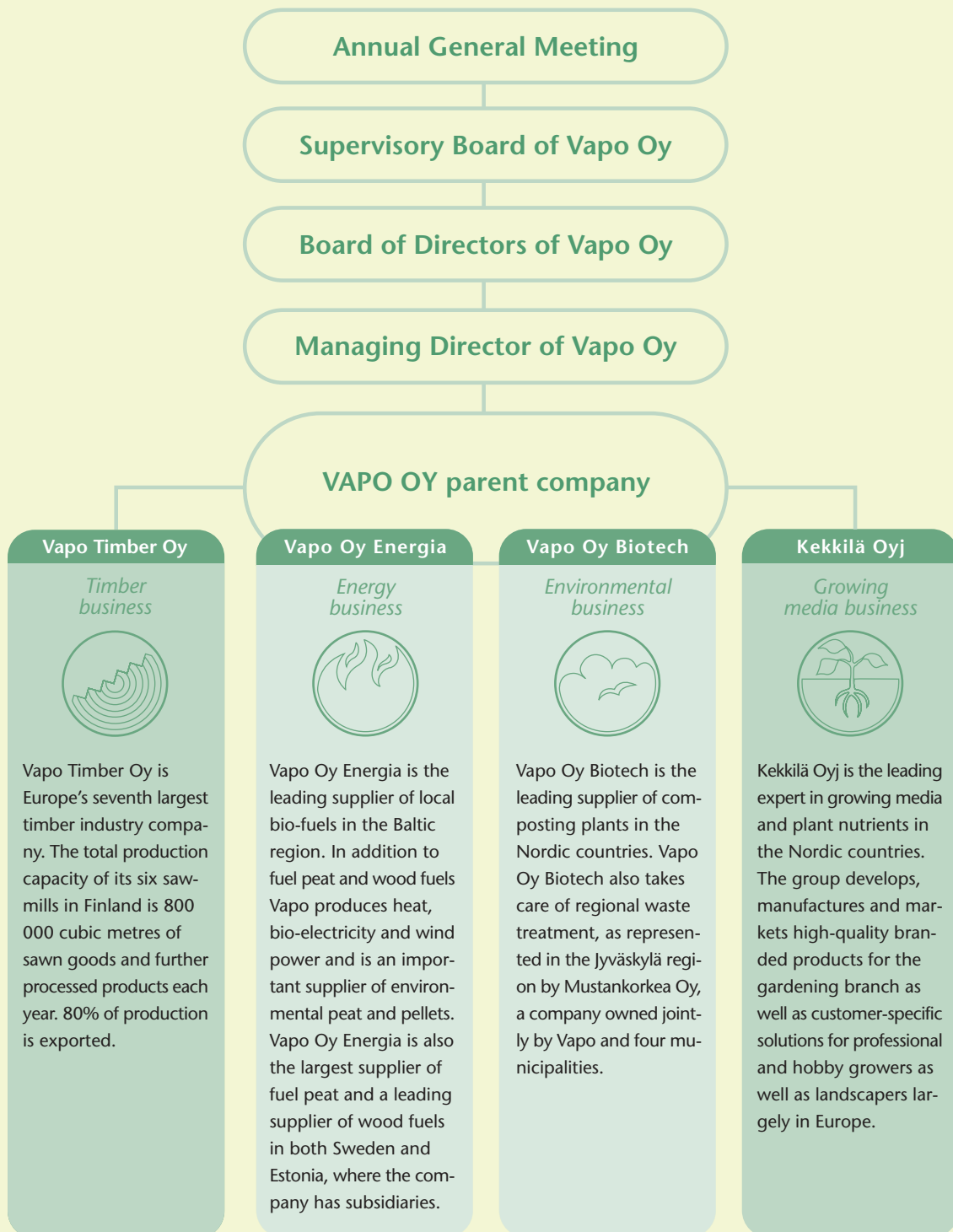


ANNUAL REPORT 2002



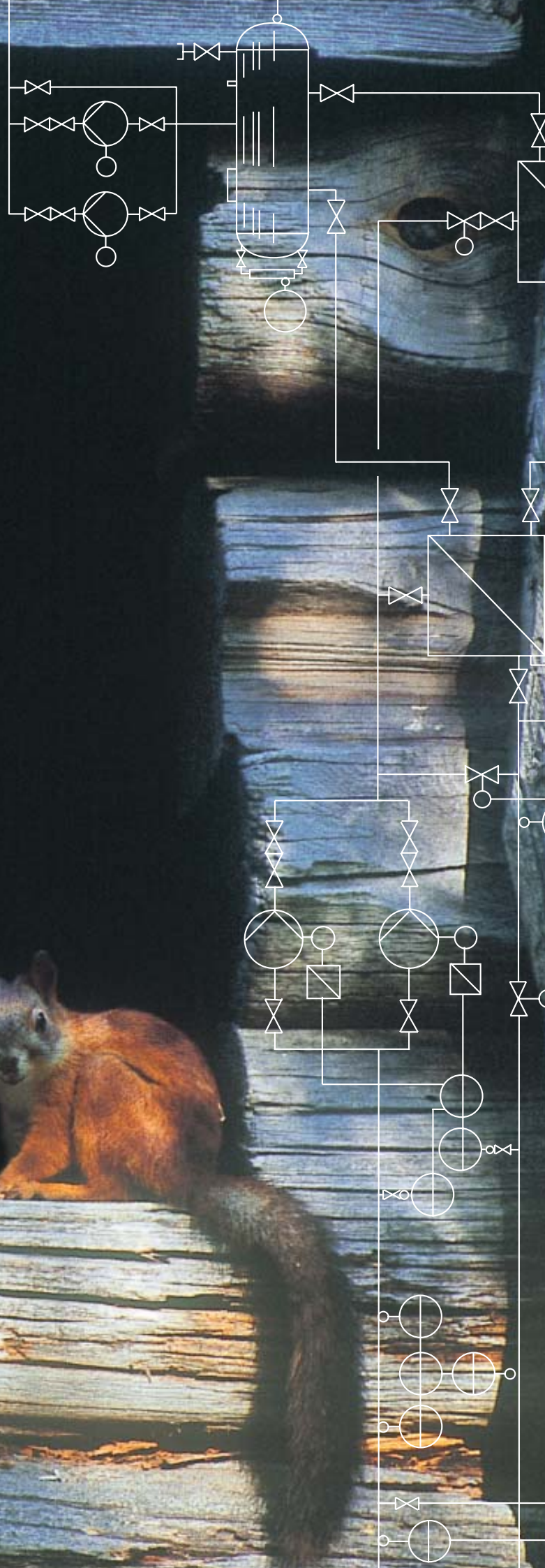


**Annual Report
2002**



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The future rests increasingly on renewable sources of energy

Mankind now uses more energy and raw materials than ever before.

Simultaneously the need for nature conservation and sustainable utilization is greater than ever before.

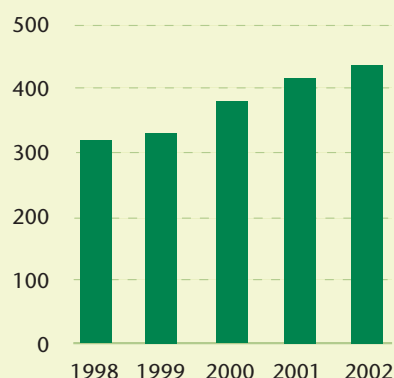
*This is why the future lies in bio-fuels, green electricity
and heat as well as waste treatment and associated technology.*

*In all these branches with a bright future we have developed,
over the decades, a unique culture of expertise. In all these areas of activity we have the foundation,
the will and the potential to become the leading experts in the Baltic region.*

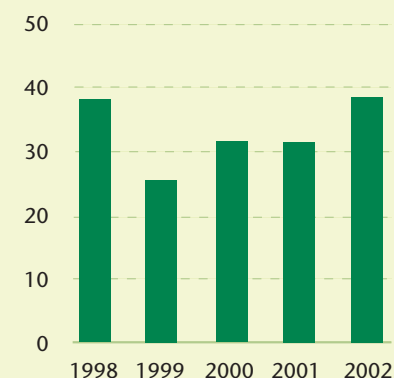
*The challenge is a fine one. Economically, technically,
professionally as well as ecologically and humanly.*

VAPO GROUP KEY FIGURES

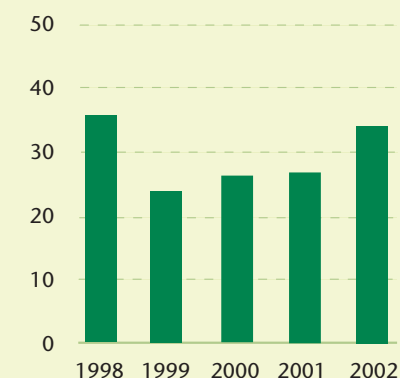
TURNOVER
EUR million



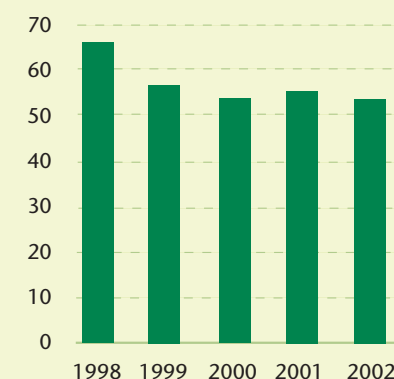
OPERATING PROFIT
EUR million



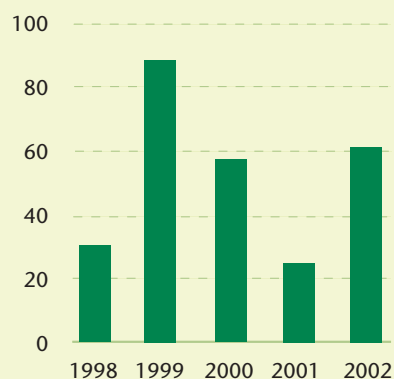
PROFIT BEFORE EXTRAORDINARY ITEMS
EUR million



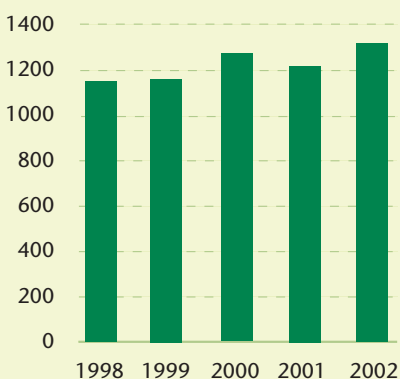
EQUITY RATIO %



GROSS INVESTMENTS
EUR million



PERSONNEL

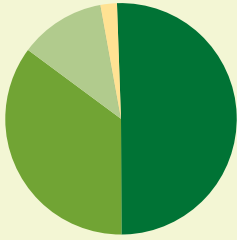


EUR million

	1998	1999	2000	2001	2002
Turnover	316,0	333,1	380,6	412,3	434,4
Growth %	0,9	5,4	14,3	8,3	5,4
Operating profit	38,0	25,9	31,7	31,4	38,1
% of turnover	12,0	7,8	8,3	7,6	8,8
Net financial items	-1,1	-2,7	-4,5	-3,7	-3,9
Profit before extraordinary items	36,9	23,2	27,1	27,7	34,1
% of turnover	11,7	7,0	7,1	6,7	7,9
Taxes	10,5	7,2	11,3	9,1	10,4
Profit for financial period	26,7	15,1	20,7	18,1	23,1
Dividends distributed	12,6	9,6	10,6	10,1	11,5
Balance sheet total	372,6	435,8	482,4	470,7	524,8
Interest-bearing liabilities	50,3	109,9	133,7	123,8	163,8
Return on capital invested %	13,7	8,4	9,0	8,7	9,5
Return on equity %	11,4	6,6	7,0	7,2	8,8
Current ratio	2,73	2,3	2,3	2,7	1,9
Equity ratio %	67,3	57,7	53,9	56,2	53,0
Gross investments	30,4	88,0	58,1	26,0	61,8
% of turnover	9,5	26,4	15,3	6,3	14,2
Average personnel	1.150	1.162	1.289	1.209	1.311
Per-share data					
Number of shares	30.000	30.000	30.000	30.000	30.000
Earnings / share, EUR	889,75	502,77	556,10	603,87	762,58
Shareholders' equity / Share, EUR	7.835,26	7.915,54	8.250,79	8.504,66	8.946,42
Dividend / Share, EUR	420,47	319,56	353,19	336,38	382,00
Dividend as % of earnings	47,3	63,6	63,5	55,7	50,1

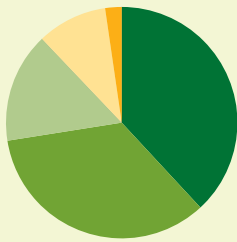
VAPO GROUP OPERATION LOCATIONS IN FINLAND, SWEDEN AND ESTONIA

TURNOVER BY BUSINESS ACTIVITY 2002, %

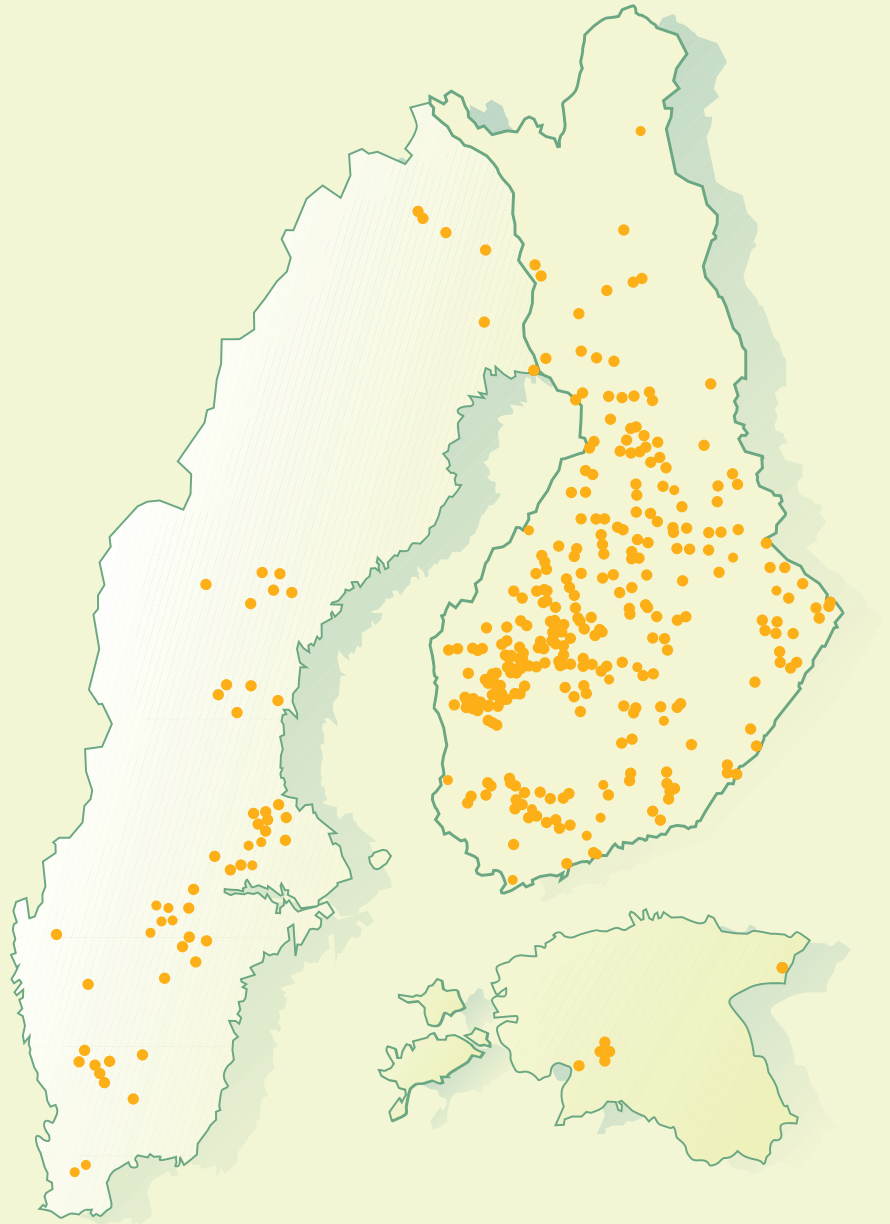


- Vapo Oy Energia 50.5
- Vapo Timber Oy 35.2
- Kekkila Oyj 12
- Vapo Oy Biotech and others 2.3

TURNOVER BY MAIN PRODUCTS 2002, %



- Fuel peat and other bio-fuels 38.1%
- Sawmill products 34.4%
- Growing media etc. 15.4%
- Heating and electricity 9.8%
- Environmental products 2.3%



MANAGING DIRECTOR'S SURVEY



A clear direction for Vapo

– Managing Director Matti Hilli –

During the first half of 2002 the restructuring of Vapo's ownership was concluded. This process, which took longer than expected, resulted in the acquisition by Metsäliitto of a one-third holding in Vapo. The ownership restructuring process had started to impact Vapo's business operations, and its completion was in the interest of all the parties involved.

In 2002 a new strategy was built for Vapo Group. In future Vapo will focus in particular on local biofuels, electricity and heating produced using biofuels, as well as waste treatment and the related treatment technology. In these business areas the markets are growing rapidly and Vapo's ability to compete will remain relatively strong in the future. The strategy was approved by Vapo's Board of Directors in mid 2002.

During the autumn Vapo launched its 'Our Way' project. This involves all employees and seeks to establish the new strategy, Vapo's values and working practices throughout the organization. This gives all the people within Vapo an opportunity to participate in the development process and internalize the strategy.

The operating environment was significantly affected by the reform of Finland's energy taxation, the effects of which will be felt during 2003, and by the agreement to start emissions trading from the beginning of 2005.

The public debate about carbon dioxide emissions from peat continued. A research project launched by three Government ministries is now seeking to determine the overall impact of peat utilization on emissions of greenhouse gases. A report published by the Swedish Parliamentary Peat Committee at the end of the year supports the use of peat as a local source of energy together with wood. The impacts of the report on the utilization of peat as a local energy source will be analyzed during spring 2003.

In terms of the expansion of business operations, the most significant event was the establishment of Vapo in Estonia, where we acquired Tootsi A/S, the largest peat producer in the Baltic States. This expansion, which is in line with Vapo's strategy, will primarily support fuel sales in Sweden, where there are good market prospects for the utilization of biofuels.

Vapo Oy had a financially successful year in 2002. The Group improved its profit performance to achieve the second best overall result in Vapo Oy's history.

The energy business improved its result by EUR 4.5 million. The energy activities were very variable during 2002. The first and second quarters were exceptionally quiet, but dry weather during

the summer and autumn and the cold start to winter increased consumption of local fuels.

In the electricity and heating business Vapo followed its strategy and acquired a power plant in Sotkamo and started construction of a new heating plant. The energy business demonstrated that it could adapt to a changing market situation, and the ability of this business to produce results in the future appears good. Sales of fuel pellets grew steadily and in future significant steps will be taken to boost production in Finland, Sweden and Estonia.

Vapo Timber Oy had a satisfactory year and produced a positive result. The profit figure improved by more than EUR 2 million from the previous year, and this was mainly achieved through rising prices. Returns on capital in this sector are, however, not even close to the target level, and the essential factor for future profitability - in addition to sales - is that raw material costs are kept in check.

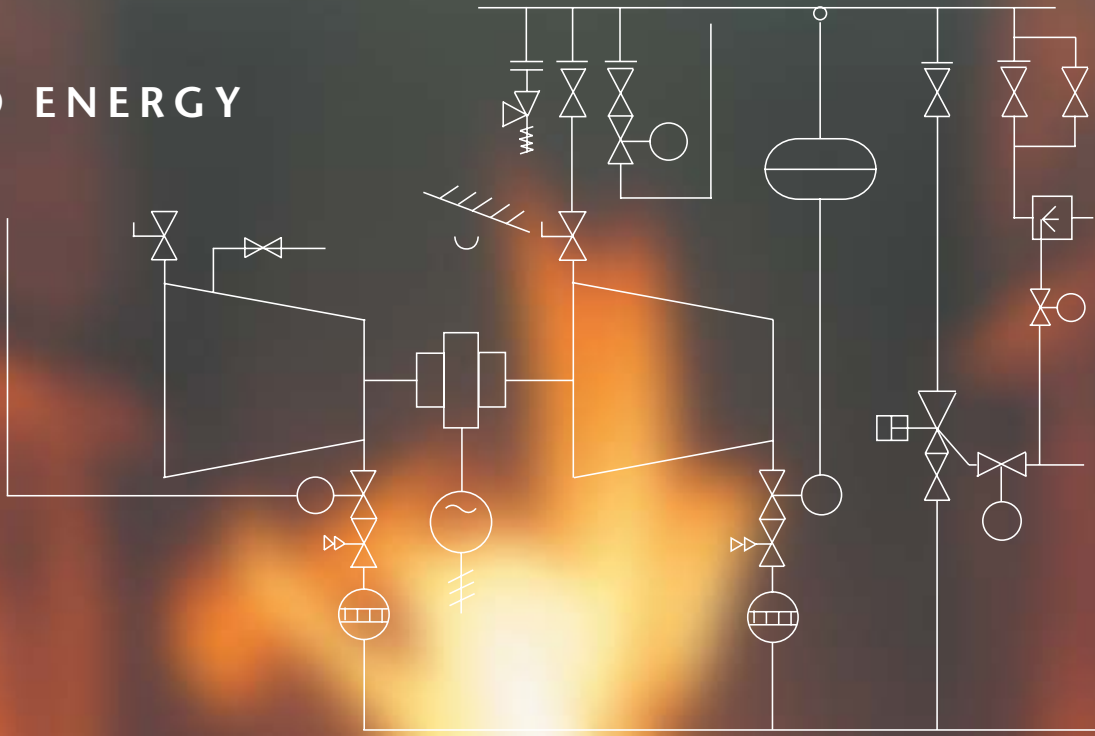
Kekkilä Oyj continued to strongly develop the Kekkilä and Hasselfors brands. In the hobby gardening markets growth was better than the sector average in both Finland and Sweden. In Norway Kekkilä gained market share rapidly. The professional grower market developed slowly; in the landscaping markets, by contrast, Kekkilä won back market share in Finland and increased its turnover as planned in Sweden. Kekkilä reported a better operating result, but nevertheless missed its target.

Vapo Oy Biotech continued to grow and its profitability improved. Biotech is the Finnish market leader for composting plants. Development efforts during the year were particularly focused on solid waste processing technology and recovered fuel gasification.

During 2002 Vapo's employees, its contractors, and their subcontractors and employees, have all helped to ensure that Vapo maintains its reliability as a supplier and its high operational quality - both factors that are vitally important for the business. I would like to thank everyone who has helped Vapo to achieve its results and retain the confidence of its customers in 2002.



VAPO ENERGY



Target:

Leading player in developing bio-energy markets

– Juhani Hakkarainen, Director, Energy Business –

In 2002 the turnover of Vapo Oy Energia amounted to EUR 223 million excluding internal group sales. This represented an increase of 9 per cent on the previous year.

The Energy Business is divided into four business areas: power plant fuels, fuel, further processed fuels, energy business and other products.

Power plant fuels

During the year under review the area of land under peat production came to 42 000 hectares. The total amount of peat produced was 26.1 million cubic metres, 44 per cent more than in the year before. 21.2 million cubic metres of milled peat, 2.2 million cubic metres of sod peat and 2.7 million cubic metres of other peat types were produced.

Deliveries of peat and wood fuels in 2002 totalled 22 TWh, which is of the same order as in 2001.

The demand for energy peat fell in consequence of the warm weather conditions and water situation in the Nordic countries in the spring of 2002. In terms of climatic conditions 2002 was average, but due to inadequate reserves of water electricity production capacity was being used to the full at year's end. Peat demonstrated its security and dependability as a local fuel. Peat has made it possible to boost the use of wood in electricity production. With no more than the usual amount of hydroelectric power available, the relative share of peat is on the increase.

Further processed fuels

The demand for pellets has grown strongly in Finland, but above all elsewhere in Europe. Deliveries in

2002 amounted to 85 000 tonnes, which represents an increase of 85 per cent over the previous year. Exports accounted for 54 per cent of the total. The chief export countries were Denmark, Holland, Sweden and the United Kingdom.

One of the major obstacles to an increase in the production of pellets is the availability of raw material. Vapo has production of its own in Ilomantsi, eastern Finland, and Valbo in Sweden, as well as seven contract manufacturers.

At Vapo preparations are currently being made for the start of peat and peat/wood pellet production, which is essential as the use of pellets becomes widespread in large-size installations, where the availability of the raw material must be guaranteed.

Bio-electricity was sold to Holland under the Renewable Energy Certificate System, in which electricity generated using renewable energy is certified for sale separately, in this case to Holland.

Energy business

Heat produced and delivered by Vapo Oy Energia and its subsidiaries in 2002 totalled 1036 GWh. Total sales of electricity came to 321 GWh.

Vapo Oy Energia is responsible, either solely or with a partner, for the operation of 33 power and heating plants. These produce heat and electricity for district heating networks in built-up areas, for industry, prisons and garrisons.

The production of electricity has been boosted by the acquisition and completion of new plants.

During the year under review





Vapo purchased the shares of Tohman Lämpö Oy. Sales of heat of this Tohmajärvi-based district heating company amount to 11 GWh per year. Vapo is modernising the plant and will replace oil with biofuels.

In Sotkamo Vapo acquired Kainuu Dairy's share of a local 40 GWh power station and agreed to rent the municipality's share as well as the district heating network. Previously Vapo has been responsible for the operation of a heating plant owned by the municipality of Sotkamo in Vuokatti. The area's district heating networks were linked up.

Forssan Energia extended its district heating network in Jokioinen and acquired a 50 per cent stake in Tammelan aluelämpö Oy. A new heating plant was built in Kauhava. At Linnavuori, Nokia, Vapo assumed

responsibility for Patria Aviation's and Sisu Diesel's heat production.

New and follow-up delivery agreements for energy peat were made with Porin Lämpövoima Oy, Rovaniemen Energia Oy, Kuopion Energia Oy, Kotkan Energia Oy and UPM-Kymmene.

Vapo Oy Energia has seven wind turbines at Kuivaniemi. In 2002 a new eighth 2 MW wind-powered plant was completed.

Vapo's wind park produced 7 GWh of electricity, which corresponds to roughly 10 per cent of all wind power generated in Finland.

Demand for peat litter and soil for landscaping continued. Deliveries amounted to 2.2 million cubic metres and were 15 per cent higher than in 2001.

	2002	2001
Turnover, EUR million	223	203
Personnel	883	455
Deliveries of bio-fuels, TWh	22	22
Deliveries of heat, TWh	1,0	0,95
Deliveries of electricity, TWh	0,3	0,3
Deliveries of environmental peat, million m ³	1,3	1,3



Prospects for 2003

A change in water reserves in the Nordic countries will not occur before possible spring floods, so the increased demand for energy peat will continue at least until then. Production targets for the 2003 season will be lifted according to the market situation. International demand for bio-electricity is predicted to grow, which will boost demand for both energy peat and wood as fuel.

Sweden

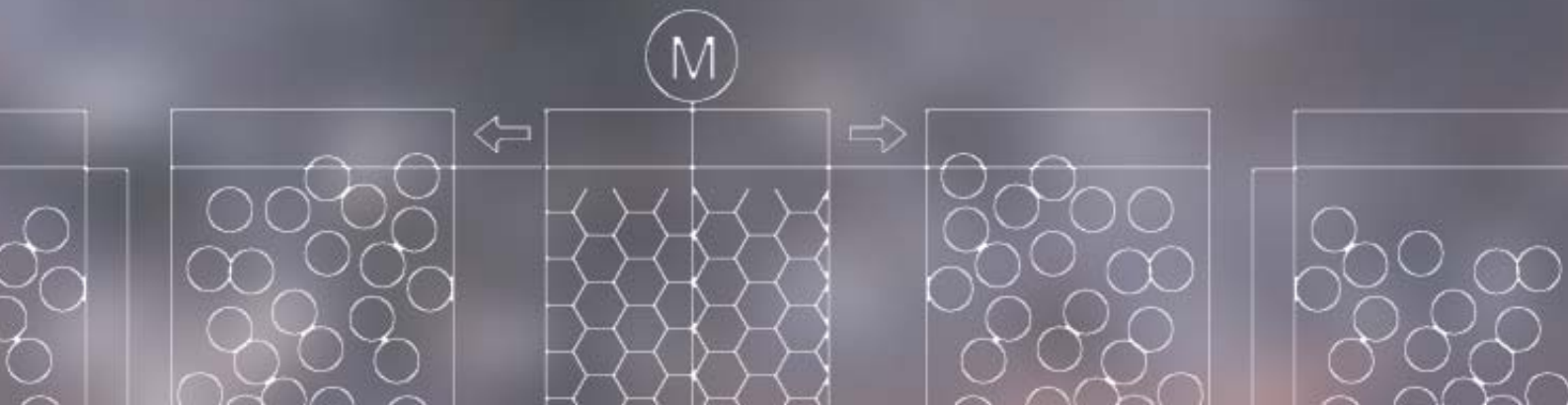
During the 2002 season Råsjö Torv AB produced 2.5 cubic metres of peat in total. Sales demonstrated a 10 per cent increase. In consequence of the good production situation and imports growth continued. Sweden's peat committee defined peat as a renewable fuel, which is predicted to improve the position of peat in combined generation of heat and electricity.

Estonia

In November 2002 Vapo purchased a controlling interest in AS Tootsi Turvas of Estonia. The company is the largest peat producer in the Baltic states, with 400 employees and a turnover of approximately EUR 11 million. 60% of sales are exported to Sweden.

The acquisition represents expansion in the Baltic area in accordance with Vapo strategy.





Target: Leading player in waste treatment and associated technology in growing markets

– Kari Mutka, Director, Environmental Business –

The turnover of Vapo Oy Biotech amounted to EUR 10.1 million. Where deliveries of treatment plants were concerned 2002 was very much an interim year, with turnover 29% down on the year before.

The EU's waste policy as well as national regulations aim at recycling and reusing waste material. By the year 2005 the utilization rate must be increased to 70 per cent and by 2010 80 per cent of organic matter must be recovered before the waste can be taken to a landfill.

Within the EU waste is classified as a renewable source of energy. Consequently the decision on emissions trading will also boost the use of waste for energy purposes.

During the composting process biological waste is transformed into raw material for high-quality soil that can be used to form carbon sinks, since as carbon is bound into the earth it is removed from the atmosphere and emissions of greenhouse gases are reduced.

Finland's leading supplier

In Finland the above-mentioned tightening up of waste policy implies the construction of 40-50 composting plants in order to achieve the targets set.

Vapo Oy Biotech is Finland's leading supplier of composting plants. In collaboration with various partners it has also developed new solutions for utilizing dry waste. Vapo's recovery composting presents an alternative for the treatment of biowaste and purification plant sludge which even meets the requirements of future directives.

In 2002 a composting plant for purification plant sludge was completed in Turku, south-west Finland, with a capacity of 28 000 tonnes per year. In Jyväskylä, Central Finland, an extension to the existing composting plant as well as a secondary curing hall were handed over to Mustankorkea Oy.

A secondary curing hall was added to the composting plant in Hanko. In Nurmijärvi construction of a composting plant designed

to handle Espoo Water's purification plant sludge was begun. The plant will be completed in the summer of 2003. The plant will have a capacity of 20 000 tonnes per year. Biotech has a long-term service agreement with Espoo Water covering the treatment of sludge.

A new office building for Mustankorkea Oy was also finished. An environmental impact assessment procedure for the new waste treatment area was begun in the course of 2002. Among other things the assessment covers the new area for final siting, the dry waste processing plant and the treatment of contaminated soil.

In December 2002 Kymenlaakson Jäte Oy made the decision to select Biotech as its composting service supplier for biowaste and sludge. Biotech will construct the composting plant in the vicinity of the Keltakangas waste treatment station. The plant will have an annual capacity of 12 000 tonnes.

Investments in the future

In Sweden a sales office was opened. The first bids have been put in. A number of bidding competitions are in progress both in Finland and Sweden. Calls for bids have been hindered by the fact that new legislation is looming, the effects of which on composting are still not 100 per cent certain.

Vapo, in collaboration with Pohjolan Voima, has drawn up plans for the construction of a gasification plant for dry waste at Martinlaakso, Vantaa. Gas will be used to replace coal. The plant was granted an environmental licence at the end of 2002. The investment decision is expected in the course of 2003. The investment will have a value of approximately EUR 30 million.

Together with Metso Paper Vapo has developed the recovery of fibre from dry waste. The aim is to make the investment decision regarding a demonstration plant in the course of 2003.

In December 2002 the board of Vapo decided to concentrate development functions throughout the group under one unit. The current research department as well as the business development projects of Vapo Oy Biotech and Vapo Oy Energia were shifted to the new development department with Kari Mutka, Director of Vapo's Environmental Business, appointed as its head.

	2002	2001
Turnover EUR million	10,1	14,2
Order book at year-end EUR million	13,7	8,5
Personnel	32	30
Composting plants delivered	12	11



VAPO TIMBER



Efficient and flexible supplier of sawn goods

– Juha Tuominen, Managing Director –

For Vapo Timber Oy the early part of 2002 was fairly weak. After a quiet winter period the quantities of sawn goods delivered began to grow; simultaneously sales prices experienced an increase. At the end of the year the budgeted sales prices were attained.

Turnover amounted to EUR 154.4 million, with operating profit standing at EUR 2.2 million. Compared to the year before profitability showed an improvement.

Deliveries of sawn goods slightly exceeded the volumes of the previous year and totalled 732 000 cubic metres. Production rose 2.8% to 721 000 cubic metres. Both deliveries and production were lower than planned, which was due to an investment shutdown at Kevätniemi sawmill and production start-up considerations subsequent to this.

Exports maintained relative share of sales

Of the key export countries the United Kingdom and Ireland held position, the North African countries moved ahead, as did Japan and certain countries in Asia. Exports to Spain were up, but in the rest of Europe the situation was less rosy. Denmark acquired its own sales office for sawn goods.

Where wood procurement was concerned the first part of the year was quiet. In the summer there was an upturn in activity, and by the end of the

autumn wood was already available in considerable quantities. After the shortage of the previous year industry's standing reserves of timber returned in fact to their normal level.

In Finland the total volume of imported timber rose to a record level of over 16 million cubic metres. The quantities of wood imported by Vapo Timber Oy also showed an increase.

The implementation of investment programmes at Vapo's sawmills continued according to plan. Investments amounted to EUR 8.2 million.

The chief investment, at over EUR 4 million, was in modernization of the sawing line and dimension sorting at Kevätniemi sawmill. Investments at Hankasalmi sawmill in the impregnation plant and centre goods green sorting were postponed until the turn of the year.

In 2003 the log sorting at Nurmes sawmill will also undergo modernization.

Prospects for 2003

2003 has got off to a much better start than the previous year. The turn in the market that occurred in the autumn of 2002 has boosted prospects. Subsequent to investment shutdowns Vapo Timber Oy's production is again on the rise and approaching the planned level. Opportunities for increasing the proportion of special and custom-sawn products in production are better than earlier.

	2002	2001
Turnover, EUR million	154,4	148,1
Operating profit, EUR million	2,2	-0,1
Investments, EUR million	8,2	3,6
Personnel	421	435
Deliveries of sawn goods and further processed products, m ³	732 000	727 100



KEKKILÄ OYJ



Target: Leading supplier of growing media in the Nordic countries

– Matti Mattila, Managing Director –

Kekkilä Oyj's turnover was EUR 52.3 million and net profit EUR 1.4 million. Turnover showed an increase of 15.4%. Profit was also up.

The improvement in profit was due to an increase in sales, streamlining of production and measures taken to develop both the raw material base and logistics.

Efforts put into the Kekkilä and Hasselfors brands served to strengthen them, which was accompanied in turn by sales growth.

According to Kekkilä's new vision the company's goal is to become market leader in the Nordic hobby gardening market with its Kekkilä and Hasselfors brands, one of the leading producers in the European professional grower market and a leading company in the landscaping business in the major cities of the Nordic area. Achieving this requires a motivated and expert workforce, efficient processes and an environmentally friendly style of operation.

Kekkilä implemented a growth strategy in 2002

In Finland Gardenpeatt Oy was acquired, while in Spain Kekkilä became established via Iberia, which commences production at its rented production facility at the start of 2003. The decision by the parent company Vapo Oy to purchase Estonia's leading peat enterprise Tootsi Turvas AS will improve Kekkilä's position in the market, expanding the raw material base and product range offered to customers.

In Finland certified quality and environmental systems conforming to ISO 9001 and 14001 guide our operations. In Sweden the previous ISO 9001 was reworked into process form and an ISO 14001 environmental system was introduced. Certification of the systems will take place during the first half of 2003.

Position strengthening

During the current year Kekkilä's position in both the hobby gardening and professional grower markets is expected to strengthen. Landscaping markets are forecasted to grow in the Nordic countries. Company profit is also expected to improve. This will be achieved via marketing and sales as well as closer cooperation where distribution is concerned. Kekkilä is intent on refining its product range and seeking out new raw material and logistics solutions. Within the Kekkilä Group in various countries there is a wealth of expertise that the company will turn to its advantage by tightening cooperation within the different functions across borders.

In the course of 2003 ornamental stone materials used in garden construction will be introduced to the market. Last year one highly successful landscaping product was Puutarhamulta+, the characteristics of which, such as dryness tolerance, have proved excellent. Kekkilä's range of fertilizers has also undergone an overhaul, making it even easier for customers to arrive at the correct choice.

KEKKILÄ



	2002	2001
Turnover EUR million	52,331	45,350
Operating profit EUR million	2,113	1,385
Personnel	237	225



V A P O

RESEARCH & DEVELOPMENT



Towards new fuels

– Timo Nyrönen, R&D Director –

On 14.5.2002 Minister of Trade and Industry Sinikka Mönkkäre dignified with her presence the opening of Vapo and Fortum's joint pilot plant for the manufacture of pyrolysis oil. At the plant pyrolysis oil has been made from both sawdust and forest residue chips with the aim of achieving a liquid bio-fuel that is competitive from an economic and quality point of view and can be used to replace imported fuels. In addition to the work being conducted at the plant Vapo is involved in a national project funded by Tekes - the National Technology Agency - in which new raw materials for pyrolysis oil are being sought and research conducted into the quantities of valuable compounds contained in the oil and ways of recovering these. As a consequence of the European Union's fifth framework programme an extensive project is getting under way which will investigate among other things opportunities linked to emulsification of the oil.

Towards integrated waste treatment

In the course of 2002 a project falling under waste technology was launched entitled "Integrated waste treatment". The basic idea is to carry out all measures related to the processing of waste "under the same roof". Research work is being conducted in cooperation with the Department of Bio and Environmental Sciences of the University of Jyväskylä. Individual sub-areas of research include the development of biological denitrification from composting plant waste water, improving the odour-free characteristics of

such plants and the development of odour measuring techniques as well as the testing of methods indicating landfill suitability and the adaptation of these to Finnish climatic conditions. The research forms part of Tekes' Streams programme, in which Vapo is also participating via its Tehokomp project.

Towards new areas of use

The use of peat for sealing landfills has been investigated in cooperation with Tielikelaitys and the University of Oulu. The tests carried out indicate that when correctly handled peat is an excellent material for employment in the compaction layer since its permeability to water is extremely low. Research studies aiming at the utilisation of the ash produced at power plants were started during the year under review. For instance, in the cultivation of sugar beet such excellent results were obtained by adding a mixture of ash and peat that the trial will be extended in 2003.

Vapo once again took part in the work of the CEN standard working groups concerned with solid biofuels and recovered fuels, the latter of which made a start in 2002. Similarly there was participation in the drawing up of a quality code for wood pellets.

The laboratory forming part of the research department supplied all the units in the Vapo group with data and analyses. The major part of our work consists as in previous years of analyses connected with the quality control of peat, wood fuels and combined fuels.



ENVIRONMENTAL REVIEW



International spotlight on climate issues and the use of natural resources

– Pirkko Selin, Environmental Director –

At the UN's Johannesburg summit on sustainable development the key themes were climate issues, natural resources and biodiversity. In Finland debate concentrated on the conservation of forests, the use of peat resources and the recognition of biotopes. In regional planning, too, energy supply needs over the long term were the subject of discussion.

We followed with interest how in Sweden peat was defined as peat and a slowly renewable biomass which in that country is covered by certificate trade in green bio-electricity. At the same time the various benefits of using wood in combination with peat were put forward.

National handling of the emission trade directive got under way and focused attention on the importance of peat from the perspective of energy supply reliability. Other significant matters connected with directives during the year under review were the water framework directive, waste issues, the CHP directive affecting energy production efficiency, adding bio-carburants to vehicle fuels as well as the national objective programme for renewable energy and energy crops.

We took part in the drawing up of the International Peat Society's survey Wise Use of Mires and Peatlands. In Finland industrial peat production accounts for less than 1% of all peatlands and even including areas set aside for peat production the figure is only roughly 1.5%. In contrast about 12% of peatlands have been placed under conservation. The use of peat for industrial purposes requires a permit and adequate environmental protection measures. The initiation and monitoring of environmental permit proceedings in fact created an exceptional

amount of work since a total of 56 applications were made for peat projects alone.

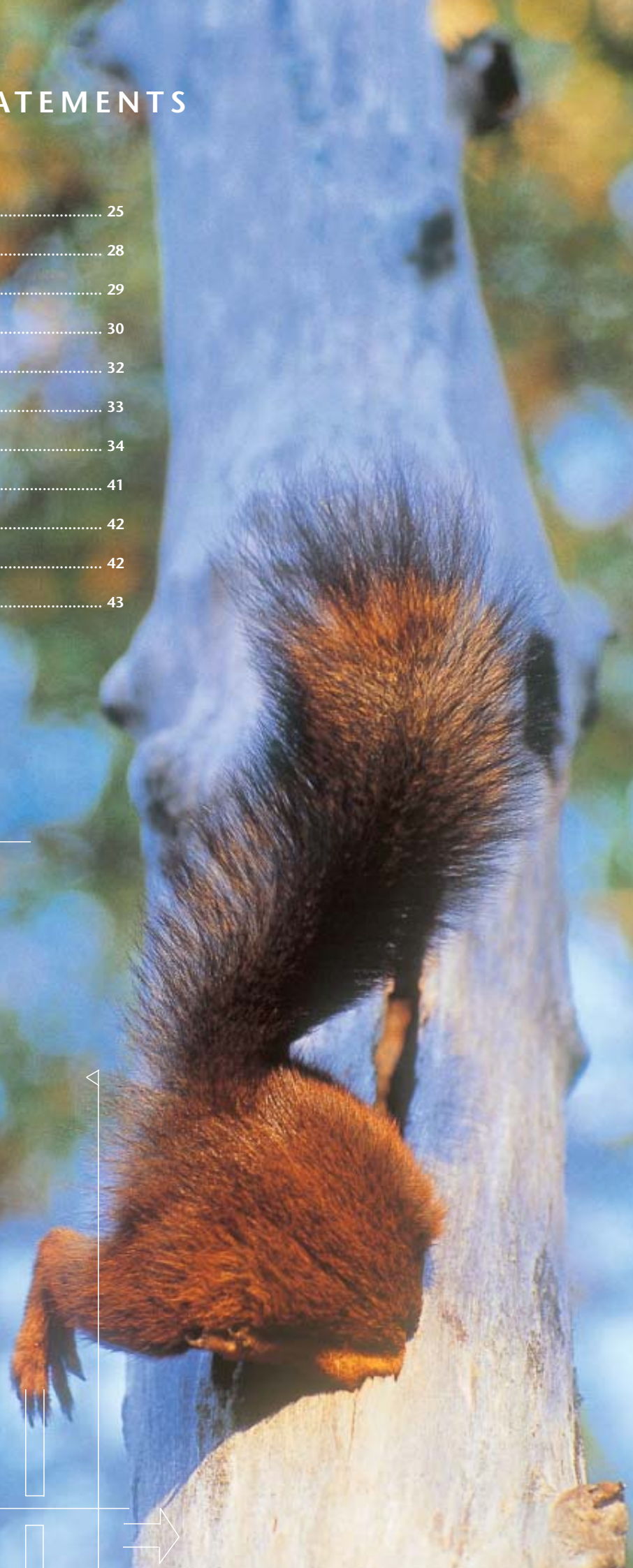
The lack of rain made for a good summer of peat production and at the same time cut down run-off and watercourse loading. The origin of environmental costs and principles for calculating these were investigated by Vapo Oy Energia. On the basis of the study environmental protection costs in 2002 totalled EUR 13.4 million (EUR 8.8 million in 2001), of which EUR 10.2 million (EUR 7.5 million) were costs incurred by Vapo Oy Energia. Environmental investments came to EUR 3.5 million in total, of which Vapo Oy Energia's share was approximately EUR 2 million. Environmental protection provided 40 man years of work. In addition a significant amount of consulting work was commissioned in connection with a variety of reporting needs.

In its environmental policy Vapo Oy has made a commitment to sustainable development and continuous improvement to the management of environmental affairs. We monitor the implementation of these goals via a number of management systems. Collaboration, the exchange of information and cooperation in the training field were continued with customers and other stakeholders. The environmental award for 2002 was won by Matti Turpeinen, who is responsible for matters linked to the cultivation of reed canary grass. We also became founder members of the International Association for Business and Society and as a result will endeavour to establish our own social impacts. A decision was made to intensify environmental reporting efforts in the form of a separate environmental report and extra www information.



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REPORT OF THE BOARD OF DIRECTORS

Operating environment

In 2002 the corporate operating environment was characterized by uncertainty about the economy, with even the overall direction of economic trends being unclear at times. Uncertainties surrounding the US economy and their repercussions, together with Europe's own economic growth problems, formed the background against which the markets developed.

Of the Vapo Group's businesses, timber and growing media are sensitive to changes in the business cycle as they are linked to building activity and end consumers. Of the fuels produced by the energy business, those utilized at industrial plants are dependent on economic activity; most of Vapo's own energy production activities, as well as environmental services and products, are by nature part of the basic infrastructure, and demand is not sensitive to changes in the markets to the same extent.

Energy business

For Vapo's energy activities, the year was split into two distinct parts: demand for fuel peat fell during the spring of 2002 due to warm weather and an abundance of water for hydropower generation in Sweden and Norway, but towards the end of the year the same factors acted in the opposite sense, leading to remarkably high levels of demand.

Deliveries of peat and wood-based fuels during 2002 totalled 22 TWh, which is of the same order as in the previous year. Processed fuels represented a rapidly growing product group, with demand for fuel pellets increasing well over 60% during the year and the availability of raw material becoming the main limiting factor. Vapo's own energy production grew through structural expansion, and sales of heating and electricity totalled 1357 GWh.

Timber business

For the sawn timber industry, 2002 was on the whole better than the previous year, even though the weak level of economic activity was reflected in this business sector. During the first half of the year export demand was stagnant and in terms of overall volumes decreased slightly from the previous year. During the autumn the markets for sawn timber have picked up cautiously, although there is no background growth in consumption to be seen.

Growing media business

The growing media business succeeded in growing at a faster rate than the markets by investing in country-specific brands and boosting both sales and production activities. On the whole this sector reacted to changes in the general business cycle on the basis of consumption demand.

Environmental business

General features of the markets in this sector were revisions to waste legislation and its application, which resulted in a strengthening of potential demand and at the same time in a desire on the part of customers to postpone project implementation as long as possible within the time limits allowed.

Three different plants were supplied during the year, while the demands of stricter waste policies will require the construction of as many as 40-50 composting plants during the next few years.

A significant area of focus for Vapo Biotech was product and service development, and particularly product development related to solid waste processing and gasification technology.

Turnover

The Vapo Group's turnover was EUR 434 million (EUR 412 million in 2001), or 5.3% higher than in the previous year. Domestic sales accounted for EUR 276 million of turnover (EUR 268 million), or 64% (65%). Exports and foreign subsidiaries generated turnover of EUR 158 million (EUR 144 million).

Turnover by business area

EUR million	2002	2001	change %
Energy business	225	209	7,6
Timber business	154	148	4,0
Growing media business	52	45	15,6
Environmental business	10	14	-28,6
Other activities	1	2	-50,0
Group items	-8	-6	33,3
Total	434	412	5,3

The turnover of the Parent Company, Vapo Oy, was EUR 166 million (EUR 162 million).

REPORT OF THE BOARD OF DIRECTORS

Operating profit

The Group's operating profit was EUR 38 million, which represents 8.8% of turnover (EUR 31 million and 7.6%). The Group's net financial expenses were EUR 4 million (EUR 3.7 million) or 0.9% of turnover (0.9%). The Group's profit before taxes and minority interest was EUR 34 million (EUR 28 million). Taxes totalling EUR 10 million (EUR 9 million) were recorded and minority interests represented EUR 0.9 million (EUR 0.5 million). Net profit for the period was EUR 23 million (EUR 18 million). The return on capital employed was 9.5% (8.7%) and the return on equity was 8.8% (7.2%)

The Parent Company, Vapo Oy, reported operating profit of EUR 26 million (EUR 24 million).

Financing

Non-current assets in the consolidated balance sheet grew by EUR 31 million. The favourable summer for peat production resulted in financial assets of more than EUR 16 million being tied up in inventories. Overall the Group's equity ratio was 53% (56.2%) and the gearing ratio was 50.7% (38.6%). Net interest-bearing liabilities were EUR 164 million (EUR 124 million) at the end of the year. The Group's liquidity position was good throughout the period. The Parent Company, Vapo Oy, acts within the Group as an internal financing company for subsidiaries.

Investments

The gross figure for investments within the Group was EUR 61.8 million (EUR 26 million). Of the total, the energy business accounted for EUR 33.6 million (54%), the timber business EUR 8.2 million (13%), the environmental business EUR 10.3 million (17%), and the growing media business EUR 6 million (10%). Other investments within the Group totalled EUR 3.7 million (6%).

The most significant investment in euro terms was the expansion of the energy business to Estonia through a corporate acquisition. The most significant investment in the timber business was the project to upgrade the production line at Kevät-niemi Sawmill in Lieksa. The growing media business expanded by acquiring the share capital of Gardenpeatt Oy.

Changes in Group structure

There were several corporate acquisitions in the energy business during the accounting period, of which the most significant was the acquisition of the entire share capital of AS Lato, a holding company. This company owns 95.2% of AS Tootsi Turvas, a peat production company. Tootsi is the leading peat production company in Estonia and the Baltic States. Its turnover was EUR 11 million during 2002. In Finland energy production was expanded by means of small corporate acquisitions, the companies in question being Tohman Lämpö Oy (100%), Jokioisten Aluelämpö Oy (100%) and Tamelan Aluelämpö Oy (50%).

The growing media group Kekkilä Oyj expanded in Finland by acquiring the share capital of Gardenpeatt Oy (100%). Gardenpeatt Oy further owns Punkapeat Oy, a peat raw material company. In addition Kekkilä Oyj established itself in Spain by setting up a company of its own, Kekkilä Iberia S.L., which will start a packing operation for growing media in Spain during spring of the current year.

Changes in the ownership of Vapo Group

Metsäliitto Cooperative acquired one third of the share capital in Vapo Oy, the Parent Company of Vapo Group, on April 24, 2002. The Finnish State now owns 66.66% of Vapo Oy and Metsäliitto Cooperative 33.34%.

Environmental issues

2002 saw an exceptional amount of activity in international environmental issues. The report of the Swedish Peat Committee and statements of the International Peat Society regarding the acceptance of peat as a renewable fuel were published towards the end of the year. There were also several EU matters pending with relevance to Vapo's operations. These included climate issues, as well as directives relating to waste matters, energy production and water issues, and also the consideration of these directives at the national level.

The debate on forest preservation, sustainable utilization of natural resources and identification of special natural features guided both work to take peat resources into use and the procurement of wood raw material and, at the same time, wood-based energy.

A total of 56 environmental permit applications were initiated relating to peat projects. In 2002 environmental protection expenses totalled EUR 13.4 million, of which EUR 10 million can be attributed to Vapo Oy Energia. In all, environmental protection provided 40 person-years of employment.

Research and development

'Integrated Waste Treatment', a waste technology related project, was launched during 2002. This research is being conducted in collaboration with the Department of Biological and Environmental Science at Jyväskylä University. The project includes work to develop the biological removal of nitrogen from composting plant wastewaters, further improve odour elimination at plants and develop odour measurement techniques, and to test methods to indicate the suitability of landfill sites and adapt these methods to suit climatic conditions in Finland.

The use of peat to seal landfill sites has been studied in conjunction with Finnish Road Enterprise and the University of Oulu. Research aiming to develop utilization of the ash produced at power plants was started during the year under review.

Vapo's involvement in the CEN standard working group for solid biofuels continued, and the Company also participated in a corresponding group for recovered fuels which started work during the year. Vapo also participated in the preparation of a quality instruction for fuel pellets.

The pilot pyrolysis oil production plant jointly owned by Vapo and Fortum produced pyrolysis oil from both sawdust and forest residue chips. In addition to the work being undertaken at the pilot plant, Vapo is also involved in a national project funded by Tekes to identify new raw materials for pyrolysis oil and to study the quantities of useful compounds contained in the oil and the potential for their recovery.

It was decided to centralize the research and development projects undertaken separately in the Vapo Group's various business units under a single unit as from the beginning of 2003. The existing Research Department was also transferred into the new unit.

Personnel

In 2002 the average number of people employed in Vapo Group was 1311 (2001: 1209). As a result of

the acquisition of Tootsi Turvas, the number of Group employees will increase by around 405. 1062 people (1039) were employed in Finland and 249 (170) in other countries. At the end of the accounting period the number of employees was 1650, of whom 588 were employed outside Finland. The average number of employees in the Parent Company, Vapo Oy, was 435 (402).

Incentive payments totalling around one million euros were paid in the Group on the basis of operations during the accounting period.

Outlook

It has been estimated that the industrial capacity utilization rate will remain at its present level. In the energy sector the demand situation resulting from low water stocks will continue beyond spring, leading to increased demand for fuels, but it is anticipated that the situation will return to normal with the arrival of autumn. Processed fuels will continue to experience rapid growth. In the sawn timber sector no significant changes are expected. Estimates of a cautious increase in prices have been incorporated into the plans, and production is scaled for full capacity. No changes are expected in the market conditions for growing media, with growth in the sector at a low level, but it is expected that a rate of growth exceeding that of the sector as a whole can be achieved through product development. In the environmental business the current year is still a moderate one for plant deliveries when viewed in terms of the overall potential, although work related to quotations will increase significantly.

Overall the prospects for the Vapo Group's businesses give reason to expect that turnover will increase from 2002 and that the level of profitability will remain at least as good.

ADMINISTRATION OF VAPO OY

Supervisory Board

Chairman

Matti Väistö, MP

Vice Chairman

Aarne Heikkilä, Executive Director

Members

Tapani Kantola, Member of the Board,
Metsäliitto Cooperative (from 25.4.)

Juha Karpio, MP

Katri Komi, MP

Reijo Laitinen, MP

Christel Liljeström, Farmer

Erkki Pulliainen, MP (until 25.4.)

Antti Oksanen, President & CEO,
Metsäliitto Group (from 25.4.)

Leena Rauhala, MP (until 25.4.)

Petri Salo, MP

Arimo Uusitalo, Chairman of the Board,
Metsäliitto Cooperative (from 25.4.)

Staff representatives and deputies on Supervisory Board

Eetu Karjalainen, forestry and sawmill workers (until 30.6.)

(*Kalevi Siivikko*, forestry and sawmill workers, until 30.6.)

Juha Nevalainen, forestry and sawmill workers (from 1.7.)

(*Markku Salonen*, forestry and sawmill workers, from 1.7.)

Teuvo Penttinen, peat industry workers (until 30.6.)

(*Timo Talasoja*, peat industry workers, until 30.6.)

Ilpo Viinamäki, peat industry workers (from 1.7.)

(*Petri Paavilainen*, peat industry workers, from 1.7.)

Terho Turunen, salaried office personnel (until 30.6.)

(*Paavo Kivimäki*, salaried office personnel, until 30.6.)

Juha Castren, salaried office personnel (from 1.7.)

(*Markku Torvinen*, salaried office personnel, from 1.7.)

Board of Directors

Chairman

Taisto Turunen, Chief Director

Vice Chairman

Leif Ekström, Managing Director, Merasco Capital Oy
(from 25.4.)

Members

Aarno Heinonen, VP, Finance and Administration,
Sanoma-WSOY Oyj

Eeva Hellström, Director, Forest Forum for Decision-Makers

Matti Hilli, Managing Director, Vapo Oy (until 25.4.)

Mauri Jaakonaho, Senior Vice President, Finance and
Administration, Metso Automation Oy

Matti Packalén, M.Sc.(Eng.), B.Sc.(Econ.), D.Sc.(B.A.) h.c.
(from 25.4.)

Raimo Rantala, Controller, Vapo Oy (until 25.4.)

Auditors of Vapo Oy

Deloitte & Touche Oy, Authorized Public Accountants,
with *Aarne Koivikko*, Authorized Public Accountant,
as principal auditor (from 25.4.)

Yrjö Tuokko, M.Sc. (Econ.), Authorized Public Accountant
(until 25.4.)

*Vapo Oy's Board of Directors at a meeting
held on January 23, 2003.*

Kari Poikolainen (Secretary to the Board)



INCOME STATEMENT

EUR 1000	Notes	Group		Parent company	
		1.1.-31.12.2002	1.1.-31.12.2001	1.1.-31.12.2002	1.1.-31.12.2001
TURNOVER	1	434.385	412.332	165.918	161.542
Decrease/increase in inventories of finished goods and work in progress		+7.906	-6.773	+7.844	-4.337
Production for own use		9.965	3.144	9.191	2.518
Other operating income		2.304	2.359	1.564	2.076
Materials and services					
Raw materials and consumables:					
Purchases during the period		150.903	135.739	19.978	14.034
Increase / decrease in inventories		-2.592	-154	-8	+682
External charges		75.596	62.521	51.105	39.540
Materials and services, total		223.907	198.106	71.075	54.256
Salaries, wages and social expenses	2				
Salaries, wages and remuneration		39.087	36.449	14.068	12.950
Social expenses					
Pension expenses		6.559	5.949	2.301	2.031
Other social expenses		6.514	6.449	1.948	2.371
Salaries, wages and social expenses, total		52.160	48.847	18.317	17.352
Depreciation and write-downs	3				
Planned depreciation		25.567	24.656	11.981	12.315
Amortization of goodwill on consolidation		2.914	1.911		
Depreciation and write-downs, total		28.481	26.567	11.981	12.315
Other operating expenses	5	112.276	105.848	57.419	53.664
Share of associated company results		352	-301		
OPERATING PROFIT		38.088	31.393	25.725	24.212
Financial income and expenses:	6				
Income from holdings in Group companies				4.724	6.102
Income from participating interests				237	
Income from other investments held as non-current assets		477	983	465	971
Interest and financial income					
From Group companies				1.371	1.496
From other sources		1.468	2.120	1.110	1.483
Interest and other financial expenses					
Paid to Group companies				-104	-262
Paid to other parties		-5.885	-6.813	-4.110	-4.933
Financial income and expenses, total		-3.940	-3.710	3.693	4.857
PROFIT BEFORE EXTRAORDINARY ITEMS		34.148	27.683	29.418	29.069
Extraordinary items	7				
Extraordinary income		205			56
Extraordinary expenses					-482
		205			-426
PROFIT BEFORE APPROPRIATIONS AND TAXES		34.353	27.683	29.418	28.643
Appropriations					
Change in depreciation difference	4			+3.560	+3.964
Taxes relating to the financial period and earlier periods	8	-10.856	-10.315	-9.116	-9.277
Deferred taxes		439	1.210		
NET PROFIT BEFORE MINORITY INTEREST		23.936	18.578	23.862	23.330
Minority interests		-853	-462		
NET PROFIT		23.083	18.116	23.862	23.330

BALANCE SHEET

EUR 1000	Notes	Group		Parent Company	
		2002	2001	2002	2001
ASSETS					
NON-CURRENT ASSETS					
	9				
Intangible assets					
Intangible rights		2.771	2.741	2.241	2.218
Goodwill		172	229	347	579
Goodwill on consolidation		13.595	12.004		
Other capitalized expenditure		1.387	1.669	222	347
Advances paid		361	97	359	96
		18.286	16.740	3.169	3.240
Tangible assets					
Land and water areas		24.584	23.858	20.422	19.919
Buildings and structures		50.179	38.789	15.648	9.734
Machinery and equipment		96.188	91.907	25.749	29.223
Preparation of peat reserves and other tangible assets		111.518	106.277	73.058	72.276
Advances paid and construction in progress		12.062	5.039	7.678	2.206
		294.531	265.870	142.555	133.358
Investments					
Holdings in Group companies				85.513	75.213
Holdings in associated companies		2.195	1.705	810	827
Other shares and holdings		3.556	3.618	3.026	3.093
Own shares		5			
		5.756	5.323	89.349	79.133
CURRENT ASSETS					
Inventories					
Raw materials and consumables		15.743	12.257	3.141	3.133
Work in progress		23	17		
Finished goods		86.622	76.949	57.751	49.906
Advances paid		4.387	1.418		
		106.775	90.641	60.892	53.039
Receivables					
	10				
Long-term					
Receivables from Group companies				15.570	10.409
Receivables from participating interests		450	450		
Loans receivable		43	127	43	127
Other receivables		25	405		
		518	982	15.613	10.536
Current					
Accounts receivable		57.580	58.932	22.627	22.292
Receivables from Group companies				33.450	23.406
Receivables from participating interests		4.939	972	4.434	733
Loans receivable		100	44	95	27
Other receivables		7.497	3.731	2.563	42
Prepaid expenses and accrued income		5.445	5.027	1.913	2.375
		75.561	68.706	65.082	48.875
Investments					
Other investments		18.429	14.802	18.428	13.890
Cash on hand and bank balances					
		4.904	7.618	967	4.803
TOTAL ASSETS		524.760	470.682	396.055	346.874

BALANCE SHEET

EUR 1000	Liitetietonumero	Group		Parent Company	
		2002	2001	2002	2001
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY 11					
	Share capital	50.456	50.456	50.456	50.456
	Ordinary reserve				
	Contingency reserve	30.096	30.096	30.096	30.096
	Reserve for own shares	3			
	Retained earnings	164.754	156.471	91.739	78.500
	Profit for the period	23.083	18.116	23.862	23.330
	SHAREHOLDERS' EQUITY, TOTAL	268.392	255.139	196.153	182.382
	MINORITY INTERESTS	8.583	7.513		
	APPROPRIATIONS				
	Depreciation difference			42.397	45.957
	PROVISIONS 12				
	Other provisions	8.002	7.892	3.810	3.834
	LIABILITIES 13				
	Long-term				
	Loans from financial institutions	97.044	95.194	69.086	64.630
	Pension fund loans	5.855	8.579	5.610	7.894
	Contract deposits and other liabilities	8.948	8.157	712	773
	Deferred tax liability	21.349	21.611		
		133.196	133.541	75.408	73.297
	Current				
	Loans from financial institutions	19.473	17.093	15.657	13.499
	Pension fund loans	2.724	2.359	2.283	2.283
	Advances received	2.569	3.383	2.080	3.146
	Accounts payable	22.030	23.699	9.498	8.516
	Liabilities to Group companies			2.772	4.523
	Liabilities to participating interests	98	189	98	189
	Other current liabilities	43.788	6.569	40.319	3.669
	Accrued liabilities	15.905	13.305	5.580	5.579
		106.587	66.597	78.287	41.404
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	524.760	470.682	396.055	346.874

CASH FLOW STATEMENT

EUR 1000	Group		Parent Company	
	2002	2001	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before extraordinary items	34.148	27.683	29.418	29.069
Adjustments:				
Planned depreciation	28.480	26.567	11.981	12.315
Other income and expenses not involving cash flow	-273	1.167	-23	309
Financial income and expenses	3.940	3.710	-3.692	-4.857
Other adjustments	-838	-1.458	-803	-1.426
Cash flow before change in working capital	65.457	57.669	36.881	35.410
Change in working capital:				
Increase (-) / Decrease (+) in current interest bearing receivables	405	-79	-5.523	3.840
Increase (-) / Decrease (+) in current non-interest bearing receivables	-4.534	-11.551	-6.427	-4.951
Increase (-) / Decrease (+) in inventories	-13.518	9.920	-7.852	5.031
Increase (+) / Decrease (-) in current non-interest bearing liabilities	-2.533	-8.684	-1.073	-6.088
Cash flow from operating activities before financial items and taxes	45.277	47.275	16.006	33.242
Interest and other financial expenses paid	-5.600	-7.262	-4.173	-5.418
Interest received	1.484	2.184	2.533	3.051
Direct taxes paid	-11.380	-10.734	-9.030	-9.148
Cash flow from operating activities (A)	29.781	31.463	5.336	21.727
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in tangible and intangible assets	-49.100	-23.876	-25.741	-9.295
Proceeds from disposal of tangible and intangible assets	5.728	3.096	5.219	2.301
Other investments	-10	-27	-10.310	-167
Proceeds from disposal of other investments	284	632		
Associated company shares acquired	-139		313	838
Associated company shares sold	34			
Subsidiary shares acquired	-14.107			
Dividends received	628	983	5.426	7.073
Cash flow from investing activities (B)	-56.682	-19.192	-25.093	750
CASH FLOW FROM FINANCING ACTIVITIES				
Acquisition of own shares	-76			
Sale of own shares	72			
Current loans issued		-5	-9.391	-8.848
Increases in current loans	37.753		35.726	
Repayments of current loans		-8.197		-9.347
Increases in long-term loans	20.085	19.639	20.085	15.026
Repayments of long-term loans	-19.781	-21.523	-15.870	-14.224
Dividends paid and other distributions of profit	-10.239	-11.044	-10.091	-10.596
Cash flow from financing activities (C)	27.814	-21.130	20.459	-27.989
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	913	-8.859	702	-5.512
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22.420	31.279	18.693	24.205
CASH AND CASH EQUIVALENTS AT END OF PERIOD	23.333	22.420	19.395	18.693

Extent of consolidation

The consolidated financial statements include the Parent Company, Vapo Oy, and all active companies in which the Parent Company either owns more than 50% of the voting rights or otherwise exercises control. Associated companies are those in which the Parent Company owns a 20-50% holding.

Principles of consolidation

The purchase method of consolidation has been adopted. Inter-company transactions, receivables and liabilities, internal profits and distribution of profit within the Group have been eliminated.

Minority interest has been disclosed separately from the Group's net profit and shareholders' equity in the consolidated accounts. Corporation tax credits received by subsidiary companies have been set off against the tax charge for the period in the consolidated accounts.

The results of associated companies are accounted for in the consolidated financial statements using the equity method.

Foreign currency items and hedging arrangements

In translating the accounts of overseas subsidiaries into euros, income statements have been translated at the average rate of exchange for the accounting period and balance sheets at the Bank of Finland's average rate of exchange at the balance sheet date. Translation differences arising on the elimination of shareholders' equity in subsidiaries have been entered as shareholders' equity.

Foreign currency denominated receivables and liabilities have been translated to euros at the Bank of Finland's average rate of exchange at the balance

sheet date. The exchange rate differences arising have been entered in the income statement. As an exception to this principle, unrealized exchange rate differences relating to loans issued to Vapo Energi AB and Råsjö Torv AB have been shown in the balance sheet.

Forward contracts and options used as hedges against currency risks have been stated at the appropriate rate on the balance sheet date. The interest component has been apportioned over the term of the contract, and exchange rate differences arising on contracts to hedge liabilities or receivables have been entered as exchange rate differences in the income statement.

Inventories

The cost of inventory also includes an appropriate proportion of the variable indirect costs of acquisition and manufacture, which are applied to products on a standard basis. Inventories include peat reserves that have been processed ready for sale. Unprocessed peat reserves are included in fixed assets and depreciated according to utilization.

Fixed assets and depreciation

Fixed assets are stated at original cost less depreciation. Planned depreciation is charged on a straight-line basis against the original cost of the asset. In each case the straight-line depreciation rate is based on the useful life of the asset:

- intangible rights 5-10 years
- buildings and structures 15-40 years
- machinery and equipment 3-15 years
- peat reserves - according to utilization
- other tangible assets 10-40 years
- other capitalized expenditure 4-10 years
- goodwill on consolidation 3-12 years

NOTES TO THE ACCOUNTS

EUR 1000
Number

	Group		Parent Company	
	2002	2001	2002	2001
1 TURNOVER BY BUSINESS				
- energy	225.137	208.780	160.867	150.202
- growing media and fertilizers	52.331	45.350		
- sawmills	154.359	148.067		
- environmental business activities	10.218	14.351	4.351	9.044
- other activities	699	1.909	700	2.296
- eliminations	-8.359	-6.125		
	434.385	412.332	165.918	161.542
TURNOVER BY MARKET AREA				
- Finland	275.659	268.147	158.163	158.458
- Other Nordic countries	67.435	57.124	4.967	2.401
- Other European countries	66.014	62.310	2.499	663
- Other markets	25.277	24.751	289	20
	434.385	412.332	165.918	161.542
2 SALARIES, WAGES AND SOCIAL EXPENSES				
Salaries and wages	39.087	36.449	14.068	12.950
Pension expenses	6.559	5.949	2.301	2.031
Other statutory social expenses	5.406	5.193	1.538	1.669
Voluntary social expenses	1.108	1.256	410	702
	52.160	48.847	18.317	17.352
Salaries and remuneration paid to senior management				
Managing Directors	851	1.010		
Supervisory Board	85	65	72	65
Board of Directors	133	98	79	42
Number of employees				
Wage-earning employees, average	766	704	158	146
Salaried employees, average	545	505	277	256
Employees, average	1311	1209	435	402
3 PLANNED DEPRECIATION				
Intangible rights	506	537	403	403
Goodwill	57	57	233	233
Goodwill on consolidation	2.914	1.911		
Other capitalized expenditure	538	461	125	128
Land and water areas	2	16	2	
Buildings and structures	3.314	2.797	1.131	810
Machinery and equipment	13.672	13.552	5.582	6.058
Other tangible assets	7.478	7.236	4.505	4.683
Total	28.481	26.567	11.981	12.315
4 CHANGE IN DEPRECIATION DIFFERENCE				
Buildings and structures			-175	-253
Machinery and equipment			-2.345	-2.542
Other tangible assets			-1.040	-1.169
Total			-3.560	-3.964
5 CHANGE IN PROVISIONS				
Change in provisions	110	866	-23	309

NOTES TO THE ACCOUNTS

EUR 1000 Number	Group		Parent Company	
	2002	2001	2002	2001
6	TOTAL DIVIDEND INCOME, INTEREST INCOME AND INTEREST EXPENSE			
			3.610	4.529
			1.114	1.573
			168	
			69	
			465	971
	1.468	1.911	2.482	2.979
	5.576	6.711	4.154	5.061
7	EXTRAORDINARY INCOME			
				56
	205			
	EXTRAORDINARY EXPENSES			
				102
				380
8	TAXES			
	10.872	10.315	9.141	9.277
	-16		-25	
	-439	-1.210		
	10.417	9.105	9.116	9.277
9	FIXED ASSETS BY CATEGORY			
	Intangible rights			
	6.421	5.664	4.989	4.341
	18			
	521	844	429	727
	-6	-87	-5	-79
	6.954	6.421	5.413	4.989
	-3.680	-3.226	-2.771	-2.444
	3	83	3	76
	-506	-537	-403	-403
	-4.183	-3.680	-3.172	-2.771
	2.771	2.741	2.241	2.218
	Goodwill			
	286		1.163	877
		286		286
	286	286	1.163	1.163
	-57		-583	-351
	-57	-57	-233	-233
	-114	-57	-816	-583
	172	229	347	579
	Goodwill on consolidation			
	17.904	17.965		
		-56		
	6	-18		
	4.500	13		
	22.409	17.904		

NOTES TO THE ACCOUNTS

EUR 1000 Number	Group		Parent Company	
	2002	2001	2002	2001
Accumulated depreciation 1 Jan	-5.900	-4.049		
Accumulated depreciation in acquired subsidiary on acquisition		56		
Exchange rate differences	1	4		
Depreciation for period	-2.914	-1.911		
Accumulated depreciation 31 Dec	-8.814	-5.900		
Book value 31 Dec	13.595	12.004		
Other capitalized expenditure				
Acquisition cost 1 Jan	6.941	6.440	3.820	3.820
Assets of acquired subsidiary on acquisition	50			
Additions	215	871		
Disposals		-370		
Acquisition cost 31 Dec	7.206	6.941	3.820	3.820
Accumulated depreciation 1 Jan	-5.272	-4.850	-3.473	-3.345
Accumulated depreciation in acquired subsidiary on acquisition	-7			
Exchange rate differences		-2		
Accumulated depreciation relating to disposals and transfers	-2	41		
Depreciation for period	-538	-461	-125	-128
Accumulated depreciation 31 Dec	-5.819	-5.272	-3.598	-3.473
Book value 31 Dec	1.387	1.669	222	347
Land and water areas				
Acquisition cost 1 Jan	23.917	24.093	19.962	19.975
Assets of acquired subsidiary on acquisition	226			
Exchange rate differences	12	-40		
Additions	672	493	651	562
Disposals	-198	-629	-146	-575
Acquisition cost 31 Dec	24.629	23.917	20.467	19.962
Accumulated depreciation 1 Jan	-59	-43	-43	-43
Accumulated depreciation relating to disposals and transfers	16			
Depreciation for period	-2	-16	-2	
Accumulated depreciation 31 Dec	-45	-59	-45	-43
Book value 31 Dec	24.584	23.858	20.422	19.919
Buildings and structures				
Acquisition cost 1 Jan	62.261	59.591	19.363	18.701
Assets of acquired subsidiary on acquisition	4.177			
Exchange rate differences	74	-223		
Additions	12.458	3.140	7.345	908
Disposals	-1.186	-247	-1.151	-246
Acquisition cost 31 Dec	77.784	62.261	25.557	19.363
Accumulated depreciation 1 Jan	-23.472	-20.965	-9.629	-9.029
Accumulated depreciation in acquired subsidiary on acquisition	-1.673			
Exchange rate differences	-29	80		
Accumulated depreciation relating to disposals and transfers	883	210	851	210
Depreciation for period	-3.314	-2.797	-1.131	-810
Accumulated depreciation 31 Dec	-27.605	-23.472	-9.909	-9.629
Book value 31 Dec	50.179	38.789	15.648	9.734
Machinery and equipment				
Acquisition cost 1 Jan	201.720	197.251	88.314	88.923
Assets of acquired subsidiary on acquisition	4.859			
Exchange rate differences	810	-1.136		
Additions	20.104	11.994	6.364	3.501
Disposals	-15.211	-5.363	-13.025	-4.110
Assets of divested subsidiary 1 Jan		-1.026		
Acquisition cost 31 Dec	212.282	201.720	81.653	88.314

NOTES TO THE ACCOUNTS

EUR 1000 Number	Group		Parent Company	
	2002	2001	2002	2001
Accumulated depreciation 1 Jan	-109.813	-101.996	-59.091	-56.545
Accumulated depreciation in acquired subsidiary on acquisition	-2.516			
Exchange rate differences	-686	804		
Accumulated depreciation relating to disposals and transfers	10.592	4.486	8.769	3.512
Accumulated depreciation in divested subsidiary 1 Jan		445		
Depreciation for period	-13.672	-13.552	-5.582	-6.058
Accumulated depreciation 31 Dec	-116.095	-109.813	-55.904	-59.091
Book value 31 Dec	96.187	91.907	25.749	29.223
Machinery and equipment. share of book value 31 Dec	81.666	81.775	19.896	23.418
Preparation of peat reserves and other tangible assets				
Acquisition cost 1 Jan	183.606	176.643	125.682	122.665
Assets of acquired subsidiary on acquisition	1.127			
Exchange rate differences	277	-858		
Additions	11.737	7.958	5.288	3.038
Disposals	-2	-137	-2	-21
Acquisition cost 31 Dec	196.745	183.606	130.968	125.682
Accumulated depreciation 1 Jan	-77.329	-70.675	-53.406	-48.738
Accumulated depreciation in acquired subsidiary on acquisition	-241			
Exchange rate differences	-180	553		
Accumulated depreciation relating to disposals and transfers	1	29	1	15
Depreciation for period	-7.478	-7.236	-4.505	-4.683
Accumulated depreciation 31 Dec	-85.227	-77.329	-57.910	-53.406
Book value 31 Dec	111.518	106.277	73.058	72.276
Holdings in Group companies				
Acquisition cost 1 Jan			75.213	77.359
Additions			10.300	141
Disposals				-2.287
Acquisition cost 31 Dec			85.513	75.213
Holdings in participating interests				
Acquisition cost 1 Jan	1.705	1.268	827	827
Assets of acquired subsidiary on acquisition	192			
Additions	660	739		
Disposals	-362	-302	-17	
Book value 31 Dec	2.195	1.705	810	827
Other shares and holdings				
Acquisition cost 1 Jan	3.618	3.879	3.093	3.110
Assets of acquired subsidiary on acquisition	3			
Additions	18	27	10	27
Disposals	-83	-288	-77	-44
Book value 31 Dec	3.556	3.618	3.026	3.093
Own shares				
Acquisition cost 1 Jan				
Additions	77			
Disposals	-72			
Book value 31 Dec	5			
Number of shares held	800			
Total nominal value of shares held	2			
Acquisition cost of shares held	5			

NOTES TO THE ACCOUNTS

EUR 1000	Group		Parent Company	
	2002	2001	2002	2001
Group companies	Shareholding	Shareholding	Shareholding	Shareholding
Vapo Timber Oy, Jyväskylä	100 %	100 %	100 %	100 %
Vapo Timber Import Oy, Jyväskylä	100 %	100 %	0 %	0 %
Karel Timber Oy, Jyväskylä	100 %	100 %	0 %	0 %
Kekkilä Oyj, Eurajoki	59 %	59 %	59 %	59 %
Kiinteistö Oy Hyrylän Nurmikko, Tuusula	100 %	100 %	0 %	0 %
Gardenpeat Oy, Mellilä	100 %		0 %	
Punkapeat Oy, Punkalaidun	100 %		0 %	
Stenrøgel Mosebrug AS, Denmark	100 %	100 %	0 %	0 %
Langham Oü, Estonia	100 %	100 %	0 %	0 %
Hasselfors Garden AB, Sweden	100 %	100 %	0 %	0 %
Kekkilä Iberia S.L., Spain	100 %		0 %	
Forssan Energia Oy, Forssa	100 %	100 %	100 %	100 %
Jokioisten Aluelämpö Oy, Jokioinen	100 %		0 %	
Voimavasu Oy, Jyväskylä	50 %	50 %	50 %	50 %
Vapon Tuulivoima Oy, Jyväskylä	90 %	90 %	90 %	90 %
Lieksan Lämpö Oy, Lieksa	100 %	100 %	100 %	100 %
Tohman Lämpö Oy, Tohmajärvi	100 %		100 %	
Mustankorkea Oy, Jyväskylä	55 %	55 %	55 %	55 %
Vapo Energi AB, Sweden	100 %	100 %	0 %	0 %
Räsjö Torv AB, Sweden	100 %	100 %	100 %	100 %
Svenska Torv AB, Sweden	100 %	100 %	0 %	0 %
Mellansvenska Biobränsle AB, Sweden	100 %	100 %	0 %	0 %
Mebio Torvprodukter AB, Sweden	100 %	100 %	0 %	0 %
Sandviken Avesta Torv AB, Sweden		100 %		0 %
Suo Oy, Jyväskylä	100 %	100 %	100 %	100 %
Biolappi Oy, Jyväskylä	100 %	100 %	100 %	100 %
KP-Multa Oy, Lahti	100 %	100 %	100 %	100 %
AS Lato, Estonia	100 %		100 %	
As Tootsi Turvas, Estonia	95 %		0 %	
Associated companies				
Mäntän Energia Oy, Mänttä	45 %	50 %	45 %	50 %
Keski-Pohjanmaan Komposti Oy, Himanka	50 %	50 %	50 %	50 %
Anaika Components Ltd Oy, Lieksa	40 %	40 %	0 %	0 %
VapoGro Ltd, UK	49 %	49 %	0 %	0 %
Tammelan Aluelämpö Oy, Tammela	50 %		0 %	
AS Puhatu Turvas, Estonia	33 %		0 %	
10 RECEIVABLES FROM GROUP COMPANIES				
Long-term loans receivable			15.570	10.409
Accounts receivable			2.170	1.458
Loans receivable			31.176	21.310
Prepaid expenses and accrued income			104	638
Total			49.020	33.815
RECEIVABLES FROM PARTICIPATING INTERESTS				
Long-term loans receivable	450	450		
Accounts receivable	4.894	962	4.419	733
Prepaid expenses and accrued income	45	10	15	
Total	5.389	972	4.434	733
MATERIAL ITEMS INCLUDED IN PREPAID EXPENSES AND ACCRUED INCOME				
Indirect taxes	378	678		
Taxes	173	59		
Rents paid in advance	157		157	
Subsidies	203	510		320
Social security	196	540		262

NOTES TO THE ACCOUNTS

EUR 1000	Group		Parent Company	
	2002	2001	2002	2001
Sales pending invoicing	1.532	1.421	1.149	1.149
Funds transfers in transit	695			
Valuation items	167	267	167	267
Other prepaid expenses and accrued income	1.944	1.552	440	377
Total	5.445	5.027	1.913	2.375
11 SHAREHOLDERS' EQUITY				
Share capital 1 Jan and 31 Dec	50.456	50.456	50.456	50.456
Ordinary reserve 1 Jan		21		
Transfers to retained earnings		-21		
Ordinary reserve 31 Dec		0		
Translation difference	-187	-232		
Restricted equity, total	50.269	50.224	50.456	50.456
Reserve for own shares				
Acquired at beginning of year	75			
Disposed of during year	-72			
Change in market price	2			
Held at 31 Dec	5			
Minority interest	-2			
Reserve for own shares 31 Dec	3			
Contingency reserve 1 Jan	30.096	30.110		
Transfers to retained earnings		-14		
Contingency reserve 31 Dec	30.096	30.096	30.096	30.096
Other shareholders' equity 1 Jan	174.819	167.021	101.830	89.096
Distribution of dividends	-10.091	-10.596	-10.091	-10.596
Change in translation difference relating to shareholders' equity of subsidiary companies	251	-657		
Transfers from reserves		36		
Shareholders' equity of VapoGrow		899		
Loss on own shares	-2			
Changes in accounting methods of subsidiary companies	-35			
Profit for the financial period	23.083	18.116	23.862	23.330
Other shareholders' equity 31 Dec	188.025	174.819	115.601	101.830
Non-restricted equity, total	218.121	204.915	145.697	131.926
Transfers from voluntary reserves and depreciation difference to shareholders' equity 31 Dec	44.170	44.700		
DISTRIBUTABLE NON-RESTRICTED GROUP EQUITY				
Non-restricted equity	218.121	204.915	145.697	131.926
Depreciation difference and voluntary reserves shown as shareholders' equity	-44.170	-44.699		
Distributable non-restricted Group equity	173.951	160.216	145.697	131.926
12 PROVISIONS				
Provision for expenditure on environmental work at sites released from peat production	5.622	6.087	2.760	3.375
Guarantee provision	1.050	459	1.050	459
Provision for closure of landfill sites	1.330	1.346		
	8.002	7.892	3.810	3.834
Deferred tax asset included in provisions	1.186	1.369	801	979

NOTES TO THE ACCOUNTS

EUR 1000	Group		Parent Company	
	2002	2001	2002	2001
13 DEFERRED TAX				
Deferred tax on appropriations calculated at 29% (Finland) and 28% (Sweden).	21.349	21.611		
LIABILITIES DUE AFTER MORE THAN FIVE YEARS				
Loans from financial institutions	36.665	50.930	18.109	31.296
Pension fund loans	89	425		
Other long-term liabilities	183	190	183	191
Total	36.937	51.545	18.292	31.487
CONTRACT DEPOSITS AND OTHER LIABILITIES				
Contract deposits	8.130	7.620	236	236
Other long-term liabilities	818	537	476	537
Total	8.948	8.157	712	773
LIABILITIES TO GROUP COMPANIES				
Advances received			9	
Accounts payable			389	245
Other current liabilities			2.357	4.210
Accrued liabilities			17	68
Total			2.772	4.523
LIABILITIES TO PARTICIPATING INTERESTS				
Advances received	98	108	98	108
Accrued liabilities		81		81
Total	98	189	98	189
MATERIAL ITEMS INCLUDED IN ACCRUED LIABILITIES				
Accruals relating to salaries, wages and social expenses	8.701	7.773	3.268	2.821
Indirect taxes	310	328		
Interest	734	516	544	500
Taxes	996	739	637	551
Peat contractors' payments		165		165
Final payments in respect of investments		1.336		1.154
Real-estate related expenses		122		122
Other accrued liabilities	5.164	2.326	1.131	266
Total	15.905	13.305	5.580	5.579
GUARANTEES GIVEN				
Debts secured by mortgages				
Loans from financial institutions	21.707	22.849		
Pension fund loans	294	340		
Other debts	31	297	31	297
Overdraft commitments	2.145	2.264		
Total	24.177	25.750	31	297
Mortgages given as security for debt. total	38.901	37.022	1.177	1.177
Other guarantees given for corporate commitments				
Assets mortgaged	168	168		
Assets pledged	2	2		
Total	170	170		

NOTES TO THE ACCOUNTS

CALCULATION OF FINANCIAL RATIOS

EUR 1000	Group		Parent Company	
	2002	2001	2002	2001
Debts secured by pledged assets				
Overdraft facility				
Book value of shares used as security	316	316	316	316
Shares used as security. total	316	316	316	316
CONTINGENT LIABILITIES AND COMMITMENTS				
Pension commitments				
Vapo Oy's Managing Director and those members of the Board of Directors who are Vapo employees have the option of retiring on a full pension at the age of 60-62 years.				
Payments due on leasing contracts				
During the current period	1.531	1.414	429	385
During later periods	5.923	6.996	349	400
Total	7.454	8.410	778	785
Contingent liabilities for Group companies				
Guarantees	5.697	7.938	8.799	13.760
Other contingent liabilities	2.235	2.341	2.235	2.341
Total	7.932	10.279	11.034	16.101
Contingent liabilities for associated companies				
Guarantees	1.153	1.232		
Other contingent liabilities	64	98		
Total	1.217	1.330		
Other guarantees for corporate commitments				
Guarantees	292	124	283	151
Other contingent liabilities				
Rent commitments	47	26		
Timber purchase contracts	15.729	8.177		
Open forward contracts	2.219	2.429		
Total	17.995	10.632		

Pension liabilities are being assessed in respect of an Estonian subsidiary for the purpose of entering into a pension insurance contract. The liability is approximately EUR 2 million.

Calculation of financial ratios

Return on capital employed (ROCE) %	=	100x	$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Average capital employed}}$
Return on equity (ROE) %	=	100x	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Average of (shareholders' equity + reserves + minority interest)}}$
Equity ratio %	=	100x	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}}$
Earnings / share	=		$\frac{\text{Profit before extraordinary items - taxes - minority interest}}{\text{Average number of shares}}$
Shareholders' equity / share	=		$\frac{\text{Shareholders' equity}}{\text{Number of shares at end of period}}$
Dividend / share (EUR)	=		$\frac{\text{Dividend for period}}{\text{Number of shares at end of period}}$
Dividend / earnings (%)	=	100x	$\frac{\text{Dividend / share}}{\text{Earnings / share}}$

PROPOSAL FOR THE DISTRIBUTION OF PROFITS STATEMENT OF THE SUPERVISORY BOARD

Proposal for the distribution of profits

The Group's non-restricted shareholders' equity is EUR 218,120,727.75. According to the consolidated balance sheet, distributable funds represent EUR 173,950,615.42 of this total. The Parent Company's non-restricted shareholders' equity is EUR 145,696,764.75, of which profit for the financial period is EUR 23,861,911.18.

The Board of Directors proposes that the profit for the period as shown in the financial statements be utilized as follows:

- a dividend of EUR 382 per share or a total of EUR 11,460,000.00 be paid
- total of EUR 12,401,911.18 be transferred to the retained earnings account.

Helsinki, 26 February 2003

Taisto Turunen
Chairman

Leif Ekström
Vice Chairman

Aarno Heinonen

Eeva Hellström

Mauri Jaakonaho

Matti Packalén

Matti Hilli
Managing Director

Statement of the Supervisory Board

The Supervisory Board has examined Vapo Oy's financial statements, consolidated financial statements and auditors' report for 2002, and has found that these require no comment on the part of the Supervisory Board.

The Supervisory Board recommends the adoption of the Parent Company income statement and balance sheet and of the consolidated income statement and balance sheet and supports the proposal of the Board of Directors as regards the distribution of profits.

The Company's articles of association stipulate that all the members of the Supervisory Board are elected each year at the Annual General Meeting.

Helsinki, 6 March 2003

Matti Väistö
Chairman

Aarne Heikkilä

Tapani Kantola

Juha Karpio

Katri Komi

Reijo Laitinen

Christel Liljeström

Antti Oksanen

Petri Salo

Arimo Uusitalo

Auditors' Report

To the shareholders of Vapo Oy

We have audited the accounting, the financial statements and the corporate governance of Vapo Oy for the period 1 January to 31 December 2002. The financial statements, which have been prepared by the Board of Directors and the Managing Director, show a profit for the Parent Company of EUR 23,861,911.18 and a profit for the Group of EUR 23,082,510.24, and include the report of the Board of Directors, consolidated and Parent Company income statements, balance sheets and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the Group's and the Parent Company's result of operations as well as of the financial position. The financial statements, with the consolidated financial statements, can be adopted, and the members of the Supervisory Board, the Board of Directors and the Managing Director of the Parent Company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of the profit is in compliance with the Companies Act.

Helsinki, 26 February 2003

Deloitte & Touche Oy
Authorized Public Accountants

Aarne Koivikko
Authorized Public Accountant

MANAGEMENT PRINCIPLES

General

In the management of Vapo Group, the objective is to apply systems that are simple, straightforward and clear, as specified in Vapo's Corporate Governance document.

The Group is arranged into business areas and groups which are supervised by the Group's management and are responsible for their own financial performance. The four business areas are: Vapo Oy Energia, Vapo Oy Biotech, Vapo Timber Oy and Kekkilä Oyj.

Corporate administration

Vapo Oy has a Supervisory Board which comprises a minimum of eight and a maximum of ten members, each of whom is elected for a one-year term by the Annual General Meeting, as well as three personnel representatives elected by the employees from among the employees for a two-year term.

Vapo Oy's Board of Directors comprises a minimum of four and a maximum of eight members, each of whom is elected for a one-year term by the General Meeting. The Chairman is selected by the General Meeting. Vapo Oy's Managing Director is appointed by the Board of Directors.

The incorporated businesses have their own Boards of Directors, while the other businesses have Executive Boards. In each case the Board of Directors or Executive Board is chaired by Vapo Oy's Managing Director, and the other members - who number a maximum of four - are selected by Vapo Oy's Board

of Directors. The day-to-day administration of the businesses is the responsibility of the Business Director, who in the case of the incorporated businesses is the Managing Director.

The Boards of Directors of companies subordinate to the businesses and of other Group companies are appointed by Vapo Oy's Board of Directors.

Administrative functions

Vapo Oy's Supervisory Board

The Supervisory Board operates in accordance with the Finnish Companies Act and Vapo's articles of association, and its function is to supervise the Company's administration by the Board of Directors and the Managing Director and to issue a statement to the Annual General Meeting on the Financial Statements and Auditors' Report.

The Supervisory Board provides instructions for the Company's Board of Directors in matters that have far-reaching consequences and are important as issues of principle. It issues a statement to the General Meeting in situations where this is required by the Finnish Companies Act.

Vapo Oy's Board of Directors

Vapo Oy's Board of Directors is responsible for the management and supervision of Vapo Group in accordance with Chapter 8 of the Finnish Companies Act, the articles of association, and shareholder instructions.

The Board of Directors decides on the central operating principles to be followed in the Group and

on matters which, by reference to the scale of the Group, are large and important, or which are outside the scope of the Group's normal business activities, or which the Board of Directors separately determines should be considered and decided on by it. The Board of Directors determines and approves the Group's long-term objectives and the main strategies to achieve those objectives. The Board of Directors approves the annual budgets, investment plans, business plans and other short-term objectives that it regards as necessary. It determines and approves the operating areas and main functions of the businesses. It appoints the Company's Managing Director, the Business Directors and the Department Directors within the Group Administration. The Board of Directors prepares matters for the General Meeting and matters submitted to the Supervisory Board. The Board of Directors meets as required, but at least six times each year.

Vapo Oy's Managing Director

The Managing Director is responsible for the day-to-day management of the Company and Group in accordance with the articles of association, the Companies Act and instructions issued by the Board of Directors. The Managing Director reports to both the Board of Directors and the Supervisory Board. The Managing Director prepares and presents Group strategies and operating plans to the Board of Directors, which approves their content. The Managing Director regularly informs both the Board of Directors and the Supervisory Board about the Company's operations and its financial position. The Managing

Director acts as Chairman of the Boards of Directors and Executive Boards of the businesses, and as Chairman of Vapo Group's Executive Management Group.

Boards of Directors and Executive Boards of Vapo Group's businesses

Vapo Timber Oy and Kekkilä Oyj each have a Board of Directors, Vapo Oy Energia and Vapo Oy Biotech each have an Executive Board.

Each Board of Directors or Executive Board manages the administration of its business in line with Group principles and maintains operating policies within the operating areas specified by Vapo Oy's Board of Directors. The management of the businesses includes securing the continuity of the business activities by preparing and implementing a programme of training for potential key personnel. Meetings of the Boards of Directors or Executive Boards are called by the Chairman and are held at least once every two months.

Vapo Group Executive Management Group

Vapo Oy's Managing Director, the Business Directors, and those Group Administration Directors appointed by Vapo Oy's Board of Directors, form Vapo Group's Executive Management Group, which meets at least once each month. The task of the Executive Management Group is to actively promote collaboration between the businesses, agree common principles in the Group management, assist Vapo Oy's Managing Director to prepare for meetings of Vapo Oy's Board of Directors, and to handle all matters submitted to it by the Managing Director.

**Employee representatives in business
unit management groups
1.1.2002 - 31.12.2003**

Western Finland
Arja Mäntylä
(*Mirja Tepponen*)

Heimo Pihlajamäki
(*Matti Jääskeläinen*)

Timo Talasoja
(*Tapio Kamppi*)

Eastern Finland
Eino Anttila
(*Timo Pennanen*)

Hannu Laukkanen
(*Paula Pappi*)

Northern Finland
Maija Rintala
(*Hannu Heitto*)

Jouko Niva
(*Eino Ämmänpää*)

Vapo Timber Oy

Hankasalmi
Pekka Häkkinen
Sirpa Närhi

Kevätniemi
Nina Toropainen
Juha Palokas

Nurmes
Eetu Karjalainen
(*Jarmo Naakka*)

Paltamo
Esko Leinonen

Peuravuono
Kalevi Siivikko

Forssa Sawmill
Markku Salonen

Kekkilä Oyj

Osmo Sahimäki
Teuvo Kaunismäki

**Employee Participation
(EP) Committee members 1.7.2001-30.6.2003**

Salaried peat industry personnel
Hannu Laukkanen
(*Ilpo Vuorela*)

Peat industry workers
Timo Talasoja
(*Ilpo Viinamäki*)
Heikki Törmä
(*Teuvo Penttinen*)

Sawmill workers
Juhani Nevalainen
(*Esko Leinonen*)
Erkki Flink
(*Markku Salonen*)

Forestry workers
Hannu Turpeinen
(*Eetu Karjalainen*)

Salaried forestry personnel
Heikki Miettinen
(*Paavo Kivimäki*)

Sawmill supervisors
Juha Castren
(*Veikko Manninen*)

Salaried office personnel
Maija Rintala
(*Kirsi Pennanen*)
Birgitta Kettunen
(*Ilona Kilpala*)

Senior salaried personnel
Ilkka Ilmavirta
(*Maija Salmelin*)

**Employee representatives on in-house magazine editorial
board 1.1.2002-31.12.2003**

Supervisors
Jari Alkkimäki
Kari Mäkilä

Vapo Oy Energia, Western Finland
Vapo Timber Oy, Forssa Sawmill

Salaried office personnel
Merja Koponen
Birgitta Kettunen

Vapo Oy Energia, Eastern Finland
Vapo Oy, Finance Department

Peat industry workers
Päivikki Lehtihalme

Kekkilä Oyj, Eurajoki

Sawmill workers
Suvi Muikka

Vapo Timber Oy, Kevätniemi Sawmill

Senior salaried personnel
Merja A. Koponen
(on maternity leave)
deputy
Heikki Luoma-aho
Pasi Meriläinen

Vapo Oy Energia, Western Finland

Vapo Oy Energia, Western Finland
Vapo Timber Oy, Nurmes Sawmill



VAPO OY

Group Administration and Business Management

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