VALIO

Responsibility for Well-being

CORPORATE RESPONSIBILITY REPORT
AND ANNUAL REPORT 2006

Contents

The Leading Milk Processor in Finland

Valio Ltd is the biggest milk processor in Finland, a dairy company that processes 82 per cent of the milk delivered to dairies. International operations account for 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 product range includes on average 1 100 products. The 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.

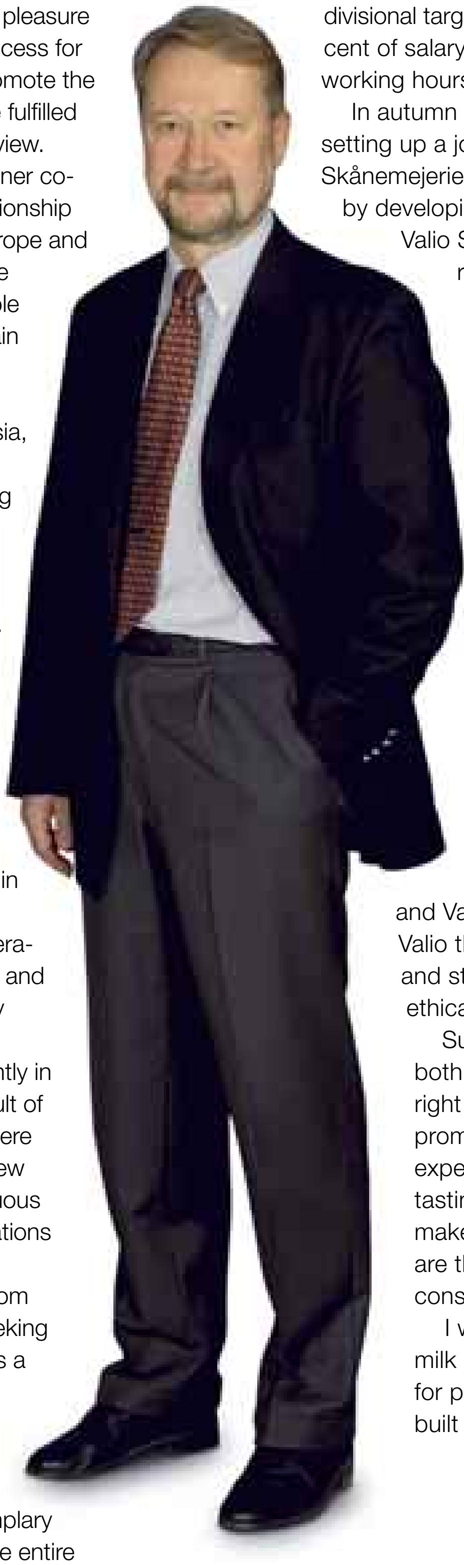
Our values

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 Russia). Elsewhere the company operates in precisely defined markets with a selected product range.

Annual review by the ceo



Valio's mission is to generate quality, pleasure and added value for consumers, success for committed partners, and thereby promote the business of Valio milk producers. We fulfilled our mission well in the year under review. The price paid for raw milk to the owner co-operatives that have a business relationship with Valio was among the best in Europe and over one cent per litre higher than the previous year. This was made possible by success all the way along the chain from farm to consumer.

Valio had a successful year in its entire Home Market, in Finland, Russia, Sweden and, of the Baltic States, in Estonia. In Russia, growth was strong overall and especially so in cheeses and fresh dairy products. Sales commenced in other large cities beyond St. Petersburg and Moscow. We held second position in the Estonian market, and sales in Sweden increased substantially due to the success of lactose free products in particular.

Sales in Finland rose by two per cent and our position remained stable. Valio is still the market leader in all major dairy product categories. The net turnover for international operations showed a six per cent increase and that of the whole Valio Group rose by three per cent.

Valio continued to invest significantly in research and development, as a result of which a total of 114 new products were launched last year. The successful new products of recent years and continuous development for more efficient operations provided for a good result for Valio.

Valio's success stems above all from an expert, enthusiastic and profit-seeking personnel. Every year, Valio conducts a Healthy Organisation survey and operations are developed on the basis of its results, which are in themselves better than the average. For example, Valio staff display exemplary commitment and job satisfaction. The entire personnel was rewarded with full or almost full payment by results for reaching profit and divisional targets for 2006. The full reward is eight per cent of salary earned during the year for regular working hours.

In autumn 2006, Valio ceased negotiations on setting up a joint venture in Sweden with Milko and Skånemejerier. We seek growth in the Swedish market by developing the operations of our own subsidiary Valio Sverige, for example by expanding the range of value added products.

There are opportunities for success in the current year, too, despite a new competitive backdrop in Finland and the reduction of export subsidies. Our Finnish supply chain is cost-efficient and competitive. The subsidiaries' strong growth in the Home Market is expected to continue and it is likely that the construction of a service terminal in the Moscow area will get underway. The Belgian and US subsidiaries are working to hone their operations and improve profitability.

The Valio brand is strong in Finland and I believe that consumers and customers will come to see it even more as the Finnish alternative. Two studies conducted among young people were published in early 2007 and Valio did well in both. Teenagers considered Valio the second most popular brand of any, and students judged Valio the second most ethical company of a hundred.

Success requires seamless co-operation both inside Valio and with customers. Starting right from the raw milk, the Valio brand is a promise of first-class quality, reliability, expertise, a competitive product range and tastiness. In redeeming these promises we make a good partner for our customers and are the choice of the quality-conscious consumer.

I wish to thank our customers, personnel, milk producers, owners and all stakeholders for profitable co-operation in 2006. We have built a strong foundation for the future.

Let's bring taste to life this year, too!

Heikki Halkilahti

1 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 2006. Economic, social and environmental perspectives are adopted in accordance with the 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 section 4 which deals with Valio's responsibility for profitable business and the continuity of milk production in Finland, and introduces the key characteristics of the economic operating environment in 2006 and the key figures for the parent company Valio Ltd. Sponsorship is reported in section 2.5. The financial statements section provides detailed information about Valio's financial performance.

Social responsibility is handled in section 7 from the perspective of the personnel. Valio also bears its social responsibility through in-house product control (5.2), consumer services (5.6), ethical principles in marketing communications (3.1), and by securing for its part the continuity of the work of milk producers (5.1, 5.2, 8.3 and 9).

Valio's environmental responsibility and responsibility for the well-being of dairy cattle is reported in section 8.

In previous years, Valio has published environmental reports in 1998 and 1999, and a separate annual report and corporate responsibility report for 2003. Since 2004, the annual report and corporate responsibility report have been combined into one publication – Responsibility for Well-being. The 2006 report is published in Finnish and English, and can be viewed on Valio's websites at www.valio.fi and www.valio.com.

PricewaterhouseCoopers Oy has audited the financial statements and conducted the comparison with the G3 guidelines presented in Annex 1.

With regard to GRI, Valio is in a transitional phase – we have reported in accordance with the GRI guidelines while at the same time preparing for G3. Instead of a traditional GRI comparability table the Annex therefore shows a comparison between the current application of the GRI framework in Valio and the G3 requirements.

The illustrations in this report communicate how a Valio product is born: the Leikistoja farm in Somero produces Valio milk, Valio R&D researches and develops pioneering products, and the products are manufactured in the Valio production plants with no compromise on quality.

2 Valio key facts

2.1 The biggest milk processor in Finland

Valio is the biggest milk processor in Finland. Net turnover for 2006 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 4 165 people in Finland and abroad in 2006. Valio is a limited liability company owned by 27 dairy farmer co-operatives and had 11 880 dairy farmer members at the end of 2006.

Valio had 15 production plants in Finland at the close of 2006, 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, the Baltic States and Russia.

Valio takes in 86% 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 around

58% in 2006. 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.

2.2 Governance and management system

Valio's owners comprised 27 milk producer co-operatives in 2006. The representatives of the owner co-operatives 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.

In 2006, Valio's Board of Directors comprised four dairy farmers and the CEO. The Articles of Association were amended in 2006 so that the Board of Directors has power of decision on the appointment and dismissal of Valio's President & CEO.

In addition to the President & CEO, Valio's Executive Board comprised in 2006 the Senior Vice President of Marketing, of Group Administration, Production, Home Market Sales, International Sales, Logistics, and Group Finance. The extended Executive Board included, in addition to the aforementioned, the Senior Vice President of Research and Development, of Corporate Planning, Corporate Communications, and Human Resources.

In 2006, Valio management convened twice with the shop stewards of all of Valio's personnel groups to evaluate the company's situation.

Valio 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, goal-setting, 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.

Valio's quality management system describes the guidelines for the company's different divisions and provides instructions e.g. for procedures concerning process management, environmental management, safety management, business process management, and personnel, and for demands concerning suppliers and partners. The system also defines a variety of operating principles.

The ISO 9001 certificate for Valio's quality management system was renewed in 2006 for three years. Valio Eesti AS's units in Tallinn and Laeva are also ISO 9001 certified. The certificate covers Valio's different functions, product quality, and the general development and management of operations.

Valio's ISO 14001 environmental certificate covers all the company's operations in Finland.

2.3 Strategic objectives

Valio decides annually on the strategy for the next three years which determines the strategic objectives and the means for reaching them. The objectives are based on a strategic vision and Valio's mission. Valio's strategy, vision, mission and strategic objectives are shown on the company's intranet and website. In 2006, Valio developed the communication of the strategy to the personnel. Strategy communication was enhanced for example by opening an interactive "strategy school" on the company's intranet.

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 customers and other parties, strengthening personnel know-

Valio's owner and administration organisation

VALIO LTD
Valio is owned by 23 dairy co-operatives (as at 5 Feb 2007)

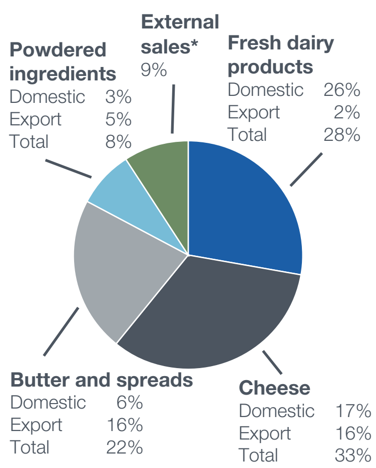
ANNUAL GENERAL MEETING

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 Valio Board of Directors, Supervisory Board and owner co-operatives
  - 1 personnel representative

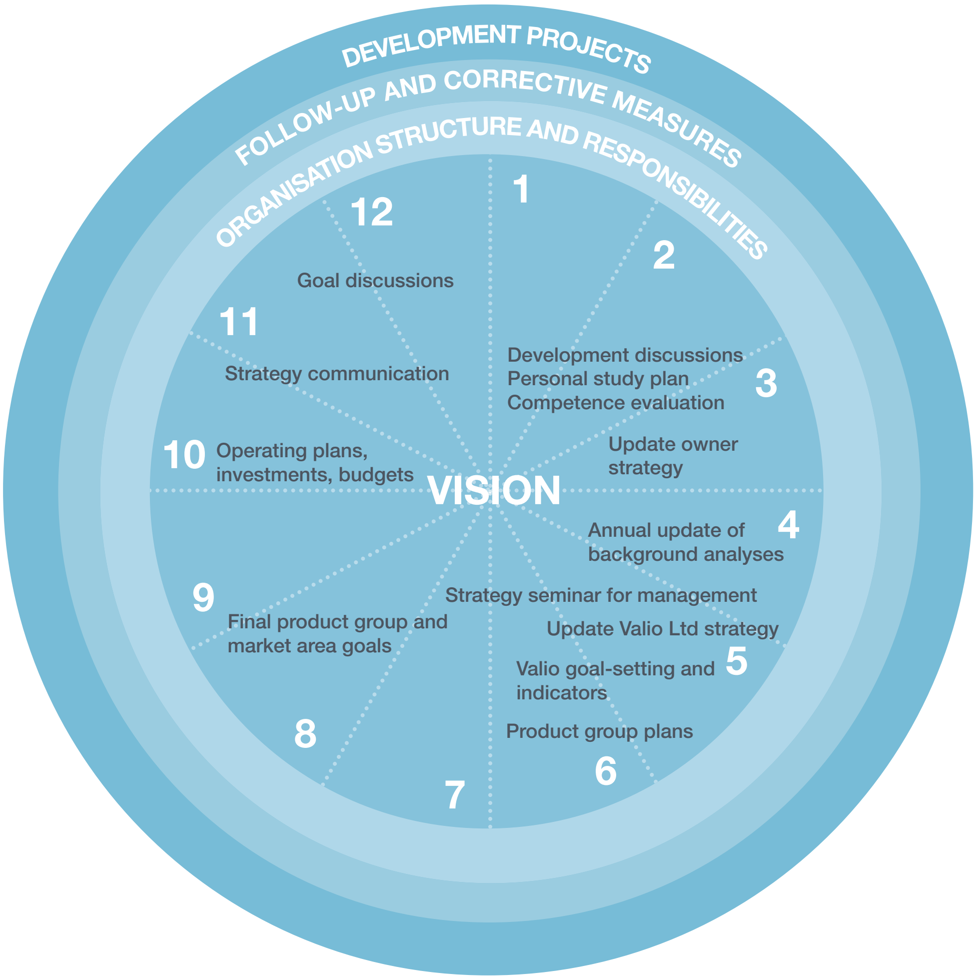
Share of milk used for main product groups in domestic sales and exports 2006



Products sold in domestic market, total 61%
Products sold in foreign markets, total 39%

*Sales of raw milk to external customers

VALIO GROUP MANAGEMENT SYSTEM: Annual cycle



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, shortening market response times, and developing methods of operation.

Customers and markets

Strengthening market position in the Home Market

Valio's objective is to strengthen market position and grow profitably in the Home Market, especially in Russia, Sweden and the Baltic States, which are included in the Home Market together with Finland. The objective is to have a strong Valio brand and attain a significant position in selected segments. Valio aims to strengthen its relationship with consumers and increase its share of consumer products in sales both in the home and international markets. This objective is especially supported by the Valio brand whose recognition will be improved in the Home Market. Valio develops concepts and products that offer consumers value added compared with other products in the same product category. Creating value added is made possible by Valio's strong R&D expertise and knowledge of consumer needs.

Deepening partnership with central retail chains and other co-operation partners
Valio aims to be the leading supplier and number one partner for its customers. By developing the business relationship and methods of operation, 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, such as suppliers and licence holders.

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, estimated the personnel's need for development, and defined what kind of training and coaching is required for their development.

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. The requirements for the development of the operations and culture have been made concrete in the descriptions "good Valio employee" and "good Valio supervisor".

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 methods of operation are simplified, processes enhanced, and operational flexibility and response sensitivity developed, so as to anticipate and satisfy the needs of consumers and customers.

2.4 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 on the company's intranet. Valio has a Well-being Manager whose task is to promote well-being at work. In 2006, the strategic goals for human resources were commitment and job satisfaction, the advance of change, and supervisor skills.

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

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 dairy farmers have access to the Valma information and news service via the Internet.

VALIO profeel

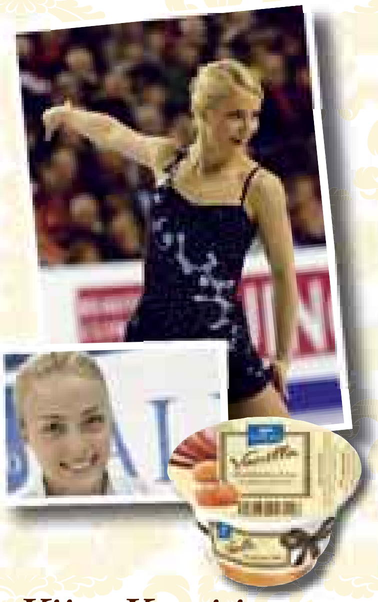
ProFeel for weight control

Valio ProFeel products have been developed to help in weight control. All ProFeel products are very low in energy, with plenty of fibre that balances blood sugar levels, and added calcium and vitamin D. The products are also lactose free.

The ProFeel product family includes milk drink, fat free yoghurts, the cottifrutti snacks made of quark and cottage cheese, and cream cheeses that contain only 2% fat.

Valio runs a free weight-controlling service on the Internet with health calculators, diet lists, product information, and instructions for starting exercising. No registration is required for the site.

Weight-controlling service found at www.valio.fi/painonhallinta (in Finnish)



Kiira Korpi is the Valio girl

Valio made a two-year sponsorship agreement with figure skater Kiira Korpi in September 2006. Through its work with Kiira, Valio aims to improve its level of recognition and most especially in Russia, the Baltics and Sweden where figure skating is a popular sport.

The brand focus lies on Valio's new selection of delicacy products, Valio Vanilla. On Kiira's web pages at www.valio.fi (in Finnish) she says that her favourite food is typical Finnish home made food and Valio Vanilla.

Valio wants to support Kiira on her way to the top because she is a happy individual with a fresh disposition, and her healthy values fit well with Valio's values. Her journey has started well.

We are delighted to congratulate Kiira on winning the bronze medal at the 2007 European Figure Skating Championships.

In 2006, Valio promoted awareness of the dairy professions by funding the Milkworks project. The Finnish language website at www.milkworks.fi introduces the dairy professions and provides information about milk production.

Valio is actively involved in both Finnish and international food industry organisations, projects and committees; e.g. in the supervision of interests and in order to develop dairy industry training, research on dairy products and their components, and the quality of milk and well-being of dairy cattle.

Valio's Senior Vice President, International Sales, continues as President of the European Dairy Association (EDA) for another two-year term from 2007–2008.

Valio's R&D unit participated in an evaluation of the Finnish food industry conducted by the Academy of Finland in 2006. In the EU, Valio influenced the preparation in the working groups of the Finnish Food Safety Authority Evira, and the EDA, of the legislation concerning permitted health claims. Valio co-ordinated the EU 'GutImpact' project and arranged its successful congress in Tallinn. Representatives of Valio R&D also work actively in the creation of the EU's 'Food for Life' strategy. At the International Life Science Institute (ILSI), an organisation run jointly by research organisations and the food industry, representatives of Valio R&D sit on the Board of Directors and participate in a variety of projects.

Valio participates in the operations of the Foodstuffs Industry Pool of the National Board of Economic Defence. The Foodstuffs Industry Pool exists to secure the operation of the Finnsh food industry under exceptional circumstances.

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. Valio also has a representative on the Board of Directors of the Finfood – Finnish Food Information association.

The media is an important Valio stakeholder in conveying correct information about the operations of the company to consumers.

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.

2.5 Sponsorship

Valio's sponsorship principles can be viewed at the www.valio.com website and on the company's intranet.

In its home market, Valio sponsors objects of international interest that make Valio's corporate image bolder, more innovative and cheerful. In Finland, Valio participates in the support of many different national events. The objective is to strengthen the position of the Valio brand in Finland and promote Valio's recognition abroad. Co-operation with our sponsored partners will help to attain Valio's brand strategy goal to be the best-loved food brand in Finland.

Valio made major partnership agreements with the Finnish Alpine Ski teams and figure skater Kiira Korpi in 2006. Close co-operation with the Children's Day Foundation continued.

The Finnish Alpine Ski teams and Kiira Korpi

Valio aims through its sponsorship agreements to offer consumers fun and experiences above all else, in the form of different competitions and events.

Moreover, the Alpine Ski team raises Valio's visibility in the home market, Central Europe and the US e.g. through top alpine sports performers Kalle Palander and Tanja Poutiainen. Figure skater Kiira Korpi will create visibility first and foremost in Finland and Russia.

Kiira and the skiers will participate in Valio events and be associated with a variety of marketing activities, including advertising.

The Children's Day Foundation

Valio also wishes to support the well-being of children and young people and is accordingly a principal stakeholder for Linnanmäki amusement park. In 2006, Valio achieved visibility in Linnanmäki with its PLAY brand and 'Bringing taste to life' theme. The proceeds at auction of the original works of art behind the Art of Milk campaign were donated to the Children's Day Foundation in 2006.

3 Responsibility for well-being

3.1 Principles that guide corporate responsibility

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.

In addition to values, responsible operations are guided and defined by the operating principles that are part of Valio's management system. Operating principles have been drawn up e.g. for environmental issues, human resources policy, product safety, customer relations, communications and publicity, marketing communications, and milk production chain quality standards. Valio Group objectives, operating policy and corporate responsibility have also been described.

Operating instructions have in addition been drawn up e.g. for safe operations, good production practices, purchasing, information management, and initiatives. The operating principles and instructions have been recorded in Valio's certified quality management system.

Milk procurement

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 the milk collection distance. 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.

Valio's communications and marketing communications principles

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

Corporate and product communications will focus increasingly on the company's website, which was redesigned in 2006, and the main content of the home page is now food and products instead of corporate information. The primary channel for internal communication is Valio's intranet.

According to Valio's communications principles, its content shall be truthful.

The principles of marketing communications are: truthfulness, equality, good conduct and safety.

4 Economic responsibility

4.1 Responsibility for the continuation of milk production

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. In 2006, two thirds of net turnover was 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 for 2006 is presented in the financial statements section of this report.

Valio also bears its responsibility, through its operations, for securing the continuity of milk production in Finland. 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, and Finns would have to rely on dairy product exports.

VALIO LTD (PARENT COMPANY) KEY FIGURES 2004-2006

Financial responsibility indicators	**2004**	**2005**	**2006**
Net turnover (€ mill.)	1 428	1 403	1 431
Operating profit (€ mill.)	69	25	12
Profit (loss) before appropriations and taxes (€ mill.)	59	17	-1
Balance sheet total (€ mill.)	813	768	769
Solvency ratio (%)	44	45	42
Liquidity (current ratio)	1.26	1.40	1.31
Net turnover by product group			
Fresh dairy products	608	621	655
Butter and spreads	193	188	178
Cheese	374	390	408
Powdered ingredients	99	93	93
Ice cream	47	-	-
Other	107	101	97
	1 428	**1 403**	**1 431**
Investments (€ mill.)	98	48	44
Interest paid on debts (€ mill.)	10	11	11
Dividends paid (€ mill.)	5	4	4
Wages and salaries (€ mill.)	125	123	124
Taxes paid (€ mill.)	17	3	1
Purchases from suppliers (€ mill.)	948	945	972
Number of personnel (average)	3 870	3 586	3 422
Number of production plants	15	14	14
Number of staff working in production	2 284	2 185	2 017

4.2 Economic operating environment

Finland is the most important market for Valio's financial success. The export product groups bearing greatest financial significance are butter, cheese and powdered ingredients. Russia is the largest single export destination for butter; powdered ingredients are sold worldwide, and cheese is exported mostly to Russia, Belgium and the US.

Economic growth in Finland, Sweden, the Baltic States and Russia was strong in 2006. Net turnover in the subsidiaries operating in Russia, Estonia and Sweden increased by more than 15%. Cheese exports to the US decreased slightly. The world market price for milk and whey powders remained at a reasonable level.

In the mid-term, Valio's business will be affected by the European Union's CAP reform that aims to phase out export subsidies gradually. It resulted in reduced export subsidies in 2006.

5 High-quality products that promote well-being

5.1 Quality control starts at the dairy farm

Milk producer expertise and good production practices create a basis for tasty and safe dairy products. The quality created at the dairy farms cannot be improved upon in the other links of the chain.

Valio's excellent raw milk quality has been achieved by investing purposefully in the development of common methods of operation in primary production. Valio Group's own directions for good production practices serve as the basis of quality work at the farm, and the farm commits itself to complying with them in the quality agreement made with the procurement co-operative. The directions contained in the Milk Quality Manual are in use at all farms.

In 2006, e.g. changes to the hygiene regulations for primary production were upgraded in the Milk Quality Manual. A new obligation was imposed on the dairy farms: a description of internal control is now required for key production methods. In the description, the milk producers need to determine how they ensure hygiene practices at the farm in accordance with the legislation and the Valio Group's customer requirements. At Valio farms, internal control is an integral part of the farm's quality system and everyday work.

Compliance with the quality agreement is controlled by farm evaluation visits performed by the procurement co-operative. Advisory farm evaluation was conducted on 830 farms in 2006, i.e. 7% of Valio farms. In addition, Valio Group introduced farm self-evaluation, in which milk producers evaluate their own operations and prepare a summary of their observations for the procurement co-operative.

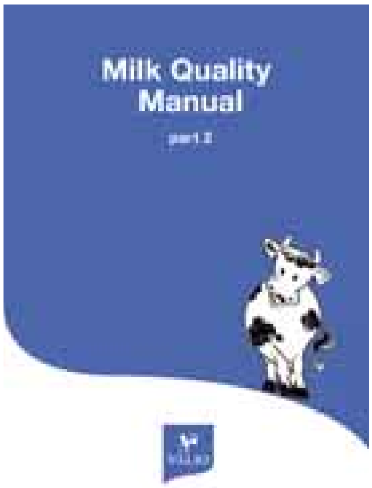
The Valma website operates as the information channel for dairy farms on the Internet and contains data of particular importance to the farms such as the results of milk and silage analyses, and news about raw milk prices. Valma speeds up the conveyance of the farms' production information, which strengthens quality control. The system sends a notification of deviating results to a mobile phone or through e-mail. Valma also serves as the repository for information regarding the farm's internal control, i.e. the quality history data improve milk traceability.

5.2 Finland produces the cleanest milk in the EU

The quality of the raw milk used in the manufacture of Valio products is carefully tracked from the outset. Milk producers examine e.g. drug residues and cell content for the milk from each cow, and track the temperature of the milk in the farm tank.

The driver of the milk collection lorry checks the temperature, aroma and appearance of the milk in the farm tank. The driver also takes farm-specific milk samples whose quality and composition are analysed twice a month. The milk in the lorry is tested for microbial drug residues before it is unloaded into the milk silo at the production plant. If the milk contains drug residues, it will not be used in food production. The temperature of each milk batch is measured, and samples are taken for quality and composition analyses that are performed twice a week.

The bacteria and cell contents of milk at the farm are very low. In 2006, the geometric mean value of all bacteria measurements was 5 750 bacteria/ml, and the mean value of cell content 128 880 cells/ml (compare with the limit values presented in the table).



- 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.

MILK QUALITY CONTROL 2006

	Farm milk Quality requirement	Farm milk Requirement met	Milk batches Quality requirement	Milk batches Requirement met
Temperature	< 6 °C	99.56%	< 6 °C	99.84%
Microbial drug residues	negative	> 99.99%	negative	99.98%
Total bacteria content	< 100 000 / ml (geometric mean value)	99.98%	< 100 000 /ml (single result)	99.18%
Cells	< 400 000 (geometric mean value)	99.92%	< 400 000 / ml (single result)	99.97%

Valio Group investments in R&D

	mill. €
2002	9.7
2003	10.2
2004	10.5
2005	11.5
2006	12.4

Other properties of raw milk that affect product quality are also analysed. In recent years, butyric acid spores in particular have from time to time caused problems in cheese production. The practice of analysing butyric acid spores has been significantly increased, and advisory services have been focused on farms whose milk contains a high quantity of spores.

The collection of milk from farms is conducted by transport companies that have made agreements with the procurement co-operatives. The agreement obliges both parties to follow the common instructions distributed to all the milk lorries. One of the key elements in raw milk quality assurance is the milk collection deviation report that is filled out by the driver if he or she observes anything exceptional in the milk in the farm tank (e.g. the temperature of the milk is too high). The deviating milk is left in the farm tank rather than taken in and the driver reports accordingly. Milk was collected from farms 2 270 000 times in 2006, and the driver observed deviations in 0.04% of the cases.

5.3 Assuring product safety

All Valio production plants and warehouses have an in-house control system approved by the authorities, the realisation of which is followed through regular audits.

The in-house control plans are drawn up on the basis of risk assessment in accordance with the HACCP principles. The production plants' in-house control covers the entire production process from the reception of raw materials and packing materials to the supervision of finished products, facilities and process equipment. Valio commenced the updating of the in-house control plans to meet the requirements of the EU's hygiene legislation and the national statute on the hygiene of foods of animal-origin as soon as the regulations entered into force.

The required approvals for laboratories that conduct official in-house control were applied for in connection with the accreditation audits of the laboratories. The results of monitoring for listeria and salmonella continued to develop favourably.

Valio has effected large investments to improve the hygiene of the facilities and equipment in the production plants, e.g. separating high hygiene areas from other facilities. Production line and process upgrades have also improved the hygiene level.

The cleanliness of equipment and production lines is a basic requirement for good product quality and preservation. Valio has drawn up operational and structural minimum requirements for the production plants' cleaning centres, and in order to meet those requirements many plants are planning or have commenced the replacement or renovation of cleaning centres.

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.

5.4 R&D invested in new products and research

Valio R&D focused its resources especially on both swift new product launching and strengthening research proof for Valio's value added products.

In 2006, Valio launched 114 new products in Finland and several in Sweden. Total turnover for new products in Finland exceeded € 40 million, and they improved the profitability of the product range. The new fresh dairy products were particularly successful. New products that have been on the market for less than five years accounted for 26% of turnover at the end of the year. Valio submitted seven new patent applications in 2006.

Valio has made gains both in product development and production process efficiency. Reducing the variation in product composition led to a significant fall in raw material costs. New solutions were found for regulating the texture of yoghurt. Systematic microbiological information was collected concerning the generation of cheese quality during the maturation process, and a model was developed for Emmental cheese maturation. Starter production efficiency was improved significantly in 2006.

Stronger research proof

Evolus drink developed by Valio received further proof of its blood pressure lowering mechanisms. Evolus attracted major international interest due to the new results and Valio submitted two patent applications, one of which is based on improving the elasticity of blood vessels.

Research was conducted concerning the effect of Valio's ProFeel product family – developed for weight-controlling – on the feeling of fullness and on blood sugar levels. The results showed that ProFeel balances the blood sugar/insulin response and provides a long-lasting feeling of fullness. The results provide strong support for the international licensing of the ProFeel concept.

Clinical results achieved in 2006 showed that Valio's second-generation probiotic product, the LGG®Plus probiotic combination, relieves the symptoms of irritable bowel syndrome (IBS). An application will be made for a permit to use a health claim for the product.

On the basis of tests in the treatment of intestinal problems amongst the elderly, Valio launched A+ Express yoghurt containing milk "fibres", i.e. galacto-oligosaccharides (GOS), to enhance stomach function.

With funding from Tekes, the Finnish Funding Agency for Technology and Innovation, Valio and the Institute of Biotechnology at the University of Helsinki decoded the genotype of the Lactobacillus GG and Lc 705 probiotics. The project aims to find new kinds of patentable international applications that contain LGG®Plus strains.

Valio chemical analysis services accredited a method for determining the lactose-free status of milk (less than 0.01% lactose) for international sales.

5.5 Investments in packing machines and capacity

Valio has 14 production plants in Finland plus subsidiary Nordic Jam Ltd's jam plant. There are also two production plants in Estonia and one in Belgium.

In 2006, Valio invested in replacing production and packing machines for a variety of products, and in increasing capacity. Valio invested in developing production in Estonia in particular. The largest investment in Finland was made at the Haapavesi plant, where packing lines were revamped and the production capacity of Oltermanni cheese was increased. Investments also contributed to improving production hygiene and reducing the environmental load.

Production plants continued to develop a method of operation whose goal is to improve productivity, cost-efficiency and job satisfaction. A special focus lay on improving operating staff expertise and supervisors' management skills.

Valio Production plants

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 Oy, Suonenjoki

Abroad

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

5.6 Bringing taste to life

bringing taste to life

Finns associate Valio with the adjectives genuine, responsible, clean and Finnish. These are the roots around which the Valio brand is built. In 2006, the slogan “Bringing taste to life” was added to all of Valio’s marketing communications. Valio wishes to remind people of the joy of eating and an enjoyable world of tastes. Valio is the leading developer of value added products in Finland. “Bringing taste to life” communicates that health-promoting foods taste good, too.

Valio Marketing continued to open up new channels. A sequel to the unique Art of Milk campaign that started in late 2005 was designed for 2006. First, the milk cartons were decorated with figures of happy cows and consumers were invited to suggest names for them. Some 40 000 people sent in their ideas for the ladies’ names, in addition to which Valio received many cow-motif drawings from children. Late 2006 marked the beginning of the Poetry of Milk campaign in which poems by Bo Carpelan, Elina Karjalainen, Juuli Niemi, Eppu Nuotio, Tommy Tabermann and A. W. Yrjänä were published on the milk cartons. Elina Karjalainen’s poems proved to be her last work, as sadly she died in Autumn 2006.

Valio published a new cookbook entitled “Antoisaa arkea” (Rewarding everyday cooking) which contains quick and easy recipes for everyday use. Another Valio publication, “Edam-muistoja” (Memories of Edam), gathered together photographs and stories sent by consumers about memorable meals they’ve had over the years.

Consumer Services and the Kerma club

Valio stays in touch with consumers not only through marketing, but also with the advice offered by Valio Consumer Services and the related feedback system. Consumer Services responded to 37 220 consumer queries in 2006.

Valio is making increasing use of the Internet as a channel to supply information and services. In 2006, Valio opened the Kerma club for lovers of food and cooking. The members receive an impressive and useful club magazine four times a year as well as a range of benefits in the Ruokamaailma section of the Valio website. Publication of the Kodin Ruokavuosi magazine was discontinued. By the end of the year, the Kerma club had attracted around 30 000 registered users.

Valio also started delivering webcasts in which the company's experts demonstrate step by step secrets of success on how to cook different dishes.

Customers and nutrition and health care professionals can access the company's Valiokanava extranet via the Finnish website at www.valio.fi.

Valiokanava hosts the Ravitsemus ja hyvinvointi (nutrition and well-being) service, which was opened for nutrition and health care professionals and pertinent media stakeholders in 2006. The service provides information related to nutrition, nutritional research and functional foods, as well as presentation material that assists in advisory work.

Valio has a free website for weight-controlling where visitors can print out weekly diets, try out different calculation systems – such as the nutrient calculator, weight index calculator and energy calculator – and read about nutrition. Valio has developed its ProFeel product family with exceptionally low energy content to help with weight control. The products contain fibre that balances blood sugar levels, beneficial milk protein that adds a feeling of fullness, and added calcium.

On average, 95 000 different users per month visited the Valio website in 2006. The site includes for example a cook-book with more than 2 000 recipes and a versatile search engine.

Brands were revamped and extended across product groups

The biggest brand revamp in 2006 was the renaming of Hovi cream cheeses as Viola, which also revitalised the traditional Viola brand in the Finnish market. The Viola brand world is centred on Villa Viola, where the young lady Viola lives. The world of Viola is colourful, abundant, hospitable and cheerful. Viola cream cheeses were very well received and increased the sales of Valio's entire cream cheese segment.

Valio's brand thinking changed so that products from different product groups can now be developed under the same brand. First, the Oltermanni and Polar brands were extended from hard cheeses into the processed cheese segment, and at the beginning of 2007, quark snacks were launched under the Polar brand.

Valio Kidius children's yoghurt was launched in the entire home market in accordance with Valio strategy. Sales of Valio's lactose free dairy products were expanded from Finland and Sweden into Russia. In Sweden, Valio's lactose free products hold a strong market position. The production technology behind lactose free milk drink won the highly valued European FoodTec Gold Award.

Brand co-operation with other companies continued. A spice mixture made by Santa Maria was combined with Valio fraiche.

Milk carton relates stories

Milk carton campaigns continued

Valio's first new kind of milk carton campaign, the Art of Milk, brought works of art by six well-known Finnish artists to the cartons in 2005. The original pieces were auctioned and the proceeds donated to the Children's Day Foundation in early 2006. Art was replaced by pictures of happy cows, and a competition to select names for the ladies was arranged on the Internet.

The Poetry of Milk campaign started in 2006, incorporating poems by six Finnish writers for a period of four months.

6 Customer needs come first

6.1 Turnover grew and the product range expanded in the Home Market

2006 was a year of growth in Valio's Home Market which in addition to Finland includes Russia, the Baltic States and Sweden. Home market sales increased in 2006 and especially so outside Finland. The share of value added products of sales also increased, which very often means increased sales and above all greater profitability for Valio's customers, too.

Valio initiated a new kind of operating model with its customers in 2006: Home Market Sales and the customer together seek solutions that fit the customer's business idea. Finding good customer-specific solutions will be a matter for further emphasis in Finland as well as the rest of the Home Market. Valio aims to be its customers' best partner.

In Russia, Valio expanded its operations in 2006 in terms of both area and product range; extending to other large cities beyond Moscow and St. Petersburg, and growing the consumer product range significantly, especially in fresh dairy products. Russia accounted for 23% of Valio Group exports in 2006.

As the buying power of consumers increases outside Moscow and St. Petersburg, so the sales of Valio products grow. Sales development was supported by direct agreements with large retail chains. Valio contributed significantly to regional trade development in Russia, and the number of sales outlets for Valio products was multiplied in 2006.

The range of Valio's consumer products and especially of fresh dairy products expanded significantly in Russia, which made Valio an even more interesting partner in the eyes of the customers. Sales of Valio's fresh dairy products increased by 36% in Russia in 2006. Traditionally, Valio has been strong in butter and the processed cheese categories in Russia. A broad product range creates a firm basis for the development of sales in the coming years.

Sales were up at Valio Eesti by around 13% compared with the previous year. The growth stemmed both from successful new products and good work with customers. Valio Eesti offers a wide range of locally manufactured products.

In Sweden, Valio has traditionally been strong in the yoghurt category. In 2006, yoghurt sales decreased but thanks to new value added products, total sales were up by nearly 10%. Valio maintained its position as a company that makes tasty value added products of high quality. Valio is known in Sweden particularly as the developer and pioneer of the lactose free products market.

6.2 Growth is a challenge in the world markets

Valio International Sales handles the sales of consumer products outside the home market together with the Belgian and US subsidiaries, and commercialises the technologies and innovations developed by Valio.

International Sales is also 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 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 in 2006 due to fierce price competition.

Valio-Vache Bleue markets for example Valio cheeses, Belleligne low fat cheeses, and cooking products under the "Selection Cuisine of Vache Bleue" brand; all are market leaders in their own categories.

A challenging year 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. Due to the difficult market and price conditions, the sales of Finlandia Cheese Inc. decreased from the previous year.

A year of variation in the industrial products market

At the beginning of 2006, the world market price of butter declined rapidly. By the summer, the situation had stabilised, and in the autumn the market strengthened so that late in the year prices were clearly above the intervention price (= the price that the EU guarantees for agricultural products when buying them into its own stocks).

The price levels of milk powders and whey powders (Valio DEMI) and demand for whey products remained good throughout 2006. As a whole, the industrial products result clearly exceeded the goals set for 2006 both in the Home Market and international markets.

Growth in the Technology Commercialisation unit

The licence and ingredient sales of the Technology Commercialisation unit increased as expected. The market position of the Lactobacillus GG (LGG) probiotic remained at a satisfactory level despite increased competition. Valio's partners trust the company's probiotic and starter expertise, and wish to develop their product range in collaboration with Valio. Products containing LGG are available in 45 countries. Valio forged a major co-operation agreement in 2006 with Danone's US subsidiary Dannon Inc., on the use of LGG in the US market.

Technology for blood pressure lowering Evolus and lactose free milk production became major technology products for Valio in 2006.

6.3 Quality is required from 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.

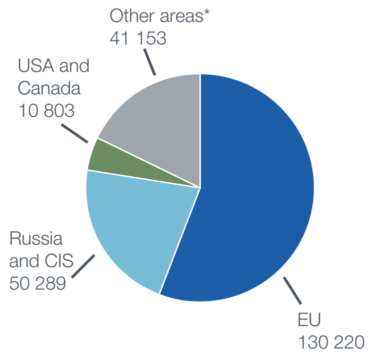
6.4 Valio distribution serves customers more efficiently

Valio determined its distribution strategy in more detail in 2006. The profitability and manageability of the Valio distribution operating model was improved, the goal being to enhance supply chain performance which stood at almost 99% in 2006. Valio distribution operates as part of a supply chain that serves customers cost-efficiently and secures the availability of products in shops. Valio focused in particular on planning holiday deliveries to ensure that customers get products on time.

Operations were reorganised in such a way that Valio aims to take the customers' regional perspectives better into account by shifting decision-making closer to operations. The customers' perspective was also considered in the distribution area changes and the re-arrangement of routes for the fresh dairy product plant in Southern Finland. Valio continues close co-operation with its customers to serve them more effectively and more cost-efficiently.

International sales by area

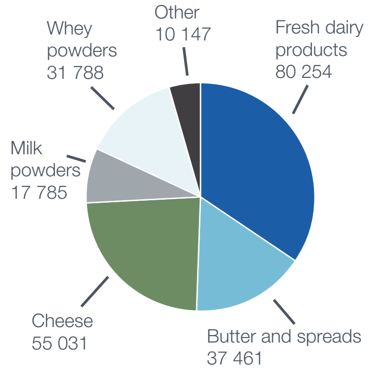
(tn) 2006 (incl. subsidiaries)



* Far East, Southeast Asia, Middle East, Latin America, Africa

International sales by product group

(tn) 2006 (incl. subsidiaries)



Valio's international sales include the local manufacturing of subsidiares and external product procurement, totalling 232 465 tns. Sales from Finland amounted to 167 909 tns.

7 Social responsibility

Valio's personnel-related goals in 2006 were an increased understanding of common goals and objectives; fast and flexible operations; simple ways of working; and a culture of open discussion.

7.1 Human resources strategy, personnel principles, and equality

Valio personnel principles are equality, fairness, openness, bearing responsibility, mutual trust, and respect.

Valio prepared and determined in more detail its equality plan during 2006; working in tandem, as stipulated by new Finnish legislation, with a personnel co-operation group. The co-operation group is a permanent negotiating committee within Valio that exists in accordance with the Act on Co-operation within Undertakings. The group comprises three representatives of blue-collar employees (Finnish Food Workers' Union SEL), one of technical employees (Federation of Technical Employees in the Dairy Industry MVL), and one of higher clerical employees (Union of Salaried Employees TU), as well as three employer representatives.

On the basis of salary statistics, salary equality between genders and personnel groups is realised in Valio better than on average. Valio applies salary tables in accordance with collective agreements for the same jobs regardless of gender, and the HAY salary system for higher clerical employees. The salary difference between men and women results from their proportionate representation in different jobs. There are more men in management, supervisory, expert and maintenance positions. Similarly, the share of women is higher in e.g. laboratory tasks. In Valio, women earn on average 94 cents per one euro earned by men.

According to results from the Healthy Organisation personnel survey in 2006, the realisation of gender equality was rated at 3.78 on a scale of 1–5 (the result in the previous year was 3.84).

7.2 Development of employment

At the end of 2006, Valio Group employed 4 134 people with 3 314 of those working in Finland (parent company and subsidiary Nordic Jam). The average number of employees in the Group in 2006 was 4 165, and in the parent company 3 421. 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.

Vacant jobs are announced internally and Valio employees are encouraged to seek job rotation and acquire versatility and experience in different divisions.

The encouragement of job rotation paid dividends during the year, and an in-house applicant was selected for the majority of vacant jobs.

A Trainee programme was started in 2006. The programme attracted almost 450 interested applicants, from whom five recently graduated young people with an academic degree were chosen. The programme lasts one-and-a-half years, and its goal is to familiarise the trainees with Valio's operations so thoroughly that after completing the programme they possess the skills to work in demanding expert or managerial positions in different Valio Divisions.

7.3 Training

In 2006, Valio's direct training costs amounted to € 934 000, an average of € 273 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.

Target areas for training and learning are mapped e.g. using the Healthy Organisation survey, so that programmes are based on real needs. A personal or team-specific learning plan for each Valio employee is drawn up in connection with a development discussion.

Valio production plants have offered learning-at-work placements and

Employee profile 2006

Full-time	2 740
Part-time	157
Fixed-term	417
Total	**3 314**

Employee turnover 2006

New employees	910
Left the company	807

(incl. seasonal employees)

VALIO LTD PERSONNEL

By site on 31 Dec. 2006
(including part-time workers and those on fixed-term employment)

Haapavesi	116
Helsinki, Meijeritie 3	205
Helsinki, Meijeritie 4	136
Helsinki, Meijeritie 6	363
Joensuu	149
Jyväskylä	298
Kaitsor	50
Kajaani	2
Kouvola	3
Lapinlahti	239
Lappeenranta	20
Mikkeli	1
Nastola	2
Oulu	298
Porkkala	1
Riihimäki	439
Rovaniemi	2
Seinäjoki	322
Sotkamo	2
Tampere	199
Toholampi	70
Turenki	86
Turku	17
Vantaa (Tikkurila)	10
Vantaa (Vaarala)	205
Äänekoski	73
Abroad	6
Total	**3 314**

PERSONNEL STATEMENT VALIO LTD (PARENT COMPANY) 2006

Personnel, quantitative	**2002**	**2003**	**2004**	**2005**	**2006**
Average no. of personnel	3 902	3 962	3 870	3 586	3 422
Personnel, situation at 31 Dec.	3 723	3 770	3 497	3 308	3 314
Total working time (hours)	6 539 858	6 635 593	6 543 976	5 996 830	6 070 096
- overtime	171 488	168 157	163 859	119 937	89 384
- sickness and accident	304 366	314 988	322 432	285 348	286 125
Overtime, % of total working time	2.6%	2.5%	2.5%	2.0%	1.6%
Absence due to illness or accident % of total working time	4.7%	4.7%	4.9%	4.8%	4.7%
Wages for time worked, € 1 000	96 862	98 723	100 937	97 492	95 897
Social wages and other indirect statutory employee costs + supplementary pension	66.2%	52.0%	108.0%	50.0%	53.8%
Personnel, qualitative	**2002**	**2003**	**2004**	**2005**	**2006**
Average age	39.8	39.8	39	40	39.8
Men/Women, %	47/53	47/53	50/50	50/50	51/49
Service life, years	13.6	13.6	13	12.5	12
Pension costs, € 1 000	30 701	16 700	71 143	14 717	15 570
Personnel investments	**2002**	**2003**	**2004**	**2005**	**2006**
Occupational health care, € 1 000 (estimate)	765	703	683	678	692
€ per person, average	196	174	176	189	202
Direct training costs, € 1 000	1 467	1 673	1 234	1 042	934
€ per person, average	376	422	319	291	273
Voluntary social costs, € 1 000	2 130	2 540	2 383	2 766	2 145
€ per person, average	546	641	616	771	627

practical training especially for the dairy industry students of Häme Vocational Institute and HAMK University of Applied Sciences. 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.

7.4 Reward and recreation

Wages for working time in 2006 totalled around € 96 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
2006	€ 4.8 million

Workplaces can support leisure clubs within an annually determined budget. In 2006, the leisure budget was € 90 per person.

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 2006, 19 employees were given awards for a career spanning 40 years in Valio Group and 80 employees for 30 years with the company.

7.5 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, and thereby their job satisfaction, motivation to work, and ability to develop themselves in a changing environment. The management determines the annual focal areas of the activities involved in the programme.

Valio's Healthy Organisation survey is conducted annually in Finland, Estonia and Russia, and future operations are planned on the basis of it. In 2006, it was for the first time possible to answer the survey electronically. The response rate was 70%, the same as in the previous year.

In 2006, 7 of the survey's 16 summary indexes had improved from the previous year. Trust in management had increased most. Other positive changes were the clarity of Valio Group goals, other management, commitment, supervisors' work, job satisfaction, and stress.

Receiving feedback from supervisors emerged as a target for development, and hence Valio's working capacity maintenance goal for 2007 is the promotion of a culture of open discussion. There is a training programme (Sykettä – varhainen puheeksi otto ja palautteen anto) to promote giving feedback and tackling problems early. All Valio supervisors will participate in the programme.

The job satisfaction index stood at 3.84 (3.83 in 2005). 74.1% of the respondents were fairly or very satisfied with their work, and 72% of the personnel thought that Valio offers a pleasant workplace.

A total of 66% of Valio personnel participated in development discussions in 2006 (72.9% in 2005).

7.6 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 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 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 2006, Valio promoted working capacity by, for example, arranging muscular fitness testing for fifty year-olds, an information session about heart disease, and by promoting the cessation of smoking.

7.7 Support in case of lay-off

The personnel support package in case of lay-off was re-organised in 2006. The primary outcome is that the opportunity to move to another Valio unit or other job in Valio is explored. Events are arranged at Valio sites to deliver information about different forms of support following lay-off.

The financial support package in case of lay-off includes the following:

Wage guarantee

Should an employee move to another Valio site for a job with a lower salary, the employee will receive salary in accordance with the previous employment relationship for 12 months.

Relocation support

Persons who move to permanent employment at Valio in a new location are entitled to relocation support, in connection with which the transference of permanent residence is required. The value of the support corresponds to two or three months' salary, depending on how long the employee has been working at Valio.

Lay-off assistance

One month's basic salary including fringe benefits and fixed supplements is paid to permanent employees in connection with the final salary, if the period of employment has been longer than one year.

Holiday pay and bonuses

Holiday pay for earned holiday compensation is paid to employees who are laid off. If the obligation to work lasts until the end of the employment relationship, an extra bonus can be paid, if the agreed production goals are met.

7.8 The number of accidents decreased

Valio's safety goal for 2006 was "zero accidents", and the focal areas were activating the reporting of near accidents, and improving the safety of, and reducing accidents during, forklift operation.

A total of 336 accidents was recorded at Valio Ltd in 2006, 10% fewer than in the previous year; 38 of the accidents took place on the way to or from work, and 5 were occupational diseases. Accident frequency stood at 48.3 per million working hours. There was one fatality, which occurred in a traffic accident on the way to work. Valio records as accidents all cases that result in absence from work or treatment costs.

In autumn 2006, an employee of one of Valio's partner companies who was working at a Valio site died in an occupational accident.

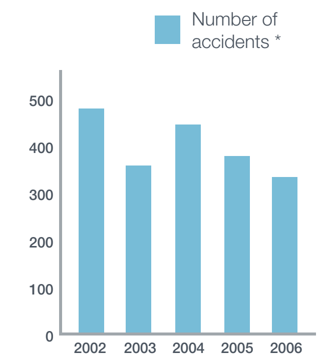
All accidents, near accident and danger situation reports, are recorded and investigated. Assessments of occupational safety risks have been conducted at all sites, and they are updated as the working environment changes. We also require this of our partners operating at Valio plants.

Almost all employees working in production, warehousing or maintenance have a Finnish occupational safety certificate.

Valio's safety principles are:

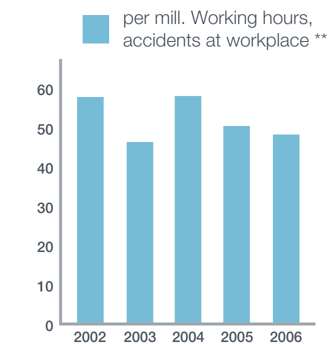
- All accidents can be prevented
- Safety supports the high quality of products and operations
- Safety is health and well-being
- Safety is a common issue

Accidents, Valio Ltd



* Includes all accidents and occupational diseases

Accident frequency, Valio Ltd



** Does not include accidents during business travel or occupational diseases
Source: Valio's Mutual insurance Company (VKV)


Malibu

8 Environmental responsibility

8.1 Caring for the environment and environmental results

Responsibility for the environment and the well-being of animals is one of Valio's core values. In its environmental policy, Valio has committed itself to acquiring technology that reduces environmental impacts, uses raw materials and energy efficiently and favours returnable, re-usable or recyclable packaging, or such that is suited to energy fraction. Valio has also committed itself to the Business Charter for Sustainable Development published by the International Chamber of Commerce (ICC). The figures reported cover Valio's operations in Finland.

Valio has held an ISO 14001 environmental certificate covering domestic operations since the year 2000, which was last re-approved on 18 May 2006. The functioning of the environmental system is continuously evaluated via internal and external audits.

Pursuant to the Environmental Protection Act, 13 Valio plants require an environmental permit, and the required permits have been granted. During 2006, the permit procedure for one Valio plant no longer in production use expired due to the amendment of a statute.

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 2006, environmental training totalled 1 450 man-hours, or on average 0.5 hours per employee.

Production volumes and raw milk intake

Valio production plants took in 1 865 million litres of raw milk in 2006. In addition, a total of 21 022 tonnes of different jams, purées and concentrates, and 17 309 tonnes of other auxiliary and raw materials, such as salt, sugar and vegetable oil, were used in production. A total of 982 million kilos of juices and dairy products was produced during the year.

Valio took in 26.5 million litres of organic milk, and a total of 11.2 million kilos of organic products were manufactured. The largest group of organic products was organic milk and organic fresh dairy products. In addition, Valio produced organic Edam cheese and organic milk powder. Valio Group included 123 organic contract farmers at the end of 2006.

8.1.1 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 5 100 tonnes and that of 60% nitric acid to 2 600 tonnes. The processes of the ingredients plants consumed 3 200 tonnes of 33% hydrochloric acid. Small amounts of detergents, containing hydrogen peroxide and peracetic acid, are used in disinfection.

The refrigeration plants of Valio sites hold a total of 158 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 four plants, chemical handling is minor in accordance with the statute.

8.1.2 Energy consumption

Dairy processes consume energy in the form of steam and electricity. Total energy consumption in 2006 was 687 GWh and in the previous year 722 GWh, a reduction of 4.8%.

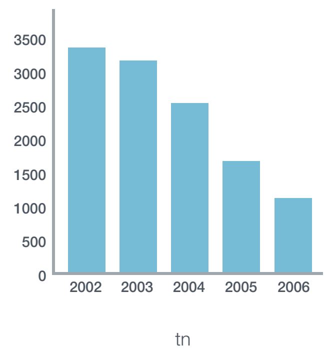
Electricity is mainly required in the use and cooling of process equipment, and accounted for 30.7% of energy consumption in 2006. Electricity consumption decreased by 2.9 GWh on the previous year and stood at 211 GWh.

Large amounts of thermal energy are required in the drying of powder products, heat treatment of some products, for cleaning, and in heating buildings. The consumption of thermal energy in 2006 totalled 476 GWh, down 32 GWh on the previous year. The boiler rooms at Valio plants are maintained by subcon-

Energy consumption

Proportioned to volume of milk taken in

Decrease in waste for disposal



Viola is back

In 2006, Valio made history by re-launching the traditional Viola brand in the Finnish market. Hovi cream cheeses were transformed into cheerfully fresh Valio Viola cream cheeses. The new world of Viola is colourful, modern and cheerful.

Consumers responded well to the new Viola: Valio's share of the cream cheese market increased by several percentage points during the second half of 2006, and Valio Viola grew the whole cream cheese segment.

Viola is traditionally a strong brand in Russia, too, and has been exported there for half a century. Viola was first launched in Finland in 1934.

tractors. In March 2006, the Oulu site switched from its own boiler room to district heating.

8.1.3 Water consumption

Two operations that consume a lot of water in dairies are cooling and cleaning. Valio used 4.9 million cubic metres of water for process flow cooling in 2006, mainly surface water that is returned to natural waterways.

Milk is an easily contaminated raw material and production hygiene is maintained through cleaning. In 2006, Valio consumed a total of 5.2 million cubic metres of household water: 4.5 million from municipal waterworks and 0.6 million from its own supply. Eleven 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 1.7% from the previous year, with water usage rationalised in the Lapinlahti, Jyväskylä 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 2006.

8.1.4 Emissions into air

Energy production causes emissions into air. 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 36% share, while peat accounts for 35% and natural gas for 18%.

Compared with the previous year, the use of heavy fuel oil decreased and that of peat increased. This development resulted from the re-organisation of energy supply in the Lapinlahti and Haapavesi plants. Renewable fuels, such as wood chips and pellets, accounted for 10% of the thermal energy need. Valio's Lapinlahti and Seinäjoki boiler plants are included in the emissions trading system under the Kyoto Protocol.

At the end of 2006, Valio plants held 75 kilos of CFC in their refrigeration equipment. The amount decreased significantly during the year, as obsolete machines were disassembled. The amount of HCFC was 2 590 kilos, and the filling degree was 228 kilos. The equipment held 1 243 kilos of HFC, and the filling degree was 83 kilos. The carbon dioxide emissions from energy production from the burning of fossil fuels and peat amounted to 150 000 tonnes.

8.1.5 Waste management

Valio waste management is based on sorting. In 2006, 927 tonnes of waste was forwarded to reuse, mainly corrugated board boxes, wooden platforms and metal barrels. A total of 1 551 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 683 tonnes.

The amount of waste disposed as refuse resulting from Valio's production has decreased significantly in recent years. In 2006, the amount of waste disposed as refuse was 1 136 tonnes. In addition, there were 937 tonnes of sludge from sand separator wells and 135 tonnes of building waste. Valio has managed to reduce the amount of waste disposed as refuse by improving waste sorting and forwarding more waste to energy fraction. The amount of energy fraction totalled 1 306 tonnes in 2006. The total material flow through Valio waste management has been decreasing at a steady annual rate of 4% for several years. This development continued in 2006.

In 2006, Valio began to direct all faulty batches of fresh dairy products and products returned from shops to the A-rehu feed factory in Varkaus where liquid products are separated from packages. The product 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. Previously, Valio production plants handled these batches themselves.

The dairy industry produces only a little hazardous waste and Valio was responsible for a total of just 91 tonnes in 2006, the majority being waste oil and solid oily waste from maintenance.

8.1.6 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 2006, Valio production plants emitted 5.1 million cubic metres of waste water, 1% less than in the previous year. The volume of waste water per litre of milk taken in was on average 2.7 litres.

The chemical oxygen demand (COD) describing the amount of organic substances in waste water was 10 935 tonnes, a decrease of 6% on the previous year. The positive development resulted from better management of load-susceptible stages of whey production processes, and the limiting of emissions at the Seinäjoki and Kaitsor plants.

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 2006.

8.1.7 Significant product, chemical, oil and fuel spills

Ammonia was observed in the ice water basin at the Joensuu dairy in February. In the investigations that followed, the ammonia leak was found to be minor, and the water containing ammonia was drained under control together with the North Karelia Regional Environment Centre and Joensuun Vesi.
A report was submitted to the Safety Technology Authority.

In May 2006, approximately 36 000 litres of whey concentrate was drained at the Lapinlahti plant as the result of a technical fault. The emission caused a minor operating fault in the purification plant. A report was submitted to the North Savo Regional Environment Centre.

In September, a broken high-voltage cable that supplies electricity to Valio's Seinäjoki plant and its surroundings caused a series of short power cuts which interfered with the plant automation. As a result of the interferences, approximately 8 000 litres of cream leaked to the purification plant. The emission caused a brief operating fault in the purification plant and a report was submitted to the West Finland Regional Environment Centre.

8.2 Use of packing materials and recycling

8.2.1 Use of packing materials

Valio products are packed in disposable consumer packages. In 2006, a total of 43 000 tonnes of packing materials was delivered with the products, of which 32 800 tonnes went to the Finnish market and 10 300 tonnes went for export.

The use of packing materials not containing wood materials amounted to 35.1 grams per product kilo in 2006, or 0.3% more than in the previous year. A total of 17 300 tonnes of beverage carton and 5 000 tonnes of plastic 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 2006, a total of 220 tonnes of aluminium was used in products sold in the domestic markets, which was at the level of the previous year.

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

8.2.2 Packages recycled

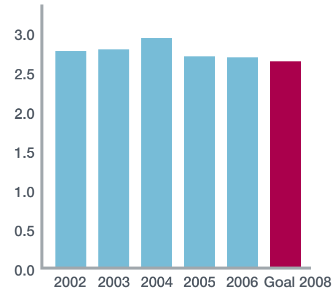
82% of the packages used by Valio in 2006 were made of recyclable materials. For example, all milk, fermented milk, yoghurt, juice and cooking product packages made of beverage carton, as well as their caps, can be placed in a bin

Division of packing materials for Finnish market

	g/kg product	% of material volume
Beverage carton packages	22.6	65.3
Corrugated cardboard	4.3	12.4
Plastic	6.5	18.9
Steel	0.3	0.8
Consumer packages and wrappings	0.5	1.3
Aluminium	0.3	0.8
Industrial wrappings and sacks	0.1	0.4
Total	34.6	100

Waste water volume

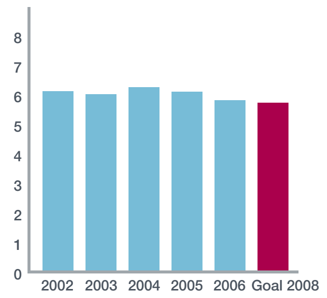
Proportioned to volume of milk taken in



M³ water / 1 000 l milk

Chemical oxygen demand (COD) per product tonne indicating the organic loading of waste water

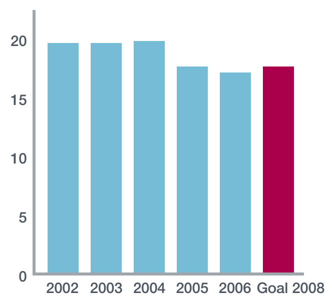
Proportioned to volume of milk taken in



kg COD/tn product manufactured

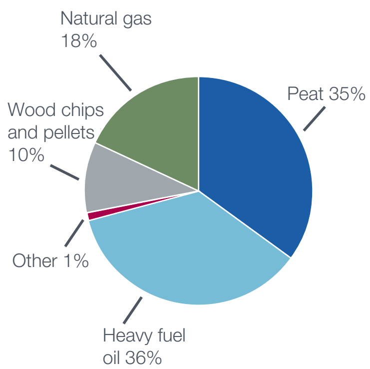
Packing materials usage

In grammes per milk litre taken in



kg COD/tn product manufactured

Shares of fuels used for production of thermal energy



designated for recyclable board. In Finland, Valio uses returnable plastic trays and boxes, and steel dollies and trolleys, as wholesale packages for fresh dairy products.

Valio Ltd has joined Environmental Register of Packaging PYR Ltd. PYR Ltd is a producer organisation for companies that use packaging materials. 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-kierrätys 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 7 200 tonnes of beverage carton was recovered in 2006.

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).

8.3. Milk collection and distribution transports

The collection of milk from farms has been sub-contracted to transport companies. Valio is in charge of collection planning and control, which allows for optimal and efficient route planning. The utilisation rate of the lorries in 2006 was on average 20.1 hours a day, they drove a total of 26.9 million kilometres, and carried 1 957 million litres of milk per year. The number of kilometres driven in proportion to the quantity of milk transported continued to decrease, primarily due to a larger average farm size and the higher capacity of the lorries.

Transfer transports between Valio production plants covered a total of 3.1 million kilometres, and they carried a total of 247 million litres of different semi-finished products.

Valio's delivery lorries drove a total of 24.9 million kilometres in 2006 and carried 755 million kilos of Valio products and 76 million kilos of other food companies' products. Distribution kilometres decreased from the previous year thanks to changes in distribution areas and structural development. Valio's distribution has been sub-contracted to private transport companies, but Valio is in charge of distribution planning and control. The private transport companies' operations are dedicated to Valio distribution, so the vehicles are not used for other transports. In 2006, Valio introduced new, more advanced software for distribution route optimisation.
A software application to improve the efficiency and quality of distribution was also introduced in the logistics control process in 2006.

The trial of carbon dioxide refrigeration in the load space of delivery lorries that was started in 2003 came to a close; the results were good and the project will be continued in the Helsinki metropolitan area. More lorries will be purchased as old ones become obsolete. Refrigeration by carbon dioxide recycled from industry is noiseless and efficient even in the heat of the summer. Noiselessness is important in towns because deliveries often start early in the morning.
The replacement of a diesel-operated refrigerator also reduces fuel consumption and emissions.

8.4 Healthy dairy cattle in Finland

Dairy cattle health met a regular, good standard in 2006. Salmonella was found on nine dairy farms. Bovine viral diarrhoea (BVD) has in practice been abolished in Finland. The internal control obligation on dairy farms entered into force during the year as a result of the new statute on primary production. Milk producers are now obliged to inform the authorities about any significant contagious diseases.

Valio has financed the development of an information system for enhancing cattle health care and it was launched in 2006.

Valio also financed a study that examined the functionality of freestall barns and the effect of freestall conditions on cattle health. The goals include the development of alternatives for milk producers in the planning of financially feasible, and cattle and carer-friendly freestall barns.

9 Responsibility for milk production

9.1 Milk production adapted to weather conditions

In early 2006, dairy cattle were fed with silage harvested in the wet conditions of the previous year. It was of low quality and had an unfavourable effect on production. Poor-quality silage stored for too long engendered a major risk to milk quality, which was observed in raw milk as quality deviations caused by butyric acid spores.

In summer 2006, the growth of grass and pastures was hampered by drought. The shortage of grass silage was supplemented by concentrated feed, as a result of which the milk volumes in the summer remained at the previous year's level. Efficient extra feeding improved milking volumes, and the highest ever cow-specific yields were measured in dairy cattle follow-up. The milk yield per cow for the whole year was 2–3% higher than that of the previous year.

The quantity of the silage crops varied a great deal in different parts of the country and was on average 70% of the norm. Towards the end of the year, the volume of milk taken in decreased, and the milk volume for the whole year is estimated at 2 279 million litres, some 0.6% less than in 2005. After the end of the pasturing season, when the final situation regarding silage was known, more milking cows were slaughtered than compared with previous years, and the number of cows fell by 4.5% on the previous years to 298 400.

At the end of the year, the number of milk producers had decreased by as many as 1 460 or 9.5% from the previous year. There were 13 890 dairy farmers in Finland at the close of 2006, of which 11 880 were Valio farmers.

9.2 Even a good price does not guarantee profitability

The price paid for milk to producers in Finland in this decade has been amongst the best in Europe, and 3–6 cents higher than that paid by other dairy companies in Northern Europe.

The positive development of the price paid to producers in Finland seems set to continue as, according to preliminary data, the final price for 2006, including after-payments, will be up by around 1 cent per litre from the previous year.

According to the International Farm Comparison Network (IFCN), which measures the profitability of milk production, the profitability of Finnish milk production is weaker than in many other milk producer countries. For example, productivity on a medium-sized Finnish dairy farm (24 cows) equates to 44 kilos of milk per working hour, while in Sweden (50 cows) the figure is 127, and in Denmark (100 cows) 196 kilos. Productivity also improves in Finland as unit size grows, so that a herd of 60 cows produces 73 kilos of milk per working hour.

The profitability factor in dairy farming in 2006 was only 0.46, which means that the wage and capital requirement set for milk production has been realised at under 50%. The significance of dairy farming as a part of agricultural production in Finland continues to grow; 44% of the sales income from all forms of agriculture comes from milk.

The development of dairy farms often requires large investments in caring for fields, in buildings, machinery and equipment, and in animals. The number of cows in new and renovated cowsheds is usually double the current average number of cows on a farm. Herds of more than 75 cows are no longer a rarity and at the end of 2006 they numbered 114.

9.3 Subsidy policy changed

The milk production subsidy remained at the previous year's level, but the restrictions on 141 subsidy reduced the total amount of the subsidies for 2006 in such a way that the unit subsidy was limited to 5.8 cents/litre and the upper limit of annual appropriation to € 17.35 million. Due to the subsidies in Southern Finland, 0.2 cents/litre of the production subsidies for the whole country are paid only after the final production volumes are known. After the final payment, the subsidy will be around 3.3. cents/litre in Southern Finland, and 7.6 cents/litre upwards in area C.

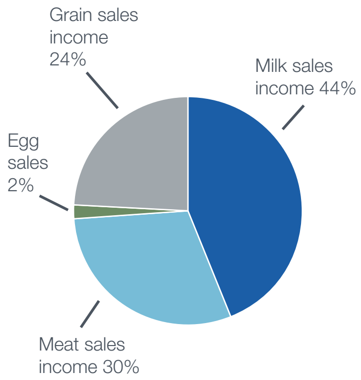
A subsidy was paid to farms with domestic animals in the form of natural handicap compensation supplement, amounting to € 92/ha in areas A–C1 and around € 97/ha in areas C2–C4. The requirement for receiving the subsidy is that the stocking density of the farm does not as a rule exceed 0.4 animal units per hectare.

A new farm subsidy was introduced in Finland at the beginning of 2006. The value of the flat-rate payment made to all farms is, per hectare, € 246.60 in area A, € 195.84 in areas B–C1, and € 152.67 in areas C2–C4. In addition, on the basis of the milk quotas at the end of March, dairy farms were paid a farm subsidy supplement amounting to € 24.49/tonne.

Since the beginning of September 2006, dairy farmers have been able to lease their unused milk quotas temporarily, and this practice got off to a lively start in area C in particular.

Farm income in year 2006

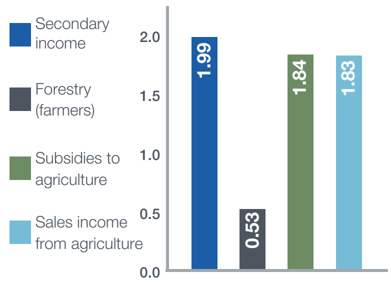
(%)



Source: Gallup Food and Farm Facts, estimate

Farm income in year 2006

Total € 6.2 bill. gross, excl. VAT (+2.1% on 2005)



Source: Gallup Food and Farm Facts, estimate

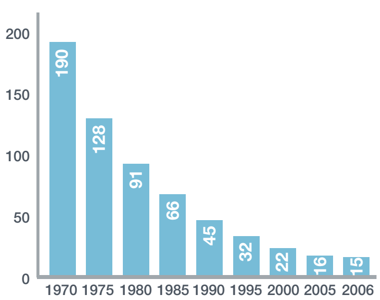
Number of dairy farms in Finland by class (no. of cows)

Year	< 10	10-29 cows	30-49 cows	50+	Milking cows/ dairy farm
1990	23 027	23 371	329	34	10
1995	12 507	20 241	339	31	12
2000	6 432	16 021	1 306	151	15
2005	3 474	11 027	1 968	473	19
2006	2 946	9 984	1 945	573	20

Source: Ministry of Agriculture and Forestry, TIKE farm register 1990-2005 and TIKE rural business register 2006

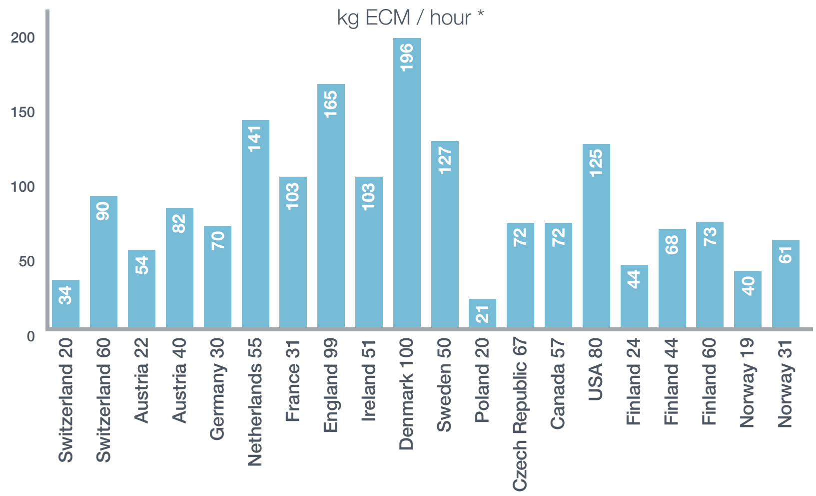
Number of dairy farmers in Finland

1 000, on average



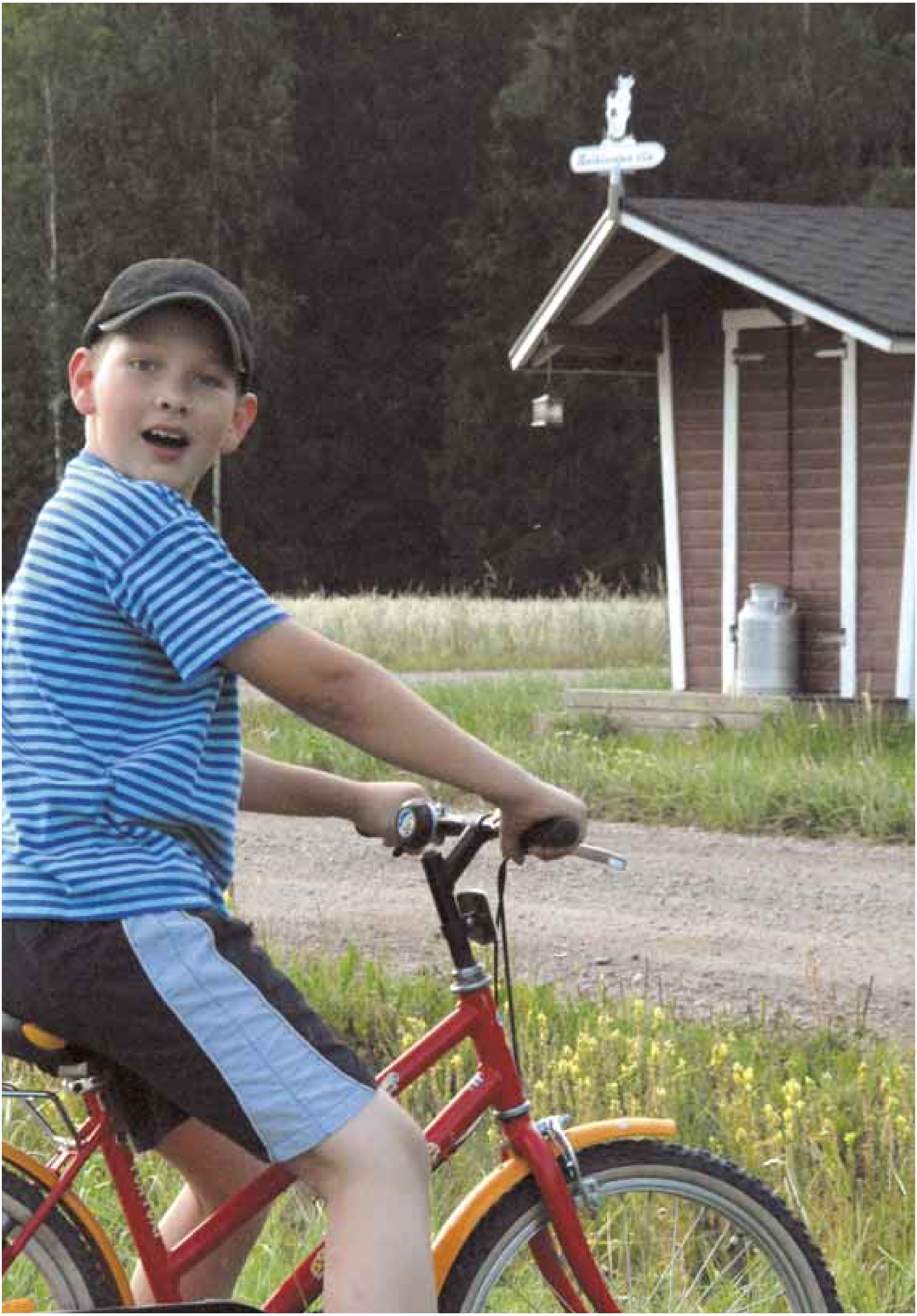
Source: Dairy statistics

Efficiency of dairy farming / productivity in different countries



Farm statistics for 2006; the number after the country indicates the number of cows on the farm.

* ECM = Energy-corrected milk:
milk content converted to correspond with milk that contains 4 % fat and 3,3 % protein.



Board of Directors' report and Financial statements

Board of Directors' Report 1 Jan.–31 Dec. 2006

General

Valio Group's financial performance before taxes stood at € 6 million, a reduction of € 9 million compared with the previous year. Calculated by adjusted volume, the price paid for raw milk was € 22.0 million more than for the year 2005.

In Finland, Valio took in 1 956 million litres of milk, the same amount as in the previous year.

The average procurement share by owner co-operatives delivering to Valio grew by 1% to 86% of the Finnish dairy milk volume. Valio Group took in total deliveries of 2 093 million litres of milk, which includes procurement for Valio dairies in Estonia.

Valio Group net turnover was 3% higher than that for 2005.

Domestic net turnover rose by 2%. The net turnover of raw milk, liquid milk products, cheeses, yoghurts and juices grew, while that of other products fell. The market share of creams, juices and juice drinks increased. In other product categories, market shares fell slightly.

Net turnover from international operations grew by 4%. Exports from Finland increased by 3%. Sales of cheeses and powdered ingredients rose, while those of butter and spreads fell.

Foreign subsidiaries showed an 11% increase in net turnover compared with 2005. Growth was strongest in Russia, Estonia, Sweden and Belgium. Net turnover for Finlandia Cheese Inc., operating in the US, decreased due to volume losses and the unfavourable development of the USD exchange rate.

The commencement of building a planned service centre in Moscow has been held up due to delays in city planning. The construction project will commence in early 2007.

Negotiations on co-operation with two Swedish dairies ceased with no results.

President and CEO Harry Salonaho resigned on 14th November 2006. The Board of Directors appointed Heikki Halkilahti as President and CEO and commenced the process for recruiting a new CEO.

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.

The number of shares is 29 317, and all shares are the same type and hold similar rights to dividends and company assets. The shares are encumbered with a redemption clause.

Changes in Group structure

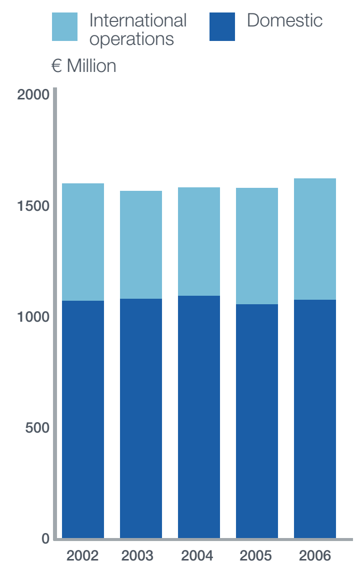
Nordic Dairy Holding Oy was founded by Valio Ltd during the financial year as a wholly-owned holding company. It owns two sub-group companies, AS Valio Baltic that owns Valio's Estonian companies, and Rushold M Oy that owns the Russian companies. Valio sold its share of associated company Yoplait Valio Nord AB during the financial year.

Risk management

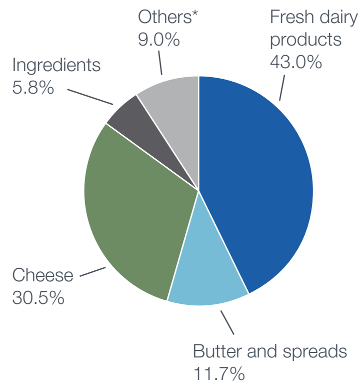
The objectives, principles and responsibilities of risk management are determined in Valio's risk management policy. A key objective is to identify those significant events and uncertainty factors that affect the realisation of Valio's strategic, operational and financial goals. Valio aims to remove, reduce or transfer the identified risks where possible. The main focus lies in preventive measures and their development.

In 2006, Valio updated a comprehensive risk mapping system. The most significant risks were valued according to extent and probability. Valio's key risks are related to the home market strategy and its realisation, the ability to respond to the challenges of demand, product safety, and Valio's reputation, increased vulnerability resulting from the concentration of operations, securing the capacity to take in milk, information systems, and threats of animal diseases.

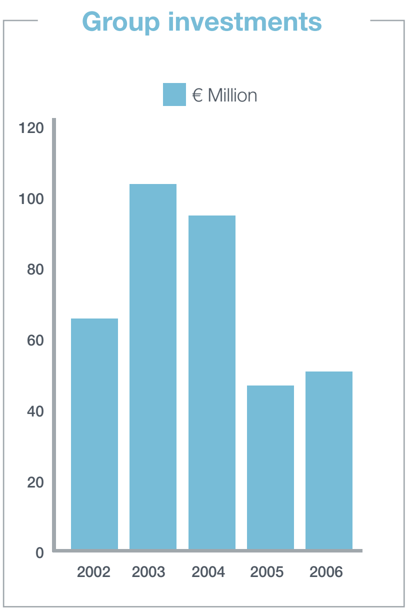
Group net turnover

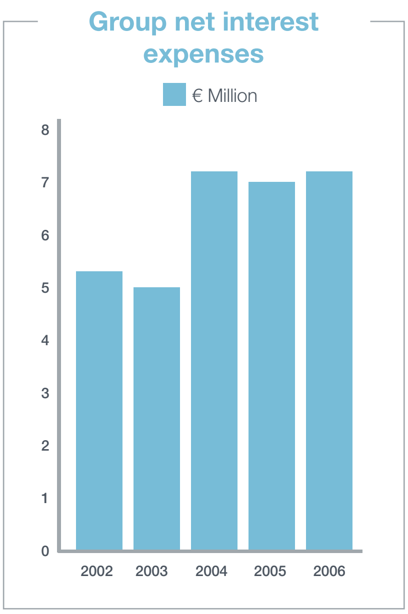


Group net turnover by product (%) 2006



*e.g. juice, frozen foods





Valio's most important asset, raw milk, does not represent an unanticipated price risk that would affect financial performance; it is easily predictable. Valio has protected itself against oil and electricity price risks. Rising energy prices also have a positive effect on Valio, as it strengthens the business in Russia through increased consumption.

The responsibility for the implementation of risk management lies with the Divisions and subsidiaries. Because a strong brand is part of its strategy and Valio operates in the food industry sector, product safety is a continuous focal area of risk management. Elements of product risk management include the quality chain from the farm to the consumer's table, identification of the critical points of the process, hygiene areas in production, traceability, and the product withdrawal plan.

Valio has an operating system that covers all the company's functions in Finland. The system covers quality, environmental and safety issues. The operations have been certified in accordance with ISO 9001:2000 and ISO 14001. In addition, the company has a crisis communication plan. The goal for occupational safety is zero accidents.

Valio Group's financing management goals are to maintain sufficient liquidity, manage financing risks, manage financial and investment issues in a centralised manner, minimize Valio's net financing costs, and handle payment transactions between Valio and its partners. With regard to financial issues, the subsidiaries are responsible for complying with the instructions for finances.

According to Valio's insurance policy, the main focus of accident risk management lies in preventive measures. Insurances are used to protect against such risks that would significantly influence the Group's operating capacity, financial performance, financial position or the implementation of the strategy. Valio also carries uninsured risks, because cost-efficient solutions with sufficient protection have not been available for all risks. These risks are managed, where possible, through prevention.

Research and development

Valio R&D exerted an active influence through its networks with universities, research institutions and international organisations.

R&D launched 114 new products in Finland in 2006. New products that have been on the market for less than five years accounted for 26% of turnover at the end of the year, compared with 21% a year before.

Valio managed to improve the efficiency and economy of production processes through several technology projects. Important development projects included further studies on blood pressure lowering Evolus, research proof of ProFeel products for weight controlling, and clinical trials of the second-generation probiotic product LGG®Plus. The test results returned on the treatment of intestinal problems in the elderly resulted in the launch of A+ Express yoghurt containing milk "fibre", or galacto-oligosaccharides (GOS), to enhance the functioning of the stomach. A simulation model was developed for cheese maturation. Seven new patents were filed, with a set goal to licence new technologies internationally.

Valio R&D investment for 2006 totalled € 12.4 million (2005: € 11.5 million), or 0.8% of net turnover (0.7%).

Personnel

The average number of employees in Valio Group in 2006 was 4 166 (2005: 4 199), and at the end of the financial year the number stood at 4 134; 3 518 employees worked in Finland and 648 in foreign subsidiaries. Of those, the highest number of staff was in the Estonian subsidiaries, totalling 312, and the Belgian subsidiary had 164 employees.

The average number of employees in Valio Ltd was 3 422 (2005: 3 586). The reduction in staff was mainly due to the jam business that was transferred to a subsidiary through a business transfer in 2005.

Personnel distribution by gender was 51% men and 49% women in 2006, both in the Group and the parent company (2005: 50% men and 50% women).

The average age of employees was the same in 2006 and 2005: 40 years both in the Group and the parent company. Personnel training costs amounted to € 1 100 thousand in the Group (2005: € 1 118 thousand) and € 934 thousand in the parent company (2005: € 1 042 thousand).

The working time salaries paid by Valio Ltd in 2006 amounted to € 95.9 million. Social salaries and statutory employee costs including supplementary insurance premium accounted for 53.83 % of the total salaries. Pension costs for the year stood at € 15.6 million.

Environmental issues

The significant environmental effects of the operations are caused by the waste water load resulting from production wastage, water and energy consumption as a downside of maintaining a high level of hygiene, and waste management of used packages.

Environmental investments for the financial year amounted to € 2.7 million in Finland, and environmental costs booked as expense totalled € 7.3 million. The most important environmental investment was the dust removal equipment added to one of the powder driers at the Lapinlahti plant in accordance with the conditions of the environmental permit. In the coming years, Valio will incur costs from the renovation of waste water purification plants in a number of towns where it operates, and from the dust removal investments at the powdered ingredient plants.

Valio Group operations consumed 809 GWh of energy; water consumption was 5.4 million cubic metres; calculated as oxygen, the waste water loading was 11 510 tonnes; and waste disposed as refuse totalled 2 440 tonnes. More detailed environmental figures for the Finnish operations are published as part of the Corporate Responsibility Report.

Consolidated net turnover

Consolidated net turnover totalled € 1 621 million (€ 1 579 million). Domestic net turnover stood at € 1 075 million (€ 1 055 million). Net turnover from international operations (exports from Finland and foreign subsidiaries) totalled € 546 million (€ 524 million).

Parent company net turnover

Valio Ltd net turnover totalled € 1 431 million (€ 1 403 million). Domestic net turnover stood at € 1 074 million (€ 1 055 million) and net turnover from exports at € 357 million (€ 348 million).

Investments

Consolidated gross investments totalled € 51 million (€ 47 million), or 3.0% (3.0%) of net turnover. Investments of € 8 million were made in land and buildings and € 36 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 € 47 million.

Finance

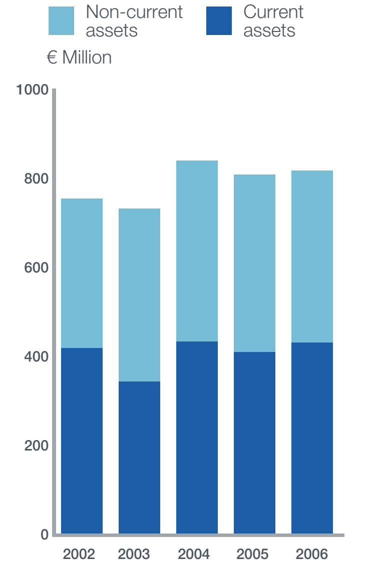
Both Group and parent company liquidity remained satisfactory throughout the financial year. Cash in hand and at banks and short-term investments totalled € 138 million at the year-end, compared to € 123 million at the start. Stocks stood at € 134 million at the end of the financial year and € 126 million at the beginning. Interest-bearing liabilities totalled € 211 million at the end of the financial year and € 224 million at the beginning. Net financing expenses amounted to € 7.3 million (€ 7.8 million), or 0.5% (0.5%) of consolidated net turnover. Net interest expenses stood at € 7.2 million (€ 7.0 million).

The parent company's long-term loans to subsidiaries stood at € 1.7 million and short-term loans at € 2.3 million.

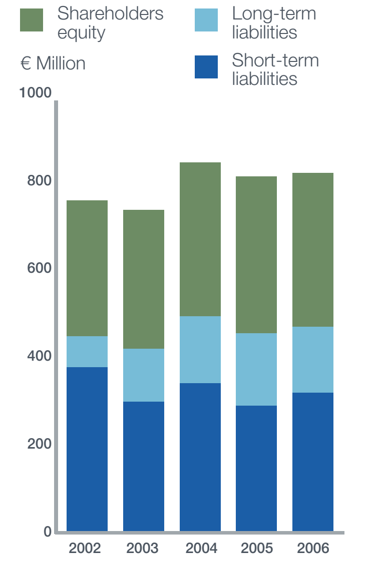
Financial performance

Consolidated profit before taxes was € 6 million (€ 15 million). Net taxes for the financial year totalled € 3 million (€ 6 million). Profit for the financial year stood at € 3 million (€ 9 million). Parent company profit before extraordinary items stood at € 3 million (€ 18 million). The difference between

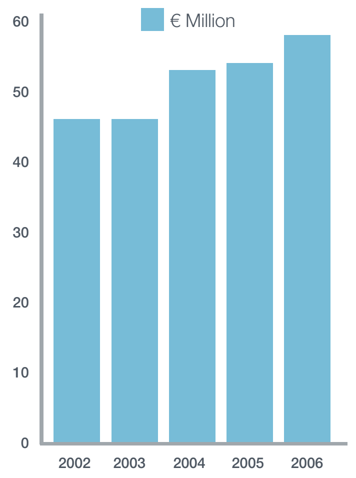
Group balance sheet, assets



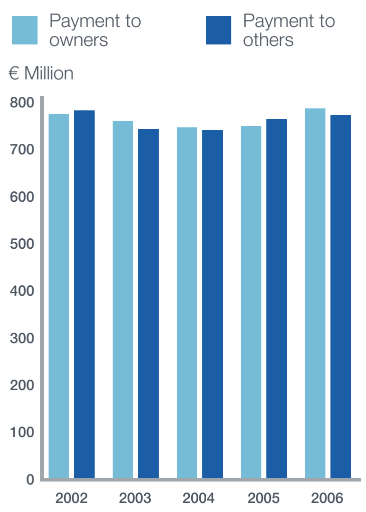
Group balance sheet, equity and liabilities



Group depreciation according to plan



Group expenses



depreciation according to plan and total booked depreciation in taxation amounted to € -0.4 million (€ -4 million). The total booked depreciation was within the maximum permitted under Finland's Business Taxation Act. Income taxes for the financial year totalled € 1 million (€ 4 million). Loss for the financial year stood at € -3 million (€ +9 million).

Year 2007

Valio's position in Finland is expected to remain stable while the company prepares itself for the strong position of Arla-Ingman. In the rest of the Home Market (Sweden, Baltic States, Russia), turnover is expected to increase. EU export subsidies and intervention prices will fall. Investments are expected to increase as the construction of the Moscow service centre starts. The expansion and renovation work will commence at the Seinäjoki butter and spreads plant.

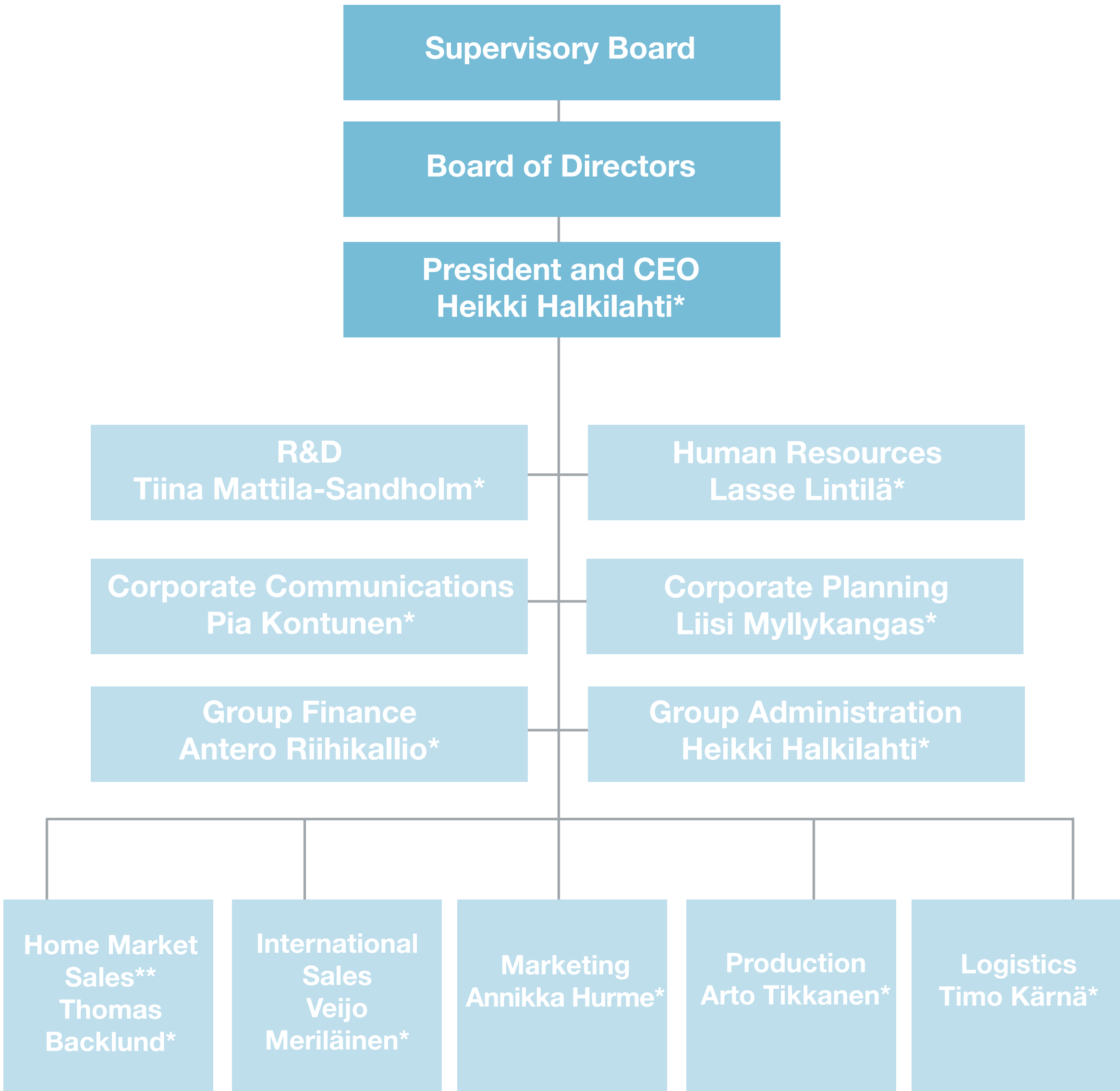
Events after the close of the financial year

The meeting of the Valio Board of Directors held on 8th January 2007 recorded the following: Kyrönmaan Osuusmeijeri has merged into Osuuskunta Maitojaloste, and Keski-Suomen Maitokunta and Osuuskunta Maitojaloste have merged to form Osuuskunta Maitosuomi. The meeting of the Valio Board of Directors held on 5th February 2007 recorded the following: Osuuskunta Maito-Aura and Osuuskunta Maito-Pirkka have merged to form Osuuskunta Länsi-Maito, and Keski-Pohjan Juustokunta has merged into Osuuskunta Pohjolan Maito.

The Board of Directors' proposal on the distribution of profit

The Board of Directors proposes to the Annual General Meeting that a dividend of 5% on the nominal value of the shares of € 170 be declared, totalling € 4 983 890.

VALIO Ltd Organisation 31 Dec. 2006



* Members of Valio Ltd Executive Board
** Finland, Sweden, Russia and the Baltics

SUPERVISORY BOARD

	Term began	Term ends
Pentti Santala Dairy farmer, Kauhajoki Chairman	1997	2009
Jaakko Rouhiainen Dairy farmer, Juva Vice Chairman	2001	2008
Kyösti Anttila Dairy farmer, Jalasjärvi	2005	2008
Maija-Leena Heiniö Dairy farmer, Kisko	1999	2009
Tapio Hytönen Dairy farmer, Konnevesi	2001	2007
Hannu Kainu Dairy farmer, Kyyjärvi	1997	2008
Merja Keisala Dairy farmer, Töysä	2002	2008
Kimmo Kemppainen Dairy farmer, Paltamo	2003	2009
Raimo Kielenniva Dairy farmer, Kärsämäki	2004	2009
Jouko Kärki[1)] Mechanic, Tampere	2002	2007
Harri Laamanen Dairy farmer, Ylitornio	2001	2007
Hanna Laitinen[1)] Quality Manager, Farm Services, Helsinki,	2005	2007
Pekka Lestinen Dairy farmer, Sysmä	1998	2007
Sauli Lähteenmäki Dairy farmer, Rusko member to 31 Dec. 2006	2002	
Tapio Malmiharju Dairy farmer, Artjärvi	1996	2009
Jaakko Männistö Dairy farmer, Merijärvi	2003	2007
Osmo Oinonen Dairy farmer, Polvijärvi member as of 11 April 2006	2006	2009
Markku Pajunen Dairy farmer, Mikkeli	2005	2008
Juha Pantsu[1)] Shift supervisor, Jyväskylä	2002	2007
Reino Parkko Dairy farmer, Elimäki	1999	2007
Mauri Penttilä Dairy farmer, Vesilahti	2001	2007
Katariina Pouta[1)] Accountant, Jyväskylä	2005	2007
Matti Romppanen Dairy farmer, Juankoski	2003	2007
Matti Siitonen Dairy farmer, Parikkala	1998	2007
Onni Törrönen Dairy farmer, Juuka	2001	2008
Sirkku Ukkola Dairy farmer, Miehikkälä member as of 11 April 2006	2006	2009
Pentti Vartiainen Dairy farmer, Kiuruvesi	2004	2007

[1)] Personnel representative

BOARD OF DIRECTORS

Antti Rauhamaa Dairy farmer, Kärkölä Chairman	2006	2008
Tauno Uitto Dairy farmer, Tyrnävä Vice Chairman	1996	2007
Juhani Hörkkö Dairy farmer, Koski TL member to 31 Dec. 2006	1998	
Esa Juntunen Dairy farmer, Vieremä	1998	2009
Sauli Lähteenmäki Dairy farmer, Rusko member as of 1 Jan. 2007	2007	2009
Harry Salonaho President and CEO, Helsinki member to 14 Nov. 2006	2004	
Heikki Halkilahti President and CEO, Helsinki member as of 12 Dec. 2006	2006	2008

AUDITOR

PricewaterhouseCoopers Oy
Authorised Public Accountants, Helsinki

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

FIVE-YEAR GROUP STATISTICS

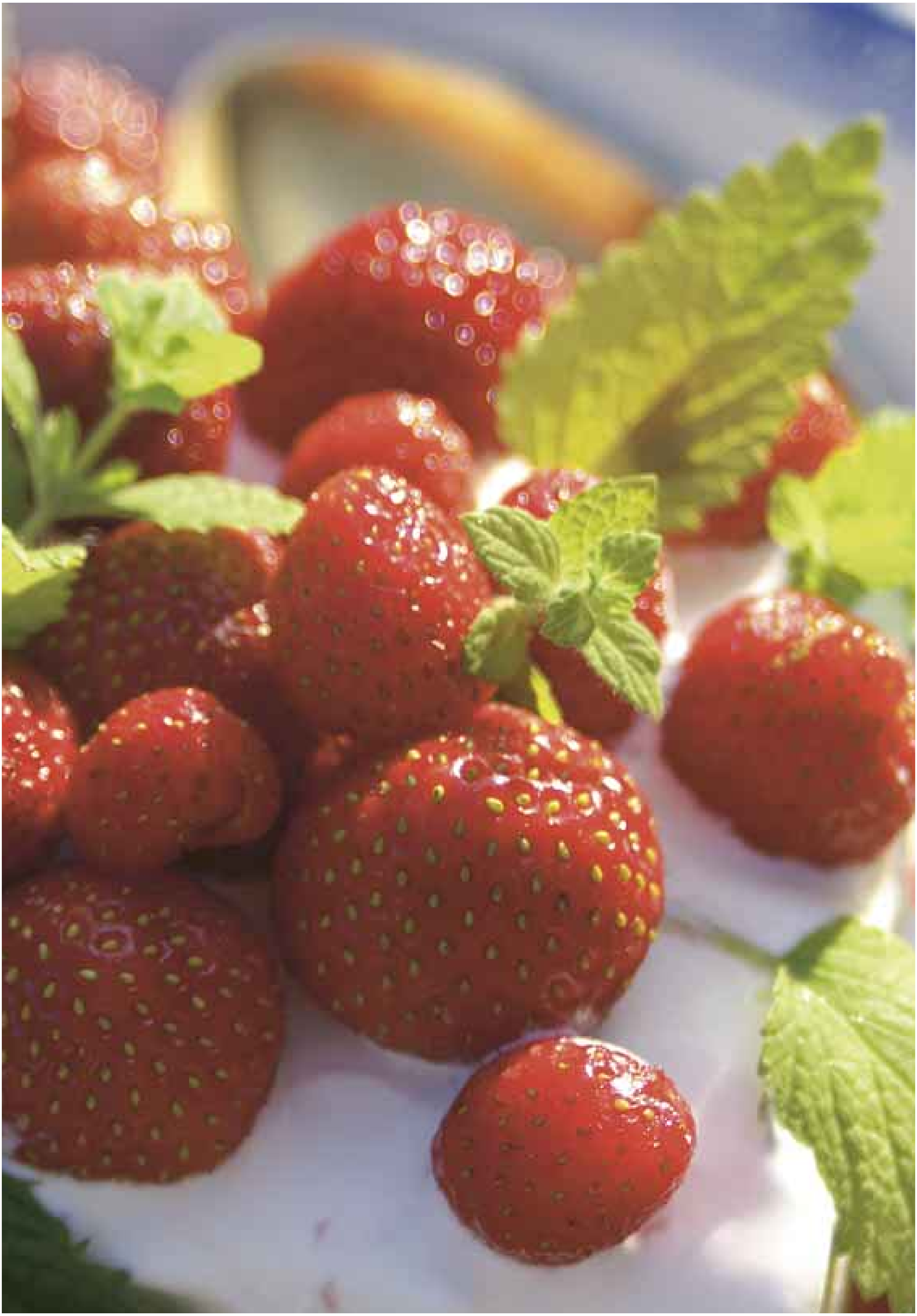
	2006	2005	2004	2003	2002
Net turnover, € million	1 621	1 579	1 582	1 566	1 600
Change %	2.7	-0.2	1.0	-2.2	5.3
- Domestic, € million	1 075	1 055	1 092	1 079	1 070
Change %	1.9	-3.3	1.2	0.8	5.7
- International operations, € million	546	524	490	487	530
Change %	4.3	6.9	0.7	-8.2	4.6
Balance sheet total, € million	817	807	841	733	754
Liabilities % of the balance sheet total	57	56	58	57	59
Shareholders' equity + provisions per cent of the balance sheet total	42	43	40	41	40
Return on shareholders' equity, %	0.9	2.7	14.0	2.7	2.0
R&D expenditure, € million	12	12	11	10	10
Wages and salaries, € million	139	135	135	133	132
Average no. of personnel	4 166	4 199	4 389	4 366	4 400
Inventories, € million	134	126	120	132	137
Investments, € million	51	47	95	104	66
Depreciation according to plan, € million	58	54	53	46	46
Operating profit, € million	13	23	68	17	8
Operating profit, %	0.8	1.5	4.3	1.1	0.5
Price paid for milk to the co-operatives by Valio, per litre total cents	37.1	35.9	36.8	37.8	37.9

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

NET TURNOVER AND PERSONNEL 2006

	Net turnover*) 1 000 €	Average no. of personnel	Personnel 31 Dec. 2006
Valio Ltd	1 430 709	3 422	3 314
ZAO Valio St. Petersburg, Russia	138 064	110	119
Valio - Vache Bleue S.A., Belgium	112 676	164	210
Finlandia Cheese Inc., USA	48 844	16	16
Valio Sverige AB, Sweden	36 243	41	43
Valio Eesti AS, Estonia	31 522	182	199
Võru Juust AS, Estonia	25 956	130	130
Nordic Jam Ltd, Finland	24 226	96	96
OOO Valio Lobnya, Russia	0	0	2
UAB Valio International, Lithuania	12	3	3
SIA Valio International, Latvia	0	2	2
Valio Group total	1 620 700	4 166	4 134

*) Net turnover does not include intra-group sales.



CONSOLIDATED INCOME STATEMENT

	2006	2005
Net turnover	1 620 700	1 578 746
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	4 320	6 151
Production for own use	971	827
Other operating income	45 809	47 048
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	1 095 112	1 069 783
Increase (-) / decrease (+) in stocks	-6 129	4 901
External services	36 700	38 099
	-1 125 683	-1 112 783
Staff expenses		
Wages and salaries	139 492	134 728
Social security expenses		
Pension expenses	16 431	15 118
Other social security expenses	17 329	15 431
	-173 252	-165 277
Depreciation and reduction in value		
Depreciation according to plan	55 553	53 662
Depreciation of goodwill	2 814	550
	-58 367	-54 212
Other operating expenses	-301 194	-277 462
Operating profit	13 304	23 038
Financial income and expenses		
Income from other investments held as non-current assets		
From others	286	301
Other interest and financial income		
From others	4 285	2 918
Net income from associated companies	-376	-132
Interest and other financial expenses		
To others	-11 517	-10 920
	-7 322	-7 833
Profit (loss) before taxes	5 982	15 205
Income taxes	-1 804	-3 807
Deferred taxes	-1 214	-2 273
Net profit for the financial year	2 964	9 125

All figures in € '000s

CONSOLIDATED BALANCE SHEET

ASSETS	31 Dec. 2006	31 Dec. 2005
Non-current assets		
Intangible assets		
Intangible rights	3 251	3 606
Goodwill	58	1 594
Other capitalised long-term expenditure	11 870	13 256
	15 179	18 456
Consolidation goodwill	-	2 814
Tangible assets		
Land and waters	14 144	14 384
Buildings and constructions	128 067	137 098
Machinery and equipment	196 970	197 587
Other tangible assets	1 333	1 102
Advance payments and construction in progress	17 967	13 139
	358 481	363 310
Investments		
Shares in Group companies	2 526	2 535
Shares in associated companies	563	1 258
Other shares and interests	8 633	9 233
	11 722	13 026
Current assets		
Stocks		
Raw materials and supplies	26 526	23 713
Unfinished products	14 876	13 300
Finished goods	91 888	87 921
Other stocks	835	645
	134 125	125 579
Receivables		
Non-current receivables		
Loan receivables	161	164
Other receivables	55	31
Deferred tax receivable	1 024	1 184
	1 240	1 379
Current receivables		
Trade receivables	123 728	121 437
Current receivables from participating interests	677	683
Other current receivables	12 911	11 414
Deferred tax receivable	3 704	4 777
Accrued income and prepaid expenses	16 863	20 997
	157 883	159 308
Investments		
Other current investments	115 126	105 297
Cash in hand and at banks	22 947	18 122
Total assets	816 703	807 291

All figures in € '000s

CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2006	31 Dec. 2005
Shareholders' equity		
Share capital	99 678	99 678
Other reserves	5 546	7 035
Retained earnings	234 448	229 808
Net profit for the financial year	2 964	9 125
	342 636	345 646
Provisions		
Other provisions	8 504	10 247
Liabilities		
Non-current liabilities		
Loans from credit institutions	57 024	64 629
Deferred tax liability	26 095	25 938
Other liabilities	67 058	75 145
	150 177	165 712
Current liabilities		
Loans from credit institutions	8 499	2 331
Advances received	450	414
Trade payable	177 277	151 621
Current liabilities to participating interests	474	3 816
Other liabilities	84 549	88 483
Accrued expenses and deferred income	44 137	39 021
	315 386	285 686
Total shareholders' equity and liabilities	816 703	807 291

All figures in € '000s

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	2006	2005
Cash flow from operations		
Operating profit	13 304	23 038
Adjustments to operating profit	53 481	49 104
Change in working capital	25 253	-51 392
Interest and other financial expenses paid	-11 379	-10 946
Dividends received	286	301
Interest and other financial income received	4 145	3 003
Income taxes paid and refunded	-3 935	-17 920
Cash flow from operations	81 155	-4 812
Cash flow from investments		
Capital expenditure in investments	-2	-20
Capital expenditure in tangible and intangible assets	-51 015	-46 963
Gains from sale of investments	175	3 885
Gains from sale of tangible and intangible assets	2 592	8 864
Cash flow from investments	-48 250	-34 234
Cash flow before financing activities	32 905	-39 046
Cash flow from financing activities		
New loans	11 318	20 108
Repayment of loans	-7 972	-8 412
Increase (-) / decrease (+) in non-current receivables	139	327
Increase (+) / decrease (-) in current financing	-15 762	-10 570
Dividends paid	-4 485	-3 987
Other	-1 489	1 778
Cash flow from financing activities	-18 251	-756
Change in liquid assets	14 654	-39 802
Liquid assets at 1 Jan.	123 419	163 221
Liquid assets at 31 Dec.	138 073	123 419

All figures in € '000s

PARENT COMPANY INCOME STATEMENT

	2006	2005
Net turnover	1 430 709	1 402 565
Increase (+) / decrease (-) in stocks of finished goods and in work in progress	1 613	4 964
Production for own use	971	827
Other operating income	39 814	41 123
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	971 690	945 039
Increase (-) / decrease (+) in stocks	-2 866	1 892
External services	30 753	30 944
	-999 577	-977 875
Staff expenses		
Wages and salaries	124 393	122 856
Social security expenses		
Pension expenses	15 570	14 717
Other social security expenses	13 416	12 135
	-153 379	-149 708
Depreciation and reduction in value		
Depreciation according to plan	-50 560	-50 264
Other operating expenses	-257 340	-246 683
Operating profit	12 251	24 949
Financial income and expenses		
Income from Group companies	1 520	-
Income from participating interest	-	259
Income from other investments held as non-current assets		
From others	286	301
Other interest and financial income		
From Group companies	180	111
From others	3 765	2 673
Reduction in value of investments	-4 000	-
Interest expenses and other financial expenses		
To Group companies	-130	-2
To others	-11 072	-10 543
	-9 451	-7 201
Profit (loss) before extraordinary items	2 800	17 748
Extraordinary expenses	-3 770	-1 000
Profit (loss) before appropriations and taxes	-970	16 748
Appropriations		
Increase (-) / decrease (+) in depreciation difference	-460	-4 178
Income taxes	-834	-3 361
Deferred taxes	-557	-572
Net loss (profit) for the financial year	-2 821	8 637

All figures in € '000s

PARENT COMPANY BALANCE SHEET

ASSETS	31 Dec. 2006	31 Dec. 2005
Non-current assets		
Intangible assets		
Intangible rights	3 125	3 575
Goodwill	60	80
Other capitalised long-term expenditure	11 490	12 864
	14 675	16 519
Tangible assets		
Land and waters	12 782	13 035
Connection fees	944	931
Buildings and constructions	120 265	129 719
Machinery and equipment	183 262	186 621
Other tangible assets	92	91
Advance payments and construction in progress	16 244	10 919
	333 589	341 316
Investments		
Shares in Group companies	38 907	38 281
Shares in associated companies	563	1 003
Other shares and interests	8 359	9 176
	47 829	48 460
Current assets		
Stocks		
Raw materials and supplies	17 662	16 439
Unfinished products	12 569	11 544
Finished goods	77 315	75 118
Other stocks	649	615
	108 195	103 716
Receivables		
Non-current receivables		
Receivables from Group companies	1 684	3 186
	1 684	3 186
Current receivables		
Trade receivables	86 148	91 405
Current receivables from Group companies	30 605	23 776
Current receivables from participating interests	677	396
Other current receivables	10 706	7 848
Deferred tax receivable	2 107	2 664
Accrued income and prepaid expenses	14 540	19 125
	144 783	145 214
Investments		
Other current investments	114 095	104 836
Cash in hand and at banks	9 048	5 095
Total assets	773 898	768 342

All figures in € ‘000s

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2006	31.12.2005
Shareholders' equity		
Share capital	99 678	99 678
Other reserves		
Legal reserve	5 984	5 984
Retained earnings	160 684	156 532
Net profit for the financial year	-2 821	8 637
	263 524	270 831
Appropriations		
Accumulated depreciation difference	98 915	98 455
Provisions	8 104	10 247
Liabilities		
Non-current liabilities		
Loans from credit institutions	50 000	57 629
Advances received	-	100
Other liabilities	65 583	72 483
	115 583	130 212
Current liabilities		
Loans from credit institutions	6 834	-
Trade payable	157 191	132 810
Current liabilities to Group companies	2 817	1 798
Current liabilities to participating interests	474	2 860
Other liabilities	83 128	88 021
Accrued expenses and deferred income	37 327	33 108
	287 771	258 597
Total shareholders' equity and liabilities	773 898	768 342

All figures in € '000s

PARENT COMPANY STATEMENT OF CHANGES IN FINANCIAL POSITION

	2006	2005
Cash flow from operations		
Operating profit	12 251	24 949
Adjustments to operating profit	45 940	45 340
Change in working capital	21 137	-44 104
Interest and other financial expenses paid	-11 065	-10 571
Dividends received	1 806	560
Interest and other financial income received	3 010	2 869
Income taxes paid and refunded	-2 465	-16 943
Cash flow from operations	70 614	2 100
Cash flow from investments		
Capital expenditure in investments	-12 502	-20
Capital expenditure in tangible and intangible assets	-43 786	-40 658
Gains from sale of investments	12 282	4 070
Gains from sale of tangible and intangible assets	5 189	8 672
Cash flow from investments	-38 817	-27 936
Cash flow before financing activities	31 797	-25 836
Cash flow from financing activities		
New loans	11 294	11 855
Repayments of loans	-7 153	-7 330
Increase (-) / decrease (+) in non-current receivables	594	-139
Increase (-) / decrease (+) in current receivables	-	-919
Decrease (-) in current financing	-15 065	-10 241
Dividends paid	-4 485	-3 987
Group contributions received and paid (-)	-3 770	-1 000
Cash flow from financing activities	-18 585	-11 761
Change in liquid assets	13 212	-37 597
Business transfer	-	-504
Corrected change in liquid assets	13 212	-38 101
Liquid assets at 1 Jan.	109 931	148 032
Liquid assets at 31 Dec.	123 143	109 931

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 state-ments. Had they been consolidated, they would not have had any significant effect on the consolidated financial performance and shareholders' equity, or the true and fair view of financial position.The consolidated financial statements have been prepared using the acquisition method. Significant associated companies have been consolidated using the equity method. All intercompany accounts and transactions have been eliminated.

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

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 booked to the profit and loss account as incurred. The financial statements of foreign subsidiaries have been translated into Finnish currency at the exchange rate 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 exchange rate 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. Foreign currency income denominated in USD has been hedged for the whole of 2007 with monthly currency option agreements. The agreements amount to USD 2.5 million per month. The ECB's USD exchange rate on the closing date of the accounts was weaker than the hedging rate. The company uses oil futures contracts denominated in USD to hedge the oil price. Financing derivatives have not been valued at market prices. The result of derivatives is entered in the income statement when the corresponding income or expense is realised. The market prices of derivatives and the values of their underlying instruments are specified in the notes to the accounts. The company is a shareholder of an electrical energy purchasing company that handles hedging related to buying electricity on behalf of its shareholders.

The accounting of emission rights is performed in accordance with the statement by the Accounting Board dated 15 November 2005. If the realised emission tonnage exceeds the rights granted, the cost of the excess tonnage is booked at the market price of the day of closing the accounts and provisions are booked as counteraccount. If the realised tonnage is below the rights granted, these assets are specified in the notes to the accounts. Trading of emission rights are booked as transactions on an accrual basis.

All figures in € '000s

NOTES TO THE INCOME STATEMENT

	CONSOLIDATED		PARENT COMPANY	
	2006	2005	2006	2005
1. DISTRIBUTION OF NET TURNOVER				
1. 1. NET TURNOVER BY DIVISION				
Fresh dairy products	696 634	665 921	654 805	631 211
Butter and spreads	190 214	197 689	178 180	187 751
Cheese	494 489	481 117	408 298	390 167
Powdered ingredients	93 590	93 152	92 613	92 757
Others	145 773	140 867	96 813	100 679
	1 620 700	1 578 746	1 430 709	1 402 565
1. 2. GEOGRAPHICAL DISTRIBUTION				
Domestic	1 074 862	1 055 278	1 073 676	1 054 835
Foreign	545 838	523 468	357 033	347 730
	1 620 700	1 578 746	1 430 709	1 402 565
2. OTHER OPERATING INCOME				
Logistics income	25 629	24 972	21 655	22 429
Rent income	5 187	5 432	5 180	5 479
Sales income from fixed assets	2 541	3 716	2 475	3 650
Other income	12 452	12 928	10 504	9 565
	45 809	47 048	39 814	41 123

NOTES TO THE INCOME STATEMENT

	CONSOLIDATED		PARENT COMPANY	
	2006	2005	2006	2005
3. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income and expenses comprise the following item:				
Group contribution given to a subsidiary	-	-	3 770	1 000
	-	-	3 770	1 000
4. CHANGE IN PROVISIONS INCREASE (-) / DECREASE (+)				
Provision for contingent pension liabilities	189	-1 079	589	-1 079
Provision for reconstruction	2 155	3 281	2 155	3 281
Other provisions	-600	-	-600	-
	1 744	2 202	2 144	2 202
5. OTHER OPERATING EXPENSES				
Energy expenses	34 975	31 784	33 327	30 838
Water expenses	9 582	8 581	9 410	8 537
Transportation expenses	90 719	85 526	81 290	79 841
Rental expenses	14 894	13 777	12 858	12 467
Expenses for maintenance of real estate and machinery	33 618	32 537	31 441	31 177
Marketing expenses	57 722	47 563	41 941	34 395
Travel expenses	6 329	6 152	4 888	5 130
IT expenses	11 346	12 223	10 866	11 978
Administrative expenses	16 418	16 621	13 669	15 399
Voluntary staff expenses	7 863	5 778	2 856	3 816
Credit loss	1 209	337	1 162	263
Other expenses	16 519	16 583	13 632	12 842
	301 194	277 462	257 340	246 683
6. REDUCTION AND REVERSALS IN VALUE OF INVESTMENTS HELD AS NON-CURRENT ASSETS				
Group company Valio Vache Bleue SA, reduction in value of shares	-	-	4 000	-
Other	-	95	-	95
	-	95	4 000	95
7. NUMBER OF PERSONNEL, AVERAGE				
Manual workers	2 255	2 240	1 835	1 922
Technical dairy employees	869	870	806	801
Management staff	481	517	443	474
Clerical staff	561	572	338	389
	4 166	4 199	3 422	3 586
8. PERSONNEL COSTS				
Salaries and remunerations	139 492	134 728	124 393	122 856
Indirect employee costs				
Pension costs	16 431	15 118	15 570	14 717
Other indirect employee costs	17 329	15 431	13 416	12 135
	173 252	165 277	153 379	149 708
9. SALARIES AND BONUSES OF DIRECTORS				
Supervisory Board	117	146	117	146
Board of Directors and CEO	1 962	1 403	898	497
	2 079	1 549	1 015	643

NOTES TO THE BALANCE SHEET

	CONSOLIDATED		PARENT COMPANY	
	2006	2005	2006	2005
10. ACCRUED INCOME AND PREPAID EXPENSES				
Rent of packing machines	332	584	332	584
Royalties	766	1 433	766	1 433
Healthcare repayments	653	762	638	756
Tax receivables	5 733	4 102	5 035	3 404
Pension costs	5 126	10 102	5 126	10 102
EU subsidies	220	508	220	508
Other prepayments and accrued income	4 033	3 506	2 423	2 338
	16 863	20 997	14 540	19 125
11. INTANGIBLE ASSETS				
Intangible rights				
Acquisition cost at beginning of year	10 489	9 706	10 348	9 583
Increases	713	784	588	765
Acquisition cost at year-end	11 202	10 490	10 936	10 348
Accumulated depreciation at beginning of year	-6 883	-5 865	-6 773	-5 781
Depreciation for the year	-1 068	-1 019	-1 038	-992
Accumulated depreciation at year-end	-7 951	-6 884	-7 811	-6 773
Book value at year-end	3 251	3 606	3 125	3 575
Goodwill				
Acquisition cost at beginning of year	19 141	19 146	100	100
Acquisition cost at year-end	19 141	19 146	100	100
Accumulated depreciation at beginning of year	-17 547	-16 971	-20	-
Depreciation for the year	-1 536	-581	-20	-20
Accumulated depreciation at year-end	-19 083	-17 552	-40	-20
Book value at year-end	58	1 594	60	80
Other capitalised long-term expenditure				
Acquisition cost at beginning of year	64 101	62 025	56 140	54 090
Increases	2 972	2 201	2 759	2 051
Decreases	-	-	-	-1
Acquisition cost at year-end	67 073	64 226	58 899	56 140
Accumulated depreciation at beginning of year	-48 031	-43 112	-43 276	-39 192
Depreciation for the year	-7 172	-5 044	-4 133	-4 084
Accumulated depreciation at year-end	-55 203	-48 156	-47 409	-43 276
Book value at year-end	11 870	16 070	11 490	12 864
Total intangible assets	15 179	21 270	14 675	16 519

NOTES TO THE BALANCE SHEET

12. TANGIBLE ASSETS	CONSOLIDATED 2006	CONSOLIDATED 2005	PARENT COMPANY 2006	PARENT COMPANY 2005
Land and waters				
Acquisition cost at beginning of year	14 384	14 794	13 966	14 455
Increases	181	151	181	137
Decreases	-421	-561	-421	-626
Acquisition cost at year-end	14 144	14 384	13 726	13 966
Book value at year-end	14 144	14 384	13 726	13 966
Buildings and constructions				
Acquisition cost at beginning of year	382 219	373 220	368 092	360 790
Increases	6 528	9 016	5 259	8 769
Decreases	-2 065	-17	-2 058	-1 467
Acquisition cost at year-end	386 682	382 219	371 293	368 092
Accumulated depreciation at beginning of year	-245 121	-231 698	-238 373	-225 697
Depreciation for the year	-13 494	-13 423	-12 655	-12 676
Accumulated depreciation at year-end	-258 615	-245 121	-251 028	-238 373
Book value at year-end	128 067	137 098	120 265	129 719
Machinery and equipment and other tangible assets				
Acquisition cost at beginning of year	705 654	674 238	677 021	651 251
Increases	35 759	32 259	29 630	28 292
Decreases	-967	-745	-274	-2 522
Acquisition cost at year-end	740 446	705 752	706 377	677 021
Accumulated depreciation at beginning of year	-507 046	-472 918	-490 309	-457 817
Depreciation for the year	-35 097	-34 145	-32 714	-32 492
Accumulated depreciation at year-end	-542 143	-507 063	-523 023	-490 309
Book value at year-end	198 303	198 689	183 354	186 712
Advanced payments and construction in progress				
Acquisition cost at beginning of year	13 147	10 718	10 919	10 450
Increases	16 099	12 571	14 561	10 612
Decreases	-2	-	-	-78
Transfer to finished acquisitions	-11 252	-10 096	-9 211	-10 011
Transfer to costs	-25	-54	-25	-54
Acquisition cost at year-end	17 967	13 139	16 244	10 919
Book value at year-end	17 967	13 139	16 244	10 919
Total tangible assets	358 481	363 310	333 589	341 316
Depreciation according to plan for the year, total	-58 367	-54 212	-50 560	-50 244
Book value of production machinery and equipment at year-end	172 836	169 665	160 607	160 019

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 Oy, Finland	100.0	100.0
N.V. Valio - Vache Bleue S.A., Belgium *)	100.0	100.0
Frigo-Way S.P.R.L., Belgium	100.0	0.0
Vache Bleue S.A.R.L., France	100.0	0.0
Pakkasukko Oy, Finland	100.0	100.0
SIA Valio International, Latvia	100.0	100.0
Smeds & Co Oy, Finland	100.0	100.0
UAB Valio International, Lithuania	100.0	100.0
Nordic Dairy Holding Oy, Finland	100.0	100.0
Rushold M Oy, Finland *)	100.0	0.0
OOO Valio Lobnya, Russia	100.0	0.0
ZAO Valio St. Petersburg, Russia	100.0	0.0
AS Valio Baltic, Estonia	100.0	0.0
Valio Eesti AS, Estonia	100.0	0.0
Võru Juust AS, Estonia	100.0	0.0
Atleet Oü, Estonia	100.0	0.0
Valio International (Poland) Ltd, Poland	100.0	100.0
Valio Sverige AB, Sweden	100.0	100.0

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

PARTICIPATING INTERESTS
ASSOCIATED COMPANIES

Haapaveden Ympäristöpalvelut Oy, Finland	40.5	40.5
Pakastamo Oy, Finland	50.0	50.0
Suomen NP-Kierrätys Oy, Finland	25.0	25.0

REAL ESTATE COMPANIES		Equity	Net Income/ loss in latest year-end accounts
Asunto Oy Vuorikummuntie 9, Helsinki	100.0	461	-
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	-1

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	73 057	1 003	11 937
Increase	15 474	-	3
Decrease	-10 848	-440	-820
Acquisition cost at beginning of year	77 683	563	11 120
Accumulated depreciation and write-offs at year-end	-43 654	-	-3 139
Reversal of write-offs at year-end	4 878	-	378
Book value at year-end	38 907	563	8 359

15. GROUP INVESTMENTS

	Shares in Group companies	Shares in participating interests	Other shares
Acquisition cost at beginning of year	2 535	1 293	12 372
Increase	-	-	257
Decrease	-9	-695	-857
Acquisition cost at year-end	2 526	598	11 772
Accumulated deprecation and write-offs at year-end	-	-35	-3 139
Book value at year-end	2 526	563	8 633

	CONSOLIDATED		PARENT COMPANY	
	2006	2005	2006	2005
16. SECURITIES				
Other securities	115 126	105 297	114 095	104 836
Other equities and shares				
Market value	10 288	10 015	10 288	10 015
Book value	10 000	10 000	10 000	10 000
Difference	288	15	288	15
17. RECEIVABLES FROM GROUP COMPANIES				
Trade receivables	-	-	27 234	20 194
Other receivables	-	-	1 052	-
Loan receivables	-	-	4 003	6 768
Accrued income and prepaid expenses	-	-	35	-
	-	-	32 324	26 962
18. RECEIVABLES FROM PARTICIPATING INTERESTS				
Trade receivables	21	553	21	266
Other receivables	656	130	656	130
	677	683	677	396

	CONSOLIDATED 2006	2005	PARENT COMPANY 2006	2005
19. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital, 1 Jan., 2006 / 1 Jan., 2005	99 678	99 678	99 678	99 678
Share capital, 31 Dec.	99 678	99 678	99 678	99 678
Legal reserves				
1 Jan., 2006 / 1 Jan., 2005	7 035	5 257	5 984	5 984
Translation differences	-1 489	1 778	-	-
Legal reserves 31 Dec.	5 546	7 035	5 984	5 984
Retained earnings from previous year, 1 Jan.	238 933	233 795	165 169	160 520
Dividends	-4 485	-3 987	-4 485	-3 988
Retained earnings 31 Dec.	234 448	229 808	160 684	156 532
Net profit for the financial year	2 964	9 125	-2 821	8 637
Shareholders' equity 31 Dec.	342 636	345 646	263 525	270 831
Retained earnings 31 Dec.	234 448	229 808	160 684	156 533
Appropriations included in retained earnings	-74 266	-73 823	-	-
Net profit/loss for the financial year	2 964	9 125	-2 821	8 637
	163 146	165 110	157 863	165 170
20. PROVISIONS				
Provision for contingent pension liabilities	5 480	5 669	5 080	5 669
Provision for reconstruction	2 424	4 578	2 424	4 578
Other provisions	600	-	600	-
	8 504	10 247	8 104	10 247
21. DEFERRED TAX LIABILITIES AND RECEIVABLES				
Deferred tax receivables				
From matching differences	4 728	5 961	2 107	2 664
	4 728	5 961	2 107	2 664
Deferred tax liabilities				
From appropriations	26 027	25 918	-	-
From matching differences	68	20	-	-
	26 095	25 938	-	-
22. ACCRUED EXPENSES AND DEFERRED INCOME				
Interest	3 888	3 879	3 888	3 751
Holiday accrual including social security	20 940	19 671	20 477	19 152
Rebates granted	1 962	1 347	1 091	864
Wages and salaries including social security	9 081	7 420	7 414	5 839
Royalties	491	1 245	491	1 229
Other accrued expenses and deferred income	7 775	5 459	3 966	2 273
	44 137	39 021	37 327	33 108

NOTES TO THE BALANCE SHEET

	CONSOLIDATED		PARENT COMPANY	
	2006	2005	2006	2005
23. CURRENT LIABILITIES TO GROUP COMPANIES				
Trade payable	-	-	1 539	1 683
Other liabilities	-	-	1 278	115
Adjusting entries for liabilities	-	-	107	-
	-	-	2 924	1798
24. CURRENT LIABILITIES TO PARTICIPATING INTERESTS				
Trade payable	335	3 816	335	2 860
Other liabilities	139	-	139	-
Accrued expenses and deferred income	1	-	1	-
	475	3 816	475	2 860
25. CONTINGENT LIABILITIES				
For own commitments				
Mortgages	142 006	137 512	140 473	136 234
Pledges	6 120	14 159	6 120	14 159
Guarantees	44 617	46 526	33 839	33 839
Leasing commitments				
over a period of 12 months	3 197	4 587	2 943	3 785
later	4 000	2 842	3 391	2 356
For commitments of Group companies	-	-	10 778	12 675
For others	8 125	8 269	7 997	8 141
For own operations	199 940	205 626	186 766	190 373
For Group companies	-	-	10 778	12 675
For others	8 125	8 269	7 997	8 141
	208 065	213 895	205 541	211 189
26. EMISSION RIGHTS				
Gratuitously acquired emission rights, tCO_2	108 539	97 896	108 539	97 896
Annual emission volumes, tCO_2	92 663	98 158	92 663	98 158
Emission rights in possession, tCO_2	103 277	97 896	103 277	97 896
Sales of emission rights, 1000 €	137	-	137	-
27. DERIVATIVE CONTRACTS				
Commodity futures contracts				
Oil futures contracts				
Market value	1 651	-	1 651	-
Value of underlying instrument	1 975	-	1 975	-
Forward exchange agreements				
USD forward exchange agreements				
Market value	23 646	-	23 646	-
Value of underlying instrument	22 779	-	22 779	-

PROPOSAL BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

Distributable earnings in the financial statements amount to € 157 862 351,34. There have been no essential changes in the company's financial position after the close of the financial year, and neither does the liquidity test referred to in section 13:2 of the Companies Act affect the amount of distributable earnings. The Board of Directors proposes to the Annual General Meeting that the distributable assets be used as follows:

Retained earnings	160 683 695,42 €
Loss for the financial year	-2 821 344,08 €
Total	157 862 351,34 €

The Board of Directors proposes to the Annual General Meeting that a dividend of 5% on the nominal value of the shares of € 170 be declared.	4 983 890,00 €

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	152 878 461,34 €
Total shareholders' equity	258 540 362,87 €

SIGNATURES TO THE BOARD DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Helsinki, 7 March 2007

Antti Rauhamaa

Tauno Uitto

Heikki Halkilahti
President and CEO

Esa Juntunen

Sauli Lähteenmäki

AUDITORS' NOTE

The financial statements and the Board of Directors' report have been drawn up in accordance with good accounting practice. An auditor's report has been submitted today.

Helsinki, 7 March 2007

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 financial statements, the report of the Board of Directors and the administration of Valio Ltd for the period 1.1.–31.12.2006. 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 financial statements and the report of the Board of Directors are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements and in the report of the Board of Directors, 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 Presidents and CEO's of the parent company have complied with the rules of the Companies' Act.

In our opinion the financial statements and the report of the Board of Directors have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements and the report of the Board of Directors 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 Presidents and CEO's 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, 7 March 2007

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 2006, 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: Tapio Hytönen, Harri Laamanen, Pekka Lestinen, Jaakko Männistö, Reino Parkko, Mauri Penttilä, Matti Romppanen, Matti Siitonen and Pentti Vartiainen. In addition, new members must be elected to the Supervisory Board to replace Sauli Lähteenmäki, who was elected to the Board of Directors, and Tapio Malmiharju, who resigned, for their remaining terms.

Helsinki, 8 March 2007.

On behalf of the Supervisory Board

Pentti Santala
Chairman

VALIO Ltd owners 31Dec., 2006

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	Domicle	No. of Shares 3 400 €/Share
Alueosuuskunta Promilk	Lapinlahti	3 124
Evijärven Osuusmeijeri	Evijärvi	42
* Hirvijärven Osuusmeijeri	Jalasjärvi	46
* Hämeenlinnan Osuusmeijeri	Hämeenlinna	1
Härmän Seudun Osuusmeijeri	Alahärmä	82
Kainuun Osuusmeijeri	Sotkamo	898
* Kaustisen Osuusmeijeri	Kaustinen	1
Keski-Pohjan Juustokunta[1)]	Toholampi	1 271
Keski-Suomen Maitokunta[2)]	Jyväskylä	1 458
* Kuusamon Osuusmeijeri	Kuusamo	265
Kyrönmaan Osuusmeijeri[3)]	Isokyrö	124
* Laaksojen Maitokunta	Ylivieska	1
Liperin Osuusmeijeri	Liperi	162
Meijeriosuuskunta Milka	Vöyri	3
Nurmeksen Osuusmeijeri	Nurmes	626
Osuuskunta Idän Maito	Joensuu	2 877
Osuuskunta Lapin Maito	Rovaniemi	696
Osuuskunta Maito-Aura[4)]	Turku	1 964
Osuuskunta Maitojaloste[2)]	Seinäjoki	2 799
* Osuuskunta Maitokolmio	Toholampi	244
* Osuuskunta Maitomaa	Suonenjoki	290
Osuuskunta Maito-Pirkka[4)]	Tampere	1 729
Osuuskunta Normilk	Jyväskylä	4
Osuuskunta Pohjolan Maito	Haapavesi	2 981
* Osuuskunta Satamaito	Pori	348
Osuuskunta Tuottajain Maito	Riihimäki	7 249
* Paavolan Osuusmeijeri	Ruukki	32
Shareholders 27		**29 317**

Total share capital 99 677 800 €

* No business relationship with Valio

Changes up until 5 February 2007:

[1)] Merged into Osk. Pohjolan Maito [3)] Merged into Osk. Maitojaloste

[2)] Merged into Osk. Maitosuomi [4)] Merged into Osk. Länsi-Maito

DIVISION BOARDS 1 JAN. 2007

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 Kemppainen	2007
Raimo Kielenniva	2008
Jouko Kärki 1)	2007
Harri Laamanen	2007
Esa Leskelä	2008
Sauli Lähteenmäki	2007
Reino Parkko	2007
Matti Romppanen	2008
Sirkku Ukkola	2008
Ari Vuojolainen	2008

Logistics	
Sauli Lähteenmäki, Chairman	2007
Esa Juntunen, Vice Chairman	2007
Kyösti Anttila	2007
Maija-Leena Heiniö	2007
Jaakko Männistö	2008
Osmo Oinonen	2008
Jukka Paananen	2008
Markku Pajunen	2008
Mauri Penttilä	2007
Kari Piironen	2008
Matti Siitonen	2007
Tuula Stålhammar [1)]	2007

Home Market Sales and Marketing	
Esa Juntunen, Chairman	2007
Sauli Lähteenmäki, Vice Chairman	2007
Tapio Hytönen	2007
Hannu Kainu	2008
Juha Kantoniemi	2008
Pekka Lestinen	2007
Tapio Malmiharju	2008
Jaakko Rouhiainen	2008
Pentti Santala	2007
Juha Tuikkanen [1)]	2007
Onni Törrönen	2008
Pentti Vartiainen	2008
Päivi Ylä-Outinen	2008

[1)] Personnel representative


VALIO

ANNEX 1.
CURRENT APPLICATION OF THE GRI REPORTING FRAMEWORK COMPARED WITH G3 RECOMMENDATION

Reporting level	C	C+	B	B+
G3 Strategy and description of organisation	**Requirements of level:** 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.14–4.15		**Requirements of level:** **C level requirements and additionally:** 1.2 3.9, 3.13 4.5–4.13, 4.16–4.17	
	Valio reports: 2.1 3.1–3.8, 3.12 4.1, 4.4 **Valio does not report:** 1.1 2.9–2.10 3.10–3.11 4.2–4.3		**Valio reports:** 4.8–4.9, 4.12–4.16 **Valio does not report:** 1.2 3.9, 3.13 4.5–4.7, 4.10–4.11, 4.17	
G3 Management Review (principles, goals, achievements, responsibilities, training, follow-up)	No requirements	**External assurance**	Management Review of all areas covered by the key figures	**External assurance**
			Valio reports: partially reported financial, environment, collective agreements, working conditions, society, product liability	
G3 indicators	**Requirements of level:** Reporting a minimum of 10 indicators that include at least one indicator from each of the following areas: social responsibility, financial responsibility, environmental responsibility.		**Requirements of level:** Reporting a minimum of 20 indicators that include at least one indicator from each of the following areas: financial responsibility, environmental responsibility, human rights, employee rights, society, product liability.	
	Valio reports: EC1, EC3, EC4, EC9, LA1–LA2, LA7, LA10, LA12, LA14, SO1, SO5 PR1–PR2, PR6, EN1, EN3, EN4, EN8, EN10, EN11, EN19, EN21–EN27, EN29–EN30		**Valio reports:** EC1, EC3, EC4, EC9, LA1–LA2, LA7, LA10, LA12, LA14, SO1, SO5 PR1–PR2, PR6,EN1, EN3, EN4, EN8, EN10, EN11, EN19, EN21–EN27, EN29–EN30	

ANNEX 2. CONTACT PERSONS FOR CORPORATE RESPONSIBILITY

Valio's telephone number is 010 381 121 calling from anywhere in Finland and +358 10 381 121 from outside Finland.
E-mail: firstname.lastname@valio.fi

Co-ordination of Valio's Corporate Responsibility Report

Valio Ltd
Pia Kontunen, Senior Vice President, Corporate Communications
PO Box 10
FI-00039 VALIO, FINLAND

Valio strategy and management system
Liisi Myllykangas
Senior Vice President, Corporate Planning

Economic responsibility, key indicators
Antero Riihikallio
Senior Vice President, Group Finance

Environmental responsibilities, key indicators
Janne Sahlstein
Manager, Environmental Affairs

Social responsibility, key indicators
Lasse Lintilä
Senior Vice President, Human Resources

Milk production in Finland
Eeva Brofeldt
Manager, Farm Services

ADDRESSES

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