

ANNUAL REPORT 2001



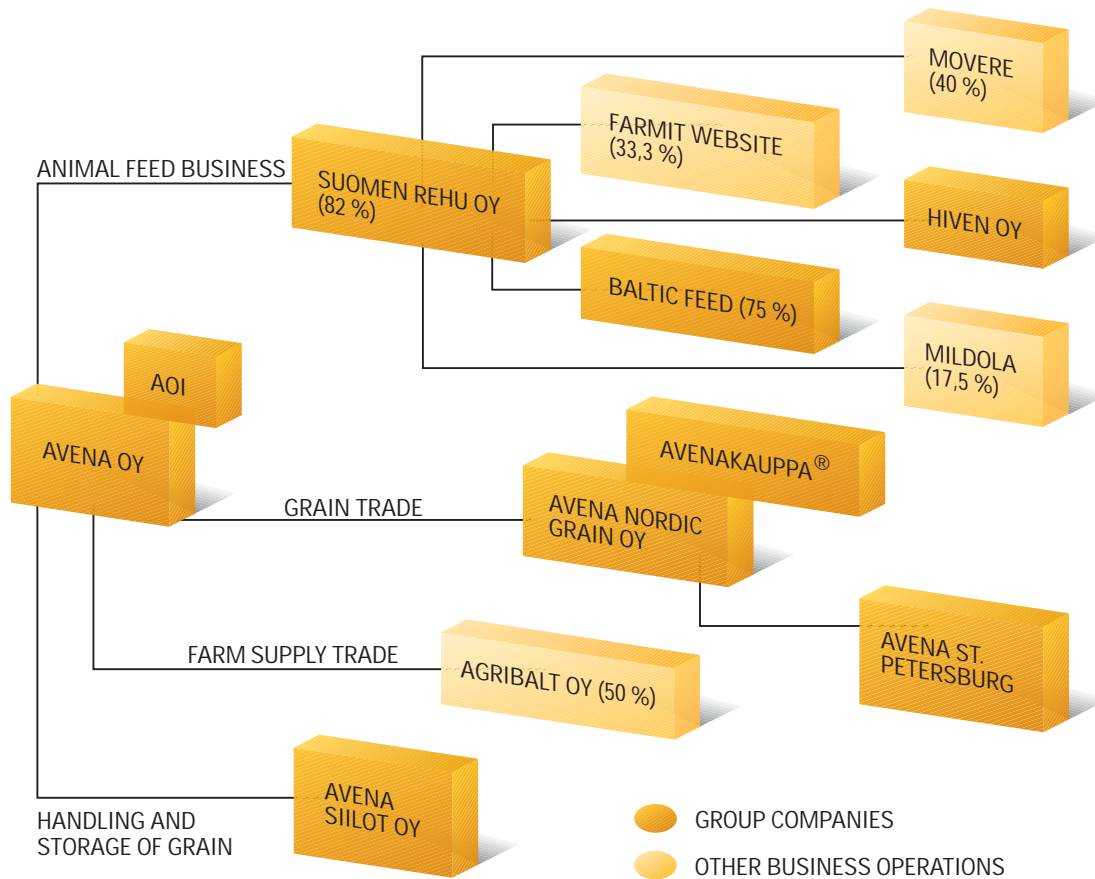


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AVENA GROUP'S ORGANISATION AS OF 31.12.2001



THE YEAR 2001 IN BRIEF

- The turnover of Avena Group for 2001 was EUR 268 million and business profit was EUR 8.2 million.
- The large grain harvest of the year 2000 increased the grain trade as well as grain processing and storage volumes in the year 2001.
- Product development work for Avena Oat Ingredients (AOI) was continued. The first products utilising the AOI oat bran were introduced to the market at the turn of the year 2001/2002.
- At the beginning of 2001 the use of bonemeal was prohibited in farm feeds, based on regulations by the European Union, and this raised costs in the entire food supply chain in spring 2001.
- At the end of 2001, the government granted the state the right to relinquish its ownership share (100%) in Avena.



PRESIDENT'S REVIEW

During 2001, Avena Group focused on stabilising its operations following the great changes of the previous financial period. Suomen Rehu implemented forceful measures for improving profitability and succeeded in meeting profit targets. The launch of Avenakauppa® new domestic grain trade concept required efforts to raise the market share in domestic grain sales. We succeeded to reach the targets with health margins.

For Avena Siilot Oy, the past year was characterised by a great amount of work and solid profitability. The good grain harvest of 2000 also raised the processing and storage amounts for grain in 2001. Additionally, the company invested in a whole new oat hulling facility in Kokemäki. Investments improved the pre-processing of oat raw material for Avena Oat Ingredients (AOI), making the fractionating process of oat more effective. The first products utilising the AOI oat bran were introduced to the market at the turn of the year 2001/2002.

The aim of Avena is to enhance the competitiveness of the domestic farmer by developing animal nutrition as well as marketing and handling of the harvest. As the professional skills and demands of the farmers grow, Avena's goal is to be a pioneer in the development of the competitive products and services. 2001 was a good year for Avena, indicating a move in the right direction. We will continue to work earnestly to succeed, developing our product supply on the terms of the changing market environment.

Since the founding of Avena in 1995, the goal of our owner has been to privatise Avena Group. At the end of 2001, the government approved full privatisation rights to the owner, and soon thereafter the Ministry of Trade and Industry reported having begun negotiations with a domestic party in the acquisition of Avena's share portfolio. A letter of Intent for the purpose of company acquisition was signed with Lännen Tehtaat Oyj in February 2002. The Avena Group will, however, be continuing in its current form at least until the beginning of 2003.

The work effort of the staff during this past year has been excellent, and the continued aim of our employees to achieve profit through hard work - regardless of uncertainty in the ownership arrangements - can only be commended. We would not have succeeded without the confidence and desire of our clients to engage in productive co-operation with us. In return, we extend our warmest gratitude. Co-operation is certain to continue along the same positive lines also in the future.

Helsinki, March 12th 2002

Hannu Pelttari



FEED BUSINESS IN STRONG DEVELOPMENT PHASE

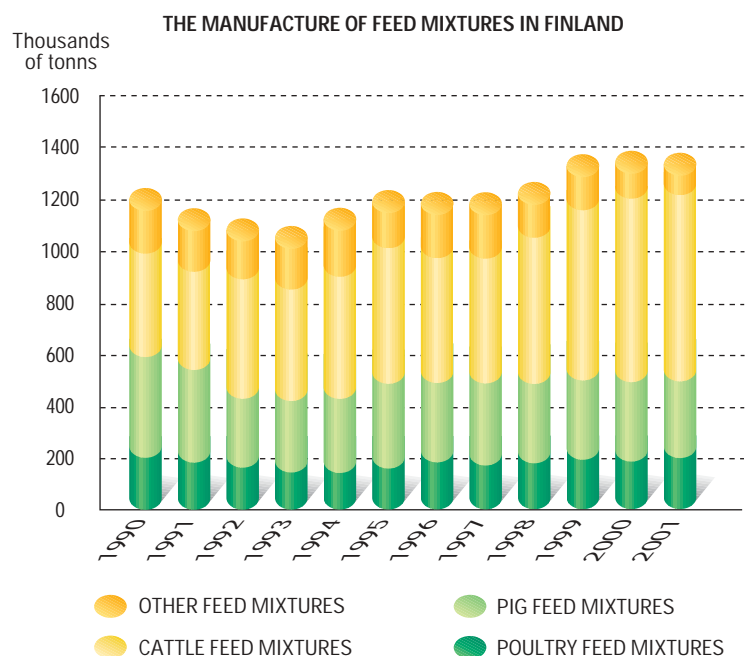
OUR BUSINESS ENVIRONMENT IN 2001

The structural changes in the animal husbandry and the EU's food safety policies have affected the operational environment of the feed industry. Suomen Rehu has been developing its operations and products with a long-term perspective. Suomen Rehu's Safe Health® programme also meets the goal that the authorities responsible for feed and food safety in the EU are striving to achieve in the whole of the EU on a long-term basis.

New product launches and investments have been used to improve the profitability of domestic animal production, and support the good health and well being of animals, as well as decrease the environmental effects of domestic animal production. The turnover of the feed business area increased to EUR 175 million in 2001.

From the beginning of 2001, the European Union prohibited the use of bone-meal in feed for animals intended for food production use. Based on this decision, the preparation, transport and storage of cattle feed had to be isolated from the production and transport chain for feed containing fish meal. For this reason, the production of feed containing fish meal was re-organised in Finland, which raised the costs throughout the feed and food supply chain. Additionally, the Finnish feed laws, renewed in spring 2001, continued to uphold the principle of strict liability. The logistics operations related to feed materials are now also controlled by feed legislation.

The structural changes in agriculture continued and investments in the cattle in-





dustry remained at a high level. In 2001, the overall demand for animal nutrition grew slightly, despite the fact that, for example, the number of milk cows decreased. The growth in the size of farms and the increase in output levels increased the demand for industrial feed and milk production. The growth in meat production was channelled, according to the growth of consumption, to increased production of broiler and turkey meat.

On Suomen Rehu's customer farms, the production of milk, meat and eggs per animal continued to increase strongly. This is based on the feeding and production programme developed by Suomen Rehu, which supports a good state of health and well being for animals. Next to the dairy cattle's NARU® programme, the SYMPO® development programme for pigs and poultry has been developed during the course of the year. It supports the health of pigs and poultry while decreasing the environmental impacts of the farming.

The new SYNCRO® feed was launched during the operational year. Each SYNCRO feed delivery is tailored to the production goals and needs of the animals in different stages of growth. The programme is unique within the feed industry. The company has sought a global patent for the procedure.

The antibiotic-free meat production programme PIGARIDE® achieved a lot of attention abroad, since the prohibition of the feed antibiotics in the EU is already very extensive. A global patent has been sought for the system and it is being tested in twelve different European countries. Foreign deliveries began at the end of the year 2001.

The turnover of the feed business rose to EUR 175 million while its profitability improved significantly. Capacity utilization of the factories remained high, and there was even a temporary lack of resources. Baltic Feed, operating in the Baltic area, experienced strong growth, as did export to the Scandinavian countries and Russia.

Suomen Rehu strengthened its position in the animal health sector by buying Hiven Oy, a company preparing and marketing animal health products, at the beginning of 2002.

A GOOD YEAR IN THE GRAIN BUSINESS

The good grain harvest of the years 2001 and 2002 reflected positively on the grain business. The world market prices for grain were strengthened and the export of grain to foreign countries grew. Contract models were created for organic grain and the Avenakauppa® was further developed. The turnover of operations in 2001 was EUR 92 million.

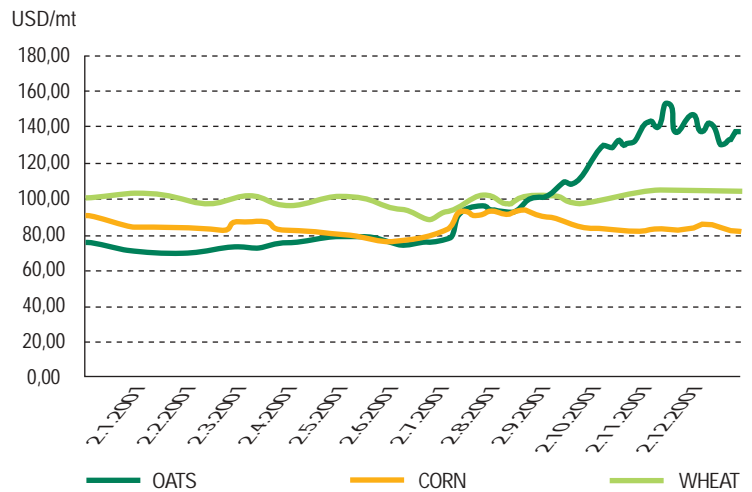
2001 was a good year for selling grain, since a significant share of the large harvest of autumn 2000 was sold during 2001. In addition, the harvest of 2001 was finished early and was quite large in size, similar to that of the previous year.

Grain prices on the world markets were strengthened somewhat. As the US dollar also remained strong in relation to the euro, the European Union exported all kinds of grain to foreign countries without export subsidies, with the exception of rye.

The price of grain rose in autumn 2001. The international price increase was reflected more directly on Finland's internal price level, since export subsidies were not needed. The EU harvest was only modest last year, and the import of wheat in particular increased. The situation was also affected by the good harvest in Russia and Eastern Europe, as well as the gradual lowering of import protection.

Contract models for organic grain were also created in the grain business. Business in organic grain got underway in both Finland and the export markets. The online grain trade, the Avenakauppa®, was further developed. A new feature was the forward contract business, in which prices are applied on a fixed basis for up to a year at a time. A significant acknowledgement was the election of Avena Nordic Grain Oy's sales manager Werner Meyer as President of the GAFTA (The Grain and Feed Trade Association).

CHICAGO BOARD OF TRADE QUOTATIONS
(DAILY OBSERVATIONS, NEARBY CBOT FUTURES)

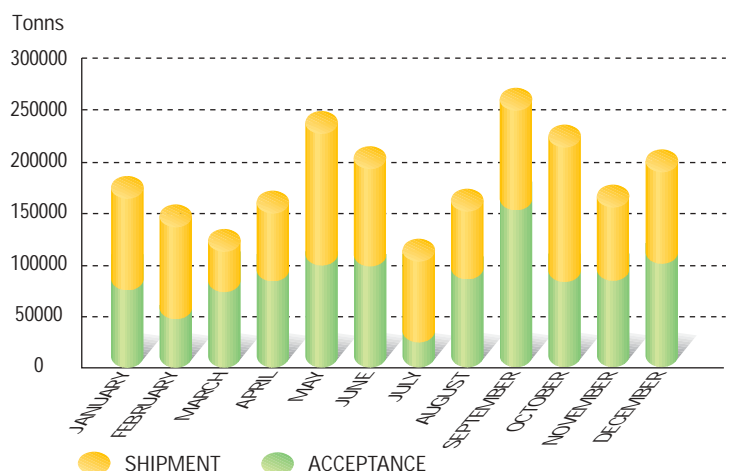


NEW INVESTMENTS IN GRAIN HANDLING AND STORAGE

The good harvest and export sales of the last few years speeded up the handling and storage of grain. Avena Siilot Oy invested in a new oat hulling line for Kokemäki and made the decision to build a dryer for the Seinäjoki storage. In 2001 the amount of grain handled was 2.1 million tonnes and the turnover of Avena Siilot Oy amounted to EUR 16.6 million.

The year 2001 was exceptionally good regarding the handling and storage of grain, due to high storage levels during the whole period. This was a result of the large harvest in the year 2000. In addition, export sales were the liveliest yet during the years of EU membership. Avena Siilot Oy's competitive position was legislatively stabilised when the Competition Office ended its research on the issue in January 2001.

AVENA SIILLOT OY'S PROCEDURES 2001





Avena Siilot Oy has an efficient dryer at Koria, which serves the business area well. Based on experience gained and the feedback from the farmer survey, the company decided to invest in an industrial dryer of similar capacity at the Seinäjoki storage facilities as well. The new dryer will be taken into service in time for the autumn 2002 harvest. In addition, the company built an oat hulling line at Kokemäki during the year 2001. The hulling line, which makes pre-processing of the oat fractionation business (AOI) more effective, is also used to manage the group's feed industry raw material needs.

AVENA OAT INGREDIENTS DEVELOPED ITS OPERATIONS

The core functions supporting Avena's central business functions include oat fractionation business operations, Avena Oat Ingredients (AOI), which betaglucan products were launched on the markets at the end of 2001 and the associated company Agribalt Oy operating in the Baltic agricultural markets.

The oat fractionation business operations of the Avena Oat Ingredients (AOI) unit began collecting oat growing data for the development of contract farming. In addition, the unit continued to develop the production process and marketing measures for oat bran, oat flour and oat starch. The first regular product deliveries for the baking and confectionery industry began, and the first brand products containing concentrated betaglucan were introduced to the markets at the start of 2002. Business operation development has been carried out in close co-operation with the Finnish oat know-how network.

Agribalt Oy, which operates in the farm supply trade in the Baltic countries and is jointly owned by Hankkija-Maatalous Oy, achieved the sales and profitability goals set for the year 2001. In addition to Latvia, the company's operations also expanded to Estonia.

PERSONNEL

The well being and development of our personnel are key focal areas in Avena Group. As a company operating in the food and agricultural industry, one of Avena's challenges is the growing average age of our personnel. The largest age segment in the Group consists of 50 to 54 –year-olds, as the enclosed age distribution chart shows. The situation calls for a special effort to decrease the average company age. For this reason, we wish to increase the attractiveness of our company and our whole business area.

The general education background and level of the group's personnel is still quite suitable and sufficient for the current situation. In the future, the need for more highly trained personnel will grow as the work assignments will cover wider areas and become more knowledge intensive.

External training costs for the Group's personnel without work-hour salaries amounted to approximately 475 € per person in 2001. The annual number of training days per person was 1.9.

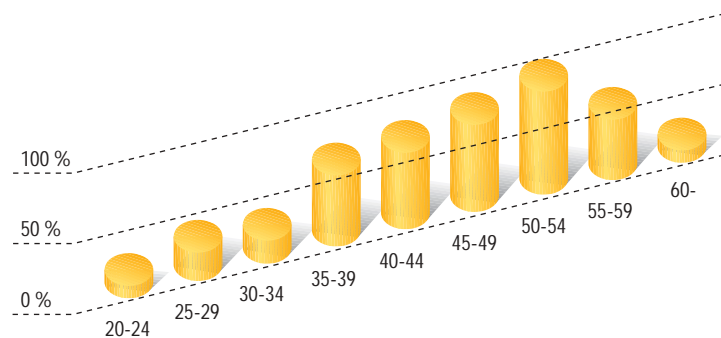
In Avena Siilot Oy the focus areas for personnel training included financial training and, in particular, training related to the balanced score card. Hygiene-related training continued. In the latter half of 2001 the deepening of the common values was emphasized.

The key areas in Avena Nordic Grain Oy's training included contract management for international trade, GAFTA-courses, international trade and training for office software.

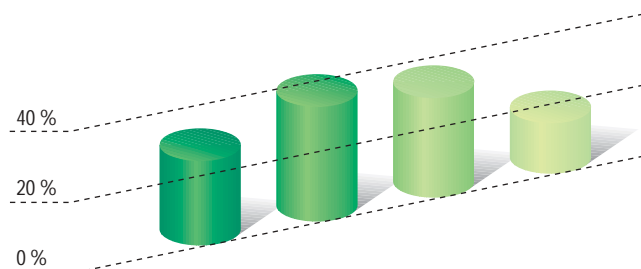
The development of a worksafety programme was a core project in the development of personnel at Suomen Rehu. The operations were certified in accordance with the workplace health care and safety system programme BS 8800. The programme complements the Safe Health® system developed for feed and food safety.

In the parent company the emphasis of the training was on current issues, such as the implementation of the euro. The changeover was completed without problems.


PERSONNEL DISTRIBUTION 2001



EDUCATIONAL BACKGROUND OF PERSONNEL



- PRIMARY / COMPREHENSIVE SCHOOL
- VOCATIONAL STUDIES / MATRICULATION EXAM
- SECONDARY LEVEL SCHOOLING
- UNIVERSITY DEGREE



The members of the Board of Avena Ltd.
Olavi Kuusela (left, back), Ilkka
Arjaluoto, Esko Lindstedt, Kare
Turtiainen, Ilkka Ruska and Asko Schrey.

THE BOARDS OF DIRECTORS OF AVENA GROUP AND AUDITORS 2001

AVENA OY'S BOARD OF DIRECTORS

Chairman: Chief Director **Ilkka Ruska**
Director of Finance **Ilkka Arjaluoto**
CEO **Olavi Kuusela**
Vice President **Esko Lindstedt**
Managing Director **Asko Schrey**
Chief Director **Kare Turtiainen**

AVENA NORDIC GRAIN OY'S BOARD OF DIRECTORS

Chairman: President **Hannu Pelttari**
Managing Director **Asko Schrey**
Managing Director **Kaija Viljanen**

AVENA SIILOT OY'S BOARD OF DIRECTORS

Chairman: President **Hannu Pelttari**
Director of Finance **Ilkka Arjaluoto**
Maintenance Technician **Erkki Bamberg**
Managing Director **Kari Nurmentaus**
Managing Director **Ilkka Rantasalo**

SUOMEN REHU OY'S BOARD OF DIRECTORS

Chairman: President **Hannu Pelttari**
Chairman of the Board **Mikko Haapanen**
Director **Olavi Määttä**
President **Antero Nyysönen**
Chief Director **Kare Turtiainen**

THE AUDITORS OF AVENA GROUP

APA **Tomi Englund**,
Tilintarkastajien Oy, Ernst & Young
APA **Jorma Heikkinen**, the State Audit Office

CORPORATE GOVERNANCE

The group administration will adhere to the Finnish Companies Act and Avena Oy's Articles of Association. The Board of Directors of Avena Oy has confirmed the principles of Corporate Governance, to which no changes were made during 2001.

The Avena Group is governed, in keeping with good business principles and increasing the economic value of the Group in the long-term. The main responsibility for the group governance and operations lies with the administrative bodies of Avena Oy, which include the general meeting, the Board, the President and the auditors.

The group's internal audit has been organised as part of the development of the quality for the financial administration and general operations.

THE ASSIGNMENTS AND RESPONSIBILITIES OF THE BOARD

The President is responsible for the company's operational activities. The assignments and responsibilities of the Board are defined based on the Companies Act and Avena Oy's Articles of Association. The board is, together with the President, responsible for the economic governance of the group. The main assignments of the Board are:

- to ensure due arrangement of group governance and operations
- to prepare the annual general meeting agenda and ensure the execution of decisions made at the annual general meeting
- to set and approve planned strategic and annual goals
- to decide on significant investments (e.g. business acquisitions, expansion of operations, investments on equity, R & D projects).
- to decide on taking long-term credit as well as relinquishing and pledging immovables
- to decide on the business and financial risk policy of the group
- to employ and terminate employment of the Group's President and persons forming part of the Group management, and to accept said employment conditions

SELECTION AND TERM OF OFFICE FOR THE MEMBERS OF THE BOARD

The general meeting appoints the board for the time period between annual general meetings. The board has a maximum of six members. The board chooses a Chairman and Vice Chairman from among the board members. The board will convene between 9-12 times a year and always when need arises. A person who is 65 years of age or older cannot be elected as a board member.

RISK MANAGEMENT

Risks central to group operations are linked to the development of Finnish agricultural production and food industry, changes in grain and grass harvests as well as price fluctuations in feed raw material. The changes in competition in the feed markets as well as issues of hygiene in the food industry as a whole also present significant risks to the group.

In order to manage these business risks, the cost effectiveness and quality of the operations have been systematically developed. Certified quality systems are used in Avena Siilot Oy and Suomen Rehu Oy. Avena Nordic Grain Oy has a similar quality system in place. The price fluctuations in raw materials are managed within the framework of confirmed principles while also taking advantage of proper derivative contracts. Maximum limits have been defined for open trade positions. In product pricing we seek to secure the necessary flexibility as a hedge against volatile raw material prices.

PROFIT AND LOSS ACCOUNT

EUR 1 000	1.1.2001 - 31.12.2001	1.7.1999 - 31.12.2000
Turnover	267 939	311 945
Other operating income	2 885	4 377
Manufacture for own use	309	558
Acquisition price for goods sold	196 728	232 801
Personnel costs	18 200	21 373
Depreciations and write-downs	8 142	9 418
Other operating expenses	39 844	47 970
Operating profit	8 219	5 318
Financial yields (+) and expences (-) / (net)	-2 634	-2 544
Profit before reserves and taxes	5 584	2 774
Taxes	1 593	299
Minority share	-119	-12
Net profit for the period	3 872	2 463

BALANCE SHEET

ASSETS EUR 000s	31.12.2001	31.12.2000
FIXED ASSETS		
Intangible assets	21 322	20 376
Tangible assets	72 040	73 236
Investments	274	299
Participating interests	2 424	2 514
	96 060	96 425
CURRENT ASSETS		
Inventories	32 413	25 164
Short-term receivables	18 143	21 775
Securities	6 456	3 207
Cash and bank receivables	3 513	2 033
	60 525	52 179
ASSETS TOTAL	156 585	148 604
LIABILITIES EUR 000s	31.12.2001	31.12.2000
EQUITY		
Share capital	16 819	16 819
Premium funds	29 494	29 494
Profit carried forward from previous years	13 415	12 087
Profit for the period	3 872	2 463
Equity loan	0	50
	63 600	60 913
MINORITY INTEREST	1 994	2 682
CREDITORS		
Deferred tax liability	2 095	1 208
Long-term foreign equity	40 171	43 534
Short-term foreign equity	48 725	40 267
	90 991	85 009
LIABILITIES TOTAL	156 585	148 604

KEY FIGURES

	12/01	12/00	6/99	6/98	6/97	4/96
Turnover (eur 1000)	267 951	311 945	96 436	151 947	187 766	184 075
Operating profit (eur 1000)	8 219	5 318	6 533	2 840	9 229	15 106
% of the turnover	3,1 %	1,7 %	6,8 %	1,9 %	4,9 %	8,2 %
Profit before extraordinary items, reserves and taxes (eur 1000) % of the turnover	5 584 2,1 %	2 774 0,9 %	6 210 6,4 %	2 175 1,4 %	9 280 4,9 %	15 797 8,6 %
Profit for the period (eur 1000) % of the turnover	3 872 1,4 %	2 463 0,8 %	3 614 3,7 %	1 544 1,0 %	6 799 3,6 %	5 792 3,1 %
Return on equity % (*)	6 %	3 %	6 %	3 %	11 %	21 %
Return on investment % (*)	7 %	4 %	9 %	5 %	12 %	18 %
Equity ratio %	42 %	43 %	74 %	69 %	75 %	54 %
Number of personnel (average)	398	416	132	130	119	115
Profit per share (eur)	194,10	82,10	180,71	77,18	301,59	231,20
Equity per share (eur)	3 428,95	3 179,07	2 983,66	2 820,42	2 844,28	2 605,22
Dividend per share (eur)		58,87	67,28	16,82	100,91	100,91
Dividend % of the profit (*)		71,7 %	37,2 %	21,8 %	33,5 %	43,6 %
Share issue - adjusted number of shares	20 000	20 000	20 000	20 000	20 000	20 000
Current ratio	1,24	1,30	2,88	1,81	2,19	1,92
Quick ratio	0,58	0,67	2,49	1,23	1,49	1,04

(* Annualised figures)