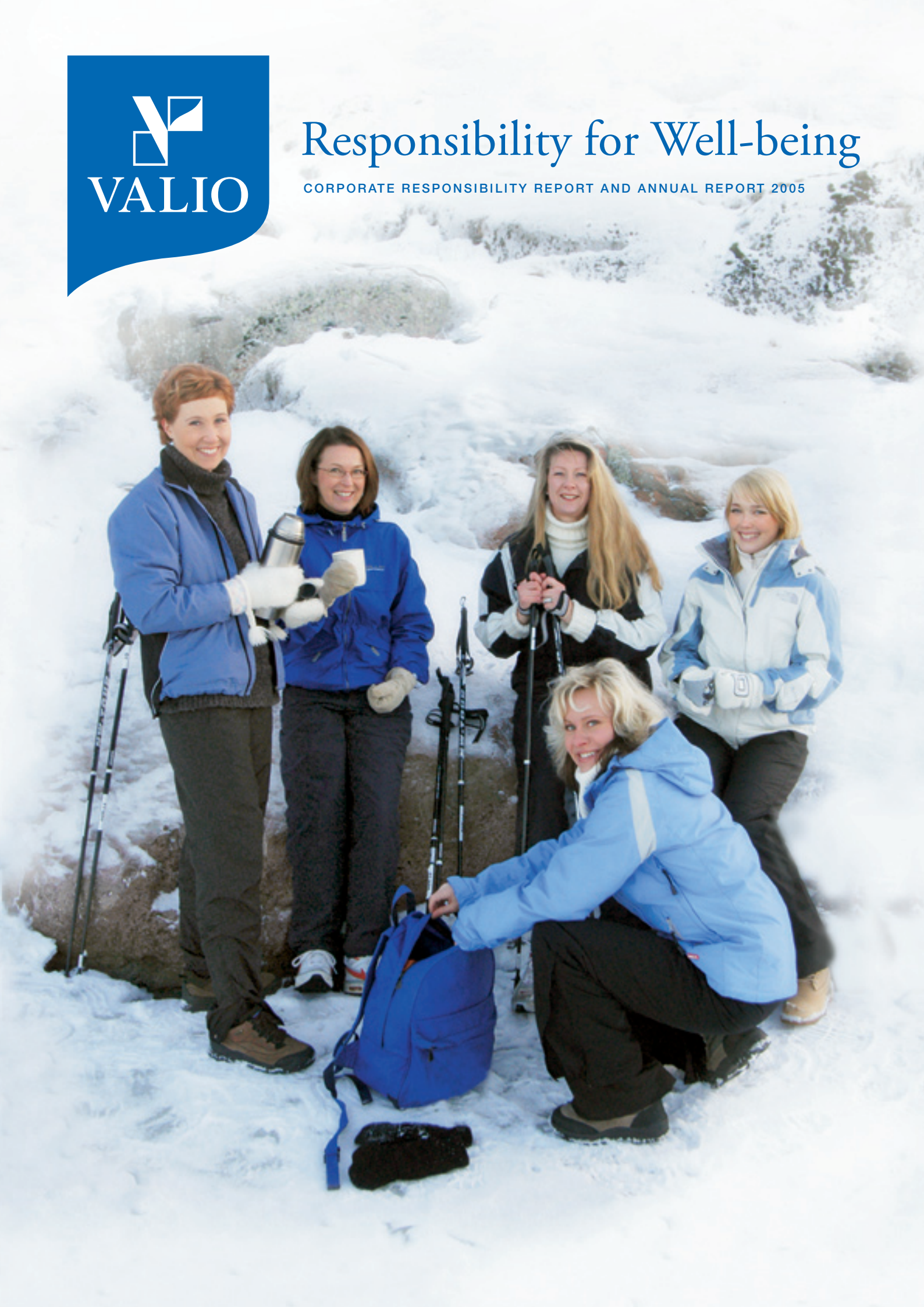
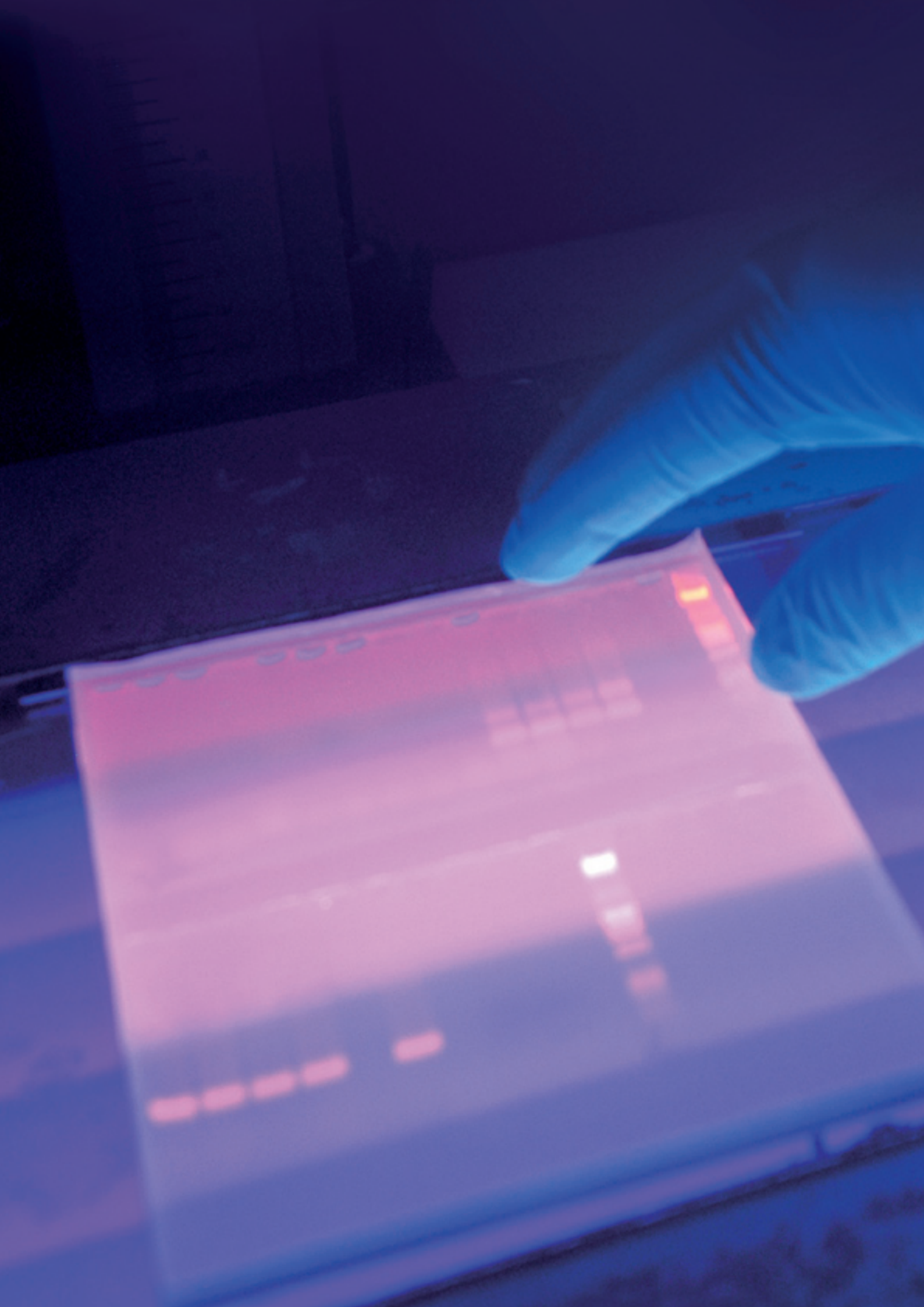




Responsibility for Well-being

CORPORATE RESPONSIBILITY REPORT AND ANNUAL REPORT 2005







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The Leading Dairy Company in Finland

Valio Ltd is the biggest food business in Finland by net turnover, a dairy company that takes in 85 per cent of the milk delivered to dairies. International operations account for nearly one third of net turnover.

Valio is the market leader in all key dairy product groups in Finland and a world-class pioneer as the developer of functional foods. Valio's principal products are milks, creams, yoghurts, cheeses, quarks, puddings, milk and whey based ingredients, and butter and spreads.

OUR MISSION

Generating quality, pleasure and added value for consumers, success for committed partners, and thereby promoting the business of Valio milk producers.

OUR VALUES

RESPONSIBILITY FOR WELL-BEING

- High-quality products that promote well-being
- Co-operation models based on customer needs
- Skilled, motivated and profit-seeking personnel
- Ethically and economically sustainable operating chain from milk producer to consumer

VALIO GROUP VISION 2015

Valio will be the leading brand in its field in the home market (Finland, Sweden, the Baltic States and Western Russia). Elsewhere the company operates in precisely defined markets with a selected product range.



ANNUAL REVIEW BY THE CEO

Competition continued to tighten in the dairy market in 2005. Retail price competition has hindered us in reaching our goals for profitability. The current round of WTO negotiations and EU agricultural reform will hamper the potential of the European dairy industry. Major structural changes affecting both producers and dairies will continue as Europe integrates further and the importance of national borders decreases. Food markets are going Pan-European and in Finland this trend has been felt in cheeses in particular, where imported products already account for one third of consumption.

This has been a very successful year for Valio given the circumstances. Despite the significant cuts in export subsidies and fiercer price competition, our price paid for raw milk only fell by just under one cent per litre. That puts us still among the best in Europe which must be considered an excellent achievement. Our thanks for this go to Valio's customers and their continuing trust, our personnel for their effort and performance amid the changes, and to our milk producers who have continued to yield the EU's cleanest raw milk in these uncertain times.

Valio celebrated its centenary in 2005 visibly. The anniversary culminated in the main event arranged in Helsinki in October; among more than 2,500 guests we welcomed the President of Finland and her husband. We received a great deal of positive feedback on the centenary campaigns and events and believe that the past year has strengthened

Valio's position as the leading Finnish food company.

In late 2005, Valio employees received a sad message that the Chairman of the Board of Directors Kari Inkinen had been reported missing after he failed to return from a fishing trip on lake Saimaa.

Valio Group net turnover was at the same level as the previous year. But taking into account the effect of the sale of the ice cream and baby food businesses in autumn 2004, comparable net turnover in fact rose by three per cent. Net turnover in Finland increased by two per cent, in Estonia and Russia by around one third, and in the US by twenty per cent, while remaining unchanged in Sweden and Belgium. Valio took in four per cent more milk accounting for 85% of all Finnish raw milk.

We incorporated our jam business during the year by establishing the wholly-owned subsidiary Nordic Jam. At the beginning of 2006, the decision was taken, contrary to an earlier plan, to continue operations at Valio's Tampere dairy, as sales of fresh dairy products had developed better than anticipated and the capacity in Tampere will be needed to maintain consistent delivery.

Valio expanded its co-operation with dairy companies operating in nearby countries. We began working with Swedish dairy co-operatives Milko and Skånemejerier, and Germany's Nordmilch. The goal is to strengthen Valio's position in its home market, which in addition to Finland comprises Sweden, the Baltic States and Russia.

In Russia we are assisting local company Galaktika in the construction of a dairy near St. Petersburg while building up the operations of our terminals in both St. Petersburg and the Moscow area. These measures will improve the service we offer our customers as well as ensure strong growth in Russian sales.

I believe that the key to Valio's success lies in the energetic implementation of our chosen strategy: our farmers produce the cleanest milk in Europe from which Valio makes innovative, high-quality products; Valio is a highly appreciated brand. We have clearly defined the geographical area in which we operate and will keep our way of working and structure competitive. As our resources also include committed customers, expert personnel, and owners who foster the development of the company in the long term, we can look to the future with confidence despite all uncertainties.

Harry Salonaho

I. Responsibility for Well-being

FRAMEWORK FOR REPORTING

This report describes the operations of both Valio Ltd and to some degree of Valio Group, in terms of its responsibility for well-being and corporate responsibility, with the financial statements for the year 2005. Economic, social and environmental perspectives are adopted in accordance with the United Nations Global Reporting Initiative (GRI) guidelines. The comparability of this report in terms of the GRI guidelines is presented in Annex 1.

The economic perspective is represented by the financial statements section and the review of the economic operating environment.

Valio's headline value "Responsibility for well-being" is expressed in four parts: high-quality products that promote well-being; co-operation models based on customer needs; skilled, motivated and profit-seeking personnel; and an ethically and economically sustainable operating chain from milk producer to consumer. The content of this report has been organised under these sub-headings.

Valio has published environmental reports in 1998 and 1999, corporate responsibility reports for 2003 and 2004 and its annual report every year, either separately or as part of the corporate responsibility report. Reports can be found in Finnish and English on Valio's websites at www.valio.fi and www.valio.com.

The annual report and corporate responsibility report for 2005 have been combined into one, which is published in Finnish, English and Swedish. It is available in print and in PDF format on the company's websites.

The financial statements have been audited by PricewaterhouseCoopers Oy.

The illustrations in this report communicate the qualities of the Valio brand: genuine and caring, good-tempered, pioneering, health-oriented and indulgent.

RESPONSIBILITY FOR MILK PRODUCTION

Valio's corporate responsibility is crystallised in Valio's headline value "Responsibility for well-being". It guides Valio operations and requires responsible performance in production, customer relations, marketing, human resources policy, the development of the working community, environmental policy and in dairy cattle care.

Through profitable operations, Valio bears its responsibility for securing the continuity of the work of its owners – Finnish milk producers. Together with its strategic partners, Valio also

bears its responsibility for the efficiency of the Finnish food chain.

Dairy farming is the central element of national agriculture and especially so in Ostrobothnia and Central and Eastern Finland. In Lapland it is the only significant agricultural source of livelihood other than reindeer husbandry. Without dairy farmers the Finnish countryside would be essentially poorer and the population more scattered.

Valio takes in 85% of Finnish dairy milk and exports around 40% of the milk it takes in, mainly in the form of cheese, butter and powdered ingredients. Valio is in practice Finland's sole exporter of dairy products.

Valio's average market share in dairy products in Finland stood at 57.4% in 2005. The Finnish Competition Authority has interpreted this as Valio holding a dominant market position. Valio complies with competition legislation, other legislation, the authorities' requirements, and international treaties. Valio takes different stakeholders' expectations into account in its operations.

KEY FACTS TODAY

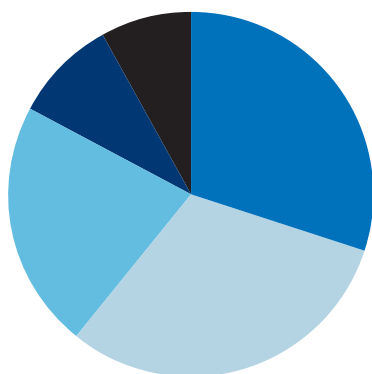
Measured by net turnover, Valio is the biggest food business and milk processor in Finland. Net turnover for 2005 stood at around € 1.6 billion, about one third of which was derived from subsidiaries and sales to markets outside Finland. Valio employed on average 4 000 people in Finland and abroad in 2005. Valio is a limited liability company owned by 27 dairy farmer co-operatives and had 13 114 dairy farmer members at the end of 2005.

Valio had 15 production plants in Finland at the close of 2005, one of which houses the jam plant of subsidiary Nordic Jam Ltd. Valio also had two production plants in Estonia and a cheese packing operation in Belgium at that point. Foreign subsidiaries operate in Russia, Sweden, Belgium, Estonia, Latvia, Lithuania and the US, in addition to which there is a representative office in China. Valio has determined its home market to include Finland, Sweden, Western Russia and the Baltic States.

PRINCIPLES THAT GUIDE CORPORATE RESPONSIBILITY

In addition to values, responsible operations are guided and defined by the operating principles that are part of Valio's management system and have been added to Valio's strategy. The operating policy includes principles concerning, for example, the environment, personnel, product safety, customer relationships, marketing

SHARE OF MILK USED FOR MAIN PRODUCT GROUPS IN DOMESTIC SALES AND EXPORTS 2005



Products sold in domestic market, total 62%
Products sold in foreign markets, total 38%

* Sales of raw milk to external customers

communications, and milk production chain quality standards. Valio has also determined more detailed operating principles for these and other areas, such as operational safety, good production practices, purchasing, information management, communications and initiatives. These operating principles have been recorded in Valio's certified quality management system.

Valio has committed itself to follow the equality principle, which means that it pays the same price for raw milk to all owner co-operatives that have a business relationship with Valio, regardless of where the milk is collected from. The owner co-operatives in turn pay their farmer members for the milk, which is collected from all Valio dairy farms every other day irrespective of the distances involved.

CERTIFIED OPERATIONS

A certified quality management system is just one ingredient of Valio's way of working. Valio's ISO 14001 environmental certificate covers all the company's operations in Finland. The company's ISO 9001 certified quality management system covers all the operations of Valio Ltd, its different functions, product quality, and the general development and management of operations. The continuing validity of the certificates requires e.g. that the functioning of the systems is evaluated through both internal and external audits.

VALIOS GOVERNANCE, MANAGEMENT SYSTEM AND STRATEGY

The representatives of Valio's owner co-operatives (in 2006, Milka became a Valio owner co-operative, bringing the total to 28) convene once a year in the Annual General Meeting that elects 23 members of the Supervisory Board, which exercises the highest power of decision in Valio. In addition, the company's personnel elects four employee representatives to the Supervisory Board. The Supervisory Board elects a Chairman and Deputy Chairman among themselves and appoints the dairy farmer members of the Board of Directors. The Supervisory Board also appoints the members of the Division Boards, which have employee representatives, too.

Valio Board of Directors comprises four dairy farmers and the CEO. In addition to the President & CEO, Valio's Executive Board comprises the Senior Vice President of Group Administration, of Logistics, Marketing, Home Market Sales, Group Finance, Production, and International Sales. The extended Executive Board includes, in addition to the aforementioned, the Senior Vice President of Human Resources, of Research and Development, Corporate Communications, and Corporate Planning. In 2005, Valio management convened twice with the shop stewards of all of Valio's personnel groups to evaluate the company's situation. At the autumn meeting, representatives of the Board of Directors and Supervisory Board were also present.

VALIO'S OWNER AND ADMINISTRATION ORGANISATION

VALIO LTD Valio is owned by 27 dairy co-operatives

ANNUAL GENERAL MEETING

SUPERVISORY BOARD

- 27 members
- 23 dairy farmers from co-operatives
- 4 personnel representatives

BOARD OF DIRECTORS

- 4 dairy farmers and the CEO
- a dairy farmer as Chairman

DIVISION BOARDS

- 11-14 members in each, of which
- 11-13 dairy farmers who represent owner co-operatives or Valio Supervisory Board
- 1 personnel representative

Valio's values and mission guide strategy. The strategy, along with the goal-setting process for the entire company which is based on the strategy, is a part of the management system. That system describes the company's organisation structure, division of responsibilities, goalsetting, planning processes and operating principles. The management system is in itself described in Valio's certified quality management system, which can be found on Valio's intranet. The company's vision, the basic principles of its strategy, and the strategic objectives, are all laid out on its intranet and websites.

STRATEGIC OBJECTIVES

The strategy determines the objectives and the means for reaching them.

Valio's objective is to pay producers as good a price for raw milk as possible and in that respect to stay on a par with the best European dairy companies. The objective is supported by success in the home market, deepening co-operation with retailers and other par-

ties, strengthening personnel know-how and the ability to work together successfully, and through cost-efficient processes that produce high quality. Valio's objectives have been determined for different areas: finances, customers and markets, personnel, and processes.

FINANCES

The price paid for raw milk on a par with the best European dairy companies

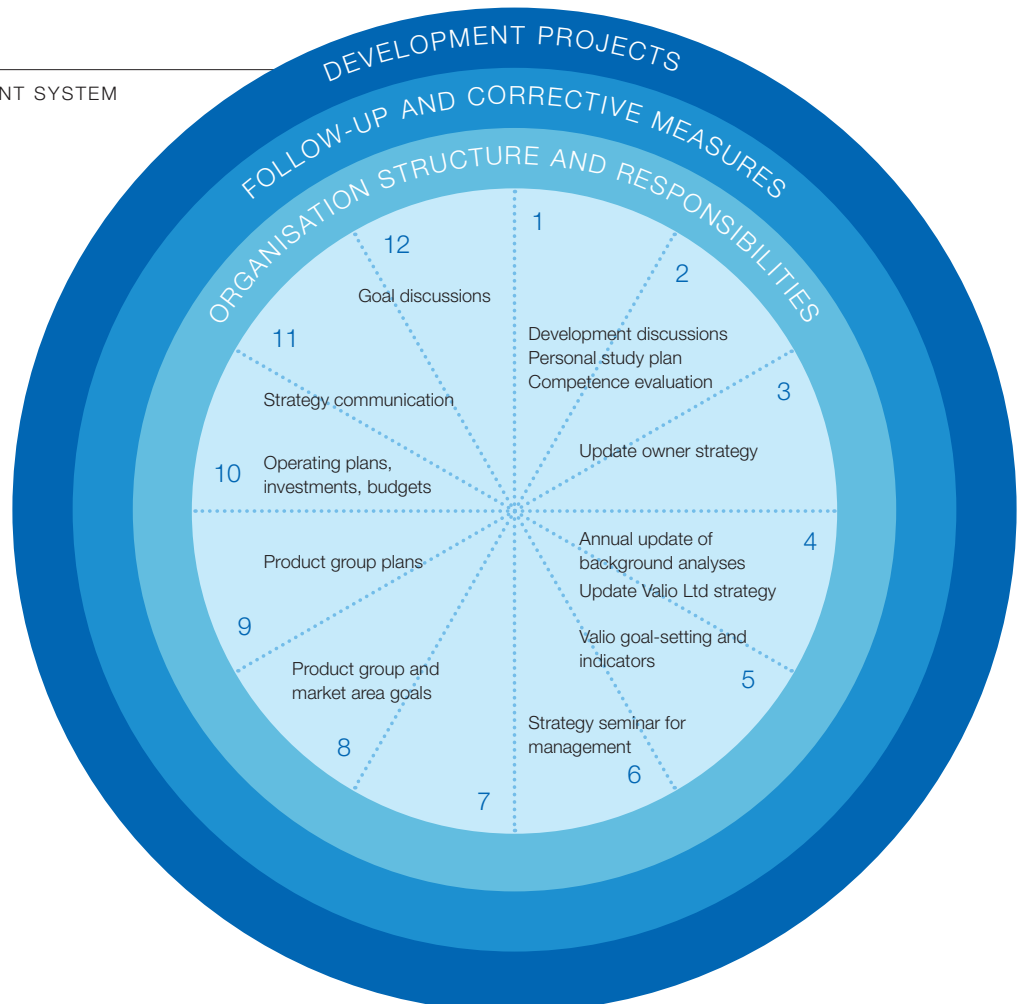
Valio's objective is to pay a price for raw milk at least on a par with European co-operative companies, ensuring the financing position and solvency of the Group. Cost-efficiency and the quality of operations are improved by enhancing the efficiency of production plants and distribution, and shortening market response times.

CUSTOMERS AND MARKETS

Strengthening market position in the home market

Valio's objective is to strengthen market position and grow profitably in the home

VALIO GROUP MANAGEMENT SYSTEM
ANNUAL CYCLE



market, especially in Sweden, the Baltic States and Western Russia, which are included in the home market together with Finland. The objective is to attain a significant position and have a strong brand in selected segments. Valio aims to increase the share of consumer products in sales both in the home and export markets. This objective is also supported by the Valio brand whose consistency will be improved in the home market.

Deepening partnership with central retail groups and other co-operation partners

Valio aims to be the leading supplier and number one partner to its customers. By developing the business relationship and ways of working, Valio wishes to deepen co-operation into mutually beneficial partnership. Valio supports its business through networking i.e. increasing co-operation with other parties as well.

PERSONNEL

Strengthening know-how and co-operation

Valio's primary competitive advantage is its skilled personnel; and competitive advantages support the development of a healthy and profitable business. Valio has determined the know-how required to implement the strategy and defined the areas of development and expertise at which training is directed. Development needs have been evaluated by division, and provide the background for personal learning plans which are updated annually. The development of expertise will ensure Valio's competitiveness now and in the future, as well as facilitate the development of Valio's strategic strengths.

Through the common communication and understanding of goals, and the clarification of decision-making and responsibilities, Valio aims to advance the implementation of the strategy and goals. The corporate culture emphasises openness and learning from mistakes.

EFFICIENCY/PROCESSES

Improving performance and the capacity to produce high-quality items

In order to improve performance and the capacity to produce high-quality items, Valio Group's ways of working are simplified, processes enhanced, and operational flexibility and response sensitivity developed, so as to anticipate and satisfy the needs of consumers and customers.

1.1. Valio co-operation with stakeholders

Valio co-operates with its stakeholders and provides them with information about its operations. Valio's key stakeholders are its own personnel, customers, consumers, dairy farmer owners, co-operation partners, authorities, as well as business, agriculture and food industry organisations, suppliers and the media. The goals of stakeholder co-operation vary by stakeholder, from providing up-to-date information, to strategic partnership.

Valio works extensively with the retail trade e.g. to develop supply chain management and enhance distribution. The goal is to enhance the operation of the entire Finnish food chain by collaborating confidentially with the retail trade. Valio also forms partnerships with suppliers.

Valio's human resources strategy and personnel principles serve as the basis of personnel co-operation, and can be viewed by Valio employees on the company's intranet. Valio has a Well-being Manager whose task is to promote well-being at work. In 2005, the strategic goal for human resources was to promote commitment and job satisfaction, the advance of change, and supervisor skills.

Personnel satisfaction is measured using a Healthy Organisation survey tailored to Valio. Preventive steps in safety and occupational health protect employees from accidents and occupational diseases.

Valio stays in touch with consumers, not just through marketing, but also by means of advice offered by its consumer services and the associated feedback system.

Valio's Senior Vice President, International Sales, has been Chairman of the European Dairy Association (EDA) in 2005. Valio is actively involved in EU science and research projects and co-operates with educational establishments, universities, research institutions, and authorities, both nationally and locally to develop dairy industry training and research, as well as the quality of milk and well-being of dairy cattle.

Valio participates in the operations of the agriculture and food sections of the National Board of Economic Defence. The sections exist to secure the operation of the Finnish food industry under exceptional circumstances.

Valio provides guidance for dairy farmers concerning the care of their farm, animals and the environment, both independently and in co-operation with Pro Agria's advisory organisation.

Valio's representative to the Association for Animal Disease Prevention is the Chairman of the Board of that association; its purpose is to promote the health of Finnish animals and the safety of foods of animal origin by e.g. instructing on the importation and use of feeds. Finnish livestock is the healthiest in Europe.

Valio is actively involved in the Finnish Association for Milk Hygiene that promotes the production, processing, transportation and sale of safe, high-quality milk. It is a neutral party that commissions studies and offers its opinion in legislative work.

Valio's representative to the Dairy Nutrition Council (Maito ja Terveys ry) is also a member of the Board of that council. Its members comprise around 20 consumer counselling, temperance and dairy industry organisations; and dairy companies including Valio as passive members. The council bases its statements on the recommendations of the National Nutrition Council, and its operations are financed by dairies and public health education organisations.

Valio stays in touch with its stakeholders through personal contacts, by arranging events for which Valio provides the background information and by producing reports, publications, brochures and press releases mainly in Finnish and English. Other important channels are Valio's intranet and websites at www.valio.fi and www.valio.com, as well as a variety of feedback systems.

VALIO'S COMMUNICATION PRINCIPLES

Valio's communications principles, responsibilities and communications strategy are described on the company's intranet. Valio has derived instructions in case of product crises and crises in other operations.

The communications strategy is based on the Valio Group strategy. Valio communications convey truthful, up-to-date and useful information to both personnel and external stakeholders.

The most important channels of internal communication run through supervisors, Valio's intranet (Weeti), the personnel magazine Valiolainen, and notice-boards in production plants. Owners' communications tools include owner info releases, the Maito ja Me magazine, and the online service Valma.

Valio's intranet, Weeti, was completely overhauled in terms of both technology and content in 2005. Weeti is an employee tool, a desktop offering a variety of electronic applications, and is Valio's most important internal information channel. Essential knowledge about differ-

MilkWorks

In 2005, Valio promoted the recognition of the dairy industry professions by financing the MilkWorks project which arranged thirteen free visits for ninth-grade pupils to the dairy industry unit of the Häme Vocational institute. More than 300 young people from different parts of Finland participated in the visits. Information about dairy industry professions and milk production can be found at www.milkworks.fi.



Co-operation between Valio and the Mannerheim League for Child Welfare

The Mannerheim League for Child Welfare (MLL) is a non-governmental organisation that promotes the rights of children to a good and happy childhood. Arranged every autumn, the MLL "good start for school" (Hyvä alku kouluun) campaign supports the families of children starting school.

Valio has been involved in the project since 2002. Our task is to educate children in their first year at school (age 7) about what kinds of snack are healthy and safe.

ent divisions and the entire company is compiled in Weeti.

1.2. Sponsorship

Valio's sponsorship principles can be viewed at the www.valio.fi website and on the company's intranet. Children and young people come first in Valio's sponsorship activities.

A particular event or project that Valio sponsors must:

- Fit the target image of the Valio brand or a sub-brand,
- Not be in conflict with Valio values,
- Support the values of the target group, and
- Support the realisation of marketing goals.

VALIO SKI RELAY

The focus of Valio's sponsorship of the sports lies on youth and school sports. The most important event is the annual Valio ski relay, a national winter event co-arranged with the Finnish Ski Federation and Finnish School Sport Federation. The idea is to encourage young people to have fun together enjoying nature in winter and to inject enthusiasm into schools cross-country skiing. Valio ski relay is open only to 11–12 year olds but the whole school can get involved in the tournament itself.

More information and pictures of the event are available at www.valio.fi/valioviesti

1.3. Economic responsibility and operating environment

Valio bears an economic responsibility to make an operating profit in order to pay a price for raw milk to its owners that makes the continued production of milk in Finland feasible. Financial success also enables the steady development of the company, which is the best guarantee for preserving jobs and the required raw milk price. It also allows Valio to offer a variety of personnel benefits, and care for the environment beyond the requirements of legislation.

The financial performance of Valio Ltd is vested in three highly competitive markets: consumer products, the food service sector, and industrial products. Two thirds of net turnover is derived from Finland and around one third from international operations. The profitability of sales outside Finland varies a great deal

according to world market prices for industrial products, EU intervention prices, the US dollar rate, and the share of consumer products of Valio's total exports.

The distribution of profit in Valio differs from most limited liability companies: the majority of the result is realised as the price paid for raw milk to the owners who have a business relationship with Valio. In addition, dividend is paid to all owners. Valio's financial performance is presented in the financial statements section of this report.

OPERATING ENVIRONMENT

Economic growth in Finland, Sweden and the Baltic States was strong in 2005, and the situation in Russia was stable due to high oil prices.

Valio's sales to Russia increased significantly and cheese exports to the United States also grew.

The European Union's CAP reform aims to phase out export subsidies gradually and the cuts in 2005 reduced e.g. the price of butter exported to Russia.

VALIO LTD (PARENT COMPANY) KEY FIGURES 2003–2005

Financial responsibility indicators	2003	2004	2005
Net turnover (€ mill.)	1 419	1 428	1 403
Operating profit (€ mill.)	17	69	25
Profit (loss) before appropriations and taxes (€ mill.)	12	59	17
Balance sheet total (€ mill.)	702	813	768
Solvency ratio (%)	43	44	45
Liquidity (current ratio)	1.13	1.26	1.40
Net turnover by product group			
Fresh dairy products	598	608	621
Butter and spreads	197	193	188
Cheese	380	374	390
Powdered ingredients	86	99	103
Ice cream	64	47	–
Other	94	107	101
	1 419	1 428	1 403
Investments (€ mill.)	97	98	48
Interest paid on debts (€ mill.)	9	10	11
Dividends paid (€ mill.)	5	5	4
Wages and salaries (€ mill.)	124	125	123
Taxes paid (€ mill.)	6	17	3
Purchases from suppliers (€ mill.)	963	948	945
Number of personnel (average)	3 962	3 870	3 586
Number of production plants	15	15	14
Number of staff working in production	2 330	2 284	2 185



2. High-quality Products that Promote Well-being

2.1. Milk quality control starts at the farm

Good raw milk is based on healthy and happy animals, high-quality silage, systematic feeding, and appropriate production conditions. Quality assurance procedures make the dairy farms an integral part of the Valio Group operating system.

All Valio dairy farms are required to fulfil the quality agreement level described in Quality Steps on a Dairy Farm. The farms have a Milk Quality Manual that contains the annually updated quality requirements for Valio Group milk and directions for good production practices. The procurement co-operatives assure the implementation of quality work through regular farm evaluations.

In 2005, a total of 1 800 or about 14% of Valio dairy farms participated in quality training, and quality agreement evaluation was conducted on nearly 9% of all farms. Half of the Valio dairy farms have already undertaken at



Milk Quality Manual

PART 2

- Milk quality requirements and quality work
- Silage and feeding
- Animal health and well-being
- Milking and milk cooling
- Farm environment and milk handling conditions

The Milk Quality Manual includes directions for good production practices at a dairy farm.

least five days of quality training and Valio dairy farm endorsement has been granted to 2 000 of them.

In the dairy farmers' daily work, the key steps regarding milk quality are the milking itself, and the cooling of the milk. The low bacterial content of the milk is ensured through careful washing of the milking equipment, a hygienic milking environment, cleaning the cows' teats, and correct milking techniques.

During the milking process, the farmers track the sensory qualities of the milk and conduct a farm test on the cell content if necessary. The milk of a medicated animal is always tested for drug residues following the drug's quarantine period to ensure there are none. High-quality milk is cooled in the farm tank to a temperature below +4 °C. Milk is collected from Valio dairy farms every other day.

The driver of the milk lorry evaluates the aroma and appearance of the milk on each farm, and the lorry's temperature sensor measures the milk temperature on reception. Milk with a deviating sensory quality or temperature

QUALITY STEPS ON A DAIRY FARM

■ Valio Farm requirements

Statutory level	Quality agreement level	Valio Farm Status – endorsement level Quality system level 1	Quality system level 2	Certified quality system/ quality award level
<ul style="list-style-type: none"> • General legislation and statutes <ul style="list-style-type: none"> –milk hygiene –livestock protection –livestock medication • Inspection of milk production facilities and cattle health at 3-year intervals • Own supervision 	<ul style="list-style-type: none"> • Quality training 1–5 days • Quality agreement with the co-operative • Milk Quality Manual distributed by the co-operative • Documentation: <ul style="list-style-type: none"> –livestock medication –antibiotic testing –silage purchases –livestock purchases –milking machine serving/testing • Salmonella insurance 	<ul style="list-style-type: none"> • Quality training 5–10 days • Flowcharts/work instr. <ul style="list-style-type: none"> –milking and milk handling –making silage, feeding • Deviations under control • Systematic livestock health care • Allowing livestock on pasture/outdoors • Functioning environmental programme and a well tended farm environment • Building a quality system that works on the farm <ul style="list-style-type: none"> –business plan –farm quality policy, customers, purchases, other work described –processing plan –feeding plan 	<ul style="list-style-type: none"> • Further quality training • Quality training applied on the farm • Internalising quality work in certain areas: <ul style="list-style-type: none"> –occupational safety/mental well-being –measurement and development of environmental issues –development of risk management and of livestock health care in accordance with a production phase –proactive operations development 	<ul style="list-style-type: none"> • Quality system that is in use/audited • Continuous development of profitable operations • Quality tools in use
Obligatory inspections	Quality agreement evaluation	Valio Farm endorsement audit Audit by an independent party	Independent audit	Independent audit/certification

(over +10 °C) is not taken in. In addition, a pipette sample is taken from each milk batch for the examination of any drug residues should that be required. A larger sample is taken from the milk of all farms twice a month, from which milk composition and quality is defined. Based on bacteria and cell content, milk is classified into three quality categories: E, I and II. The producer gets the best price for class E milk.

The quality of raw milk produced by Valio's dairy farms was excellent in 2005; only 0.13% fell in category II (2004: 0.19%). Milk batches whose temperature was over 6 °C amounted to 0.74% (2004: 0.83%).

Milk quality follow-up continues at the production plant. Before milk is transferred to silos, an antibiotic residue test is performed on all milk batches. Milk containing drug residues is not used in food production. Valio detected 23 milk batches containing drug residues in 2005 (around 0.02% of all batches); the raw milk supplied to production plants was of extremely high quality.

HEALTHY DAIRY CATTLE IN FINLAND

Dairy cattle health was of a good standard in 2005. There were exceptionally few cases of salmonella and those on only three dairy farms. Valio has financed a programme for the prevention of trichophyton and bovine viral diarrhoea (BVD). BVD has in practice been abolished from dairy cattle following ten years of work. The respiratory disease caused by the RS virus and Corona viral diarrhoea remained well under control.

Valio Group invests in the prevention of dairy cattle diseases and minimising the use of antibiotics. Financed in part by Valio, work began in 2005 on building a new national cattle health care information system to provide more tools in support of the development of animal health and well-being.

HACCP

Hazard Analysis and Critical Control Point (HACCP) guarantees that the company is able to focus control successfully on the critical points in its processes, that it abides by a very high standard of hygiene, trains its personnel, and bears responsibility for handling waste and discharges. Just under fifteen per cent of Valio's current suppliers hold an HACCP certificate, but many are undergoing process development to comply with the certificate.

2.2. Assuring product safety

Valio has determined the following product safety principles:

- Comply with good production practices and continuously develop operations according to them.
- Use high-quality milk obtained from healthy cows, together with other high-quality ingredients.
- Make safe products for consumers, clean and faultlessly in a hygienic production environment.
- Take pre-emptive action against hygiene risks and secure the uninterrupted operation of the production plants.

COMPREHENSIVE IN-HOUSE CONTROL

All production plants and warehouses have an in-house control system approved by the authorities, whose realisation is followed through regular audits. The plans are drawn up on the basis of risk assessment, and are based on risk management in accordance with the HACCP system.

The production plants' in-house control covers the entire production process from the reception of raw materials and packing materials to the inspection of finished products. The quality and cleanliness of the production processes are monitored by taking listeria and salmonella samples from production equipment and facilities. The purity of water used and the quality of the air in production facilities is assessed on a regular basis. In-house control also includes the inspection of package labels and product weight control.

The temperature of refrigerators and cold storage rooms is monitored. In-house control also embraces the cleaning and purity control

MILK QUALITY CONTROL

	Dairy farmer	Raw milk from the farm	Milk batches	Quality requirement
Aroma and taste	Daily	Every batch	Every batch	Faultless
Temperature	Daily	Every batch	Every batch	< 6 °C
Microbial drug residues	As necessary	twice / year	Every batch	Negative
Bacteria	—	twice / month	twice / week	< 100 000 / ml (geometric mean value)
Cells	Daily/weekly	twice / month	twice / week	< 400 000 / ml (geometric mean value)
Freezing point (added water)	—	twice / month	twice / week	< -0.512 °C

programme and pest control programme. All people working in production have a hygiene pass, and in many production plants all staff have completed a hygiene expertise test.

The EU directive governing food hygiene requires that food industry operators draw up instructions for good practices. Valio has applied the Principles of Good Production Practices since the year 2000, which meet the requirements of these instructions.

Valio updated the HACCP plans in its production plants during 2005 to meet the requirements of new legislation, product safety standards and the demands of international trade. The HACCP plans are reviewed once a year, and risk assessments are updated whenever essential changes are made in the production process or a product.

ENSURING PRODUCT SAFETY

In all its operations, Valio complies with the law regarding the safety of consumer goods and services and other legislation regulating consumer protection. The law states that the business must ensure the goods present no danger to the health or property of the consumer, and in its marketing provide consumers with the necessary information, in a comprehensible form, for them to be able to assess any dangers related to the products. The supervising authority must be informed immediately of any dangers.

Valio has drawn up instructions about how to act in a situation where there is reason to suspect that a product made by Valio is other than faultless. The instructions help to identify a so-called product crisis, where a product is suspected of or has been verified to pose a health risk to consumers. According to those instructions, the supervising authority must always be informed of such a risk. Detailed actions in any such situation are evaluated together with the authorities.

2.3. Research and development networking

In 2005, the focal areas of Valio R&D were Product Development's even closer co-operation with Valio Marketing and European dairy companies, networking in the EU and the academic world, as well as enhancing communications with professionals.

Valio's Senior Vice President, Research and Development, co-ordinates the EU's GutImpact project that began in 2005 and whose goal is to

VALIO GROUP INVESTMENTS IN R&D

€ mill.

2000	9.3
2001	9.8
2002	9.7
2003	10.2
2004	10.5
2005	11.5

deepen the knowledge and understanding of international consumer organisations, companies and research institutions about functional products. Valio R&D was also involved in planning the implementation of the EU's 7th Framework Programme "Food for Life" together with major international corporations.

Valio participated in the preparation of the Academy of Finland's new food research programme, and in the international scientific evaluation of the Finnish food industry.

Valio R&D arranged the first Valio Generalia seminar for food science teachers and students, nutritionists and the media to mark the 60th anniversary of Artturi Ilmari Virtanen's Nobel Prize in Chemistry. Lecture subjects included the focal areas of Valio's research, and research ethics.

Both Evolus and probiotics research were awarded doctoral dissertation grants by the Academy of Finland, which demonstrated the scientific weight of Valio R&D. A doctoral dissertation on milk intolerance funded by the Nutritional Research Foundation was published in late 2005.

A PRECISION PRODUCT FOR WEIGHT-CONTROLLING

In 2005, Research and Development focused on products to promote weight-controlling, cardiac health, bone structure, and the health of the digestive tract.

The development of ProFeel milk drink that supports weight-controlling leaned on firm scientific proof about factors that promote weight-controlling.

Research into the effect of Evolus products in controlling blood pressure continued in harness with international co-operation partners. Evolus was launched in Portugal, Spain and Switzerland during 2005.

Work on new generation probiotics commenced in the form of co-operation between Valio, the Finnish Funding Agency for Technology and Innovation (TEKES) and the University of Helsinki. The goal is to develop combinations of probiotic strains targeted at specific problems, and to obtain scientific proof about the efficacy of the strains. Proof was gathered during the year about the fact that combination microbes may relieve stress-related stomach symptoms.

A project funded by TEKES to get a product for relieving stomach problems in the elderly onto the market was completed.

VALIO LTD PERSONNEL

The number of personnel by site on 31 Dec. 2005 totalled 3 308 (including part-time workers and those on fixed-term employment).

Haapavesi	115
Helsinki	721
Joensuu	168
Jyväskylä	267
Kaitsor	51
Kajaani	2
Kouvola	14
Kuopio	1
Lapinlahti	264
Lappeenranta	13
Mikkeli	1
Nastola	3
Oulu	289
Porkkala	1
Riihimäki	398
Rovaniemi	2
Seinäjoki	312
Sotkamo	1
Tampere	242
Toholampi	64
Turenki	90
Turku	18
Vantaa (Tikkurila)	11
Vantaa (Vaarala)	185
Äänekoski	65
Total	3 298

Criteria for functional products

Valio is a worldwide pioneer as the developer of functional food products. No uniform EU criteria exist for the health effects of products. Valio's criteria for its functional products are:

- The effect has been shown in at least two independent clinical studies.
- The clinical studies are placebo-controlled double-blind studies.
- The studies have been made on the final product using a recommended daily dose.

A RECORD NUMBER OF NEW PRODUCTS

The year 2005 set a record in terms of product development: a total of 147 new products was launched onto the Finnish market, of which 94 were fresh dairy products. The number is double that of the previous year. Turnover for new products that have been on the market for less than five years increased last year from € 165 million to € 196 million, and the share of those products of Valio's Finnish turnover rose from 18% to 21%.

Valio R&D also focused in 2005 on improving the quality of cheese and through microbiological research on finding cost savings in cheese production.

The importance of patenting in the protection of innovations has continuously increased and hence Valio submitted several new patent applications in 2005. The worldwide patent protection of Evolus and lactose-free milk drink was strengthened.

2.4. Production investing in quality

Valio has fifteen production plants in Finland, one of which houses the jam plant of subsidiary Nordic Jam Ltd. There are also two production plants in Estonia and one in Belgium. The Kouvola plant in Finland ceased production during the year.

The most significant investments authorised by Valio's Production division in 2005 were in the development of fresh dairy products manufacturing, and in increasing cheese manufacturing and packing capacity. Readiness for new production items and higher capacity was heightened by upgrading manufacturing and packing systems. Investments were also made in improving production hygiene and reducing environmental loading.

Production plants continued to develop a way of working whose goal is to improve productivity, cost-efficiency and job satisfaction. The development programme involves the training of all personnel, re-organisation of work, development of leadership, and systematic improvement of production lines.

2.5. New marketing for the centenary year

Valio celebrated its centenary in 2005. The Valio brand promise was: A Century of Well-being. In the advertising campaign for the centenary

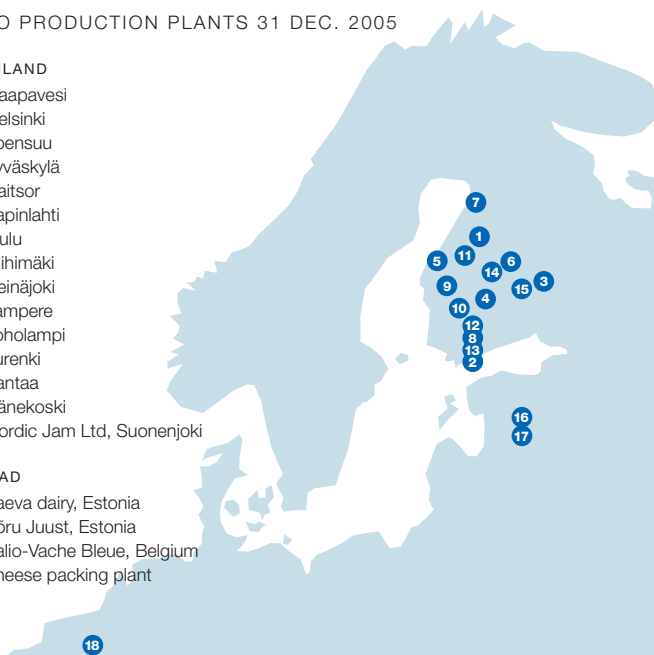
VALIO PRODUCTION PLANTS 31 DEC. 2005

IN FINLAND

1. Haapavesi
2. Helsinki
3. Joensuu
4. Jyväskylä
5. Kaitsor
6. Lapinlahti
7. Oulu
8. Riihimäki
9. Seinäjoki
10. Tampere
11. Toholampi
12. Turenki
13. Vantaa
14. Äänekoski
15. Nordic Jam Ltd, Suonenjoki

ABROAD

16. Laeva dairy, Estonia
17. Võru Juust, Estonia
18. Valio-Vache Bleue, Belgium cheese packing plant



year cows came, figuratively speaking, from the countryside to the city under the theme “Milk from the countryside. Also for the next one-hundred years.”

Valio implemented two exceptional marketing innovations during the centenary year. One revived the Valio Milk Bar – places that served as popular meeting spots for young people in the mid-1900s. The return of a Valio bar was greeted with great nostalgia and it became very popular. Located in the Kamppi shopping centre in Helsinki, it acts as a display window for the Valio brand and Valio’s products.

Another exceptional idea was to bring art to milk cartons. Together with six Finnish artists, Valio created “the world’s most democratic art exhibition”, for shops’ dairy cabinets. The works of Outi Heiskanen, Mauri Kunnas, Rosa Liksom, Kaj Stenvall, Juba Tuomola and Julia Vuori were used to illustrate Valio milk cartons, and each artist also related a story about milk. The original pieces were auctioned on the Internet and the proceeds donated to Finnish child protection organisations through the Children’s Day Foundation.

The Valio brand guarantees responsible production and product traceability, as well as investments in quality control from dairy farms to shops. Valio takes responsibility for its products and any faults in them.

A brand only has value if it creates widespread trust in the products. Studies indicate that the Valio brand occupies a unique position in the minds and daily life of the Finnish people.

LISTENING TO CONSUMERS

The opinions of consumers and customers affect the development of products and services. Valio Product and Nutrition Services answer all questions concerning Valio products, services and issues related to food or nutrition.

Valio consumer services can most easily be contacted using a form at www.valio.fi. In Finland, feedback can also be given by telephoning the toll-free number 0800-0825 on weekdays from 9.00 a.m. to 3.00 p.m. Contact details can be found on most Valio consumer packages, in brochures and on the Internet.

In 2005, Product and Nutrition Services answered 37 200 consumer contacts. The majority of the feedback, 56%, still comes by telephone, but the number of messages sent via the Internet is rising continuously. In 2005, they accounted for 35% of all feedback.

Around half of the feedback comes in the form of queries and requests related to products and nutrition. The other half results from

Ethical guidelines in marketing communications

Responsibility for well-being is Valio’s core value that also guides marketing communications.

The company follows the international rules and guidelines published by the Association of Finnish Advertisers.

In addition, Valio has set down four ethical guidelines to be applied in advertising in particular:

- 1) Principle of truth
- 2) Principle of equality
- 3) Principle of proper behaviour
- 4) Principle of safety

product faults, for which compensation is made to consumers. More and more often consumers want information about ingredients because of personal dietary constraints.

Feedback information is routed directly to the person responsible for the product, and to the production plants, and feedback volume is one of the follow-up indicators used by the plants.

Nowadays, more and more consumers find the answer to their questions through Valio’s versatile online services. In 2005, almost 900 000 different users visited www.valio.fi and the most popular section that focuses on food, products and nutrition has more than 100 000 registered users.

HEALTH, DELICACIES AND INDULGENCES

In 2005, Valio’s product range included on average 1 100 products. Several innovative products were added during the year.

The delicious Valio yoghurt Vanilla range was the most successful new snack product of the year. PLAY snacks, including smoothies and flavoured milks, were directed at young people. Milk-based products are both tasty and healthy.

A new cooking product was developed to help in making delicacies: flavoured creams in strawberry and caramel varieties.

Valio ProFeel milk drink was a pioneer in weight-controlling in 2005. Its composition combines knowledge about the effect of calcium in milk products on energy metabolism, with the effect of high-fibre food on balancing blood sugar content and increasing the feeling of fullness. Valio ProFeel contains 40% less energy (20 kcal/100 g) than ordinary skimmed milk and the product is lactose free.

To mark the centenary, Valio developed a new cheese, Finlandia, which is ideal for use both as a sandwich topping and for pure indulgence. The Valio indulgence cheeses Ritari and Luostari were made available in easily re-sealable triangle packages. A spreadable processed cheese was developed alongside the traditional Koskenlaskija.

Valio’s range of lactose-free products covered nearly all basic dairy products in 2005.

In addition to milk drink, Valio’s lactose-free products include cooking and whipping cream, yoghurt, quark, fermented cream, cottage cheese, fermented milk and Feta. All matured cheeses are lactose-free by nature. Completely lactose-free fresh dairy products are produced only by Valio.

3. Valio Responds to Customer Needs

3.1. Customer success is emphasised in partnership

Valio Home Market Sales actively develops solutions with its partners to improve the joint business relationship and help the customer achieve a better result. A partnership often involves co-operation to increase sales, taking different business ideas, chain brands and ways of working into account.

We aim to create, together, as efficient a solution as possible within product groups for each type of shop and the consumer groups it serves. Valio puts its sound product group expertise at the disposal of its partners.

The importance of co-operation is emphasised, as different chains and types of shop specialise. Through close co-operation we can help engender success for committed partners.

3.2. Total delivery performance

Valio's goal is 100% product delivery performance. Supply chain co-ordination was improved in 2005 and major investments were made in logistics. Special attention was paid to ensuring a smoothly running supply chain during the high seasons. Valio and its customers developed operations together; supply chain management operations and Efficient Consumer Response (ECR) customer co-operation are the cornerstones of future success. Valio seeks together with customers mutually satisfactory solutions for improved cost-efficiency on the basis of the company's result and financial objectives. Delivery performance on average in 2005 achieved an excellent 99% success rate.

A new enterprise resource planning system (ERP) was introduced in warehouses, and order picking was automated at the Riihimäki and Jyväskylä plants. This kind of automation produces a more accurate, cost-efficient and customer-specific result.

Some 85% of Valio's production volume in Finland is delivered to customers in reusable package units. Milk boxes and new recyclable plastic trays are dispatched from production plants to retail outlets, where they can be easily placed on the shelf and later returned to the plant for refilling. Valio is currently investigating the possibility of using returnable wholesale packages for cheese and spreads as well.

Valio distributed a total of some 850 million kilos of product in Finland in 2005.

3.3. Sales of consumer products outside Finland increasing

Valio International Sales focuses on selling consumer products through its subsidiaries, particularly in the Baltic States, Sweden and Western Russia. Cheese sales are developed in selected markets in Europe and the US. The highest-volume export products are cheeses, butter and fresh dairy products.

Industrial Sales, under International Sales, is responsible for all of Valio's industrial sales both in Finland and abroad. The main industrial product categories are milk powders, demineralised whey powders (DEMI) and industrial butter in Finland, the EU and other selected markets, such as China.

VALIO IS NUMBER TWO IN ESTONIA AND CHALLENGING IN SWEDEN

Valio sales in Estonia grew by over 35% in 2005. Valio Eesti's Alma brand holds around a 30% share of the country's fresh dairy products markets and a clear position as number two in the Estonian dairy products market. Alma products are made exclusively at Valio's Laeva dairy in Estonia. Production capacity was raised at Valio's Võru Juust cheese plant in Estonia and the market position of the plant's Atleet cheese strengthened in both Estonia and Russia.

The lactose-free product range expanded in Sweden, and its share of sales increased to around 30%. The consumption of fruit yoghurts fell due to the previous year's critical public debate on sugar. Valio signed a co-operation agreement with the Swedish dairy co-operative Milko in 2005 and co-operation covers among other things product purchases.

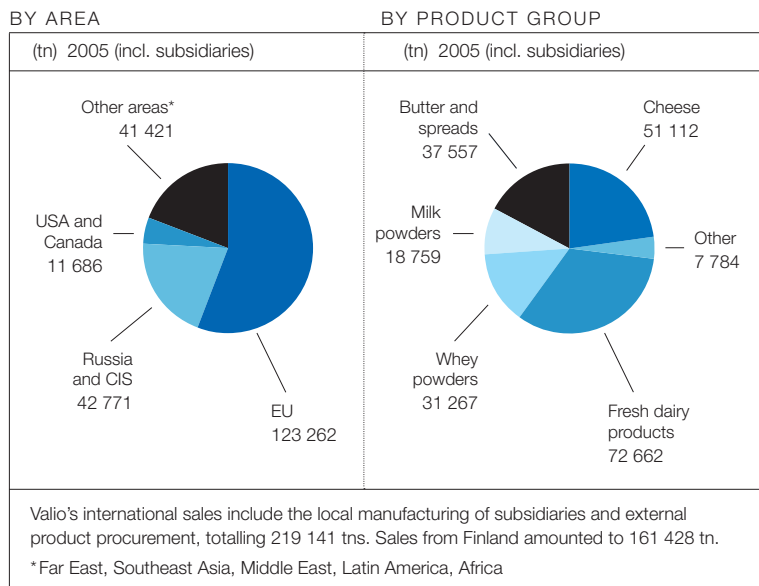
STRONG GROWTH IN RUSSIA

Valio is one of the largest and most significant food businesses exporting to Russia. Sales increased by more than 30% in 2005 as a result of direct retail chain agreements and successful local sales.

Valio butter holds a significant market share in Russia and, in an annual contest, the product won the Brand of the Year (2005) award for the fourth time in a row.

Viola processed cheese is the market leader

INTERNATIONAL SALES



in its product category. Oltermanni still leads in natural cheeses in terms of price and quality.

VALIO IS A CHEESE WHOLESALER IN BELGIUM

Valio's Belgian subsidiary Valio-Vache Bleue is a packer, wholesaler and distributor of cheeses to the retail trade, an important sales channel for Valio Emmental, and the biggest cheese wholesaler in Belgium. Fresh-packed cheeses are a growing product category. Valio-Vache Bleue sales remained at the previous year's level due to fierce price competition.

The subsidiary markets Valio brand cheeses as well as Vache Bleue's low-fat Bellelign and Selection Cuisine; all are market leaders in their own categories.

CONTINUING SUCCESS IN THE US

Valio's Emmental cheeses lead the US import statistics, and Finlandia is the best-known Emmental cheese brand in the Northwest of the country.

Valio's us-based subsidiary Finlandia Cheese sells Finlandia Emmental, as well as Valio's Oltermanni (under the name Baby Muenster) and Polar (under the name Heavenly Light) cheeses. The market area has been successfully expanded to the American Mid-West, and sales for 2005 increased by over 20% on the previous year.

STRONG DEMAND IN THE INDUSTRIAL PRODUCTS MARKET

The demand for and price level of industrial products remained strong throughout 2005. Milk powder sales were particularly successful, as were sales of whey products in China. The reduction in intervention prices as a result of the EU's Common Agricultural Policy (CAP) reforms and the consequent cuts in export subsidies and drop in market prices in the EU are of common concern in the dairy industry. Valio coped better than anticipated with these changes in 2005.

3.4. Requirements for suppliers

Quality is the most important requirement set by Valio for its suppliers. The objective is long-term co-operation in which the partners undertake to develop their own processes for mutual benefit. Valio aims to select two approved suppliers for the most critical products. Candidate companies are asked whether they have a quality standard, and how they take environmental and ethical values into account in their operations.

In the near future, Valio will require a product safety risks' management system in accordance with Hazard Analysis and Critical Control Point (HACCP) principles from those suppliers whose inputs are used as such in the manufacture of Valio products.

If a product of the same standard has two suppliers in different countries, Valio favours the supplier whose home country is known to comply with International Labour Organisation (ILO) statutes or where conditions are otherwise stable.

AUDITING SUPPLIERS

Valio audits the suppliers of critical products to ensure sufficiently high quality and direct the supplier's further development to areas of the greatest benefit in enhancing co-operation.

The audit queries the supplier about the quality and environmental management systems it employs and whether or not the company reports on its corporate responsibility.



4. Skilled, Motivated and Profit-seeking Personnel

In 2005, Valio Human Resources Management worked with the company's aim to promote a flexible, swift-reacting and open organisation.

HUMAN RESOURCES STRATEGY AND PERSONNEL PRINCIPLES

The strategy describes separate goals for leadership, expertise, resources, encouragement and well-being; and personnel training is directed by strategic goals.

Valio personnel principles are equality, fairness, working together, bearing responsibility, trust, and respecting each other's work.

The personnel strategy and principles are introduced on Valio's intranet.

DEVELOPMENT OF EMPLOYMENT

At the end of 2005, Valio Group employed 4 006 people with 3 394 of those working in Finland (parent company and subsidiary Nordic Jam). The average number of employees in the Group in 2005 was 4 199, and in the parent company 3 586. The average is calculated inclusive of people in permanent and fixed-term employment and excluding those on long-term leave. Part-time employment relationships are converted to full-time jobs according to the part-time percentage.

JOB ROTATION IS ENCOURAGED

Vacant jobs are announced internally and Valio employees are encouraged to seek job rotation and acquire versatility and experience in different divisions. Employees can in that way influence their range of acquired skills and ability to fulfil their career plans.

Valio also advertises job vacancies in the press and on the Internet.

A total of 74% of Valio employees participated in a development discussion during the year. The Healthy Organisation survey indicated that the work of supervisors who had taken part in development discussions with their subordinates was considered more positive in its approach than that of those who had not done so. Valio employees who had participated in a development discussion were also more satisfied with their work than those who had not.

TRAINING

In 2005, Valio's direct training costs amounted to one million euro, an average of € 300 per person. Management, personnel and different experts co-operate in programme planning, which is closely linked to working capacity maintenance activities and coping at work.

In addition, target areas for training and

EMPLOYEE PROFILE 2005 (GROUP COMPANY)

Full-time	2 757
Part-time	136
Fixed-term	415
Total	3 308

EMPLOYEE TURNOVER 2005

New employees	792
Left the company*	877

DISTRIBUTION BY GENDER

Men/women	50/50 %
-----------	---------

AVERAGE AGE 40 y

SERVICE LIFE on average	13 y
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ABSENCE DUE TO ILLNESS 4.8%

*incl. seasonal employees

Personnel support package in case of lay-off:

- The opportunity to move to another Valio unit is explored should the possibility of being laid off arise.
- Employees are paid compensation on fixed terms for relocation, if they move to another unit as an alternative to lay-off.
- It has been possible for laid off employees to obtain financial support in line with their length of service, if they have remained unemployed for seven months after the lay-off.
- If employees are in a position to opt for a pension solution as an alternative to lay-off, they are provided with support and guidance.
- Events are arranged at Valio sites to deliver information about different forms of support after a lay-off.

learning are mapped e.g. using the Healthy Organisation survey, so that programmes are based on real needs. The goal is to draw up a personal or in some cases team-specific learning plan for each employee.

Valio production plants have offered learning-at-work placements and practical training especially for the dairy industry students of Häme Vocational Institute and Häme Polytechnic. Dairy industry teachers have been given the opportunity to visit Valio production plants and see working life in a dairy. Valio also participated in the work of the examination committee regarding dairy education.

In 2005, seven people completed a vocational qualification in dairy technology at Valio's Seinäjoki plant; it constitutes a competence test, in accordance with the Finnish qualification system, and is a first for the country.

DIRECTIONAL REWARD SYSTEM

Wages for working time in 2005 totalled € 100.0 million. Valio introduced a so-called directional reward system for the whole personnel in 2002, a bonus paid on the basis of Valio's total result and the goals reached in different divisions.

The bonuses paid on the basis of the total result and goals reached amounted to:

2002	€ 4.1 million
2003	€ 1.2 million
2004	€ 0.75 million
2005	€ 3.0 million

REWARD AND RECREATION

Valio has a long tradition of supporting the leisure and recreational activities of its personnel. Workplaces can support leisure clubs within an annually determined budget. In 2005, the leisure budget was € 90 per person. To mark the centenary, an additional budget was provided for Valio units to arrange a more festive anniversary party or office Christmas party.

In addition, special centenary events were arranged for personnel, such as a gala lunch with programme. They received a centenary gift and the Valio Story centenary book. Subsidiaries arranged their own events.

Valio rewards its staff for their length of service. At ten-year intervals, employees receive a special award, each of greater value than the last; a part of it can be converted into time off. In 2005, 17 employees were given awards for a career spanning 40 years in Valio Group and 137 employees for 30 years with the company.

PERSONNEL STATEMENT VALIO LTD (PARENT COMPANY) 2005

PERSONNEL, QUANTITATIVE

	2001	2002	2003	2004	2005
AVERAGE NO. OF PERSONNEL	3 875	3 902	3 962	3 870	3 586
PERSONNEL Situation at 31 Dec.	3 657	3 723	3 770	3 497	3 308
TOTAL WORKING TIME (hours)	6 460 446	6 539 858	6 635 593	6 543 976	5 996 830
OVERTIME	157 699	171 488	168 157	163 859	119 937
SICKNESS AND ACCIDENT	308 048	304 366	314 988	322 432	285 348
OVERTIME, % OF TOTAL WORKING TIME	2.4 %	2.6 %	2.5 %	2.5 %	2.0 %
ABSENCE DUE TO ILLNESS OR ACCIDENT % OF TOTAL WORKING TIME	4.8 %	4.7 %	4.7 %	4.9 %	4.8 %
WAGES FOR TIME WORKED, € 1 000	89 312	96 862	98 723	100 937	97 492
SOCIAL WAGES AND OTHER INDIRECT STATUTORY EMPLOYEE COSTS + SUPPL. PENSION	63.3 %	66.2 %	52.0 %	108.0 %	50.0 %

PERSONNEL, QUALITATIVE

AVERAGE AGE	40.3	39.8	39.8	39	40
MEN/WOMEN, %	47/53	47/53	47/53	50/50	50/50
SERVICE LIFE, YEARS	14.1	13.6	13.6	13	12.5
WORKING CAPACITY INDEX HELSINKI	42.1	42.2	42.3	42.2	Not measured
WHOLE VALIO	41.7	41.6	41.8	41.9	Not measured
PENSION COSTS, € 1 000	21 507	30 701	16 700	71 143	14 717

PERSONNEL INVESTMENTS

OCCUPATIONAL HEALTHCARE, € 1 000 (ESTIMATED NET)	* 516	765	703	683	678
€/PER PERSON, AVERAGE	* 133	196	174	176	189
DIRECT TRAINING COSTS, € 1 000	1 312	1 467	1 673	1 234	1 042
€/PER PERSON, AVERAGE	339	376	422	319	291
VOLUNTARY SOCIAL COSTS, € 1 000	2 070	2 130	2 540	2 383	2 766
€/PER PERSON, AVERAGE	534	546	641	616	771

*) Not comparable with figures for 2002–2005

VALIO'S WELL-BEING PROGRAMME

The goal of Valio's personnel well-being programme (Terveenä huomennakin) is to promote the progressive health and well-being of the company's employees.

Valio's Healthy Organisation survey encourages staff to voice their opinions and the response rate for 2005 stood at 70% (2004: 75%). The survey is an indicator of job satisfaction that canvasses personnel about e.g. workload, leadership, working atmosphere, commitment and well-being. Programme development is based on information garnered from the survey.

In 2005, Valio employees gave a higher rating to the opportunities available for self-development at work, the clarity of Valio's goals, and trust in the management.

The focal point of the well-being programme in 2005 was the management of change.

The Valio sites arranged working capacity maintenance training events for all personnel, which addressed the understanding of and coping with change.

Fitness improvement courses were arranged for employees over the age of forty-five, and the whole staff was offered a chance to participate in recreation days.

EQUALITY IN VALIO

Valio has issued instructions for the promotion of gender equality in the company and plants have been given directions on drawing up an equality plan.

According to results from the Healthy Organisation personnel survey in 2005, the realisation of gender equality was rated at 3.84 on a scale of 1–5 (the result was the same in 2004).

OCCUPATIONAL HEALTH CARE

Occupational health care and medical care provided by general practice doctors is made available for all Valio employees at the company's own occupational health clinic, a private clinic, a clinic of the Työterveys ry association, or through a local public health centre.

The occupational health care system in cooperation with other Valio occupational safety staff conducts a workplace risk assessment. Other occupational health care tasks include the promotion of health and working capacity, and the development of the work environment and work communities.

The occupational health care system organises statutory health checks for Valio employees involved in tasks that carry the risk of a specific illness. Employees with an impairment are monitored and referred to rehabilitation as per

Valio's safety principles:

- All accidents can be prevented
- Safety supports the high quality of products and operations
- Safety is health and well-being
- Safety is a common issue

need. Age group checks are organised for 30–50 year-olds at five year intervals and thereafter at three year intervals in order to maintain working capacity and promote health.

In 2005, Valio promoted working capacity by, for example, arranging muscular fitness testing for fifty year-olds, an information session about blood pressure, and weight control groups.

THE NUMBER OF ACCIDENTS DECREASED

Valio's safety operations are based on the good management of safety issues and a goal of zero accidents.

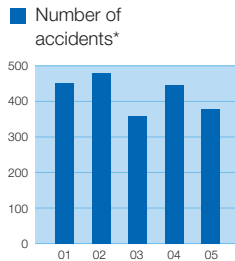
A total of 380 accidents was recorded at Valio in 2005, 15% fewer than in the previous year; 51 of the accidents took place on the way to or from work, and 26 were occupational diseases. The accident frequency stood at 50.5 per million working hours (2004: 68.0). There were no accidents leading to death. Valio records as accidents all cases that result in absence from work or treatment costs.

Management sets the safety goals and verifies the focal areas of activity on an annual basis. Each Valio plant has conducted an assessment of occupational safety risks and draws up an annual safety improvement programme. Valio also requires this of its partners operating in Valio plants.

Valio's safety goal for 2005 was "zero accidents", and the focal areas were activating the reporting of near accidents, making occupational safety risk assessments, and improving safety through the risk assessment of occupational safety.

Each employee working in production, warehousing or maintenance, including stakeholders, will have a Finnish occupational safety certificate by spring 2006.

ACCIDENTS 2005



* Includes all accidents and occupational diseases

ACCIDENT FREQUENCY 2005



** Includes accidents during business travel or occupational diseases
Source: Valio's Mutual Insurance Company (VKV)



5. Caring for the Environment

5.1. Consideration for the environment brings its own results

ENVIRONMENT IS A CORE VALUE

Responsibility for the environment is expressed in Valio's value describing an "ethically and economically sustainable operating chain from milk producer to consumer". Valio has committed itself to acquiring technology that reduces environmental impact, uses raw materials and energy efficiently and favours returnable, re-usable or recyclable packaging, or such that is suited to energy production. Valio has also committed itself to the Business Charter for Sustainable Development published by the International Chamber of Commerce (ICC).

Valio has held an ISO 14001 environmental certificate covering domestic operations since the year 2000, which was last re-approved on 29 September 2003. The functioning of the environmental system is continuously evaluated via internal and external audits.

Pursuant to the environmental protection act, 14 Valio plants require an environmental permit; at the end of 2005 all Valio production plants held permits. The permit process for one plant that is no longer used in production is still in progress.

Valio production plants are located in areas zoned as industrial sites, and these areas hold no significant nature values. Valio's plant in Toholampi borders on a water system classified as a protected area under the Natura 2000 programme.

The plants arrange environmental training for their personnel as per need. In 2005, environmental training totalled 1 706 man-hours, or on average 0.5 hours per employee.

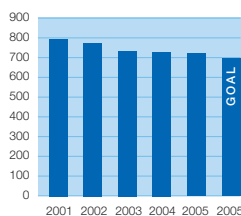
PRODUCTION VOLUMES AND RAW MILK INTAKE

Valio production plants took in 1 959.3 million litres of raw milk in 2005. A total of 1 013.6 million kilos of dairy products, juices and fruit preparations was produced during the year.

CHEMICALS

Chemicals are used in the cleaning and disinfection of pipes and equipment. Of the most important cleaning chemicals, the use of 50% sodium hydroxide amounted to 5 500 tonnes and that of 60% nitric acid to 2 796 tonnes. The processes of the ingredients plants consumed 3 200 tonnes of 33% hydrochloric acid.

TOTAL ENERGY CONSUMPTION
GWh



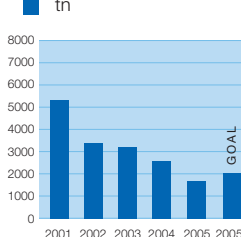
FUELS USED TO PRODUCE HEATING ENERGY

Heavy fuel oil	44.5 %
Peat	27.8 %
Natural gas	17.2 %
Wood chips	9.0 %
Light fuel oil	1.5 %

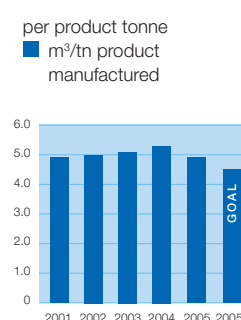
AIR EMISSIONS

Particles	30 tn
Nitric oxides	456 tn
Sulphur dioxide	450 tn
Carbon dioxide	155 662 tn

DECREASE IN WASTE FOR DISPOSAL
tn



DECREASE IN WASTE WATER VOLUME
per product tonne
m³/tn product manufactured



Small amounts of detergents, containing hydrogen peroxide and peracetic acid, are used in disinfection.

The refrigeration plants of Valio sites hold a total of 166.5 tonnes of ammonia. Chemical storage in ten Valio plants is large-scale in accordance with the statute, and they are supervised by the Safety Technology Authority. In five plants chemical handling is minor in accordance with the statute.

ENERGY CONSUMPTION

Dairy processes consume energy in the form of steam and electricity. Total energy consumption in 2005 was 722.2 GWh and in the previous year 729.8 GWh, a reduction of 1.0%.

Electricity is mainly needed in the use and cooling of process equipment, and accounted for 29.5% of energy consumption in 2005. Total electricity consumption stood at 213.0 GWh, a reduction of 5.6 GWh on the previous year.

Large amounts of thermal energy are needed in the drying of powder products, heat treatment of some products, for cleaning, and in heating buildings. The consumption of thermal energy in 2005 totalled 509.2 GWh, down 2.0 GWh on the previous year. The majority of boiler rooms at Valio plants are maintained by subcontractors. Indirect energy consumption in the production of thermal energy amounted to 69.8 MWh.

The target for Valio's environmental programme in 2003–2005 was a 10% decrease in energy consumption compared with that of 2002. With the original level standing at 774.3 MWh and the goal set at 696.9 MWh, goal realisation stood at 6.7%.

WATER CONSUMPTION

Two operations that consume a lot of water in dairies are cooling and cleaning. Valio used 4.2 million cubic metres of water for process flow cooling in 2005, mainly surface water that is returned to natural waterways.

Milk is an easily contaminated raw material and production hygiene is maintained through cleaning. In 2005, Valio consumed a total of 5.4 million cubic metres of household water: 4.5 million from municipal waterworks and 0.8 million from its own supply. Thirteen Valio plants used municipal tap water, two were supplied in full or in part from their own well, and one used its own well and surface water plant. Water consumption decreased by 3.0% from the previous year, with water usage rationalised in the Jyväskylä, Lapinlahti and Joensuu plants in particular.

Valio aims to decrease water consumption by favouring Cleaning in Place (CIP) over batch cleaning, so saving on water and chemicals, by optimising process equipment CIP and recycling usable water. A total of 0.8 million cubic metres of recycled water was used in 2005.

AIR EMISSIONS

Energy production causes air emissions. The quality and quantity of emissions depends on the fuel used in energy production. Valio's primary source of thermal energy, calculated as thermal power, is heavy fuel oil with a 45% share, while peat accounts for 28% and natural gas for 17%. Renewable fuels, such as wood chips and pellets, accounted for 9% of the energy need. Valio's Lapinlahti and Seinäjoki boiler plants are included in the emissions trading system under the Kyoto Protocol.

At the end of 2005, Valio plants held 460 kilos of CFC in their refrigeration equipment. The amount of HCFC was 2 590 kilos, and the filling degree was 562 kilos. The equipment held 1 375 kilos of HFC, and the filling degree was 200 kilos. The carbon dioxide emissions of boiler plants amounted to 155 662 tonnes.

WASTE MANAGEMENT

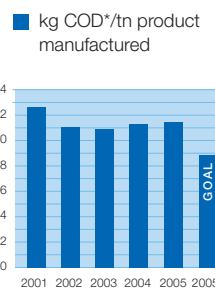
Valio waste management is based on sorting. In 2005, 1 087.7 tonnes of waste was forwarded to reuse, mainly corrugated board boxes, wooden platforms and metal barrels. A total of 1 512.1 tonnes of material, mainly corrugated board, was directed for recycling. In addition, a significant amount of scrap metal and beverage cartons are recycled. The amount of organic waste totalled 1 028 tonnes, which included the one-time disposal of a contaminated 280 tonne production batch. The total flow of materials through waste management decreased by 4% in 2005.

The amount of waste disposed as refuse resulting from Valio's production has decreased significantly in recent years. Valio has managed this by improving waste sorting and forwarding more waste to energy fraction. The amount of energy fraction totalled 1 347 tonnes in 2005.

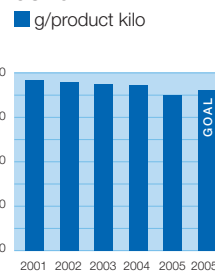
The target for Valio's environmental programme in 2003–2005 was a 40% decrease in the amount of waste disposed of as refuse, compared with the level of 2002. The original level was 3 368.6 tonnes, the goal 2 021.2 tonnes, and that realised was 1 687.4 tonnes; goal realisation thus stood at 49.9%.

Valio has installed devices at five plants that make it possible to separate liquid products from packages, for faulty product batches and products returned from shops. The product

DECREASE IN THE CHEMICAL OXYGEN DEMAND (COD) PER PRODUCT TONNE INDICATING THE ORGANIC LOADING OF WASTE WATER



PACKING MATERIALS USAGE



DIVISION OF PACKING MATERIALS FOR DOMESTIC MARKET PRODUCTS

g/kg product	% of material volume
Beverage carton packages	22.4 65.3
Corrugated cardboard	4.2 12.1
Plastic	6.1 17.7
Steel	0.8 2.2
Consumer packages and wrappings	0.4 1.1
Aluminium	0.3 0.8
Industrial wrappings and sacks	0.2 0.4
Glass	0.1 0.4
Total	34.5 100

waste is forwarded for use as animal feed employing procedures in accordance with the EU's animal by-product regulation, and packing waste is either recycled or disposed of as refuse.

The dairy industry produces only a little hazardous waste and Valio was responsible for a total of just 68.1 tonnes in 2005, the majority being waste oil and solid oily waste from maintenance.

WASTE WATER

The substantial use of water and the high load caused by product residues ending up in waste water make dairies' waste water a significant environmental risk. Except for one, all Valio units are connected to a municipal waste water purification plant, and especially in small towns Valio's load is many times that of the town's.

Close co-operation between Valio and the purification plants is a prerequisite of a sound outcome.

The volume and load of waste water depend on the nature of a plant's production. The manufacture of liquid products causes the smallest load, while the processing of whey, a by-product of cheese making, is responsible for the heaviest load.

In 2005, Valio production plants emitted 5.0 million cubic metres of waste water, 7% less than in the previous year. The volume of waste water per litre of milk taken in was on average 2.5 litres.

The target for Valio's environmental programme in 2003–2005 was a 10% decrease in the amount of waste water in proportion to production, compared with the level of 2002. The original level was 5.0 cubic metres per product tonne, the goal 4.5 cubic metres per product tonne, and that realised was 4.9 cubic metres per product tonne; goal realisation thus stood at 2%.

The chemical oxygen demand (COD) describing the amount of organic substances in waste water was 11 587 tonnes, an increase of 2.6% on the previous year.

The greatest contribution to the waste water load resulted from problems in the sustainability of the key components of whey processing processes. The problems were solved late in the year.

The target for Valio's environmental programme in 2003–2005 was a 20% decrease in the waste water load in proportion to production volume, compared with the level of 2002. The original level was 11.0 kilos of COD per product tonne, the goal 8.8 kilos of COD per product tonne, and that realised was 11.4 kilos of COD per product tonne.

Cooling and condensation waters were discharged directly to natural waterways. Three plants have a permit from the water right court to discharge waters and one has an environmental permit that includes the option to do so. In obligatory monitoring related to the permits, no harmful impacts from the discharges were observed in 2005.

Valio participated in the expansion costs of Riihimäki's municipal waste water purification plant in 2005, in addition to which the drainage systems were renovated in the Riihimäki and Lapinlahti plants.

SIGNIFICANT CHEMICAL, OIL AND FUEL SPILLS

Three significant product discharges to drainage occurred in the Lapinlahti plant in 2005. Two of the discharges caused an operating fault in the purification plant, and one was detected in time and directed to the reserve pool of the purification plant. Reports about the discharges were submitted to the Environmental Centre of Pohjois-Savo.

Two small ammonia leaks occurred in the Jyväskylä dairy during the year. The leaks were detected quickly, and they caused no danger to the environment or the personnel. Reports were submitted to the Safety Technology Authority.

5.2. Use of packing materials and recycling

USE OF PACKING MATERIALS

Valio products are packed in disposable consumer packages. In 2005, a total of 44 100 tonnes of packing materials was delivered with the products, of which 32 700 tonnes went to the Finnish market and 11 400 tonnes went for export.

The use of packing materials not containing wood materials amounted to 35.0 grams per product kilo in 2005, or 5.9% less than in the previous year. Some two-thirds of the change is explained by a decrease in the use of corrugated board, as the reusable boxes and trays introduced in 2004 were not taken fully into use until 2005. Around one-third of the change resulted from the sale of the ice cream business.

The target for Valio's environmental programme in 2003–2005 was a 4.5% decrease in the use of packing material per product kilo, compared with that of 2002. The original level was 35.0 grams of packing material per product kilo, the goal 36.1 g/kg, and that realised was 35.0 g/kg. Keeping to that level achieved will be

challenging, since consumption habits are moving towards smaller packages.

A total of 17 900 tonnes of beverage carton and 3 300 tonnes of corrugated board was delivered to the domestic market with the products.

The plastics used by Valio in packing materials are suited to energy fraction. Of all the packing materials employed by Valio, only aluminium, which is mostly used in yoghurt cup covers, often ends up in the refuse pit. In 2005, a total of 220 tonnes of aluminium was used in products sold in the domestic markets, an increase of 4 tonnes on the previous year. Technical surveys and test runs to decrease the use of aluminium will continue.

Liquid products are transported in reusable milk boxes, trolleys and dollies. Obsolete transport units will be recycled.

PACKAGES RECYCLED

Valio Ltd is a member of Environmental Register of Packaging PYR Ltd. By making an agreement with PYR, a company transfers to it the recovery obligation for the packaging. PYR Ltd sees that the obligations are met through the recovery charges it collects.

Valio Ltd owns a 25% share of Suomen NP-kierätys Oy, which organises the collection and utilisation of beverage carton packages used in Finland. The material collected is used at the CorensoUnited Ltd Oy plant in Varkaus. The board content of the package is used in the manufacture of coreboard, plastic is utilised for energy, and aluminium is recycled. A total of 8 660 tonnes of beverage carton was recovered in 2005.

Furthermore, Valio Ltd is a member of Suomen Kuluttajakuitu ry, a fibre-recovery organisation that deals with the recycling of pulp and paper in Finland. Valio Ltd is also a shareholder in Suomen Uusiomuovi Oy (Finnish Plastics Recycling).

5.3. Milk collection transports

The collection of milk from farms has been sub-contracted to transport companies. The contract obliges both parties to comply with the common operating system of Valio Group. During the last three years, all drivers have participated in hygiene training and received a hygiene certificate.

Valio plans milk collection routes for the greatest possible efficiency and trucks are on the

move over 20 hours a day around the year. In 2005, 126 milk collection trucks drove a total of 27.6 million kilometres. While the milk volume increased during the year, the amount of transport equipment remained on average the same. It can therefore be said that the quantity of milk per transport unit increased and efficiency was improved.

Collection truck efficiency has been improved, for example, by using lighter vehicles and introducing new, more efficient pumps. Increasing the speed at which milk is pumped has significantly improved efficiency per vehicle.



6. Milk Production and its Profitability in Finland

6.1. Radical structural change in progress

The core task of Valio is to support the livelihood of its dairy farmers. The continuity of Valio Group's ethically and economically sustainable operating chain is only possible if milk production is profitable and the operating prerequisites of dairy farms are secured in the long term.

At the end of 2005, there were 15 400 dairy farms in Finland producing a total of 2 290 million litres of milk. During the course of the last ten years, every second dairy farm has ceased milk production. During that period the number of milking cows has decreased by 20%, and the average yield per cow (kg of milk/cow/year) has increased by 1 500 kg. At the end of 2005, milking cows numbered on average 20 per farm, which is 8 head more than in 1995. The annual amount of milk produced per farm has doubled in ten years and now totals 145 000 litres.

The level of activity in building cowsheds was lively last year. Dairy farms invested both in small-scale expansions and new projects running to millions of euros. Milking robots were used on 160 farms and their number will probably increase in the future. Valio Farm Services encourages and supports farmers planning on cowshed investments by providing training in cowshed design, organising study trips in Finland and abroad, and participating in arrangements for cowshed visiting days.

6.2. Low-quality silage reduced the milk volume and hampered milk composition

Milk production in April–July 2005 during the last quota period was lower than in the previous year. Towards the end of the year, milk production exceeded the level of the previous year and the growth continued in early 2006. The milk volume for the whole quota period is therefore slightly higher compared with the previous quota period, but will probably fall some 30 million litres short of the country quota.

Higher than average rainfall for summer 2004 hampered silage harvesting and brought down its quality. The average yield of cows due to low-quality silage began to fall in 2004 and continued to do so up to summer 2005, and the

average fat content of milk fell to 4.16% (2004: 4.23%) and protein content to 3.39% (2004: 3.41%). The raw milk price therefore fell around € 0.03 behind budget due to the lower fat and protein content.

The weather was good in the farming period 2005 and the silage of high quality. The effects on production were visible straight after the summer in rising milk production volumes and improved fat and protein content.

6.3. Profitability of milk production declined

Dairy farming is the most significant form of agricultural production in Finland; some 43% of the sales income from all forms of agriculture comes from milk.

The profitability factor in dairy farming has fallen close to 0.5 in recent years, which means that the wage and capital requirement set for milk production has been realised at only 50%.

According to the International Farm Comparison Network (IFCN), the costs of running a Finnish dairy farm are the highest in the EU.

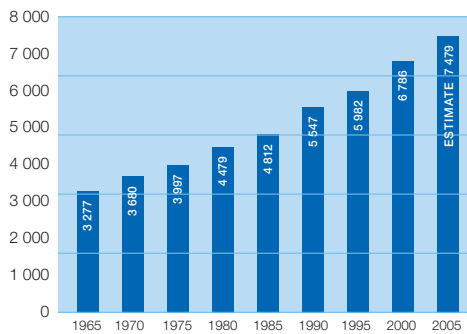
6.4. Changes in milk production income and costs

Valio Group anticipates the price of raw milk for 2005 to be just under 1 cent/litre lower than in the previous year. At the same time, the production equipment price index has risen by 4.3% due to the increase in the prices of energy, production materials and services as well as investment goods.

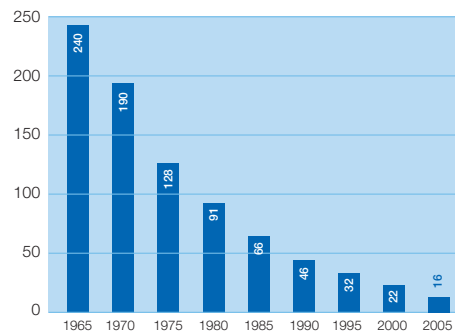
Throughout the country, subsidies paid on the basis of milk production decreased and those based on the number of field hectares increased. The milk production subsidy for 2005 fell across the entire country by 2.4 cents/litre from the previous year. In area C, national subsidies amounted to less than EU authorisation would have allowed. The limitations for national subsidy in Southern Finland (141 subsidy) lowered production subsidies in area AB. In order to compensate the lower production subsidies, a subsidy was paid to farms with domestic animals in the form of natural handicap compensation supplement, amounting to € 92/ha in areas A-C1 and around € 97/ha in areas C2-C4.

As a result of the limitations on subsidy authorisations in Southern Finland, part of the production subsidies (0.2–0.3 cents/litre) are

AVERAGE OUTPUT PER MILKING COW IN FINLAND
litres

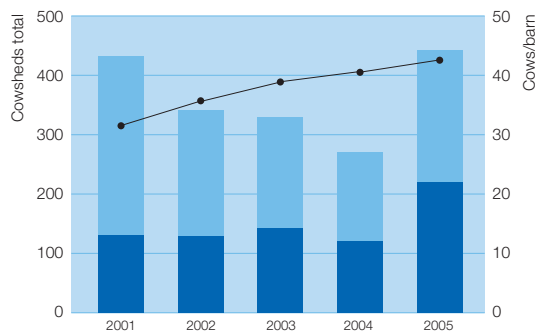


NUMBER OF DAIRY FARMERS IN FINLAND
1 000, on average



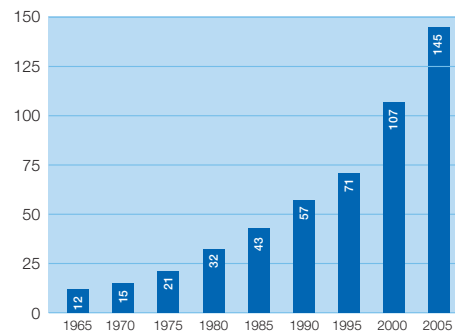
Source: Dairy statistics

COMPARISON STATISTICS OF DAIRY CATTLE BUILDINGS / SUBSIDISED PROJECTS 2001-05
Free stall barns total Tie stall barns total Cows/barn

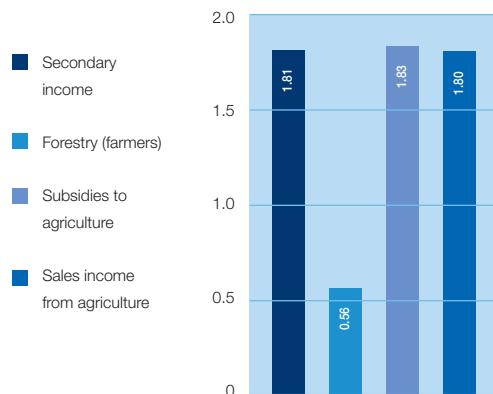


Source: Kbrännäs 1/06

DAIRY MILK VOLUME, PER FARM IN FINLAND
1 000 litres, on average

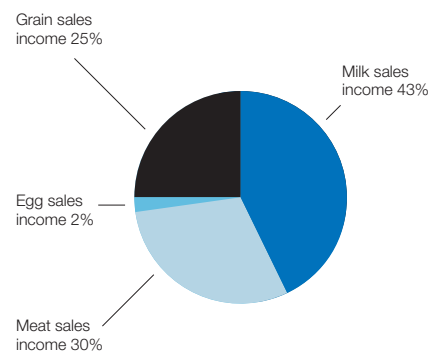


FARM INCOME IN YEAR 2005 (gross, excl. VAT)
Total € 6.0 bill. (+2.8% on 2004) (Estimate)



Source: Gallup Food and Farm Facts

DEVIATION OF SALES INCOME FROM AGRICULTURE 2005 (Estimate)



Source: Gallup Food and Farm Facts

only paid once the final production volumes are known. In compensation for the reduced butter and skimmed milk powder intervention prices, a quota compensation fee was paid out consisting of a milk compensation fee (€ 16.31/tonne) and its supplement (€ 17.66 million), amounting to around € 23.7/tonne for the year 2005.

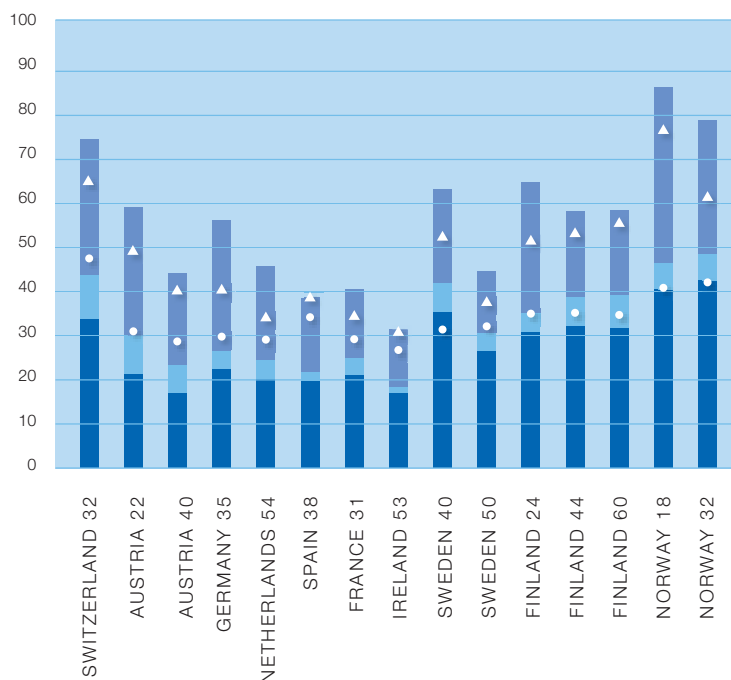
Export subsidies which are also reflected in the price of raw milk continued to fall. The written communication and negotiations of Finnish dairy industry actors with the European Commission's milk office yielded results, as the difference in export subsidies to Russia that had been set ten per cent lower than to other countries and had been in force for just over one year was abolished in summer 2005.

MILK PRODUCTION COST, INCOME AND COST STRUCTURE OF DAIRY FARMING IN TYPICAL FARMS IN SOME EUROPEAN COUNTRIES in 2004

■ Annual costs (milk) ■ Depreciation ■ Cost of own work and capital

€/100 kg ECM*

● Income from milk (excl. subsidies)
▲ Income from milk + selling and slaughtering animals + subsidies



The number after the country indicates the number of cows on the farm. Source: IFCN Dairy Report 2005.

* EMC= Energy-corrected milk: milk content converted to correspond with milk that contains 4% fat and 3.3% protein.

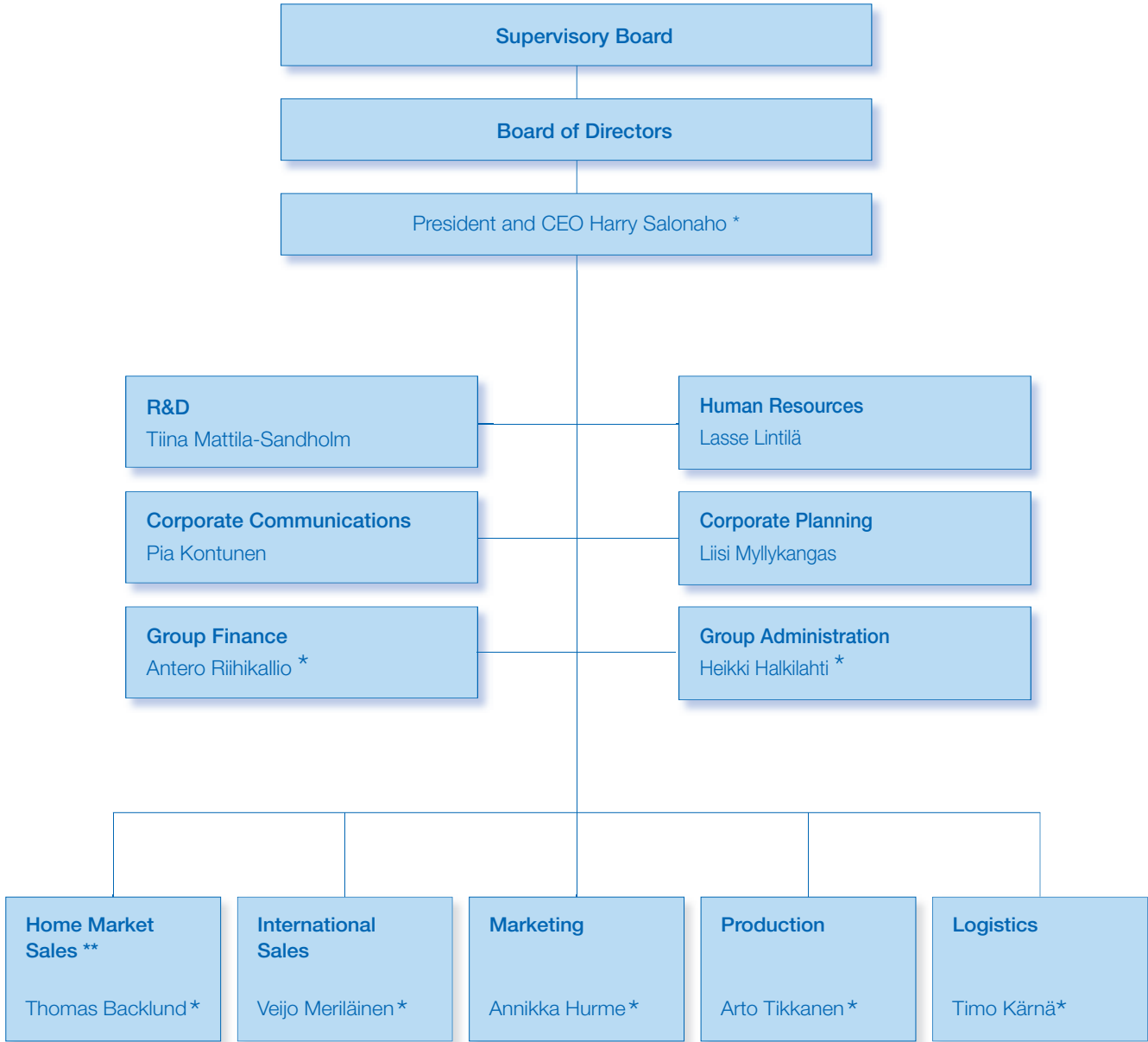




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Valio Ltd Organisation 1 Jan. 2006



* Members of Valio Ltd Executive Board

** Finland, Sweden, Western Russia and the Baltics

Supervisory Board

	Term began	Term ends			
Seppo Hakola Dairy farmer, Kuortane Chairman member to 12 April 2005	1994		Juha Pantsu ¹⁾ Shift supervisor, Jyväskylä	2002	2007
			Reino Parkko Dairy farmer, Elimäki	1999	2007
Pentti Santala Dairy farmer, Kauhajoki Chairman member as of 12 April 2005	1997	2006	Mauri Penttilä Dairy farmer, Vesilahti	2001	2007
			Katariina Pouta ¹⁾ Accountant, Jyväskylä, member as of 1 Jan. 2005	2005	2007
Jaakko Rouhiainen Dairy farmer, Juva Vice Chairman	2001	2008	Antti Rauhamaa Dairy farmer, Kärkölä	1998	2006
Kyösti Anttila Dairy farmer, Jalasjärvi, member as of 12 April 2005	2005	2008	Matti Romppanen, Dairy farmer, Juankoski	2003	2007
Majja-Leena Heiniö Dairy farmer, Kisko	1999	2006	Matti Siitonen Dairy farmer, Parikkala	1998	2007
Tapio Hytönen Dairy farmer, Konnevesi	2001	2007	Onni Törrönen Dairy farmer, Juuka	2001	2008
Hannu Kainu Dairy farmer, Kyyjärvi	1997	2008	Pentti Vartiainen Dairy farmer, Kiuruvesi	2004	2007
Merja Keisala Dairy farmer, Töysä	2002	2008	¹⁾ Personnel representative		
Kimmo Kempainen Dairy farmer, Paltamo	2003	2006			
Raimo Kielenniva Dairy farmer, Kärämäki	2004	2006			
Jouko Kärki ¹⁾ Mechanic, Tampere	2002	2007			
Harri Laamanen Dairy farmer, Ylitornio	2001	2007			
Hanna Laitinen ¹⁾ Quality Manager, Farm Services, Helsinki, member as of 1 Jan. 2005	2005	2007			
Matti Lehtinen Dairy farmer, Tammela, member to 12 April 2005	1999				
Pekka Lestinen Dairy farmer, Sysmä	1998	2007			
Sauli Lähteenmäki Dairy farmer, Rusko	2002	2008			
Tapio Malmiharju Dairy farmer, Artjärvi	1996	2006			
Martti Mustonen Dairy farmer, Ilomantsi	2000	2006			
Jaakko Männistö Dairy farmer, Merijärvi	2003	2007			
Markku Pajunen Dairy farmer, Mikkeli, member as of 12 April 2005	2005	2008			

Board of Directors

Kari Inkinen Dairy farmer, Ruokolahti Chairman member to 31 Dec. 2005	1997	2005
Antti Rauhamaa Dairy farmer, Kärkölä, Chairman member as of 1 Jan. 2006	2006	2008
Tauno Uitto Dairy farmer, Tyrnävä Vice Chairman	1996	2007
Juhani Hörkkö Dairy farmer, Koski TL	1998	2006
Esa Juntunen Dairy farmer, Vieremä	1998	2006
Harry Salonaho President and CEO, Helsinki	2004	2008

Auditor

PricewaterhouseCoopers Oy Authorised Public Accountants, Helsinki
Markku Marjomaa, M.Sc. (Econ.), Authorised Public Accountant

GENERAL

Valio recorded its 100th year of operations in 2005. The centenary was celebrated for example by the publication of a history of Valio written by Docent of journalism Touko Perko and in events arranged for stakeholders. The contribution of our personnel was also recognised in many different ways.

Valio Group financial performance before extraordinary items stood at € 15 million, a reduction of € 45 million compared with the previous year. The result for 2004 included e.g. sales gains from the ice cream and baby food businesses. Calculated by adjusted volume, the price paid for raw milk was € 11.0 million less than for the year 2004.

In Finland, Valio took in 1 959 million litres of milk, or 4% more than in the previous year. The average procurement share by owner co-operatives delivering to Valio grew by 3% to 85% of the Finnish dairy milk volume. Valio Group took in total deliveries of 2 073 million litres of milk, which includes procurement for Valio dairies in Estonia.

Valio Group net turnover was somewhat lower than that for 2004. Subtracting the turnover of the ice cream and baby food businesses sold at the end of

the year from the total turnover for 2004, the comparable increase amounts to 3%. Domestic net turnover corrected in the same way rose by 2%. The net turnover of fresh dairy products, cheeses and powdered ingredients grew, while that of raw milk and juice products was at the level of the previous year, and that of other products fell. The market share of fresh dairy products – especially milk and yoghurts – increased and also rose a little in cheeses, while that of butter and spreads fell back somewhat from the previous year.

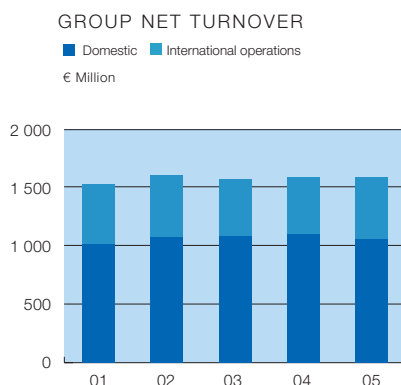
Net turnover from international operations grew by 7%. Exports from Finland increased by 4%. Sales of cheeses and fresh dairy products were up, while those of powdered ingredients as well as butter and spreads fell. Foreign subsidiaries showed an 18% increase in net turnover compared with 2004. Growth was strongest in Russia, where ZAO Valio St. Petersburg's net turnover showed an increase. In Estonia, net turnover for AS Võru Juust and Valio Eesti AS increased significantly. Net turnover was also up for Finlandia Cheese Inc., operating in the US.

Valio's jam plant in Suonenjoki was incorporated into subsidiary Nordic

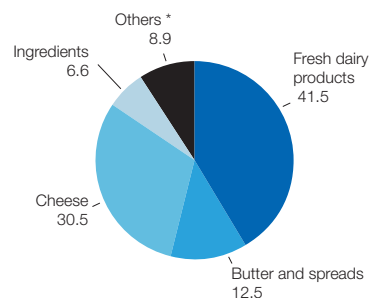
Jam Ltd through a business transfer and started operations at the beginning of September.

Valio Group's organisation structure was modified in September, in such a way that the Sales and the Logistics divisions now cover operations in Russia, Sweden and the Baltic States, which with Finland are included in the Home Market. International Sales is responsible for foreign subsidiaries, industrial product sales, technology commercialisation, sales of licences, forming alliances with other companies, and the international supervision of interests. Human Resources and Group Finance were transferred from under Group Administration and now report directly to the President & CEO. Information management and legal affairs remained in Group Administration. The reorganisation was undertaken in order to streamline the responsibilities of the Executive Board and enhance and unify home market operations.

In order to develop operations in Russia, the decision was taken to set up service centres in Moscow and St. Petersburg. Opportunities for co-operation were mapped out with Skånemejerier and Milko in Sweden, and with Nordmilch eG in Germany.



GROUP NET TURNOVER BY PRODUCT (%) 2005



* e.g. juice, frozen foods

RISK MANAGEMENT

The duties of Valio's risk management function are to compile an overall view of the company's risks and their management, report on key risks, and maintain a sufficient and cost-effective insurance cover. A risk report and insurance summary is compiled annually for the Board of Directors and the Executive Board. Risk management has focused on accident risk and insurance, but it is also being developed towards a comprehensive risk management process. In 2005, strategic and operative risks were mapped through interviews. The most significant risks are related to the success of the product strategy, supply chain performance, the success of investments, changes in market position, and accident risks related to major accidents, including product damage.

In international operations, Valio sustains a foreign currency risk because the company also trades outside the euro zone. The risk is managed through hedging if required.

Increased cost-efficiency has resulted in a situation whereby Valio does not have stand-by capacity in all product groups. This has increased the vulnerability risk of operations in case of accident or other exceptional situation.

The general principle of Valio's insurance policy is to seek protection against those accident risks which, if realised, would significantly influence the Group's operating capacity and financial performance. In insuring against personal injuries and environmental damage, Valio at least fulfils its statutory obligations. The insurance company has conducted plant inspections according to a planned programme.

SHAREHOLDERS AND SHARE CAPITAL

The number of shareholders remained at 27 during the financial year.

The share capital of Valio Ltd is € 99 677 800.

CHANGES IN GROUP STRUCTURE

At the beginning of the financial year, Valio Nord Oy was merged into the parent company. Valio Group acquired the remaining 1% shareholding in AS Võru Juust during the financial year, and now has sole ownership. Valio sold the shares of Kiinteistö Oy Pupuhuhta during the financial year. The jam business was transferred to a new subsidiary, Nordic Jam Ltd.

RESEARCH AND DEVELOPMENT

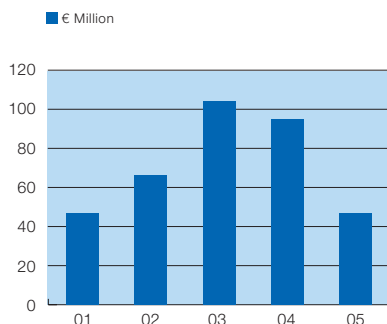
Valio R&D networked with the academic community, universities and research institutions in 2005. Nutrition and related technologies were combined into areas of core competence in the fields of weight-controlling, bone structure development, cardiac health and the digestive tract. Products for weight-controlling (ProFeel) were launched and research on the efficacy of the products continued.

Valio's largest research project focuses on investigating and utilising the genotypes of the GEFILUS lactic acid bacterium. R&D delivered a record number of new products in 2005: a total of 147 new items was launched onto the Finnish market, of which 94 were fresh dairy products; the number of new products was double that of previous years.

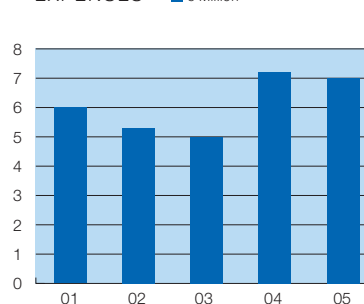
As a result of development work, the turnover derived from new products that have been on the market for less than five years increased last year from € 165 million to € 196 million, and the share of those products of Valio's Finnish turnover rose from 18% to 21%. Sales of lactose-free milk drinks abroad increased.

In 2005, investments in microbiological research on cheese were established as an important focal area; the projects

GROUP INVESTMENTS



GROUP NET INTEREST EXPENSES



are directed at improving the quality of cheese and cost-savings in production.

Valio R&D investment for 2005 totalled € 11.5 million (2004: € 10.5 million), or 0.7% of net turnover (0.7%).

PERSONNEL

The average number of employees in Valio Group in 2005 was 4 199 (2004: 4 389), and at the end of the financial year the number stood at 4 001; 3 615 employees worked in Finland and 584 in foreign subsidiaries. Of those, the highest number of staff was in the Estonian subsidiaries, totalling 300, and the Belgian subsidiary had 156 employees.

The average number of employees in the parent company Valio Ltd was 3 586 (2004: 3 870). The reduction in staff was mainly due to the sale of the ice cream business in 2004, and the jam business that was incorporated into a subsidiary through a business transfer in 2005.

Personnel distribution by gender was 50% men and 50% women in 2005 and 2004, both in the Group and the parent company.

The average age of employees was the same in 2005 and 2004: 40 years in the Group and 39 years in the parent company. Personnel training costs amounted

to € 1 118 thousand in the Group (2004: 1 271 thousand) and € 1 042 thousand in the parent company (2004: € 1 234 thousand).

The working time salaries paid by Valio Ltd in 2005 amounted to € 97.5 million, and social salaries and statutory employee costs including supplementary insurance premium accounted for 50.02% of the total salaries. Pension costs for the year stood at € 14.7 million; the reduction in the figure is explained by the significant increase in the result of the investment operations of Valio Pension Fund. Then again, pension costs for 2004 were exceptionally high due to transfers made in full to the supplementary insurance provision for statutory pensions and the index increase provision for voluntary pensions, on behalf of the Valio Pension Fund.

ENVIRONMENTAL ISSUES

Valio holds an ISO 14001 environmental certificate that covers all the company's operations in Finland. In the financial year from 1 Jan. – 31 Dec. 2005, the system was modified to match the requirements of the new version of the standard that was released at the end of 2004. No significant deviations from environmental legislation or the authorities' require-

ments were detected in the internal audits that are part of the system.

Environmental investments for the financial year amounted to € 1.4 million in Finland, and environmental costs entered as expense totalled € 6.8 million. The most important environmental investments were the upgrade of the drainage system in the Riihimäki dairy and the reorganisation of the drainage in the Lapinlahti plant. In addition, Valio participated in the renovation costs of the waste water purification plant of the town of Riihimäki. In the coming years, Valio will incur costs from the renovation of waste water purification plants in a number of towns where it operates.

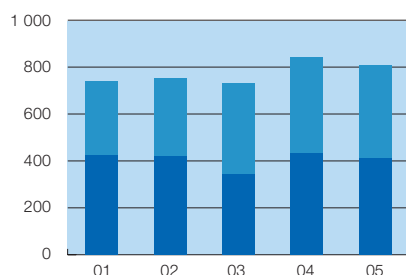
The company's Finnish operations consumed 722 GWh of energy, and produced 5.0 million cubic metres of waste water. When calculated as oxygen, the waste water loading was 11 589 tonnes. More detailed environmental figures are published as part of the Corporate Responsibility Report.

CONSOLIDATED NET TURNOVER

Consolidated net turnover totalled € 1 579 million (€ 1 582 million). Domestic net turnover stood at € 1 055 million (€ 1 092 million). Net turnover from

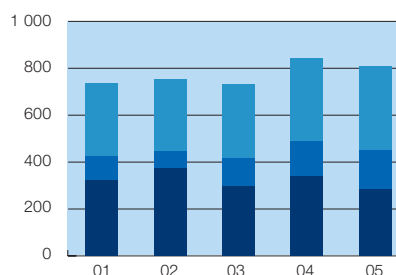
GROUP BALANCE SHEET, ASSETS

■ Non-current assets ■ Current assets
€ Million



GROUP BALANCE SHEET, EQUITY AND LIABILITIES

■ Shareholders equity ■ Long-term liabilities
■ Short-term liabilities
€ Million



international operations (exports from Finland and foreign subsidiaries) totalled € 524 million (€ 490 million).

PARENT COMPANY NET TURNOVER

Valio Ltd net turnover totalled € 1 403 million (€ 1 428 million). Domestic net turnover stood at € 1 055 million (€ 1 092 million) and net turnover from exports at € 348 million (€ 336 million).

INVESTMENTS

Consolidated gross investments totalled € 47 million (€ 95 million), or 3.0% (6.0%) of net turnover. Investments of € 10 million were made in land and buildings and € 31 million in machinery and equipment.

Investments in intangible assets stood at € 3 million. Advance payments, mainly on machinery and equipment, totalled € 3 million. Consolidated net investments totalled € 45 million.

FINANCE

Both Group and parent company liquidity remained satisfactory throughout the financial year. Cash in hand and at banks and short-term investments totalled € 123 million at the year-end, compared

to € 163 million at the start. Stocks stood at € 126 million at the end of the financial year and € 120 million at the beginning. Interest-bearing liabilities totalled € 224 million at the end of the financial year and € 224 million at the beginning. Net financing expenses amounted to € 7.8 million (€ 7.3 million), or 0.5% (0.5%) of consolidated net turnover. Net interest expenses stood at € 7.0 million (€ 7.2 million).

FINANCIAL PERFORMANCE

Consolidated profit before extraordinary items was € 15 million (€ 60 million). Net taxes for the financial year totalled € 6 million (€ 15 million). Profit for the financial year stood at € 9 million (€ 45 million).

Parent company profit before extraordinary items stood at € 18 million (€ 59 million). The change in the difference between depreciation according to plan and booked depreciation amounted to € -4 million (€ +0.4 million). Booked depreciation was within the maximum permitted under Finland's Business Taxation Act. Income taxes for the financial year totalled € 4 million (€ 19 million). Profit for the financial year stood at € 9 million (€ 40 million).

YEAR 2006

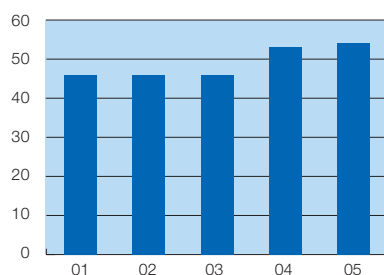
Valio's position in Finland is expected to remain stable. In the rest of the home market (Sweden, Baltic States, Russia) turnover is expected to increase. EU export subsidies and intervention prices will fall, which will make it difficult to keep the price paid for raw milk at the level of 2005. Investments are expected to remain at the previous year's level, excluding possible investments in neighbouring countries.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

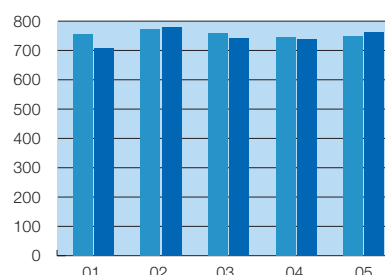
Dairy co-operative Milka was recorded as Valio's shareholder at the meeting of the Valio Board of Directors held on 9 January 2006.

The operations of Valio's subsidiaries in Estonia were reorganised in such a way that Valio Baltia AS will act as a holding company that owns Valio Eesti AS and AS Võru Juust. The purpose of the reorganisation is to enhance the companies' operations.

GROUP DEPRECIATION
ACCORDING TO PLAN
■ € Million



GROUP EXPENSES
■ Payment to owners
■ Payment to others
€ Million



Five-year Group Statistics

	2005	2004	2003	2002	2001
Net turnover, € million	1 579	1 582	1 566	1 600	1 519
Change %	-0.2	1.0	-2.2	5.3	10.0
- Domestic, € million	1 055	1 092	1 079	1 070	1 013
Change %	-3.3	1.2	0.8	5.7	10.4
- International operations, € million	524	490	487	530	506
Change %	6.9	0.7	-8.2	4.6	9.1
Balance sheet total, € million	807	841	733	754	739
Liabilities % of the balance sheet total	56	58	57	59	57
Shareholders' equity + provisions					
per cent of the balance sheet total	43	40	41	40	42
Personnel expenditure, € million	165	224	164	178	164
Average no. of personnel	4 199	4 389	4 366	4 400	4 347
Inventories, € million	126	120	132	137	162
Investments, € million	47	95	104	66	47
Depreciation according to plan, € million	54	53	46	46	46
Price paid for milk to the co-operatives by Valio, per litre total cents ¹⁾	35.9	36.8	37.8	37.9	37.1

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

Valio Group

NET TURNOVER AND PERSONNEL 2005

	Net turnover 1 000 €	Average no. of personnel	Personnel 31 Dec. 2005
Valio Ltd	1 402 565	3 586	3 308
ZAO Valio St. Petersburg, Russia	118 815	68	94
Valio - Vache Bleue S.A., Belgium	99 550	156	149
Finlandia Cheese, Inc., USA	57 539	17	16
Valio Sverige AB, Sweden	30 482	40	41
Valio Eesti AS, Estonia	27 494	163	162
Võru Juust AS, Estonia	20 432	137	140
Nordic Jam Ltd	7 821	29	88
UAB Valio International, Lithuania	383	2	2
SIA Valio International, Latvia	0	1	1
Valio Group total	1 578 746	4 199	4 001

Consolidated Income Statement

	2005	2004
NET TURNOVER	1 578 746	1 581 880
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	6 151	-9 804
Other operating income	47 875	140 652
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1 069 783	1 066 149
Increase (-) / decrease (+) in stocks	4 901	-126
External services	38 099	36 515
	-1 112 783	-1 102 538
Staff expenses		
Wages and salaries	134 728	134 808
Social security expenses		
Pension expenses	15 118	71 418
Other social security expenses	15 431	17 374
	-165 277	-223 600
Depreciation and reduction in value		
Depreciation according to plan	53 662	51 861
Reduction in value of non-current assets	—	629
Depreciation of goodwill	550	1 111
Reduction of consolidation difference	—	-4
	-54 212	-53 597
Other operating expenses	-277 462	-265 321
OPERATING PROFIT	23 038	67 672
Financial income and expenses		
Income from other investments held as non-current assets		
From others	301	564
Other interest and financial income		
From others	2 918	2 690
Net income from associated companies	-132	-46
Interest and other financial expenses		
To others	-10 920	-10 503
	-7 833	-7 295
PROFIT (LOSS) BEFORE TAXES	15 205	60 377
Income taxes	-3 807	-18 192
Deferred taxes	-2 273	2 641
Profit before minority interest	9 125	44 826
Minority interest	—	-12
NET PROFIT FOR THE FINANCIAL YEAR	9 125	44 838

All figures in € '000s

Consolidated Balance Sheet

ASSETS	31 Dec., 2005	31 Dec., 2004
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	3 606	3 842
Goodwill	1 594	2 175
Other capitalised long-term expenditure	13 256	15 550
	<hr/> 18 456	<hr/> 21 567
Consolidation goodwill	2 814	3 364
Tangible assets		
Land and waters	14 384	14 794
Buildings and constructions	137 098	141 521
Machinery and equipment	197 587	200 162
Other tangible assets	1 102	776
Advance payments and construction in progress	13 139	10 710
	<hr/> 363 310	<hr/> 367 963
Investments		
Shares in Group companies	2 535	2 523
Shares in associated companies	1 258	1 649
Other shares and interests	9 233	10 336
	<hr/> 13 026	<hr/> 14 508
CURRENT ASSETS		
Stocks		
Raw materials and supplies	23 713	23 705
Unfinished products	13 300	15 243
Finished goods	87 921	80 735
Other stocks	645	640
	<hr/> 125 579	<hr/> 120 323
Receivables		
Non-current receivables		
Loan receivables	164	167
Other receivables	31	26
Deferred tax receivable	1 184	1 513
	<hr/> 1 379	<hr/> 1 706
Current receivables		
Trade receivables	121 437	118 934
Current receivables from participating interests	683	582
Other current receivables	11 414	14 107
Deferred tax receivable	4 777	5 527
Accrued income and prepaid expenses	20 997	8 732
	<hr/> 159 308	<hr/> 147 882
Investments		
Other current investments	105 297	140 270
Cash in hand and at banks	18 122	22 951
TOTAL ASSETS	<hr/> 807 291	<hr/> 840 534

All figures in € '000s

SHAREHOLDERS' EQUITY AND LIABILITIES

31 Dec., 2005 31 Dec., 2004

SHAREHOLDERS' EQUITY

Share capital	99 678	99 678
Other reserves	7 035	5 257
Retained earnings	229 808	188 957
Net profit for the financial year	9 125	44 838
	<hr/> 345 646	<hr/> 338 730

PROVISIONS

Other provisions	10 247	12 449
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LIABILITIES

Other liabilities

Loans from credit institutions	64 629	57 054
Deferred tax liability	25 938	24 769
Other non-current liabilities	75 145	70 402
	<hr/> 165 712	<hr/> 152 225

Current liabilities

Loans from credit institutions	2 331	22 760
Advances received	414	193
Trade payable	151 621	140 054
Current liabilities to participating interests	3 816	1 227
Other liabilities	88 483	81 649
Accrued expenses and deferred income	39 021	91 247
	<hr/> 285 686	<hr/> 337 130

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES

807 291

840 534

All figures in € '000s

Consolidated Statement of Changes in Financial Position

	2005	2004
CASH FLOW FROM OPERATIONS		
Operating profit	23 038	67 672
Adjustments to operating profit	49 104	-54 759
Change in working capital	-51 392	42 608
Interest and other financial expenses paid	-10 946	-10 154
Dividends received	301	564
Interest and other financial income received	3 003	2 585
Income taxes paid and refunded	-17 920	-10 211
Cash flow from operations	-4 812	38 305
CASH FLOW FROM INVESTMENTS		
Capital expenditure in investments	-20	-5
Capital expenditure in tangible and intangible assets	-46 963	-95 026
Gains from sale of investments	3 885	362
Gains from sale of tangible and intangible assets	8 864	121 355
Cash flow from investments	-34 234	26 686
CASH FLOW BEFORE FINANCING ACTIVITIES	-39 046	64 991
CASH FLOW FROM FINANCING ACTIVITIES		
New loans	20 108	45 044
Repayment of loans	-8 412	-11 871
Increase (-) / decrease (+) in non-current receivables	327	1 307
Increase (-) / decrease (+) in current financing	-10 570	5 086
Dividends paid	-3 987	-4 984
Other	1 778	-888
Cash flow from financing activities	-756	33 694
CHANGE IN LIQUID ASSETS	-39 802	98 685
Liquid assets at 1 Jan.	163 221	64 536
LIQUID ASSETS AT 31 DEC.	123 419	163 221

All figures in € '000s

Parent Company Income Statement

	2005	2004
NET TURNOVER	1 402 565	1 427 561
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	4 964	-14 592
Other operating income	41 950	134 286
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	945 039	947 710
Increase (-) / decrease (+) in stocks	1 892	-1 419
External services	30 944	30 732
	-977 875	-977 023
Staff expenses		
Wages and salaries	122 856	125 492
Social security expenses		
Pension expenses	14 717	71 143
Other social security expenses	12 135	14 555
	-149 708	-211 190
Depreciation and reduction in value		
Depreciation according to plan	50 264	49 215
Reduction in value of non-current assets	—	629
	-50 264	-49 844
Other operating expenses	-246 683	-240 044
OPERATING PROFIT	24 949	69 154
Financial income and expenses		
Income from Group companies	—	64
Income from participating interest	259	357
Income from other investments held as non-current assets		
From others	301	560
Other interest and financial income		
From Group companies	111	74
From others	2 673	2 504
Reduction in value of investments	—	-3 857
Interest expenses and other financial expenses		
To Group companies	-2	-6
To others	-10 543	-10 149
	-7 201	-10 453
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	17 748	58 701
Extraordinary expenses	-1 000	—
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	16 748	58 701
Appropriations		
Increase (-) / decrease (+) in depreciation difference	-4 178	447
Income taxes	-3 361	-17 163
Deferred taxes	-572	-1 805
NET PROFIT FOR THE FINANCIAL YEAR	8 637	40 180

All figures in € '000s

Parent Company Balance Sheet

ASSETS

31 Dec., 2005 31 Dec., 2004

NON-CURRENT ASSETS

Intangible assets		
Intangible rights	3 575	3 802
Goodwill	80	100
Other capitalised long-term expenditure	12 864	14 898
	<hr/>	<hr/>
	16 519	18 800
Tangible assets		
Land and waters	13 035	13 465
Connection fees	931	990
Buildings and constructions	129 719	135 093
Machinery and equipment	186 621	193 352
Other tangible assets	91	82
Advance payments and construction in progress	10 919	10 450
	<hr/>	<hr/>
	341 316	353 432
Investments		
Shares in Group companies	38 281	31 287
Shares in associated companies	1 003	1 004
Other shares and interests	9 176	10 316
	<hr/>	<hr/>
	48 460	42 607

CURRENT ASSETS

Stocks		
Raw materials and supplies	16 439	20 875
Unfinished products	11 544	14 055
Finished goods	75 118	70 906
Other stocks	615	627
	<hr/>	<hr/>
	103 716	106 463
Receivables		
Non-current receivables		
Receivables from Group companies	3 186	3 206
	<hr/>	<hr/>
	3 186	3 206
Current receivables		
Trade receivables	91 405	91 320
Current receivables from Group companies	23 776	17 897
Current receivables from participating interests	396	371
Other current receivables	7 848	13 096
Deferred tax receivable	2 664	3 237
Accrued income and prepaid expenses	19 125	6 449
	<hr/>	<hr/>
	145 214	132 370
Investments		
Other current investments	104 836	139 637
Cash in hand and at banks	5 095	8 395
	<hr/>	<hr/>
TOTAL ASSETS	768 342	804 910

All figures in € '000s

SHAREHOLDERS' EQUITY AND LIABILITIES

31 Dec., 2005 31 Dec., 2004

SHAREHOLDERS' EQUITY

Share capital	99 678	99 678
Other reserves		
Legal reserve	5 984	5 984
Retained earnings	156 532	120 340
Net profit for the financial year	8 637	40 180

APPROPRIATIONS

Accumulated depreciation difference	98 455	95 145
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PROVISIONS

	10 247	12 449
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LIABILITIES

Non-current liabilities

Loans from credit institutions	57 629	56 607
Advances received	100	
Other liabilities	72 483	67 678

	130 212	124 285
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Current liabilities

Loans from credit institutions	—	20 100
Advances received	—	75
Trade payable	132 810	119 148
Current liabilities to Group companies	1 798	375
Current liabilities to participating interests	2 860	512
Other current liabilities	88 021	80 715
Accrued expenses and deferred income	33 108	85 924

	258 597	306 849
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TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES

	768 342	804 910
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All figures in € '000s

Parent Company Statement of Changes in Financial Position

	2005	2004
CASH FLOW FROM OPERATIONS		
Operating profit	24 949	69 154
Adjustments to operating profit	45 340	-58 470
Change in working capital	-44 104	40 266
Interest and other financial expenses paid	-10 571	-9 806
Dividends received	560	980
Interest and other financial income received	2 869	2 473
Income taxes paid and refunded	-16 943	-9 182
Cash flow from operations	2 100	35 415
CASH FLOW FROM INVESTMENTS		
Capital expenditure in investments	-20	-5
Capital expenditure in tangible and intangible assets	-40 658	-92 983
Gains from sale of investments	4 070	362
Gains from sale of tangible and intangible assets	8 672	122 047
Cash flow from investments	-27 936	29 421
CASH FLOW BEFORE FINANCING ACTIVITIES	-25 836	64 836
CASH FLOW FROM FINANCING ACTIVITIES		
New loans	11 855	45 044
Repayments of loans	-7 330	-10 745
Increase (-) / decrease (+) in non-current receivables	-139	-1 591
Increase (-) / decrease (+) in current receivables	-919	-700
Increase (+) / decrease (-) in current financing	—	50 000
Decrease (-) in current financing	-10 241	-46 344
Dividends paid	-3 987	-4 984
Group contributions received and paid (-)	-1 000	—
Cash flow from financing activities	-11 761	30 680
CHANGE IN LIQUID ASSETS	-37 597	95 516
Business transfer	-504	—
Corrected change in liquid assets	-38 101	—
Liquid assets at 1 Jan.	148 032	52 516
LIQUID ASSETS AT 31 DEC.	109 931	148 032

All figures in € '000s

Notes to the Consolidated and Parent Company Financial Statements

ACCOUNTING PRINCIPLES

The consolidated financial statements include the parent company and the subsidiaries in which the parent company holds more than 50% of the voting rights, either directly or indirectly. Real estate companies are not included in the consolidated financial statements. Had they been consolidated, they would not have had any effect on consolidated distributable earnings.

The consolidated financial statements have been prepared using the acquisition method. All intercompany accounts and transactions have been eliminated. In addition, the consolidated financial statements include participating interests, the most significant of which have been consolidated using the equity method.

Inventories are valued at the lower of cost on a first-in first-out basis, or market. The transfer of inventories and non-current assets of Valio Ltd's wholly-owned subsidiary Nordic Jam Ltd founded during the financial year results in discontinuity in the change presented in the balance sheet, amounting to € 5 819 140.59 for inventories and € 868 375.87 for accumulated depreciation difference, compared with the change presented in the income statement.

Intangible and tangible assets of non-current assets are entered in the balance sheet at the acquisition cost minus depreciation according to plan. Depreciation according to plan is calculated as straight-line depreciation on the basis of the financially effective period of the item. The depreciation plan is the same as in the previous year.

Depreciation periods are:

Intangible rights and other capitalised long-term expenditure	5 or 10 years
Goodwill	5 years
Consolidated goodwill	5 years
Buildings and constructions	15 or 25 years
Machinery and equipment	10 years
Computer hardware and software	5 years
Transport equipment and some refrigeration equipment	5 years

R&D costs have been charged to the profit and loss account as incurred.

The financial statement of foreign subsidiaries has been translated into Finnish currency at the rate of exchange on the closing day of the financial year. Gains or losses resulting from the translation are included in legal reserves as translation adjustments. Assets and liabilities of domestic Group companies denominated in foreign currencies have been translated into Finnish currency at the rate of exchange on the closing day of the financial year. Investments and financing instruments in non-current assets have been entered in the balance sheet at the lower of acquisition price or market price. The company uses forward exchange agreements to hedge the cash flow from sales denominated in USD. There were no open forward exchange agreements at the closing of the accounts.

All figures in € '000s

Notes to the Income Statements

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
1. DISTRIBUTION OF NET TURNOVER				
1.1. NET TURNOVER BY DIVISION				
Fresh dairy products	655 498	637 299	620 788	608 473
Butter and spreads	197 689	199 785	187 751	193 328
Cheese	481 117	449 983	390 167	373 592
Powdered ingredients	103 575	101 060	103 180	98 661
Ice cream	—	46 811	—	46 773
Others	140 867	146 942	100 679	106 734
	1 578 746	1 581 880	1 402 565	1 427 561
1.2. GEOGRAPHICAL DISTRIBUTION				
Domestic	1 055 278	1 091 738	1 054 835	1 091 738
Foreign	523 468	490 142	347 730	335 823
	1 578 746	1 581 880	1 402 565	1 427 561
2. OTHER OPERATING INCOME				
Logistics income	24 972	17 243	22 429	14 876
Rent income	5 432	5 165	5 479	5 107
Sales income from fixed assets	3 716	103 379	3 650	103 379
Other income	13 755	14 865	10 392	10 924
	47 875	140 652	41 950	134 286

Notes to the Income Statements

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
3. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income and expenses comprise the following item:				
Group contribution given to a subsidiary	—	—	1 000	—
	—	—	1 000	—
4. CHANGE IN PROVISIONS				
INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	-1 079	-3 461	-1 079	-3 461
Provision for reconstruction	3 281	7 271	3 281	7 271
Other provisions	—	1 127	—	1 127
	2 202	4 937	2 202	4 937
5. OTHER OPERATING EXPENSES				
Energy expenses	31 784	28 230	30 838	27 569
Water expenses	8 581	8 511	8 537	8 507
Transportation expenses	85 526	79 283	79 841	75 223
Rental expenses	13 777	13 359	12 467	12 290
Expenses for maintenance of real estate and machinery	32 537	34 312	31 177	33 342
Marketing expenses	47 563	47 473	34 395	36 254
Travel expenses	6 152	6 676	5 130	5 837
IT expenses	12 223	12 082	11 978	11 905
Administrative expenses	16 621	15 791	15 399	14 686
Voluntary staff expenses	5 778	5 629	3 816	3 620
Credit loss	337	15	263	—
Other expenses	16 583	13 960	12 842	10 811
	277 462	265 321	246 683	240 044
6. REDUCTION AND REVERSALS IN VALUE OF INVESTMENTS HELD AS NON-CURRENT ASSETS				
Group Company Võru Dairy Holding AS, reduction in value of shares	—	—	—	-3 791
Other	95	—	95	-66
	95	—	95	-3 857
7. NUMBER OF PERSONNEL, AVERAGE				
Manual workers	2 240	2 502	1 922	2 252
Technical dairy employees	870	829	801	759
Management staff	517	495	474	457
Clerical staff	572	563	389	402
	4 199	4 389	3 586	3 870
8. PERSONNEL COSTS				
Salaries and remunerations	134 728	134 808	122 856	125 492
Indirect employee costs				
Pension costs	15 118	27 835	14 717	27 560
Additional insurance and index increase liability	—	43 583	—	43 583
Other indirect employee costs	15 431	17 374	12 135	14 555
	165 277	223 600	149 708	211 190
9. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	146	160	146	160
Board of Directors and CEO	1 403	1 343	497	492
	1 549	1 503	643	652

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
10. ACCRUED INCOME AND PREPAID EXPENSES				
Rent of packing machines	584	821	584	821
Royalties	1 433	1 131	1 433	1 131
Healthcare repayments	762	815	756	815
Tax receivables	4 102	626	3 404	—
Pension costs	10 102	—	10 102	—
EU subsidies	508	458	508	458
Other prepayments and accrued income	3 506	4 881	2 338	3 224
	<u>20 997</u>	<u>8 732</u>	<u>19 125</u>	<u>6 449</u>
11. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	9 706	8 972	9 583	8 877
Increases	784	816	765	789
Decreases	—	-83	—	-83
Acquisition cost at year-end	<u>10 490</u>	<u>9 705</u>	<u>10 348</u>	<u>9 583</u>
Accumulated depreciation at beginning of year	-5 865	-4 904	-5 781	-4 837
Depreciation for the year	-1 019	-959	-992	-944
Accumulated depreciation at year-end	<u>-6 884</u>	<u>-5 863</u>	<u>-6 773</u>	<u>-5 781</u>
Book value at year-end	3 606	3 842	3 575	3 802
Goodwill				
Acquisition cost at beginning of year	19 146	19 039	100	—
Increases	—	100	—	100
Acquisition cost at year-end	<u>19 146</u>	<u>19 139</u>	<u>100</u>	<u>100</u>
Accumulated depreciation at beginning of year	-16 971	-16 403	—	—
Depreciation for the year	-581	-561	-20	—
Accumulated depreciation at year-end	<u>-17 552</u>	<u>-16 964</u>	<u>-20</u>	<u>—</u>
Book value at year-end	1 594	2 175	80	100
Other capitalised long-term expenditure				
Acquisition cost at beginning of year	62 025	55 345	54 090	49 253
Increases	2 201	6 773	2 051	5 090
Decreases	—	-253	-1	-253
Acquisition cost at year-end	<u>64 226</u>	<u>61 865</u>	<u>56 140</u>	<u>54 090</u>
Accumulated depreciation at beginning of year	-43 112	-37 607	-39 192	-34 944
Depreciation for the year	-5 044	-5 344	-4 084	-4 248
Accumulated depreciation at year-end	<u>-48 156</u>	<u>-42 951</u>	<u>-43 276</u>	<u>-39 192</u>
Book value at year-end	16 070	18 914	12 864	14 898
Total intangible assets	<u>21 270</u>	<u>24 931</u>	<u>16 519</u>	<u>18 800</u>

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
12. TANGIBLE ASSETS				
Land and waters				
Acquisition cost at beginning of year	14 794	14 379	14 455	14 041
Increases	151	682	137	681
Decreases	-561	-267	-626	-267
Acquisition cost at year-end	14 384	14 794	13 966	14 455
Book value at year-end	14 384	14 794	13 966	14 455
Buildings and constructions				
Acquisition cost at beginning of year	373 220	344 783	360 790	333 070
Increases	9 016	37 866	8 769	37 149
Decreases	-17	-9 429	-1 467	-9 429
Acquisition cost at year-end	382 219	373 220	368 092	360 790
Accumulated depreciation at beginning of year	-231 698	-218 238	-225 697	-212 940
Depreciation for the year	-13 423	-13 461	-12 676	-12 757
Accumulated depreciation at year-end	-245 121	-231 699	-238 373	-225 697
Book value at year-end	137 098	141 521	129 719	135 093
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	674 238	609 916	651 251	588 177
Increases	32 259	79 161	28 292	77 719
Decreases	-745	-14 924	-2 522	-14 645
Acquisition cost at year-end	705 752	674 153	677 021	651 251
Accumulated depreciation at beginning of year	-472 918	-440 568	-457 817	-426 551
Depreciation for the year	-34 145	-32 647	-32 492	-31 266
Accumulated depreciation at year-end	-507 063	-473 215	-490 309	-457 817
Book value at year-end	198 689	200 938	186 712	193 434
Advanced payments and construction in progress				
Acquisition cost at beginning of year	10 718	39 703	10 450	39 112
Increases	12 571	10 631	10 612	10 342
Decreases	—	—	-78	—
Transfer to finished acquisitions	-10 096	-39 535	-10 011	-38 915
Transfer to costs	-54	-89	-54	-89
Acquisition cost at year-end	13 139	10 710	10 919	10 450
Book value at year-end	13 139	10 710	10 919	10 450
Total tangible assets	363 310	367 963	341 316	353 432
Depreciation according to plan for the year, total	-54 212	-52 972	-50 264	-49 215
Book value of production machinery and equipment at year-end	169 665	175 011	160 019	169 319

13. CONSOLIDATED AND PARENT COMPANY HOLDINGS

GROUP COMPANIES

	Consolidated Ownership and voting rights %	Parent Company Ownership and voting rights %
Finlandia Cheese Inc., USA	100.0	100.0
Jäätelöyhtymä Oy, Finland	100.0	100.0
Nordic Jam Ltd, Finland	100.0	100.0
N.V. Valio - Vache Bleue S.A., Belgium *)	100.0	100.0
Frigo-Way S.P.R.L., Belgium	100.0	0.0
Vache Bleue S.A.R.L., France	100.0	0.0
Pakkasukko Oy, Finland	100.0	100.0
Rushold M Oy, Finland	100.0	100.0
OOO Valio Lobnya, Russia	100.0	0.0
SIA Valio International, Latvia	100.0	100.0
Smeds & Co Oy, Finland	100.0	100.0
UAB Valio International, Lithuania	100.0	100.0
Valio Eesti AS, Estonia	100.0	100.0
Võru Dairy Holding AS, Estonia	100.0	100.0
Võru Juust AS, Estonia	100.0	0.0
Atleet Oy, Estonia	100.0	0.0
Valio International (Poland) Ltd, Poland	100.0	100.0
Valio Sverige AB, Sweden	100.0	100.0
ZAO Valio St. Petersburg, Russia	100.0	100.0

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

PARTICIPATING INTERESTS ASSOCIATED COMPANIES

Haapaveden Ympäristöpalvelut Oy	40.5	40.5
Pakastamo Oy, Finland	50.0	50.0
Suomen NP-Kierrätys Oy, Finland	25.0	25.0
Yoplait Valio Nord AB, Sweden	50.0	50.0

REAL ESTATE COMPANIES

		Equity	Net Income/ loss in latest year-end accounts
Asunto Oy Vuorikummuntie 9, Helsinki	100.0	461	1
Kiinteistö Oy Hiirakkotie 6, Vantaa	100.0	139	—
Kiinteistö Oy Pähkinämetsä, Vantaa	100.0	205	—
Kiinteistö Oy Pähkinäpolku, Vantaa	100.0	134	—
Kiinteistö Oy Tehontie 31, Kouvola	100.0	390	—
Kiinteistö Oy Teollisuusneliö, Haapavesi	39.0	129	—

Notes to the Balance Sheet

14. PARENT COMPANY INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	66 063	1 004	13 172
Increase	7 179	—	—
Decrease	-185	-1	-1 235
Acquisition cost at beginning of year	73 057	1 003	11 937
Accumulated depreciation and write-offs at year-end	-39 654	—	-3 139
Reversal of write-offs at year-end	4 878	—	378
Book value at year-end	38 281	1 003	9 176

15. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	2 523	1 684	13 475
Increase	12	—	—
Decrease	—	-391	-1 103
Acquisition cost at year-end	2 535	1 293	12 372
Accumulated depreciation and write-offs at year-end	—	-35	-3 139
Book value at year-end	2 535	1 258	9 233

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
16. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	—	—	20 194	17 132
Loan receivables	—	—	6 768	3 971
	—	—	26 962	21 103
17. RECEIVABLES FROM PARTICIPATING INTERESTS				
Trade receivables	683	582	396	371
18. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital, 1 Jan., 2005 / 1 Jan., 2004	99 678	99 678	99 678	99 678
Share capital, 31 Dec.	99 678	99 678	99 678	99 678
Legal reserves				
1 Jan., 2005 / 1 Jan., 2004	5 257	6 145	5 984	5 984
Translation differences	1 778	-888	—	—
Legal reserves 31 Dec.	7 035	5 257	5 984	5 984
Retained earnings from previous year, 1 Jan.	233 795	193 941	160 520	125 324
Dividends	-3 987	-4 984	-3 988	-4 984
Retained earnings 31 Dec.	229 808	188 957	156 532	120 340
Net profit for the financial year	9 125	44 838	8 637	40 180
Shareholders' equity 31 Dec.	345 646	338 730	270 831	266 182

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
19. DISTRIBUTABLE EARNINGS				
Retained earnings 31 Dec.	229 808	188 957	156 533	120 340
Appropriations included in retained earnings	-73 823	-70 491	—	—
Net profit for the financial year	9 125	44 838	8 637	40 180
	165 110	163 304	165 170	160 520
20. PROVISIONS				
Provision for contingent pension liabilities	5 669	4 590	5 669	4 590
Provision for reconstruction	4 578	7 859	4 578	7 859
	10 247	12 449	10 247	12 449
21. DEFERRED TAX LIABILITIES AND RECEIVABLES				
Deferred tax receivables				
From matching differences	5 961	7 040	2 664	3 237
	5 961	7 040	2 664	3 237
Deferred tax liabilities				
From appropriations	25 918	24 738	—	—
From matching differences	20	31	—	—
	25 938	24 769	—	—
22. ACCRUED EXPENSES AND DEFERRED INCOME				
Pensions	—	43 583	—	43 583
Interest	3 879	3 822	3 751	3 773
Holiday accrual including social security	19 671	20 070	19 152	19 936
Rebates granted	1 347	1 572	864	502
Wages and salaries including social security	7 420	4 682	5 839	3 446
Royalties	1 245	868	1 229	868
Social security	—	687	—	687
Other accrued expenses and deferred income	5 459	15 963	2 273	13 129
	39 021	91 247	33 108	85 924
23. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	—	—	1 683	101
Other liabilities	—	—	115	274
	—	—	1 798	375

Notes to the Balance Sheet

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
24. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	3 816	1 227	2 860	512
25. CONTINGENT LIABILITIES				
For own commitments				
Mortgages	137 512	129 566	136 234	127 649
Pledges	14 159	16 024	14 159	14 746
Guarantees	33 851	34 058	33 839	34 036
Leasing commitments				
over a period of 12 months	4 587	5 177	3 785	4 874
later	2 842	5 351	2 356	4 692
For commitments of Group companies	—	—	12 675	5 015
For others	8 269	4 456	8 141	4 392
For own operations	192 951	190 176	190 373	185 997
For Group companies	—	—	12 675	5 015
For others	8 269	4 456	8 141	4 392
	201 220	194 632	211 189	195 404

Proposal by the Board of Directors to the Annual General Meeting

The consolidated distributable earnings at 31 Dec., 2005 are € 165 110 000.

The parent company distributable earnings at 31 Dec., 2005 are:

Retained earnings	156 532 322.71 €
Profit for the financial year	8 636 873.71 €
<hr/>	
Total	165 169 196.42 €

The Board of Directors proposes to the Annual General Meeting that a dividend of 4.5% on the nominal value of the shares of €153 be declared.

4 485 501.00 €

Dividends from net profit for the financial year
To be retained and carried forward

4 485 501.00 €

4 151 372.71 €

Total	8 636 873.71 €
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Should the Annual General Meeting approve the above proposal, company shareholders' equity would be as follows:

Share capital	99 677 800.00 €
Legal reserves	5 984 101.53 €
Retained earnings	160 683 695.42 €
<hr/>	
Total shareholders' equity	266 345 596.95 €

Helsinki, 8 March 2006

Antti Rauhamaa

Tauno Uitto

Harry Salonaho
President and CEO

Juhani Hörkkö

Esa Juntunen

AUDITORS' NOTE

The financial statements above have been drawn up in accordance with good accounting practice. An auditors' report has been submitted today.

Helsinki, 8 March 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

Auditors' report

TO THE SHAREHOLDERS OF VALIO LTD

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Valio Ltd for the period 1.1.–31.12.2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine whether the members of the Supervisory Board and the Board of Directors as well as the President and CEO of the parent company have complied with the rules of the Companies' Act.

In our opinion the report of the Board of Directors and the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The report of the Board of Directors and the financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of the Board of Directors is consistent with the financial statements. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors as well as the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.

Helsinki, 8 March 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

Statement by the Supervisory Board

We have examined the financial statements for 1 January to 31 December 2005, and the auditors' report.

We recommend approval of the parent company income statement and balance sheet, and the consolidated income statement and balance sheet, and concur with the Board of Directors' proposal for profit distribution.

The term in the Supervisory Board ends this year for the following members: Maija-Leena Heiniö, Kimmo Kemppainen, Raimo Kielenniva, Tapio Malmiharju, Martti Mustonen and Pentti Santala. In addition, a new member must be elected to the Supervisory Board to replace Antti Rauhamaa who was elected to the Board of Directors.

Helsinki, 9 March 2006

On behalf of the Supervisory Board

Pentti Santala
Chairman

Valio Ltd owners 31 Dec., 2005

Valio Ltd is a company of Finnish dairy farmers. Valio is owned by dairy farmer communities that collect or process milk. Production is primarily based on milk delivered by co-operatives committed to Valio.

The company's owner-management comprises the Annual General Meeting, Supervisory Board, Board of Directors, and the Division Boards for each function.

NAME	DOMICILE	No. of Shares
		3 400 €/Share
Alueosuuskunta Promilk	Lapinlahti	3 125
Evijärven Osuusmeijeri	Evijärvi	42
* Hirvijärven Osuusmeijeri	Jalasjärvi	46
* Hämeenlinnan Osuusmeijeri	Hämeenlinna	1
Härmän Seudun Osuusmeijeri	Alahärmä	82
Kainuun Osuusmeijeri	Sotkamo	898
* Kaustisen Osuusmeijeri	Kaustinen	1
Keski-Pohjan Juustokunta	Toholampi	1 271
Keski-Suomen Maitokunta	Jyväskylä	1 458
Kortesjärven Osuusmeijeri	Kortesjärvi	37
* Kuusamon Osuusmeijeri	Kuusamo	265
Kyrönmaan Osuusmeijeri	Isokyrö	124
* Laaksojen Maitokunta	Ylivieska	1
Liperin Osuusmeijeri	Liperi	162
Nurmeksen Osuusmeijeri	Nurmes	626
Osuuskunta Idän Maito	Joensuu	2 877
Osuuskunta Lapin Maito	Rovaniemi	696
Osuuskunta Maito-Aura	Turku	1 964
Osuuskunta Maitojaloste	Seinäjoki	2 762
* Osuuskunta Maitokolmio	Toholampi	244
* Osuuskunta Maitomaa	Suonenjoki	290
Osuuskunta Maito-Pirkka	Tampere	1 729
Osuuskunta Normilk	Jyväskylä	5
Osuuskunta Pohjolan Maito	Haapavesi	2 981
* Osuuskunta Satamaito	Pori	348
Osuuskunta Tuottajain Maito	Riihimäki	7 250
* Paavolan Osuusmeijeri	Ruukki	32
Shareholders 27		29 317

Total share capital 99 677 800 €

* No business relationship with Valio

Division Boards 1 Jan., 2006

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

PRODUCTION	TERM EXPIRES
Tauno Uitto, Chairman	2007
Esa Juntunen, Vice Chairman	2007
Merja Keisala	2007
Kimmo Kempainen	2007
Jouko Kärki ¹⁾	2007
Harri Laamanen	2007
Sauli Lähteenmäki	2007
Martti Mustonen	2006
Jaakko Männistö	2006
Jukka Paananen	2006
Markku Pajunen	2006
Reino Parkko	2007
Kari Piironen	2006
LOGISTICS	
Juhani Hörkkö, Chairman	2007
Tauno Uitto, Vice Chairman	2007
Kyösti Anttila	2007
Maija-Leena Heiniö	2007
Hannu Kainu	2006
Juha Kantoniemi	2006
Tapio Malmiharju	2006
Mauri Penttilä	2007
Jaakko Rouhiainen	2006
Matti Siitonen	2007
Tuula Stålhammar ¹⁾	2007
Onni Törrönen	2006
Sirkka Ukkola	2006
Pentti Vartiainen	2006
HOME MARKET SALES AND MARKETING	
Esa Juntunen, Chairman	2007
Juhani Hörkkö, Vice Chairman	2007
Tapio Hytönen	2007
Raimo Kielessä	2006
Esa Leskelä	2006
Pekka Lestinen	2007
Osmo Oinonen	2006
Antti Rauhamaa	2006
Matti Romppanen	2006
Pentti Santala	2007
Juha Tuikkanen ¹⁾	2007

¹⁾ Personnel representative

Annex I

Comparability with GRI guidelines

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CLARIFICATIONS

- : Reported in accordance with GRI
- : Reported in partial accordance with GRI
- : Not reported for 2005

Core figures are written in plain font.

Additional indicators are written in italics.

Comparability with GRI core indicators and additional indicators reported

Economic responsibility		
	Comment: More information in the financial statements published together with the Responsibility for Well-being Report.	
EC1	● Net turnover	6, 11, 36, 38, 40–41, 45, 49
EC2	● Geographic breakdown of markets	6–7, 19, 36
EC3	● Purchases of goods, materials and services Comment: Only purchases from suppliers have been reported	11
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<hr/>		
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EN16	● Compliance with stipulations	25
EN17	● <i>Use of renewable energy sources and energy efficiency</i>	25
EN22	● <i>Recycling of water</i>	25–26
EN33	● <i>Environmental impacts of suppliers</i>	27
EN34	● <i>Environmental impacts of transportation</i>	27
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Social responsibility		
LA1	● Workforce	21–22
LA2	● New business and employee turnover	21–22
LA3	● Labour unions	
LA4	● Organisational restructuring	21
LA5	● Practice for recording occupational injuries and illnesses	22–23
LA6	● Occupational protection committees	23
LA7	● Accidents, absences and deaths	22–23
LA8	● HIV/AIDS	
LA9	● Average hours of training	21–22
	Comment: Total cost of training and costs per employee reported	
LA10	● Equality policy and programme	22
LA11	● Top management	34–35
LA12	● <i>Additional employee benefits</i>	21–22
	Comment: Reward and recreation activities described	
LA17	● <i>Special programs for occupational development</i>	21
	Comment: Learning Leadership training reported	
HR1–HR7 and SO1–SO3	● Principles concerning human rights, impacts on local communities, bribery and political lobbying	
PR1–PR3	● Product liability	13–15
PR8	● <i>Consumer satisfaction and services</i>	16–17
PR9	● <i>Principles related to marketing communication</i> (and other communications)	10, 17

Annex 2

Contact persons for corporate responsibility

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