50 859
Goods under production		72 110	102 728	72 110	102 728
Finished goods and commodities		45 123	87 821	45 123	87 821
		182 315	241 408	182 315	241 408
Short-term receivables					
Accounts receivable		169 891	124 116	169 891	124 116
Receivables from affiliates		24 240	39 922	24 240	39 922
Receivables from milk producers		5	9	5	9
Other receivables	17	40 121	28 708	39 771	28 264
Prepaid expenses and accrued incomes		15 158	11 202	11 376	11 202
		249 415	203 957	245 283	203 513
Short-term placements					
Cash and bank balances		285	373	119	114
Total current assets		432 015	445 738	427 717	445 035
TOTAL ASSETS		1 143 972	1 073 857	1 156 448	1 090 951

Balance sheet

SEK thousands	Note	Group		Parent Company	
		31/12/07	31/12/06	31/12/07	31/12/06
EQUITY, ALLOCATIONS AND LIABILITIES					
Equity	18, 19				
Restricted equity					
Deposits paid		89 555	85 315	89 555	85 315
Debenture contributions		545	410	545	410
Restricted reserves		254 091	242 549	58 893	57 593
		344 191	328 274	148 993	143 318
Unrestricted equity					
Profit brought forward		51 542	47 914	57 028	43 217
Earnings for the year		10 402	18 079	4 906	18 024
		61 944	65 993	61 934	61 241
Total equity		406 135	394 267	210 927	204 559
Untaxed reserves	20				
Depreciation in excess of plan				268 832	269 107
				268 832	269 107
Allocations					
Allocations for pensions	21	93 142	92 671	93 142	92 671
Allocations for taxes		63 718	64 794		
Other allocations		618	618	250	250
		157 478	158 083	93 392	92 921
Long-term liabilities					
Bank overdraft facility	22	193 100	152 242	193 100	152 242
Debts to credit institutes	23	36 841	40 501	36 841	40 501
Liabilities to subsidiaries				3 074	3 074
Liabilities to affiliates					
		229 941	192 743	233 015	195 817
Short-term liabilities					
Debts to credit institutes		5 621	7 246	5 621	7 246
Advance payments from customers		188	257	188	257
Settlement liability to milk producers		132 553	111 641	132 553	111 641
Accounts payable		96 987	91 651	96 899	91 435
Liabilities to affiliates		12 202	9 347	12 202	9 347
Tax liability		0	1		
Other liabilities		9 078	9 695	9 030	9 695
Accrued expenses and prepaid incomes	24	93 789	98 926	93 789	98 926
		350 418	328 764	350 282	328 547
TOTAL EQUITY, ALLOCATIONS AND LIABILITIES		1 143 972	1 073 857	1 156 448	1 090 951
Pledged assets	21–22	124 900	124 900	124 900	124 900
Contingent liabilities	25	171 902	178 173	171 902	178 173

Cash flow analysis

SEK thousands	Group		Parent Company	
	2007	2006	2007	2006
Current operations				
Earnings after financial items	9 332	17 976	3 633	17 721
Adjustments for items not included in cash flow etc.	78 117	66 985	79 917	74 694
	87 449	84 961	83 550	92 415
Tax paid	216	-27	221	-25
Cash flow from current operations before changes in operating capital	87 665	84 934	83 771	92 390
Cash flow from changes in working capital				
Increase(-), decrease (+) of inventories	59 093	-13 510	59 093	-13 510
Increase(-), decrease (+) of receivables	-45 679	48 102	-41 991	48 148
Increase(+), decrease (-) of liabilities	23 199	10 627	23 280	10 576
Cash flow from current operations	124 278	130 153	124 153	137 604
Investment activities				
Investments in immaterial fixed assets				-4 640
Investments in material fixed assets	-153 119	-125 707	-153 119	-125 707
Sale of material fixed assets	1 647	748	1 647	748
Investments in shares and participations	-16 841	0	-16 841	-420
Sale of shares and participations	6 361	23 028	6 361	23 028
Cash flow from investment activities	-161 952	-101 931	-161 952	-106 991
Financial activities				
Increase (-), decrease (+) of long-term receivables	81	-21 130	298	-17 715
Increase (+), decrease (-) of long-term liabilities and allocations	36 043	-11 266	36 044	-16 944
Change in deposit capital	1 462	4 023	1 462	4 023
Cash flow from financial activities	37 586	-28 373	37 804	-30 636
Year's cash flow (bank balances)	-88	-151	5	-23
Liquid funds at 1 January	373	524	114	137
Liquid funds at 31 December	285	373	119	114
Specification of "Adjust. for items not included in cash flow etc"				
Depreciations	84 951	82 005	85 122	82 176
Depreciation of shares	0	0	0	4 900
Return on disposal of shares	0	0	-2 545	0
Capital gains on disposal of shares	-3 638	-21 508	-3 638	-21 508
Miscellaneous	-3 196	6 488	978	9 126
	78 117	66 985	79 917	74 694

Accounting principles

The Annual Report has been drawn up in compliance with the Swedish Annual Reports Act. The Skåne Dairy Group applies the guidelines with general recommendations of the Swedish Financial Accounting Standards Council. No changes of the accounting principles took place during 2007.

Consolidated Accounts

The Consolidated Accounts encompass the Parent Company Skåne Dairy ek. för., its subsidiaries and affiliated companies, see notes 12-13.

The affiliated companies are reported in accordance with the equity method in the consolidated accounts.

The term subsidiary is taken to signify a legal entity where Skåne Dairy holds or disposes of more than half of the votes or owns shares in the legal entity and is entitled exclusively to exercise substantial influence over it because of agreements or other stipulations.

The term affiliated company signifies a legal entity that is not a subsidiary but where Skåne Dairy ek. för. owns shares and exercises substantial influence over the operational and financial control of the legal entity, and the ownership constitutes an element in a lengthy connection between the company and the legal entity. The value of votes normally amounts to between 20 and 50 per cent.

The Consolidated Accounts are drafted in compliance with the acquisition method. This entails inter alia that the acquisition value of shares in subsidiaries is eliminated against reported equity existing in each respective subsidiary at the time of the acquisition. If the acquisition value of shares in the subsidiary exceeds the calculated market value of the net assets of the company in accordance with the acquisition analysis, the difference consists of consolidated goodwill which is written off over the estimated economic life. Deferred tax is calculated at 28 per cent on the difference between the book value of assets and liabilities and the fiscal residual value. Only earnings arising after the time of acquisition are included in the equity of the Group. On drafting of the Consolidated Accounts, the Group's untaxed reserves are eliminated. Of this figure, 72 per cent (equity proportion) is transferred to equity under the heading "Restricted reserves" and 28 per cent (deferred tax liability) is posted as "Allocation for taxes".

Internal sales, internal profits and internal transactions within the Group are eliminated in the Consolidated Accounts.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the exchange rate on the closing day of accounts and unrealised exchange rate gains and exchange rate losses are included in the result. Exchange rate gains (losses) on operation-related receivables and liabilities are reported as other operating income (operating expense).

Material fixed assets

Materiella anläggningstillgångar, bestående av fastigheter, maskiner och inventarier, redovisas till anskaffningsvärde med avdrag för ackumulerade avskrivningar enligt plan.

Depreciation according to plan

Depreciation according to plan is based on the acquisition value of the assets and calculated economic life:

- computers, vehicles, trucks 3-10 years
- packaging machines, dairy equipment, vehicle tanks 8-10 years
- product tanks, boilers, buildings 20-50 years
- goodwill 10 years.

Inventories

The inventories have been valued at the lower of the acquisition value according to the FIFO (first-in, first-out) principle and actual value, respectively. Account has been taken of obsolescence by individual assessment.

Accounts receivable

Accounts receivable are reported net after an allocation for uncertain accounts receivable. Allocations for uncertain accounts receivable are based on individual assessment of accounts receivable made taking into account expected credit losses.

Research and development costs

Costs for research and development are charged on current account basis.

Income taxes

Skåne Dairy reports deferred tax in respect of all occurring temporary differences between reported and fiscal residual values on assets and liabilities, as well as for other fiscal deductions or deficits.

Leasing

All leasing is reported as operational, which implies that expenses for leasing are charged on current account basis.

Balance sheet notes

Note 1.

Net turnover by Business Area

The increased turnover under "Raw materials & Industry" is because of increased sales of skimmed and condensed milk.

SEK thousands	2007	2006
Parent Company		
Perishable products	2 058 808	1 972 771
Cheese	502 971	481 486
Raw materials & Industry	272 934	263 116
	2 834 713	2 717 373
of which exports	159 964	135 017
Subsidiaries	1 135	381
of which exports	0	0
Group internal turnover	-867	-381
Total Group	2 834 981	2 717 373
of which exports	159 964	135 017

Note 2. Personnel, average number of employees

The table shows the number of annual employees per operating site. The number of hours worked has been divided by the normal yearly working hours for the company, 1 600 hours. In the Parent Company, the total number of hours worked amounted to 908 000 hours (939 000).

	2007		2006	
	of which men		of which men	
Parent company				
Sweden				
Malmö	348	270	343	264
Lunnarp	138	109	137	108
Kristianstad	78	69	104	88
Finland	3	1	3	1
	567	449	587	461
Subsidiaries	0	0	0	0
Total Group	567	449	587	461

The reduced number of employees in Kristianstad is principally because of a reduction in cheese production during the second half of the year.

At the production plants, base staffing is put into effect using own personnel. At work peaks, external personnel are contracted in, which corresponds to approx. 33 people (25) who are not included in the above presentation of employees.

Distribution of sexes among senior management

	31/12/07		31/12/06	
	Number	%	Number	%
Board				
Women	2	22	2	18
Men	8	78	9	82
	10	100	11	100
Group management				
Women	4	44	2	29
Men	5	56	5	71
	9	100	7	100

Absence due to sickness

	Ålder	Total sickness absence		of which >60 days	
		%		%	
		2007	2006	2007	2006
Women	< 29	3,87	3,50	0,6	4,4
Women	30-49	3,21	4,77	46,1	55,9
Women	> 50	6,34	6,76	73,0	77,0
Total women		4,19	5,15	49,8	58,3
Men	< 29	4,25	4,54	24,1	32,9
Men	30-49	4,10	5,05	39,3	53,8
Men	> 50	3,18	5,62	28,1	64,1
Total men		3,84	5,12	33,0	53,6
Company total		3,92	5,13	36,8	54,6

Wages, salaries and remuneration

SEK thousands	2007	Others	2006	Others
	Board & CEO		Board & CEO	
Parent Company, Sweden				
Wages and other remuneration	3 449	182 109	3 376	180 481
Pension costs	768	18 120	491	17 489
Other social charges	1 254	66 221	1 214	64 747
Finland				
Salaries and other remuneration		1 047		1 140
Pension costs		107		228
Other social charges		7		15
	5 471	267 611	5 081	264 100
Subsidiaries	0	0	0	0
Total Group	5 471	267 611	5 081	264 100

The Chairman of the Board, Anders Olsson, has received SEK 373 thousand in fees and remuneration. The Company's CEO, Ola Erici has received in salary and remuneration SEK 2 337 thousand (SEK 761 thousand, 15/9-31/12 06).

The obligations of the Parent Company and the Group in respect of pensions to present and former CEOs amounts to SEK 3 239 thousand (4 997). These amounts are reported as liabilities under the item "Allocations for pensions" in the Balance Sheet.

Severance payment

For the Company's CEO a period of notice of termination of six months applies on the part of the Company, as well as severance payment of six months with a deduction

obligation for income from other employers.

Following an association decision, the Chairman of the Board receives a severance payment of one year's fee.

Fee to Auditors

Remuneration to Deloitte for audit work amounts to SEK 650 thousand (650) and for other assignments to SEK 204 thousand (160). Fees to elected auditors amount to SEK 75 thousand (104) as well as social charges of SEK 24 thousand (34).

Balance sheet notes

Note 3.

Other costs for sold goods

Under the above heading, goods and production costs are reported for goods sold during the year.

Goods costs have risen principally because of increased production and raised raw material prices.

The increase in personnel costs, in addition to union agreed wage increases, are principally attributable to increased production in Lunarp.

Costs for repair and maintenance have increased among other things because of operational problems in machinery.

The increased costs for external services are because, at production plants, base staffing has been carried out with own personnel and external personnel have then been contracted in at work peaks.

Hired transport relates to internal transport costs and transport between dairies for milk etc., which amount to approx. 15 öre/kg (14) of delivered milk. The cost increase is partly explained by increased fuel prices.

SEK thousands	2007	2006
Parent Company		
Goods costs (excl. milk, inc. royalty)	893 200	796 293
Personnel costs	149 110	139 689
Hired transport	54 449	52 320
Repair and maintenance	53 020	46 942
Electricity, oil, steam, gas and water	51 548	53 848
Rented premises and machines	23 586	24 733
Requisites	15 813	18 175
External services	12 644	11 296
Other costs	10 384	7 877
Depreciations	73 563	68 811
	1 337 317	1 219 984
Subsidiaries	0	0
Group internal purchases	0	0
Total Group	1 337 317	1 219 984

Note 4.

Sales costs

Personnel costs have fallen as a consequence of rationalisations.

Costs for hired transports have increased, because of increased fuel costs as well as more numerous transports of skimmed milk.

The increase of external services is partly referable to costs for the project jointly conducted between the dairies for future national distribution of special goods (FRAS), and partly to contracted personnel in the cold storage during work peaks.

SEK thousands	2007	2006
Parent Company		
Personnel costs	114 709	116 576
Hired transport	116 648	109 717
Marketing and sales costs	89 972	87 973
Rented premises and machines	12 290	11 137
Administration, management costs	6 160	5 837
External services	44 540	39 408
Other costs	8 875	11 152
Depreciations	7 407	5 480
	400 601	387 280
Subsidiaries	200	59
Group goodwill	-171	-171
Total Group	400 630	387 168

Balance sheet notes

Note 5.

Administration costs

Personnel costs have fallen as a result of rationalisations.

SEK thousands	2007	2006
Parent Company		
Personnel costs	21 996	27 037
Repair and maintenance	1 638	1 791
Rented premises and machines	2 296	1 813
Administration, management costs	9 277	9 965
External services	13 233	13 186
Other costs	3 453	6 228
Depreciations	4 152	7 885
	56 045	67 905
Subsidiaries	0	0
Total Group	56 045	67 905

Note 6.

Research and development costs

SEK thousands	2007	2006
Parent Company		
Personnel costs	7 622	7 427
External services	6 181	5 589
Other costs	412	442
	14 215	13 458
Subsidiaries	0	0
Total Group	14 215	13 458

In the above notes 4-6 are included service fee to the Swedish Milk Marketing Board of SEK 7 945 thousand (10 055) and LRF of SEK 905 thousand (1 419).

Note 7.

Other operating incomes

Other operating incomes relate for the greater part to rental incomes and sale of equipment.

SEK thousands	2007	2006
Parent Company		
Others	3 465	2 268
	3 465	2 268
Subsidiaries	0	0
Total Group	3 465	2 268

Note 8.

Interest expense and similar earnings items

SEK thousands	2007	2006
Parent company		
Interest on pension liability	4 011	3 782
Other interest expense	12 330	7 135
	16 341	10 917
Subsidiaries	0	0
Total Group	16 341	10 917

Balance sheet notes

Note 9. Tax on year's earnings

SEK thousands	Group		Parent Company	
	2007	2006	2007	2006
Current tax expense/income	-5	-2	0	0
Deferred tax expense relating to temporary differences	1 075	105	998	28
Reported tax cost	1 070	103	998	28

Note 10.

Goodwill and Brand Names

Closing planned residual value relates to "Pro-vivo/ProViva" and group goodwill relating to KÅM AB (fused 2006) has been transferred to the Parent Company.

During the previous financial year SEK 1 435 thousand was reported relating to depreciations and SEK 0 in respect of write-downs.

SEK thousands	31/12/07
Parent Company	
Opening acquisition value	21 350
Acquisition/sales	0
Accumulated acquisition value	21 350
Opening depreciation according to plan/write-downs	-17 320
Acquisition/sales	0
Year's depreciation according to plan	-1 435
Accumulated depreciation according to plan	-18 755
Opening planned residual value	4 030
Acquisitions/sales	0
Year's depreciation	0
Year's depreciation according to plan	-1 435
Closing planned residual value	2 595

Goodwill and brand names in the Group relate to the above in the Parent Company, as well as Kågeröds Mejeri AB.

During the previous financial year, SEK 1 264 thousand was reported relating to depreciations and SEK 0 in respect of write-downs.

SEK thousands	31/12/07
Group	
Opening acquisition value	25 750
Acquisition/sales	0
Accumulated acquisition value	25 750
Opening depreciation according to plan/write-downs	-22 234
Acquisition/sales	0
Year's depreciation according to plan	-1 264
Accumulated depreciation according to plan	-23 498
Opening planned residual value	3 516
Acquisitions/sales	0
Year's depreciation according to plan	-1 264
Closing planned residual value	2 252

Note 11. Material Fixed Assets

SEK thousands	Buildings, land, land improvements	Machines and other technical plants	Equipment, tools and installations
Parent Company			
Opening acquisition value	199 849	779 666	389 468
Acquisitions	21 795	81 960	32 533
Sale/discard	0	-4 369	-2 374
Accumulated acquisition value	221 644	857 257	419 627
Opening depreciation according to plan	-136 479	-423 923	-285 979
Sale/discard	0	3 014	1 140
Year's depreciation according to plan	-4 123	-61 328	-18 236
Write-downs	0	0	0
Accumulated depreciation according to plan (inc. write-down)	-140 602	-482 237	-303 075
Opening planned residual value	63 370	355 745	103 487
Acquisitions	21 795	81 960	32 533
Sale/discard	0	-1 355	-1 234
Year's depreciation according to plan	-4 123	-61 328	-18 236
Write-downs	0	0	0
Closing planned residual value	81 042	375 022	116 550
Tax assessment value	152 955		

During the previous financial year, the following amounts were reported in respect of depreciation according to plan, SEK 76 939 thousand, write-downs and return of write-downs SEK 3 802 thousand.

SEK thousands	Buildings, land, land improvements	Machines and other technical plants	Equipment, tools and installations
Group			
Opening acquisition value	199 849	779 666	389 468
Acquisitions	21 795	81 960	32 533
Sale/discard	0	-4 369	-2 374
Accumulated acquisition value	221 644	857 257	419 627
Opening depreciation according to plan	-136 479	-423 923	-285 979
Sale/discard	0	3 014	1 140
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Opening planned residual value	63 370	355 745	103 487
Acquisitions	21 795	81 960	32 533
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Year's depreciation according to plan	-4 123	-61 328	-18 236
Write-downs	0	0	0
Closing planned residual value	81 042	375 022	116 550
Tax assessment value	152 955		

During the previous financial year, the following amounts were reported in respect of depreciation according to plan, SEK 76 939 thousand, write-downs and return of write-downs SEK 3 802 thousand.

Balance sheet notes

Leasing agreements

Leasing agreements relating to machinery and equipment were entered into as follows:

SEK thousands	31/12/07		31/12/06	
	Group	Parent Company	Group	Parent Company
Fall due for payment year 1	3 965	3 965	3 107	3 107
Fall due for payment year 2 to 5	4 397	4 397	4 166	4 166
Fall due for payment year 6 or later	2 367	2 367	0	0

The year's leasing costs amounted to SEK 5 189 thousand.

Note 12. Shares and Participations in Subsidiaries

SEK thousands	Org. No.	Reg. Off.	No. part.	Capital share %	Book value 31/12/07 Parent Company
AB Pålssons Mejeri *	556026-5133	Malmö	4 924	100	554
Skånska Mjölksprodukter AB *	556062-0758	Malmö	5 000	100	500
ProViva AB *	556576-4239	Malmö	1 000	100	100
Kågeröds Mejeri AB *	556120-5245	Kågeröd	5 000	100	397
White Dairies of Scandinavia AB *	556527-3686	Malmö	100	100	100
Nutritechnologies Oy Ltd	1910360-8	Åbo	80	100	74
Källna Specialprodukter AB *	556219-6385	Malmö	1 000	100	120
Total shares and participations in subsidiaries					1 845

* no operations were conducted in the Company during the year.

Nutritechnologies Oy Ltd are involved in development work within food- and biotechnology. Skane Dairy UK Ltd was wound up during 2007.

Note 13. Shares and Participations in Affiliated Companies

SEK thousands	Org. No.	Reg. Off.	No. part.	Capital share %	Book value 31/12/07 Parent Company	Book value 31/12/07 Group
Fastighets AB Tre Skåne	556044-1031	Malmö	10 500	21	3 271	3 908
AB Västgöta Mjölkförädling	556243-9025	Falköping	500	50	5 525	1 827
Västmjölks AB	556473-3508	Halmstad	500	50	0	0
JO-Bolaget Fruktprodukter HB	916623-3784	Stockholm		50	90	120
Hörby Mejeri AB	556596-3567	Hörby	5000	50	2 645	2 645
Svenska Ostkompaniet HB	969681-5464	Stockholm		50	30 050	30 050
Betaglukan i Sverige HB	969691-2253	Malmö		50	402	402
Milko-Skånemejerier Private Label HB	969707-6264	Stockholm		50	50	50
Total shares and participations in Affiliated companies					42 033	39 002

Fastighets AB Tre Skåne

owns and administers the office building Tre Skåne in Malmö. The Company is owned by the Swedish Farmers' Union and Skåne Dairy. Turnover amounts to SEK 20 million (20) and earnings before allocations to SEK 4.1 million (0.9). Skåne Dairy's proportion is 21 per cent.

AB Västgöta Mjölkförädling

is owned together with Falköpings Mejeri. The Company is engaged in the sale and production in Falköping of dried milk powder. The financial year of the Company is per 30 June. Turnover for the last financial year 2006/07 was SEK 58 million (33) and a minor positive outcome was reported. For the first half of the financial year 2007/08 a minor positive outcome is shown.

The year's depreciation of Group goodwill amounted to SEK 0.5 million and is reported under "Earnings from participations in Affiliated companies".

JO Bolaget Fruktprodukter HB

is owned to fifty per cent by Arla Foods and to fifty per cent by Skåne Dairy. The Company's operations comprise, for their brand names (JO, Bravo, God Morgon, Trenta and Sagolika), purchasing raw materials, outsourcing production and planning and executing marketing measures. Sales of chilled ready-to-drink juice continued to develop favourably while the aseptic product range continues to experience a negative trend.

The juice raw material prices have risen dramatically on the world market. The largest price increase is on the major raw material, orange juice. The reason for the increase in price for orange juice depends mostly on the conditions prevailing in Florida and Brazil. These two areas account for roughly 85 per cent of all production of orange juice in the world. During 2005 to 2006, Florida has been struck by several tornados which have caused serious damage to the orange harvest. It takes several years before newly-planted orange trees begin to bear fruit. Brazil's orange harvest has also had difficulties. With a shortage of oranges in both Florida and Brazil, the supply of orange juice is less than demand and a shortage situation occurs.

JO Bolaget's earnings for 2007 have been affected by the steeply increased raw material prices and are less than previous years, but overshoot the budget. The sales of above all Bravo have developed very favourably. The Company's earnings have been repaid to the owners and are thereby included in the earnings reports of Arla Foods and Skåne Dairy, respectively.

Negotiations are underway between the owners as to the future outlook of the Company.

Hörby Mejeri AB

conducts cheese production at the dairy in Hörby and is owned to 50 % each by Skåne Dairy and Bornholms An-

delsmejeri. The sales channels are Ostkompaniet in Sweden, Skåne Dairy's export organisation to, for example, Finland and Australia as well as via Bornholms Andelsmejerier's export channels. Earnings in the Company have been positive, since the Company has severely cut its production costs. Earnings have also been affected by dramatically increased prices on the international market. During the autumn, the Company changed its production ratio, because other more profitable use of the milk has been given priority. Production of cheese during the autumn took place by contract production on Bornholm. Turnover amounts to SEK 147 million (166) and earnings reached SEK 7.6 million (-6.9), of which for Skåne Dairy's proportion is SEK 3.8 million.

Svenska Ostkompaniet HB

has conducted operations since January 2002. The company is equally owned by Skåne Dairy and Milko and has as its business operations to market and sell the hard cheese which both of the dairy companies produce for the Swedish market. Skåne Dairy's production of cheese takes place in the dairy in Kristianstad. In Milko, production is sited in Bollnäs and Östersund. Both Skåne Dairy and Milko decided during the year to mothball a cheese making factory each (Hörby and Karlstad) and instead produce more milk powder. Ostkompaniet owns the refining plant in Kristianstad (for piecing, grating and packing). Ostkompaniet's objective is to assume a leading role within the two segments of Well Matured cheese and Lean & Health cheese. Well-known brand names are Allerum, Marsvinsholm, Hälsinge, Glimminge and Västan. The year 2007 began with stiff competition and a depression in prices and ended with dramatic price increases and a shortage of cheese. During the summer, the world market prices for cheese rose, which also had an impact on the Swedish market during the autumn. Ostkompaniet's sales volumes lie on a lower level than for previous years because the owners have given priority to the production of other products. Skåne Dairy's proportion of the Company's earnings amounts to SEK 1.8 million (-7.4).

Betaglukan i Sverige HB

began operations in 2003 and is owned equally by Skåne Dairy and Swedish Oat Fiber AB. Operations consist of conducting development and sales of betaglucan and other similar products. Turnover amounts to SEK 2.3 million (2.5) and the Company reported a minor positive earnings outcome for 2007.

Balance sheet notes

Milko-Skånemejerier Private Label HB

was formed in 2005 to submit tenders for, produce, sale and deliver volume products of the Private Labels of the retail trade. This cooperation is based on the assumption that each respective party does not have sufficient capacity to provide evenly throughout the year the retail trade with those volumes which are demanded. The first deliveries took place during 2006. Turnover amounted to SEK 38.9 million (9.5) and earnings to SEK 5.7 million (1.3).

Note 14. Earnings from other securities and receivables which are fixed assets

Profits in the disposal of shares in 2007 relate to the disposal of shares in Probi AB. Profits on disposal of shares in 2006 relate to the sale of shares in Bregott AB.

Dividend relates to Fastighets AB Tre Skåne.

SEK thousands	2007	2006
Parent Company		
Capital gains disposal of shares	3 638	21 508
Dividend (intragroup)	0	420
	3 638	21 928
Subsidiaries/Affiliates	3 782	-420
Total Group	7 420	21 508

Note 15. Other long-term securities holdings

SEK thousands	No. participations	Capital share %	Book value 31/12/07
Parent company and group			
Shares			
Ceba AB / Oatly AB	302 700	6	9 566
Swedish Oat Fiber AB	1 600	16	1 000
Probi AB	1 055 903	11,3	15 754
FRAS Integration AB	123	12	12
		Deposit liability SEK	
Participations			
The Swedish Farmers' Federation (LRF)		23 780 793	12 047*)
Swedish Milk Marketing Board		4 943 490	2 905**)
KRAV ek för	6		0
Securities			
H & Q Fondkommission AB			114
Total other shares, participations and securities			41 398

*) Paid in SEK 17 893 thousand. Previously written down SEK 5 846 thousand. **) Paid in SEK 4 943 thousand. Previously written down SEK 2 038 thousand.

Probi AB

Probi was founded in 1991 and is one of the world's leading companies in probiotic research and development. Research is conducted into living microorganisms with scientifically proven health effects. Probi's commercial concept is based on offering effective and well documented probiotic product concepts with considerable patent protection. Their best known commercialised bacteria is *Lactobacillus plantarum* 299v (which is included in ProViva). The target group consists of leading international companies within functional food, dietary additives and clinical nutrition.

Probi has licence agreements with among others Skåne Dairy, Institut Rosell and NextFoods.

Since December 2004, Probi's share has been listed on the Stockholm Stock Exchange.

As at 31 December, Skåne Dairy's proportion of both share capital and votes amounts to 11.3 per cent.

Turnover in Probi for 2007 amounts to SEK 44 million (37) and pre-tax earnings to SEK 6.4 million (-4.8).

Note 16. Inventories

SEK thousands	2007-12-31			2006-12-31		
	Raw materials and requisites	Goods under production	Finished goods	Raw materials and requisites	Goods under production	Finished goods
Parental company						
Perishables	43 739	0	19 231	33 367	0	14 557
Cheese	20 295	72 110	25 575	16 977	102 728	73 180
Industry	1 048	0	317	515	0	84
	65 082	72 110	45 123	50 859	102 728	87 821
Subsidiaries	0	0	0	0	0	0
Internal profit in stores	0	0	0	0	0	0
Total Group	65 082	72 110	45 123	50 859	102 728	87 821

Note 17. Other receivables

SEK thousands	31/12/2007	231/12/2006
Parent Company		
Value Added Tax	16 935	10 527
Income Tax	5 874	6 095
PRI	2 943	3 068
Others	14 019	8 574
	39 771	28 264
Subsidiaries	350	444
Total Group	40 121	28 708

Balance sheet notes

Note 18. Equity, Group

SEK thousands	Deposits	Debenture contributions	Restricted reserves	Unrestricted reserves	Year's outcome	Total
Opening Equity included as per balance sheet	85 315	410	242 549	47 914	18 079	394 267
Allocation according to Meeting			1 300	16 779	-18 079	0
Deposit dividend according to Meeting				-2 914		-2 914
Displacement between restricted and free capital			10 242	-10 242		0
Deposit changes	4 240	135				4375
Translation difference				5		5
Year's earnings					10 402	10 402
	89 555	545	254 091	51 542	10 402	406 135

Note 19. Equity, Parent Company

SEK thousands	Deposits	Debenture contributions	Restricted reserves	Unrestricted reserves	Year's outcome	Total
Opening Equity included as per balance sheet	85 315	410	57 593	43 217	18 024	204 559
Allocation according to Meeting			1 300	16 724	-18 024	0
Deposit dividend according to Meeting				-2 903		-2 903
Fusion difference KÅM				-10		-10
Deposit changes	4 240	135				4 375
Year's earnings					4 906	4 906
	89 555	545	58 893	57 028	4 906	210 927

The total deposit liability amounts to SEK 99.0 million. Amortisation takes place at 8.4 per cent per year and is made monthly. The contributed capital of resigned members amounted in 2007 to SEK 8.4 million. The contributed capital of members who resigned earlier amounts to SEK 5.8 million.

During the year 1/5 of contributions was repaid at SEK 2.2 million. This figure also includes transferred contributed capital to debenture contributions. During 2008, the sum of SEK 3.3 million will be repaid.

Note 20. Untaxed reserves

Depreciations in excess of plan have been reduced by SEK 275 thousand. Unutilised portion amounts as at 31 December 2007 to SEK 20 306 thousand.

Note 21. Allocations to pensions

SEK thousands	31/12/07	31/12/06
Parent Company and Group		
FPG/PRI	93 094	92 569
Other pensions	48	102
	93 142	92 671
Securities pledged		
Property mortgages	24 000	24 000

In accordance with the provisions of the Swedish National Insurance Act, Skåne Dairy pays contributions for old age pensions and ATP. Under collective agreements, additional payments are made for blue collar workers' collective pensions and for white collar workers and supervisors ITP (Industrial Supplementary Pension).

Skåne Dairy is itself responsible for old-age pensions under the ITP scheme through affiliation to the FPG/PRI system. Commitments are guaranteed by credit insurance in FPG (Försäkringsbolaget Pensionsgaranti). PRI (the Pension Registration Institute) is responsible for pension payments. PRI also calculates how large an amount shall be set aside and reported in the Balance Sheet to cover future pension payments. Through this procedure, Skåne Dairy has access to the pension capital from the time the pension entitlement is earned until payment of the pension.

Group pension obligations not entered under liabilities and equity amount to SEK 261 thousand in the Group and are included under contingent liabilities.

Note 22. Overdraft facility

SEK thousands	31/12/07	31/12/06
Parent Company	193 100	152 242
Subsidiaries	0	0
Total Group	193 100	152 242
Credits granted	295 000	295 000
Securities pledged		
SEK thousands		
Parent Company		
Property mortgages	100 900	100 900
Subsidiaries	0	0
Total Group	100 900	100 900

Balance sheet notes

Note 23. Long-term liabilities to credit institutes

SEK thousands	31/12/07	31/12/06
Parent Company	36 841	40 501
Subsidiaries	0	0
Total Group	36 841	40 501
Of which amounts maturing later than 5 years from year-end	14 460	14 110

Note 24. Accrued expenses and prepaid incomes

SEK thousands	31/12/07	31/12/06
Parent Company		
Holiday liability	26 810	26 794
Social charges	23 335	22 234
Accrued interest	968	1 014
Others	42 676	48 884
	93 789	98 926
Subsidiaries	0	0
Total Group	93 789	98 926

Note 25. Contingent liabilities

SEK thousands	31/12/07	31/12/06
Parent Company		
Guarantee commitments	82 198	45 199
Responsibility for Trading Company liabilities	81 694	124 858
Other contingent liabilities	8 010	8 116
	171 902	178 173
Subsidiaries	0	0
Total Group	171 902	178 173

Auditors report

Malmö, 27 February 2008

	Anders Olsson Chairman	
Stig-Börje Birgersson	Jan Carlsson	Conny Fagerström
Ann-Sofie Haraldsson	Roland Nilsson	Anders Svensson
Hans-Erik Åkerblom	Lena Åsheim	
	Ola Erici CEO	

Our auditors' report concerning this annual report was issued on today's date.

Malmö, 27 February 2008

Gunilla Nilsson

Bo Svensson

Torbjörn Svensson
Authorized Public Accountant

Auditors report

To the Association General Meeting of Skåne Dairy ek. för.,
Organisation Number 716439-3949.

We have examined the Annual Report, the Consolidated Financial Statements and the accounts, as well as the administration by the Board of Directors and the Chief Executive Officer of Skåne Dairy ek. för. for 2007. It is the Board of Directors and the Chief Executive Officer who hold the responsibility for the accounts and the administration and to ensure that the Annual Reports Act is applied on the preparation of the Annual Report and the Consolidated Financial Statements. Our responsibility is to issue a statement of opinion on the Annual Report, the Consolidated Financial Statements and the administration on the basis of our audit.

The audit has been carried out in accordance with accepted accounting standards in Sweden. This implies that we have planned and completed the audit in order, to a reasonable but not absolutely reliable degree, to ensure that the Annual Report and the Consolidated Financial Statements do not contain any major errors. An audit entails examining a selection of the documentary basis for amounts and other information in the accounts. An audit also includes testing the accounting principles and their application by the Board of Directors and the Chief Executive Officer and also to assess the important estimations which the Board of Directors and the Chief Executive Officer have made on preparing the Annual Report and

the Consolidated Financial Statements and also assessing the body of the information in the Annual Report and the Consolidated Financial Statements. As a basis for our statement of opinion on the discharge of liability, we have examined crucial decisions, measures and conditions in the association in order to be able to assess whether any Board Member or the Chief Executive Officer is liable to compensate the association.

We have also examined whether any Board Member or the Chief Executive Officer has otherwise acted contrary to the provisions of the Act on Economic Associations, the Annual Reports Act or the Articles of Association. We are of the opinion that our audit gives us reasonable grounds for our pronouncements below.

The Annual Report and the Consolidated Financial Statements have been prepared in compliance with the Annual Reports Act, and give a true picture of the earnings and position of the association in accordance with accepted accounting standards in Sweden. The Directors' Report agrees with the remaining parts of the Annual Report and the Consolidated Financial Statements.

We recommend that the Association General Meeting adopt the Income Statement and Balance Sheet for the Association and the Group, dispose of the profits in accordance with the proposal in the Directors' Report and discharge the Members of the Board and the Chief Executive Officer of liability for the financial year.

Malmö, 27 February 2008

Gunilla Nilsson

Bo Svensson

Torbjörn Svensson
Authorized Public Accountant

Financial Key Ratios

Five Year Review (The Group)		2003	2004	2005	2006	2007
Net invoiced sales	MSEK	2 795	2 722	2 780	2 717	2 835
Earnings after financial items	MSEK	20	13	8	18	9
Investments in material fixed assets	MSEK	139	106	88	126	153
Scheduled depreciation of material fixed assets	MSEK	70	79	74	77	84
Balance sheet turnover	MSEK	1 070	1 075	1 052	1 074	1 144
Current ratio	times	1,4	1,4	1,5	1,4	1,2
Equity ratio	per cent	33,4	34,0	35,4	36,7	35,5
Average number employees	number	822	790	676	587	567
Average number employees including contracted personnel	number	822	790	676	612	600
Net invoiced sales per employee including contracted personnel	MSEK	3,4	3,4	4,1	4,4	4,7
Milk delivered to dairies	mt thousand	376	378	375	376	359
Number of milk suppliers	number	942	879	834	764	657
Average farm price (4.2 % fat/3.4 % protein)	öre/kg*	302	293	284	277	291

*100 öre = SEK 1

Financial Key Ratios

Solvency is an important key figure for the co-operative enterprise. The term solvency is defined as the sum total of the average farm price to the milk producers plus the company's earnings after financial items (i.e. consolidation) per kg of delivered milk.

Normally, a company needs to consolidate a certain amount in order to ensure its long-term survival and development. Consolidation may vary over the years, but is necessary in order to allow the payment of as high a farm price as possible in the future.

For 2007, the Board of Directors of Skåne Dairy has proposed making a deposit dividend from the year's yearnings of 4.5 % of the total deposit capital, which corresponds to SEK 1.05/kg paid for deliveries of milk (0.8).

Swedish öre*/kg milk delivered	2003	2004	2005	2006	2007
Solvency	307	296	286	282	294
of which:					
• average farm price at 4.2 % fat and 3.4 % protein	302	293	284	277	291
• earnings to be consolidated	5	3	2	5	3

*100 öre = SEK 1

The farm price consists of the total of average paid remuneration for the milk raw material, for example contract price, quantity/quality bonus, IP-Seal (environmental bonus) etc. The contract price was raised during the year as follows:

- 25 öre in October
- 40 öre in November

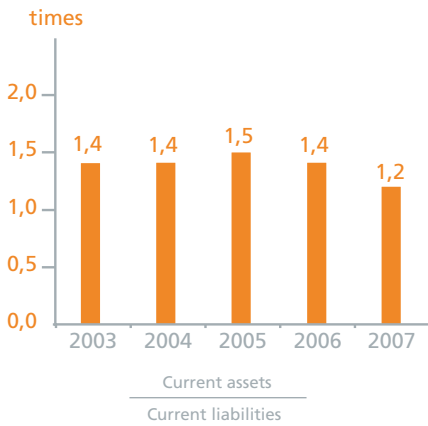
The KRAV supplement was raised by 20 öre on 1 September.

The farm price is not equivalent to a market price for milk raw material, but consists of several components, for example:

- payment for the milk raw material, which Skåne Dairy processes into a large number of milk-based products such as milk, sour milk, yoghurt, butter and cheese
- profit from processing
- profit from activities with non-milk-based products in Skåne Dairy's product mix, such as juice and ProViva

The EU milk grant, which was introduced effective as of 2004 because of changed agricultural policy, is not included in the above settlement price but is paid out direct to the farmers. The milk grant amounted to 10.8 öre/kg milk quota for 2004, 14.7 öre/kg for 2005 and 21.3 öre/kg for 2006. No milk grant was paid out during 2007. Instead, all milk producers were given a supplementary amount as a part of the farm support. The supplementary amount is based on the quota which the individual milk producer had as of 31 March 2007.

Current ratio



The current ratio expresses the solvency of the company in the short term. The figures show that Skåne Dairy has a good level of current ratio .

Equity ratio



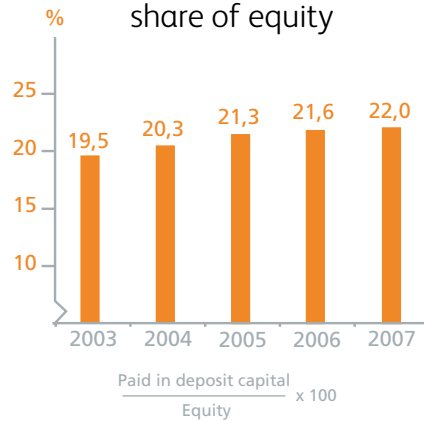
The equity ratio shows the company's credit rating and solvency in the long term.

Rate of capital turnover

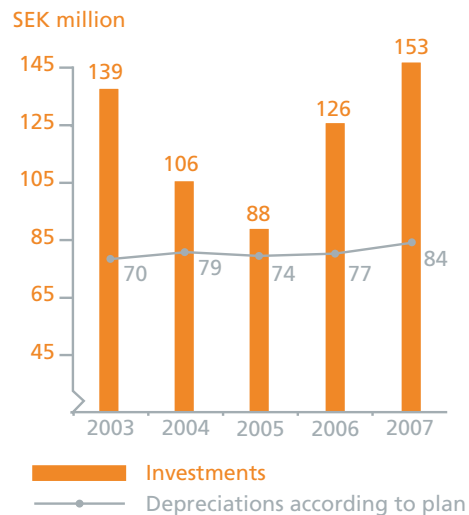


It is important to utilise the company's capital in the best possible manner. A measure of capital utilisation is the rate of capital turnover. The higher the rate, the less capital is tied up per krona of turnover.

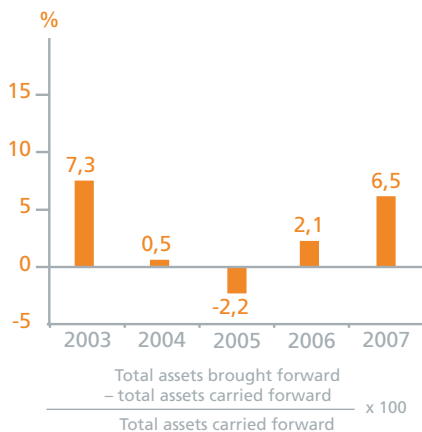
Deposit capital share of equity



Investments and depreciations of material fixed assets



Capital growth



The Management of Skåne Dairy



Board of Directors First row: Ola Erici, *CEO*. Anders Olsson, *Chairman*. Lena Åsheim.
Second row: Roland Nilsson. Ann-Sofie Haraldsson. Anders Svensson.
Third row: Hans-Erik Åkerblom. Jan Carlsson. Conny Fagerström.
Fourth row: Stig-Börje Birgersson.



Executive Management Group

First row: Ola Erici, Fredrik Heidenholm, Thomas Bergstaf.

Second row: Annika Mohlin, Martina Bärnheim, Björn Sederblad.

Third row: Caroline Olsson, Sophia Palebo, Ingemar Nordell.

Directors of Skåne Dairy Permanent members

	Elected until	Born
<p>Anders Olsson Skillingevägen 230, 266 94 Munka Ljungby, Chairman. <i>Other assignments: Swedish Milk Marketing Board, LRF, Regional Board</i> Tel: +46 431-43 02 48. +46 705-35 69 17. Fax: +46 431-43 23 15. anders.olsson@skanemejerier.se</p>	2009	1958
<p>Stig-Börje Birgersson Toftagården 2875, 260 23 Kågeröd, Deputy Chairman. Tel +46 418-810 48. +46 705-85 83 94. toftagarden@swipnet.se</p>	2009	1951
<p>Jan Carlsson Finja 9092, 281 93, Finja. Tel +46 451-160 35. +46 708-95 65 80. finjans@spray.se</p>	2008	1961
<p>Conny Fagerström Ilnestorpsvägen 537-59, 290 10 Tollarp. <i>Other assignments: Skåne Semin, Swedish Milk Marketing Board.</i> Tel +46 44-32 30 80. +46 703-22 30 80. Fax +46 44-32 30 00. conny.fagerstrom@svenskafoder.se</p>	2008	1956
<p>Ann-Sofie Haraldsson Köinge 6903, 242 92 Hörby. Tel/Fax +46 415-620 33. asharaldsson@yahoo.se</p>	2008	1950
<p>Roland Nilsson N Kverrestad 12, 273 96 Tomelilla. Appointed by the staff union organisations. Tel +46 417-196 43. +46 706-82 34 76. Fax +46 417-196 10. roland.nilsson@skanemejerier.se</p>		1948
<p>Anders Svensson V Boulevarden 29, 291 31 Kristianstad. Appointed by staff union organisations. Tel +46 44-21 06 27. +46 705-21 06 20. Fax +46 44-10 93 58. anders.s@hemmail.se</p>		1954
<p><i>Personal deputy for Anders Svensson</i></p>		
<p>Michael Sundsmyr Söderåsgatan 153, 216 17 Limhamn. Tel +46 40-14 27 56. +46 703-73 51 65. Fax +46 40-21 48 75. michael.sundsmyr@skanemejerier.se</p>		1957
<p>Hans-Erik Åkerblom Frenninge 19, 270 33 Vollsjö. <i>Other assignments: Ostkompaniet.</i> Tel +46 416-306 84. +46 703-73 74 17. Fax +46 416-306 69. akerbloms.gard@lm.lrf.se</p>	2009	1963
<p>Lena Åsheim Lillö Kungsgård, 291 61 Kristianstad. <i>Other assignments: Swedish Meats Board.</i> Tel +46 44-21 21 44. +46 708-21 21 50. Fax +46 44-10 05 22. lena@lilloau.se</p>	2008	1958

Statutory Member

Elected until Born

Ola Erics

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Auditors

Gunilla Nilsson

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2008

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Election committee Chairman and Deputy

Lars-Erik Karlsson

Sommarsäte Linroths gård 1, 341 91 Ljungby, Chairman.

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2008

1950

Anders Sassersson

Ö Herrestad Gärsnäsvarn, 272 96 Gärsnäs, Deputy Chairman.

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2008

1957

Environmental audit report 2007

Skåne Dairy's environmental policy

Skåne Dairy is the close food company which, within a radius of 100 km from any of our plants can reach all Scanian dairy farmers. We call this milk from home. Even if our transport routes are short and we can describe the greater part of our products as closely produced in true sense of the word, the environment and the climate remain in focus for all of our activities. Since 1997, Skåne Dairy has been ISO 14001 certified, which requires that we work with constant improvements within the area of the environment. Skåne Dairy's strategy is to concentrate on ecological products, which implies that we have in a forward thinking manner increased payments so as to switch to and ensure increased ecological primary production. The objective is 10 % by 2010.

In 2008, Skåne Dairy will focus on participating in climate marking of products, working towards more environmentally friendly transport and also changing our energy sources in production (e.g. bio fuel-fired plant in Kristiansstad), i.e. our environmental stress in the production chain.

Environmental policy

Skåne Dairy's activities are characterised by common sense and sustainable development, both in everyday operations and in long-term work. Our objective is to systematically reduce our effects on the environment and to achieve constant improvement. Key areas are energy consumption, husbanding resources and managing emissions of substances that can affect climate and cause overfertilization. As a result of our operational approach, we keep ahead of legislation and regulation. That is what we call a Good Environment.

Environmental objectives 2007

By 2010, the relative carbon dioxide emissions shall have been reduced by at least 10 %.

By 2010, the relative energy consumption is to have been reduced by at least 8 %.

Skåne Dairy's objective is that the proportion of environmental vehicles by 2010 will be 50 % of the company vehicle park.

Primary production

During 2005, Skåne Dairy progressively changed over from the environmental bonus to the IP-Seal. The foundation in the Swedish Seal is a number of rules which the farm/cultivation must comply with in order to be able to sell their goods under the Swedish Seal mark. An independent inspection company ensures that everything has proceeded correctly. Swedish Seal is not only a mark, but also a long-term effort to promote the development of Swedish agriculture and cultivation towards increased sustainability (the cleanest in the world!). IP Seal implies among other things a ban on chemical pesticides in grazing and pasture for milk cows. Since the summer of 2007, all of Skåne Dairy's suppliers are IP-Seal certified.

Skåne Dairy's ecological production is certified by KRAV. KRAV farms use no chemical pesticides. Skåne Dairy works intensively on increasing the delivery of ecological products to the dairies.

KRAV and Swedish Seal have for a number of months been running a joint project to develop a climate marking of food, and Skåne Dairy's objective is to be able to climate mark its products within the near future.

Transports

Despite closeness to the farmers and customers, transport is necessary. The fuels environmental diesel and natural gas are based on finite natural resources. This use contributes to acidification and overfertilization and strengthens the greenhouse effect. Nitrogen oxides and hydrocarbons can form ground bonded ozone which is harmful to both humans and plants. We are progressively replacing diesel by gas as a fuel in our own vehicles. Ten new gas driven vehicles will be operational before 2009. The drivers are also trained in "Heavy Eco Driving" for a more efficient driving of the vehicles. This is one result of Skåne Dairys participation in the SMILE project which is a project within the framework of Civitas (EU project). The major emphasis of the project is to reduce environmental loading from transports in major cities by replacing diesel-driven vehicles by gas vehicles with a CO₂ cooling unit. Skåne Dairy is

constantly working on optimising transport solutions and efficient loading.

Production

Every plant has annual targets for a number of factors: see the follow-up and target numbers in our detailed environmental audit at www.skanemejerier.se. Among other things, we measure emissions into the waterways, water consumption and energy consumption. We are constantly working on energy consumption via internal and external auditors, BAT (Best Available Techniques), where it is defensible, as well as by energy and CIP optimations.

Packages

Skåne Dairy applies a packaging policy which assumes responsibility that our packages are recycled. Our packaging suppliers must be ISO14000 certified and work proactively with environmental issues. We also work on continuously reducing packaging weights with a view to reducing the consumption of natural resources. The greater part of Skåne Dairy's volumes are transported in return packaging such as roller trolleys and plastic trays. This reduces the environmental effects as compared with single-use disposal packaging.

Skåne Dairy's complete environmental audit is available on our website. The address is: www.skanemejerier.se

If you do not have access to the Internet, please get in touch with:

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You can read more about the environmental effects of the plants at our website, www.skanemejerier.se





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