



# Annual Report 2000



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## Highlights in 2000

- Improving punctuality was one of the top priorities in long-distance traffic. The punctuality rate rose to 93 %.
- New Travel Centres were opened in the towns of Seinäjoki and Lappeenranta. Travel Centres combine different public transport services under the same roof.
- Record year for domestic freight traffic. Container carryings on the Siberian line doubled.
- VR Cargo's joint wagon project with the paper industry was completed. Almost 2,000 freight wagons have been upgraded in the past five years.
- Transpoint was the first transport company to adopt Internet-based pricing system Netpoint 2.
- VR-Track completed its Automatic Train Protection (ATP) contract between Helsinki and Oulu.
- Restaurants and kiosks at Helsinki railway station were renewed. Three entirely new service points were opened in the autumn: Aseman Wursti, Baguette&Co and Stop@station.

## Financial information in 2001

- The annual report is published in English, Finnish, Swedish and Russian.
- Interim reports will be published in June and October.
- Interim reports are published in English, Finnish and Swedish.
- The annual report and interim reports can be downloaded from the Internet at [www.vr.fi](http://www.vr.fi), under VR Group.
- Printed copies can be ordered by contacting VR-Group Ltd's Corporate Communications, tel. +358-307 22 502, telefax +358-307 21 500 or by writing to VR-Group Ltd, Corporate Communications, PO Box 488, FIN-00101 Helsinki, Finland.



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# VR in brief

## Business concept

VR's core businesses are transport and track maintenance services.

VR provides safe, high-standard and environmentally friendly transport and related services for freight customers and passengers.

For the Finnish state, other public bodies and industrial corporations VR provides professional track design, construction and maintenance services.

## Values

**Safety** VR's most important value is safety. VR aims to raise its rail safety standards to the highest European levels by 2002 at the latest. Safety at VR is based on its highly trained and responsible personnel coupled with modern rolling stock and advanced technical systems.

**Closeness to customers** VR is a reliable partner to its customers and plans its operations based on their needs. VR's operations are influenced by changes in consumer behaviour, social trends and industry. VR's partnership approach is guided by active co-operation, feedback from customers and regular surveys.

**Quality** VR works professionally, reliably and efficiently. VR's chief objective is to achieve excellent punctuality of rail services as this has a direct impact on rail safety and customer service. Certified quality systems support VR's quality work.

**Environmental responsibility** VR applies the principles of sustainable development in its operations. Efficient use of energy, low emission levels and safe transport of hazardous substances make rail transport an environmentally friendly mode of transport.

**International awareness** VR takes an active approach to developing international contacts. Long-standing co-operation with railway authorities in Russia and the CIS countries is central to VR's operations.

## Evolution of the VR Group

Finnish State Railways, government office, 1862–1990

Finnish State Railways, public enterprise, 1990–30 June 1995

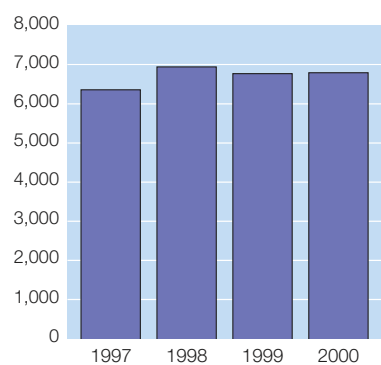
VR-Group Ltd, state-owned company, 1 July 1995–





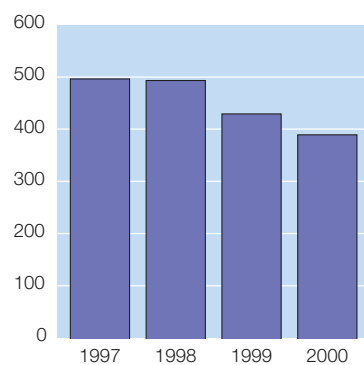


Key figures	2000	1999	% change
Net turnover, MFIM	6,796	6,773	0.3
Operating profit, MFIM	389	429	-9.3
% of net turnover	5.7	6.3	
Net profit, MFIM	307	396	-22.5
% of net turnover	4.5	5.8	
Gross capital expenditure, MFIM	902	1,277	-29.0
Return on shareholders' equity, %	4.5	5.3	
Return on investment, %	6.5	7.2	
Solvency ratio, %	78.5	79.0	
Personnel on average	15,405	16,075	-4.2



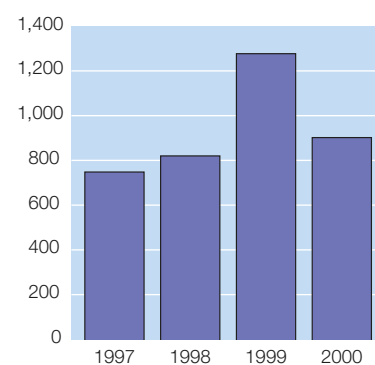
Net turnover 1997-2000

MFIM



Operating profit 1997-2000

MFIM



Investments 1997-2000

MFIM

# The VR Group



## Track construction and maintenance

- VR-Track Ltd provides track design, construction and maintenance services for the Finnish government, local authorities, ports and industrial companies using the rail network.
- Roughly 90 % of annual net turnover comes from contracts commissioned by the Finnish Rail Administration, which is responsible for managing the Finnish rail network.
- Annual net turnover totals FIM 1.5 billion with 2,900 employees.



## Rail services

- VR Ltd, the Group's largest company, is Finland's leading freight and passenger carrier.
- The company carries 40 million tonnes of freight by rail every year. Most of VR Cargo's carryings comprise raw materials and products of Finland's forest, chemical and metal industries. International carryings account for 40 % of total freight transport.
- Some 55 million passenger journeys are made every year, most of them commuter journeys in the Helsinki metropolitan area. VR provides an average of 260 long-distance services and 620 commuter services every day. Six daily train services operate between Finland and Russia.
- Rail services generate annual net turnover of FIM 3.6 billion. This comprises FIM 2.0 billion from freight services and FIM 1.6 billion from passenger services.
- Personnel totals 9,500.







### Catering services

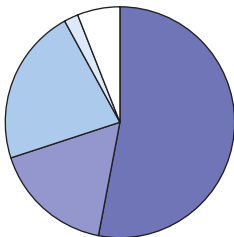
- AVECRA Oy provides supplementary catering services for VR's passenger transport operations. AVECRA manages cafés, restaurants and kiosks in Finland's largest railway stations and on long-distance train services. It has roughly 30 service points in stations, plus daily catering services in some 130 trains. The company's minority shareholder is the Swiss company Rail Gourmet.
- Catering services generate annual net turnover of FIM 170 million with 490 employees.

### Road services

- Pohjolan Liikenne is a subgroup of VR Ltd that provides supplementary road services. It has a strong position in Finland's road transport sector.
- The group has three freight companies. Transpoint Oy Ab is a national carrier of general cargo. Combitrans Oy handles partial and full-load carryings. Oy Transuotila Ab specializes in bulk transportation using tanker wagons. Together, these companies carry approximately 8 million tonnes of freight every year.
- Oy Pohjolan Henkilöliikenne Ab and its subsidiaries transport 14 million passengers by coach and bus every year.
- Road services generate annual net turnover of FIM 1.2 billion. This comprises FIM 951 million from freight services and FIM 194 million from passenger services.
- Personnel totals approximately 1,900.

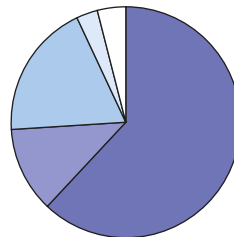
### Other services

- Railtelia Ltd provides telecommunications services for rail operations and develops telecom systems for transport and logistics needs. The company's minority shareholder is Telia Finland Oy.
- IT Solicom Ltd specializes in information technology services for the transport sector. The company's minority shareholder is Novo Group Plc.
- Avarra Oy manages and develops VR's properties and also 87 privately financed residential apartments. Avarra-Asunnot Oy owns and manages the Group's 1,954 state-subsidised residential apartments.



Net turnover by business 2000

■ Rail services	53 %
■ Road services	17 %
■ Track construction and maintenance	22 %
■ Catering services	2 %
■ Other	6 %



Personnel by business 2000

■ Rail services	62 %
■ Road services	12 %
■ Track construction and maintenance	19 %
■ Catering services	3 %
■ Other	4 %



## Market shares unchanged VR makes large investments

Market shares for the various forms of transport in Finland remained largely unchanged during 2000 and there is strong reason to expect that this will continue to be the case in freight operations this year. In passenger transport, however, VR's share of long-distance and commuter traffic could increase.

Even though market shares did not change, conditions in the transport sector and its financial performance weakened. Rising costs cast a heavy shadow over the future.

VR reinforced its familiar and established position as Finland's main carrier of passengers and freight during 2000 and this role is not forecast to change during the current year.

Competition for passengers was evident among the main modes of public transport but the passenger car was the main competitor. The mild weather at the end of the year favoured private cars and reduced the volume of north-bound skiing traffic by rail. Not even the high price of fuel could encourage many new passengers to opt for rail transport. A matter of concern for VR is the reduction in long-distance passenger traffic caused principally by slower timetables. A positive trend, in contrast, was the appreciable increase in commuter traffic in the Helsinki metropolitan area that has continued for some years now.

Sharp fluctuations were experienced in freight traffic. Very little raw timber, for example, was imported from Russia during the first half of the year but then timber carryings surged in volume. Carryings of petroleum products, on the other hand, tailed off at the end of the year after the Russian authorities banned exports of these products.

VR Group's road transport operations were hit by heavy cost increases. The price of fuel rose to exceptionally high levels in the autumn and the wage agreement concluded in this sector was higher than the nationally agreed guidelines.

### **Punctuality improved**

One of VR's main achievements during the year was to substantially improve the punctuality of its train services. VR defines non-punctuality as delayed arrival at terminus stations of five minutes or more. In 1999 the punctuality percentage fell at its worst to below 70, whereas last year the figure was above 90 percent every month.

This good result was mainly due to better coordination of track maintenance work and train services. VR also enhanced its traffic management methods, revised timetable planning and improved working routines.

The rail safety programme begun earlier made planned progress during the year. Similarly VR started to renew its rolling stock maintenance network, the decision for which was taken in 1999. VR decided, after extensive evaluation, not to submit an offer for a majority holding in the Estonian Railways, which had been put up for sale.

### **VR-Track undergoes change**

VR-Track's net turnover declined by some ten percent during the year owing to a reduction in work commissioned by the Finnish Rail Administration. Consequently, the company had to resort to layoffs and other streamlining measures to maintain profitability.

The Ministry of Transport and Communications evaluated various alternatives for increasing competition in track maintenance and construction. VR-Track has until now normally been the main contractor in such projects. In the alternative model track work would be split up into smaller contracts, which would be put out to tender. When seeking new solutions it is essential that all companies in this business have the same responsibilities and obligations. Track maintenance requires contractors to show a high safety record and the ability to carry out this work while causing rail transport customers the least possible inconvenience.

### **Heavy investments**

The year 2000 could be described as a year of natural evolution for VR. Typical of the year was a wide-ranging but well planned investment programme, which will also extend into the year 2001. Projects include the purchase of new double-decker InterCity coaches and Pendolino trains.

VR-Group's performance was broadly similar to the previous year. The net profit was FIM 307 million. This was FIM 89 million less than in 1999 but that year's result was boosted by non-recurring income of FIM 54 million arising from a change in accounting principles. The 2000 result was further depressed by a FIM 26 million pension item that belonged to the previous year.

My thanks are due to VR's customers and partners for their confidence in us and VR employees, who are the foundation for our success.

**Henri Kuitunen**  
President and CEO  
VR-Group Ltd















Punctuality rate for long-distance traffic increased to 93 % ■ Travel Centres opened in Seinäjoki and Lappeenranta ■ Extensive investment in rolling stock continued

## Punctuality improved

VR offers passengers a wide range of train services on both long-distance routes and commuter lines in the Helsinki metropolitan area. VR provides some 260 daily long-distance services, of which six are between Finland and Russia, and an average of 620 commuter services each day in the Helsinki metropolitan area. One of the objectives of VR Passenger Services is to upgrade its rolling stock and reduce travel times between the larger centres of population. Another objective is to deepen co-operation with other public transport operators with a view to making travel by train a more attractive option than by private car.

VR's market share of all passenger traffic in Finland is around 5%. Over 80% of all journeys are made by private car and less than 20% by public transport. Traffic growth since the 1960s has been generated almost completely by an increase in travel by car. Public transport's market share has declined correspondingly. VR's share of the public transport market is 38% and has remained at much the same level over the last few years. Trains have a larger market share, some 60%, for journeys of over 75 kilometres.

### Growth in number of passenger journeys

A total of 54.8 million passenger journeys by rail were made during the review period, 43 million of them on commuter lines in the Helsinki metropolitan area. The number of passenger journeys increased by 3%, but passenger-kilometres remained broadly similar to the previous year's figure. Net turnover amounted to FIM 1,632 million, an increase of 4% compared to the previous year.

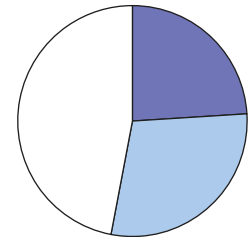
Ticket prices were increased by an average of 2.7% in July, made necessary by a higher rise in costs than expected. However, the increase in train ticket prices was lower than corresponding price rises for other forms of transport. In long-distance traffic, the number of journeys declined by slightly less than one percentage point against the previous year. Journeys on InterCity trains increased by over 40%, mainly because InterCity services replaced many express train services. The volume of journeys made to and from Russia grew by 17%, totalling 206,000 journeys. During the peak season at the turn of the year, over 20 extra trains were in service on Russian routes.

Longer travel times and disrupted connections reduced train passenger volumes in Eastern Finland at the end of the year, especially on lines in Savo and Karelia. Timetables were changed because the speed limit on sections of track without Automatic Train Protection (ATP) was reduced to 120 kilometres an hour. Commuter volumes in the Helsinki metropolitan area continued to grow, increasing by 4% during the review period. Commuter growth is driven by the prevailing wave of migration to the Helsinki area and the frequent metro-like train services introduced on the Helsinki-Tikkurila urban line in 1996.

### Travel Centres opened in Seinäjoki and Lappeenranta

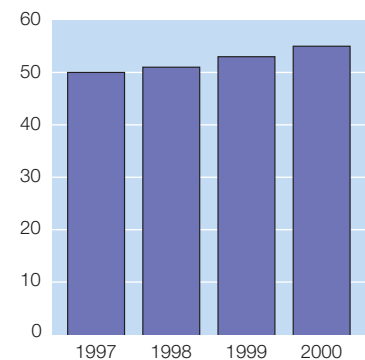
Progress was made on the Travel Centre project, a programme jointly planned by public transport operators. A Travel Centre was commissioned in Seinäjoki in June and another in Lappeenranta in December. The real estate contracts needed for the Travel Centre in Tampere were finalized by the year's end. Planning for the Jyväskylä Travel Centre continued, and construction work is due to start in 2001.

A Travel Centre is a terminal for public transport services that concentrates the stations, ticket sales and passenger information for different modes of transport in one place. The aim is to make changing between one form of transport and another easier and faster



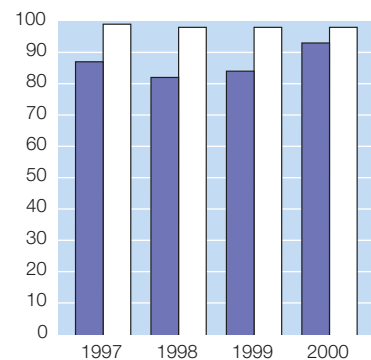
Rail services, share of VR's net turnover 2000

■ Passenger services	24%
■ Freight services	29%



Passenger journeys 1997–2000

million



Punctuality of long-distance and commuter services 1997–2000

%

■ Long-distance	□ Commuter services
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while also providing adequate parking space. A network of 22 Travel Centres covering Finland is due to be completed in 2005.

### New rolling stock

VR continued its programme for modernizing passenger rolling stock. Older rolling stock in long-distance service, recognizable by its blue livery, will be replaced by InterCity coaches and Pendolino trains over the next 10 to 15 years. By the end of the review period, 61 new doubler-decker InterCity coaches were already in service.

A new type of train, the IC2, was put into service in the summer on the Helsinki–Turku and Helsinki–Jyväskylä routes. The train consists entirely of double-decker coaches, all of which are non-smoking. A mobile sales trolley is used to provide catering services on IC2 trains. Business class passengers are offered self-service coffee, the day's newspaper, headphones for listening to the radio and, included in the price, the opportunity to reserve the adjacent seat to make working during the journey easier.

The first of the eight new Pendolino trains on order arrived in Finland for testing at the end of the year. The first two Pendolinos in service have accumulated about 2.4 million kilometres on the coastal line between Helsinki and Turku over the past five years, corresponding to 11,300 departures and an estimated 1.4 million passengers on that route.

### Improved punctuality

Improving the punctuality of train services was one of VR's main targets for the year. A punctuality rate of over 90 %, meaning that 90 % of trains arrive at their destinations on time or less than five minutes late, is regarded as good by international standards. To achieve this target, VR enhanced both the co-operation between its different units and its co-operation with the Finnish Rail Administration. One of the most effective methods applied was improving the synchronization of line work with timetable planning.

The average punctuality rate of trains in long-distance service during 2000 was 93 %, compared to a running average for the 1990s of 87 %. This is VR's best punctuality rate in 20 years. Commuter traffic in the Helsinki metropolitan area has been extremely punctual for a number of years now. A commuter train delayed by three minutes or more is counted as late in VR's statistics.

### 13,000 items of feedback

Customer satisfaction is continuously monitored by studying customer feedback and conducting customer surveys. A total of 13,000 items of customer feedback were recorded last year. This figure includes feedback on catering services received from Avecra's customers.

Much of the feedback received last year concerned the new IC2 trains. Passengers were pleased with the modern coaches and the scope of train services although many customers missed the conventional restaurant car and smoking facilities. The modernization of commuter trains and the new urban trains were also highly rated by customers. According to the survey results, regular train users rank the Pendolino and InterCity train services as among the best offered by any transport provider in Finland.

### Aiming for ease of travel

VR gave high priority during the review period to making it easy for passengers to travel. VR upgraded its Internet site, which has proved an important source of information for passengers. Almost half of VR's passengers use the website to find timetable information.

Helsinki railway station was given a facelift during the year when Avecra, which provides restaurant and kiosk services, opened new service outlets there. Fast progress was made in covering the station's platforms. Completion of the pedestrian subway also improved passenger access to and movement around Helsinki station. The platform information displays at Helsinki, Pasila and Tikkurila stations were replaced. The new displays show passengers the location of their coach in the train.



VR's "Kauko Kyyhky" (Long-Distance Pigeon) promotional film delighted its Finnish audience. According to surveys by Gallup and MTV3 Channel, it was the most outstanding and popular promotional film of the year.



A portable ticket vending machine was introduced in the summer. The machine enables conductors on trains to sell tickets and receive payment by credit card more quickly and easily. Use of the machine will be extended to all trains during spring 2001. The summer's most popular product was the Holiday Pass giving passengers cheap travel anywhere in Finland for three days.

Ticket sales for commuter passengers was moved to the centre of Helsinki station to make travel easier and more pleasant.

### Prospects

The most important factors for sustaining growth in passenger services are modernizing the rolling stock, enhancing the convenience of travel, and reducing travel times. The urban line between Helsinki and Leppävaara will be completed in 2001 and commissioned in phases during 2001 and 2002.

New InterCity coaches and Pendolino trains will be placed in service right up until the middle of 2002, and more Pendolino trains will be purchased over the next few years. VR's sleeping cars are also due for renewal. Plans to acquire between 12 and 20 diesel-driven railcars for service on sections of line with low passenger volumes are still to be finalized.

A Pendolino service will start during 2001 on the Helsinki–Tampere–Jyväskylä route. Initially the service will keep to the same timetable as the existing InterCity service. Speeds will later be raised for Pendolino trains as the rail network is upgraded.

New rolling stock will allow higher train speeds. Tilting-body Pendolino trains can travel 30–40 % faster than conventional trains, reaching a maximum speed of 220 kilometres an hour. This will reduce the future travel time between Helsinki and Tampere to one hour and 15 minutes. A train journey from Jyväskylä to Helsinki would take less than three and half hours. Pendolino trains will reduce travel times from the Seinäjoki and Joensuu areas to Helsinki by around one hour.

The most important infrastructure project for long-distance traffic in the near future is construction of a track between Kerava and Lahti. This track will shorten the travel distance to eastward destinations and ease congestion on the main line. This will also allow extra commuter services to be introduced on the main line.



Record year for domestic freight traffic ■ Sharp growth in Siberian container traffic  
 ■ Focus on quality of transportation

## Record year for freight transport in Finland

VR Cargo is the main freight carrier for Finland's forest, metal and chemical industries in both domestic and international freight transportation. The company has collaborated with its customers and partners in developing an effective transport system for Finnish industry. VR Cargo conveys goods safely and punctually while also minimizing environmental impact. VR Cargo aims to offer customers a comprehensive package of logistical services. The company's goal is to strengthen its already strong position in domestic freight services and to expand its market share in the transportation of exports eastwards.

Railways have had a consistent 25 % share of freight carryings in Finland for a number of years now. This figure is high compared to other EU countries, where railways account for only an average 15 % of the freight market. VR Cargo competes in particular against road transport, which is the market leader for freight transport in Finland. Rail transport is an effective option when the items to be transported are bulky and carried regularly over long distances.

VR Cargo carried altogether 40.5 million tonnes of freight during 2000, an increase of 1 % on the previous year. Net turnover amounted to FIM 1,964 million, representing growth of 3 % compared to the previous year. Domestic freight reached a record volume in 2000 despite a number of labour disputes that disrupted traffic at the beginning of the year. Freight volumes rose by 4 % compared to the previous year to over 24 million tonnes. Most growth was seen in carryings for the forest industries, which exceeded 7 %. Carryings for the metal and chemical industries reached broadly the same volumes as in the previous year.

### Metal carryings from Russia increased

Eastern freight traffic declined by some 2 % to 12.7 million tonnes, mainly owing to export restrictions and the customs duty on raw timber exports imposed by Russia. Carryings from Russia for the Finnish metal industry grew most. The volume of carryings over Finland's eastern border rose by 7 % compared to the previous year, boosted by growth in imports of iron, steel and scrap metal.

Transit traffic from Russia to the west via Finland rose at the beginning of the year. The import restrictions imposed by Russia later in the year, however, slowed this growth, especially in volumes of chemical products and flammable liquids. Nevertheless, the volume of carryings for the metal industry developed favourably and the 2.7 million tonnes carried by the year's end slightly exceeded the previous year's figure.

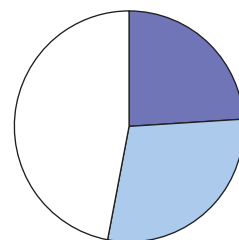
Carryings westward via Turku and Tornio remained at much the same level as in the previous year. In all, some 1.1 million tonnes of freight were carried on these routes. Freight is transported onwards from Turku by rail-ferry, mainly to continental Europe and Scandinavia. Freight transported via Tornio is generally re-loaded.

### Vigorous growth in Siberian container traffic

There was extremely rapid growth in container traffic on the Trans-Siberia route during the review period. Some 41,000 TEU containers were carried between Finland and the Asia-Pacific region, more than double the previous year's figure. TEU (Tonne Equivalent Unit) is a unit of measurement used in container traffic and refers to one 20-foot container. The route from Vainikkala through Siberia to Nakhodka on the Pacific Ocean offers an alternative to conventional sea transport. Freight reaches Vainikkala from Nakhodka in 12 days. Consumer goods from the Asia-Pacific region are imported into Finland and stored in transit warehouses, while exports from Finland to the Asia-Pacific region are carried along this route.

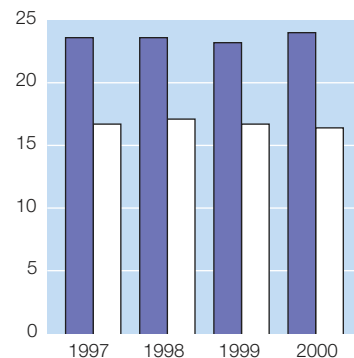
### Customers more satisfied

Surveys of customer satisfaction with freight services are conducted annually. The surveys also establish customers' opinions on VR Cargo and on competing modes of transport.



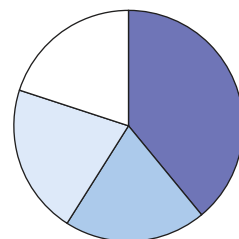
Rail services, share of VR's net turnover 2000

■ Passenger services	24 %
■ Freight services	29 %



VR Cargo's carryings 1997-2000

million tonnes	
■ Finland	□ International



Carryings by product group 2000

■ Mechanical forest industry	39 %
■ Chemical forest industry	20 %
■ Metal industry	21 %
■ Chemical industry	20 %





The survey conducted in 2000 showed that customers were more satisfied with VR Cargo's services than at any time previously.

VR Cargo is perceived as being safer and more environmentally friendly than other modes of transport. According to the survey, over 80 % of customers considered that care of the environment was a significant factor in deciding to use rail transport. One out of three customers considered that environmental issues were decisive in their choice of rail as a mode of transport. VR's other strengths are reliability, safety, quality and punctuality. VR's competence in sales and customer service, efficiency in transporting large consignments and its good rolling stock also boosted customer satisfaction.

### **Attention to customer service**

VR Cargo trained experts for providing loading advice and assistance to customers during 2000. The loading experts calculate strengths and prepare drawings of load supports and fastenings for oversize transport to and from CIS countries. The documents drafted in this process accompany the cargo to its destination.

Liaison officers were appointed for the different localities in VR Cargo's area organization. They are responsible for communications and customer training in international traffic. The liaison officer appointed for the Eastern Finland area is a full-time forwarding coordinator, who is fully conversant with Russian customs formalities, official procedures and waybill requirements.

VR Cargo refurbished its customer service premises during the year and made the information signs in them clearer. Renovating offices and renewing personnel uniforms also enhanced customer service.

### **Combined road-rail transport improved**

VR Cargo continued development of its combined road-rail operations during the review period. The service between Helsinki and Oulu has been running for over 10 years now.

VR's loading experts are on hand to advise customers. Here, the optimum way of loading a combined harvester is under discussion.





Other combined road-rail routes are Kemi–Helsinki, Kemi–Turku and Kemi–Tampere. Some 5 or 6 trains loaded with trucks travel road-rail routes each night. Combined road-rail transport produces significant savings in personnel and equipment costs. One electric locomotive pulls 20 articulated vehicles or 30 trailers from Oulu to Helsinki. Some 3,000 articulated vehicles and over 10,000 trailers were carried by train during 2000, broadly the same amount as in earlier years. Growth in this traffic has been limited by restricted capacity at the terminals.

Over the last few years VR Cargo has built ramps, rails and loading yards needed for loading and unloading trucks. Trial runs of a new wagon designed for combined road-rail transport that can also carry modular vehicles of over 25 metres in length were started in 2000.

### **Enhanced efficiency in export carryings**

VR is collaborating with the paper industry, port authorities and haulage companies in VIPRO, a project aimed at developing the export delivery process. Launched in 1999, the project has already implemented practical improvements in the flow of goods and information. The pilot phase of the project will continue into early 2001. The goal of the project is to enhance the logistics process by enabling factories and mills to order the precise number of goods wagons needed for a specific harbour or ship.

The RailTrace service developed by VR allows customers to monitor the progress of their rail consignments over the Internet. The service enables the loading and unloading of wagons to be planned in advance, speeding up wagon turnarounds. The RailTrace service was in trial use in domestic traffic during 2000. Future alliances with partners will extend the service to include international traffic.

### **New wagon solutions**

Modernization of rolling stock continued to be VR Cargo's main focus in upgrading its rolling stock. Almost 500 wagons were modernized during 2000 and 40 new wagons were acquired. Most of the modernized wagons were upgraded to meet the transport needs of the Finnish forest industry.

The five-year project for upgrading wagons for the paper industry was completed at the end of the review period. Bodies were replaced and axle loads were increased in almost 2,000 wagons. The entire side of the newest 800 sliding-door wagons can be opened. This construction accommodates a wider range of loads and also provides compatibility for automated loading and unloading systems. Wagons were also converted to carry wide and heavy rolls for the pulp and paper industry.

VR Cargo collaborated with Oy JIT-Trans Ltd in developing a wagon to carry steel products for Rautaruukki Steel. The new wagon allows steel coils to be loaded while still hot, significantly reducing delivery times from Raahe Steel Works to customers. Twenty of these wagons were completed during the review period.

### **Prospects**

VR Cargo's goal is to enhance the efficiency and profitability of its freight services in collaboration with its customers. The number of wagons in freight service will decline by 10 % by the end of 2003, making more efficient logistical control of freight operations necessary.

The main focus in obtaining rolling stock will shift from modernizing wagons to acquiring new wagons. The new wagons will be capable of carrying heavier loads. With an axle load of 25 tonnes, compared to the 22.5-tonne axle load most usual on existing wagons, each new wagon will be able to carry over 70 tonnes of freight.

Combined road-rail transport will be increased. VR is designing new wagons for road-rail transport that will accommodate Eurosize articulated vehicles and trailers, swap-bodies and containers. The new Oritkari terminal in Oulu will significantly enhance the efficiency of combined road-rail transport. The terminal is due for completion in 2002.

VR Cargo will also develop its electronic services. The business unit will soon introduce electronic services for transmitting transport documents, tracking consignments and sending and receiving reports about the current status of consignments and changed schedules online. An Internet-based service for ordering wagons is already in trial use.



VR Cargo opened a new customer service point in Oulu during 2000.

Higher fuel prices depressed road traffic profits ■ Corporate structure of Pohjolan Liikenne companies streamlined ■ New Internet applications for customer service

## Strong position in the transport market

Road traffic services supplement VR Group's rail traffic. Road freight services are provided by Oy Pohjolan Liikenne Ab's subsidiaries Transpoint Oy Ab, Combitrans Oy and Oy Transuotila Ab. These companies use 180 of their own trucks, 780 trucks owned by subcontractors and 63 articulated road tankers. Bus and coach services are provided by Oy Pohjolan Henkilöliikenne Ab and its subsidiaries, which have 307 buses. All these companies aim to be efficient and profitable pioneers in their respective fields.

The Pohjolan Liikenne companies hold a strong position in Finnish road transport. Transpoint is one of the three largest carriers of general cargo on Finnish roads. Combitrans is the largest Finnish road haulier of partial and full loads while Transuotila is Finland's largest road haulier of liquid fuels. Pohjolan Liikenne's share of the Finnish bus and coach market is over 5 %.

The entire road transport sector was burdened by a higher than expected increase in costs during 2000. The proportion of Pohjolan Liikenne's net turnover spent on fuel costs rose by 1.5 percentage points. The pay rise implemented in the sector in the spring was also appreciably higher than average.

### Growth in net turnover

The net turnover of the Pohjolan Liikenne companies in 2000 amounted to FIM 1,153 million, an increase of 6 % on the previous year. Freight services generated FIM 951 million, representing 83 % of net turnover, and passenger services FIM 194 million, 17 %. Rising costs had a significant impact on the group's financial performance.

Some 8.4 million tonnes of freight were carried by road during the review period, 5 % more than the previous year. Some 14.5 million passengers were carried in 2000, representing an increase of 35 % compared to the previous year. This growth was largely due to an increase in contract services in the Helsinki metropolitan area and the acquisition of the Onni Vilkas Oy coach company at the end of 1999.

The corporate structure of the Pohjolan Liikenne companies was streamlined by four mergers as well as by the internal and external transfer of some business operations. Management responsibility was delegated to new managing directors of the subsidiaries at the beginning of 2000. There were two corporate acquisitions in passenger traffic and tanker traffic during the year, both fairly small.

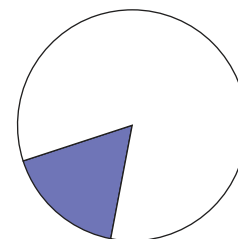
### Customer satisfaction measured

The company conducts a customer satisfaction survey each year. According to the survey in 2000, customers perceived drivers' activities and sales expertise as Transpoint's strong points. The main targets for development continue to be resolving problems and handling refund claims, although satisfaction ratings for these aspects improved compared to the previous year. Customers highly rated the ability of Combitrans to accept overall responsibility and to adapt to large fluctuations in volume. Transpoint's customer satisfaction rating declined slightly compared to the previous year, while Combitrans' rating improved.

The survey indicated that the main aspect needing improvement in ExpressBus traffic was the quality of announcements. According to customers, Pohjolan Kaupunkiliikenne is the best provider of contract services in the Helsinki metropolitan area.

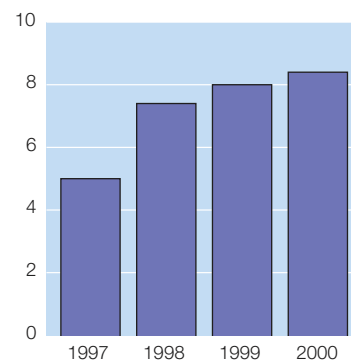
### New Internet services

Transpoint established a transport order centre during the review period with a view to enhancing customer service. The centre receives orders by phone, over the Internet and by e-mail. Faster delivery times were achieved by setting up direct lines of contact bypassing intermediate terminals.



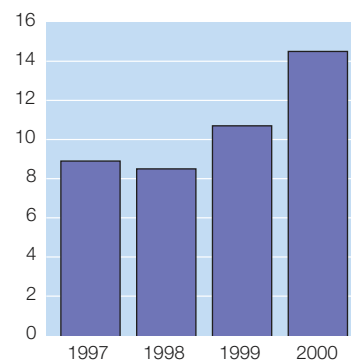
Road services, share of VR's net turnover 2000

■ Road services 17%



Freight volume by road 1997-2000

million tonnes



Bus and coach journeys 1997-2000

million



Transpoint was the first transport company in Finland to introduce an Internet-based pricing system. The Netpoint 2 service enables customers to obtain a price for contract transport and to check the details of their consignments via the Internet. The company was also the first haulage company to join Cargo X, an Internet service for transport exchange.

At the end of the year Transuotila implemented the first phase of a system for managing customer orders. Some components of this system will be accessible to customers, making the placement and later processing of transportation orders easier.

Pohjolan Liikenne continued to develop its network of terminals and depots during the review period. Transpoint moved to a new terminal in Kuopio and the company modernized its terminal in Mikkeli. The depot operations of Pohjolan Henkilöliikenne in Imatra were dispersed and some operations were outsourced. The yard of Passenger Services' main depot at Ilmala was extended during the year.

Timetables for passenger traffic between Turku and Rauma and between Helsinki and Lohja/Nummela were re-arranged to provide services at constant fixed intervals. Connections from Kotka and Hamina to Helsinki–Vantaa international airport were improved. Long-distance buses were refurbished, given a new interior design and provided with self-service vending machines.

### Prospects

Competition for customers is expected to increase over the next few years. Customers are looking for even faster freight transport schedules. The procedures for processing bills of freight also need to be simplified. An acute shortage of drivers is hampering development of the passenger transport sector and preventing newcomers from entering the market, especially in the Helsinki metropolitan area.

The prospects for 2001 are more favourable than last year. The challenge facing all Pohjolan Liikenne companies, however, is managing the high costs now prevailing in the industry.

Speed and punctuality are Transpoint's competitive strengths. More direct lines of contact were established between the main terminals in 2000.

Market for track infrastructure work changing ■ Automatic Train Protection fully installed on Helsinki–Oulu route ■ Quality systems introduced for electrical and design processes

# Track markets undergo change

VR-Track Ltd provides design, construction and maintenance services for track infrastructure to the Finnish government, municipalities, port authorities and companies that use the railways. The company's largest customer is the Finnish Rail Administration, a civil service department subordinate to the Ministry of Transport and Communications and responsible for the national rail network. VR-Track aims for quality and efficiency in its work to ensure that rail traffic operates smoothly and safely. The company's goal is to offer customers a total package for rail infrastructure services.

The Ministry of Transport and Communications conducted a review of the market for track infrastructure work and viable operating models during the financial period with a view to putting more work out to competitive bidding. VR-Track has generally operated as the principle contractor in rail projects. It is envisaged that future projects will be split into smaller contracts that are then put out to competitive bidding.

The Finnish government has spent some FIM 2 billion on track construction and maintenance in recent years. Work on private tracks and other contracts related to VR-Track's core business in Finland generates FIM 100-200 million a year. The net turnover of track construction and maintenance amounted to FIM 1,483 million in 2000. Work commissioned by the Finnish Rail Administration accounted for around 90 % of net turnover, broadly the same proportion as in previous years. VR-Track collaborates with other companies in construction engineering. Purchases of materials and outsourced services accounted for 37 % of net turnover in 2000.

### Streamlining to enhance profitability

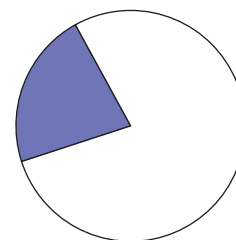
VR-Track co-operated with personnel during the review period in implementing measures to boost productivity and enhance the company's profitability. The company's net turnover declined by 10 % compared to the previous year. The number of personnel declined by 9 %.

Capital expenditure was mainly allocated to mobile rail machinery and wagons. Total capital expenditure during the review period amounted to FIM 80 million. The largest long-term investment involved the purchase of new maintenance wagons for electric lines. All nine of the new maintenance wagons were delivered during the year. Ten new rail trucks and ten new ballast wagons were ordered from VR Ltd's workshops for track construction and maintenance work. VR-Track plans to order more units of both trucks and wagons over the next few years. Installation of onboard ATP equipment on track maintenance and construction machines started during the year.

### Largest projects in Southern and Eastern Finland

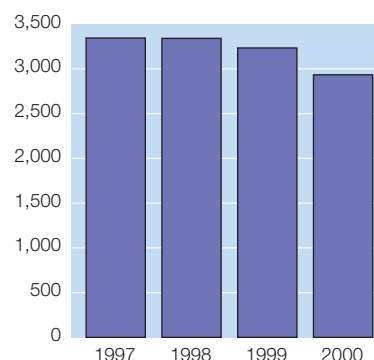
The section of track between Helsinki and Tampere was again one of the company's largest worksites in the review period. Sites in the Helsinki metropolitan area included the urban line between Helsinki and Leppävaara in Espoo, which is due for completion by summer 2001. The largest projects in Eastern Finland were on the Kotka–Kouvola–Iisalmi route and in the Lappeenranta–Imatra area. Line superstructure was renewed on the Joensuu–Varkaus line, including the replacement of rails, sleepers and ballast. In Northern Finland, modernization of the Oulu–Kemi line continued.

VR-Track reached an important milestone in its Automatic Train Protection (ATP) programme when installation of ATP on the Helsinki–Oulu line was fully completed in autumn 2000. All trains on this line are now protected by ATP. Over 400 different assignments were completed during the year, including the renewal and modification of tracks and marshalling yards and a range of projects to enhance safety and install safety equipment.



Track maintenance and construction, share of VR's net turnover 2000

■ Track maintenance and construction 22%



Number of employees 1997–2000





An order for design work to upgrade the Estonian rail network boosted VR-Track's exports during the year. The company also completed a ballast-cleaning contract in Estonia during the review period. At the end of the year, a six-year contract for ballast cleaning was signed with EVR-Kohne, a rail contractor operating in Estonia. In view of the growth of work in Estonia, VR-Track established a subsidiary in Estonia named VR-Track AS.

VR-Track renewed the track superstructure, i.e. the rails, sleepers and ballast, on the line connecting Joensuu and Varkaus. Track renovation work is now moving to Eastern and Northern Finland.

### **Quality, safety and the environment**

VR-Track has given high priority to developing and implementing systems for managing quality, safety and environmental issues. All the company's electrical processes received ISO 9001 quality certification during the year. The quality system for VR-Track's design operations was also approved by the Finnish Association of Building Owners and Construction Clients (RAKLI), the Finnish Association of Consulting Firms (SKOL) and the Association of Finnish Architects' Offices (ATL).

Another development target, which concerns the company's entire personnel, is to enhance customer service and to be more responsive to customer feedback. Measurements indicate that customers perceive improvements in VR-Track's operations and that the company is achieving a good standard of service.

### **Prospects**

The focus for renewal of the rail network is steadily shifting to Eastern and Northern Finland. Over the next few years a number of new track construction projects will be started in Southern Finland, which will increase track capacity and improve safety.

VR-Track plans to concentrate on work that calls for expertise in construction engineering and special track maintenance machinery and a thorough knowledge of rail safety. This will ensure that the company continues to remain competitive in the future.





New sales outlets opened at Helsinki railway station ■ Trolley sales introduced on new IC2 trains ■ Company-wide quality and hygiene programme implemented

## Meeting tougher competition with new services

Avecra Oy provides catering services in cafés, restaurants and kiosks at Finland's larger railway stations and on long-distance passenger trains. Avecra has some 30 service outlets at railway stations and provides daily services on some 130 trains. Avecra aims to develop high-standard services for various customer groups.

Competition in the catering sector has been intense throughout the 1990s. Seating for customers continued to increase faster than overall demand for catering services. Avecra competes with roadside and fast-food caterers as well as with restaurants and cafés in town centres. Avecra's overall market share has declined, partly because railway stations are not nowadays as centrally located as earlier.

### Upgrading gives customers more value for money

Avecra focused its development activities during 2000 on Helsinki railway station. The business concepts of the existing service outlets were developed and new service outlets were opened at the station.

The Pullman Bar was opened on the second floor in August, offering a wide range of beers, whiskies and cigars. Three new service outlets were opened in the autumn in the central hall of the station. Aseman Wursti is a new type of kiosk specializing in hot sausages. Baguette&Co offers customers fresh baguettes, baked on the premises, with a choice of fillings. Stop@station is a general kiosk offering passengers and passers-by a wide range of services and products. Café Muffiini was converted into a continental café, called Robert's Coffee, in collaboration with Robert Paulig.

The aim of the new services introduced during the year is to give customers better value for money, thereby raising customer satisfaction. Train passengers gave positive feedback about the new sales outlets at Helsinki station. Avecra utilized the international expertise of the Swiss company Rail Gourmet, one of Avecra's two owners, in developing the new services. A strict quality and hygiene programme, aiming at excellence in the quality of Avecra's products, was also introduced throughout the company during the review period.

### Trolley sales increased

Avecra's A-Catering, which provides catering services on trains, designed a new means of providing trolley catering services on the new IC2 double-decker trains. In the new service model restaurant personnel operate from a centralized catering point on trains that do not include an actual restaurant car. A-Catering also focused on enhancing its internal efficiency. One step in implementing this programme was reorganizing the activities and processes of its logistics centre in Ilmala.

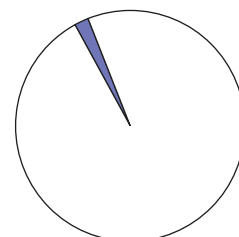
An agreement for cooperation was signed in December 2000 that transfers the business operations of the Asemaravintola station restaurant in Rovaniemi station to Assaroi Oy under a franchising contract from the beginning of 2001. The purpose of this agreement is to enhance the standard of service by injecting more private enterprise.

Avecra Oy's net turnover in 2000 amounted to FIM 170 million. Net turnover declined by about FIM 1 million compared to 1999, largely due to the closure of sales outlets at Helsinki station for refurbishing and because A-Catering's sales developed less favourably than forecast.

### Prospects

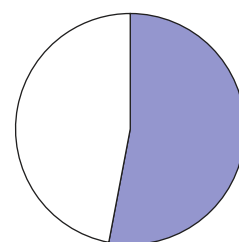
Renovation of the Eliel restaurant in Helsinki station is scheduled for the beginning of 2001. The service outlets at Tampere and Kouvola stations will be refurbished during the current year. The new product packages so well received in Helsinki station will in future be provided on restaurant cars and at other stations, after adapting them to the size of the premises and number of customers. It is also planned to establish a presence at Travel Centres for public transport.

Competition in the catering sector is expected to follow much the same trends, with a further increase in customer seating. Avecra faces the challenge of adapting its business operations to changing demand and intensified competition.



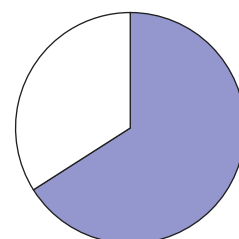
Catering services, share of VR's net turnover 2000

■ Catering services 2%



Net turnover from catering services 2000

■ Restaurants in trains 53%  
□ Restaurants at stations 47%



Personnel in catering services 2000

■ Restaurants in trains 66%  
□ Restaurants at stations 34%









## Personnel survey points the way

VR is an established employer of longstanding but is nevertheless quick to adopt progressive reforms. VR offers its personnel good, safe working conditions as well as opportunities for personal and professional development through continuous learning. VR places high priority on the professional expertise of its personnel; an essential factor in ensuring rail safety. The company collaborates closely with its employees to achieve results.

VR is Finland's largest employer. The company employed an average of 15,400 people in 2000.

The largest employer within VR Group is VR Ltd. VR Ltd employed an average of 9,500 people in the review period, of whom 2,600 worked in Freight Services and 1,600 in Passenger Services. The company also employed 2,000 drivers, 800 people in traffic control and 2,200 in rolling stock maintenance. The Group's second largest employer is VR-Track Ltd. The average number of VR-Track Ltd's employees in 2000 was 2,900.

### Work efficiency enhanced

VR has been reducing its personnel for many years, mainly through natural depletion and retirement schemes. Vacancies are normally filled by recruitment from within the Group. Although the number of personnel has declined more than 30 % over the last ten years, VR has nonetheless increased its freight and passenger volumes by 30 %. This higher efficiency has been achieved mainly by automating traffic supervision, rationalizing transportation chains and improving working methods and procedures.

The number of VR Group employees continued to fall, declining by 4 % in 2000 compared to the previous year. The three-year reorganization of VR Ltd's rolling-stock maintenance reduced the number of personnel by some 160 during the review period. Personnel streamlining was also needed in VR-Track Ltd. The average age of VR's personnel was 45 years. A large number of the Group's personnel are due to retire over the next few years.

Restructuring of payroll systems continued in 2000. An evaluation system based on job responsibilities and individual assessment was introduced for salaried staff, and incentive schemes were extended to cover different types of units and jobs.

### Further focus on work fitness

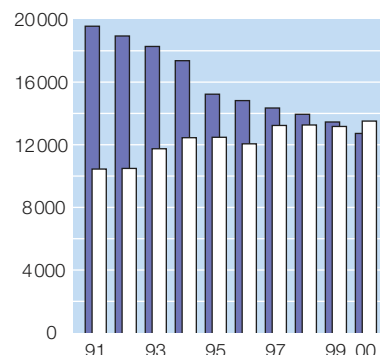
In 2000 VR placed emphasis on each workplace selecting and applying its own methods for maintaining a high level of work fitness. Special attention was paid to the physical fitness and working ability of employees and to related aspects of occupational safety and rail safety.

VR revised its medical examination procedures with the aim of improving rail safety. VR's occupational health personnel received special certification in the medical aspects of rail traffic. Each workplace was required to produce a plan to combat alcohol and substance abuse. Ageing employees were offered opportunities to participate in support groups and rehabilitation activities. Some 1,000 employees took part in the rehabilitation activities in 2000. The Group recruited a work fitness manager during the review period, who is responsible for promoting this activity among Group personnel.

VR has been actively involved in the national 'Fit at All Ages' scheme since its launch. The project has succeeded in making physical exercise a decisive element in maintaining work fitness and a worthwhile investment in personnel resources.

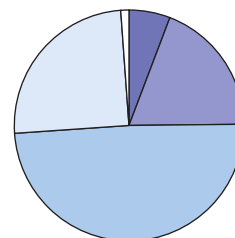
### Personnel survey basis for development

At the end of the autumn, VR Group began to revise its human resources strategy. An extensive personnel survey finalized by the year's end provided the basis for the policies



Number of rail employees and transport volumes 1991-2000

■ Employees  
□ Tonne-km and passenger-km, million



Age structure 2000

■ 20-30 years 6%  
■ 31-40 years 19%  
■ 41-50 years 49%  
□ 51-60 years 25%  
□ over 60 years 1%



in this strategy. The survey results showed that the personnel are satisfied with VR as an employer. The personnel also like the independence in their jobs. The requirements of the work, the personnel's expertise and personnel resources are felt to be in balance. Development will focus on some internal procedures, such as the flow of communication and target-oriented management.

### **Training more practical**

Personnel development has aimed at giving employees more responsibility for their own learning and at enhancing the interaction between the learner and his/her superior and colleagues during the learning process. VR's Training Centre provides both basic training and supplementary courses for VR's personnel. The range of subjects in the Centre's training programmes was expanded and distance learning over VR's intranet was added to the curriculum.

Basic vocational training was improved by making it more practical. The proportion of induction training increased and a practical demonstration was introduced in the training course for work in marshalling yards to test the trainee's skill and knowhow in normal working conditions. Attention was also focused on the work of supervisors and foremen. A new training course in people management was started in the autumn aimed at improving the supervisory skills of middle management.

### **Prospects**

VR has designated management systems, supervisory activities and personnel skills as targets for future development. VR plans to expand its distance learning programme and make its training courses suitable for online study. VR is reformulating its human resources strategy during spring 2001. Recruitment from outside the Group is expected to grow over the next few years to replace the reduction in personnel.

Skilled employees are of key importance to VR, which wants to offer its people opportunity for personal development and learning at work.



## Aiming for the highest EU safety standards

VR's work on improving rail safety is based on the Rail Safety Programme formulated in 1998. Prepared in collaboration with the Finnish Rail Administration, the programme aims to raise rail safety so that Finland ranks among the top European countries in terms of safety standards. The target is to eliminate train collisions and fatalities caused by train accidents completely, and to continue reducing the number of accidents at level crossings.

The primary methods of improving rail safety are developing safety control, training personnel and building safety systems. VR conducts studies to identify the safety risks in railway traffic and find solutions for eliminating them. VR also works with public authorities to promote the safety of level crossings.

All the important aspects of the Rail Safety Programme proceeded according to plan during 2000. The most significant step forward in rail safety during the year was the brisk progress made in the Automatic Train Protection (ATP) project. The basic target of eliminating serious accidents in rail traffic was achieved.

The safety control system introduced in 1999 was integrated more effectively as a standard element in management procedures. By the end of the year all operations critical to rail safety had been audited once. The Group's senior management was audited by Norske Veritas, in line with the idea underlying the safety control system.

The regional rail safety committees established in autumn 1998 focused on controlling and monitoring safety aspects in their respective regions. A corporate body was established within the Group's organization to support the four regional committees.

### Annual safety courses

The refresher training on rail safety regulations for traffic personnel was intensified. Key groups of traffic personnel – locomotive drivers and traffic controllers – must now receive training and pass an approved test each year. Previously this training was provided every third year. VR collaborated with the Finnish Vehicle Administration Centre in planning the training programme and testing arrangements.

Risk analyses of shunting operations were completed in six localities during the review period. VR uses the results of the analysis to identify correct working procedures and safe movement in the marshalling yards.

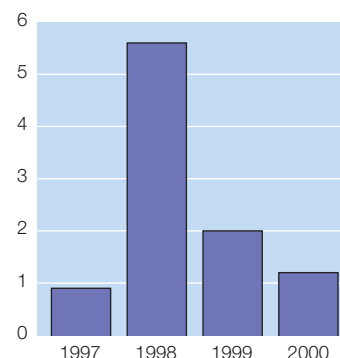
### Rapid progress in deploying ATP

The Rail Safety Programme gives high priority to constructing an ATP system. The system checks that train speed limits are observed and, if necessary, stops the train. The Finnish Rail Administration has overall responsibility for the project.

Construction of the ATP system was accelerated in 1998. The target is to deploy ATP systems on all main lines by 2001. The system consists of equipment installed both on the track and in locomotives. VR-Track Ltd is in charge of installing the track equipment. At the end of 2000, ATP equipment had been installed on almost 1,700 kilometres of track including the entire Helsinki–Oulu main line. ATP equipment had already been installed on all VR's rolling stock in scheduled services in 1999.

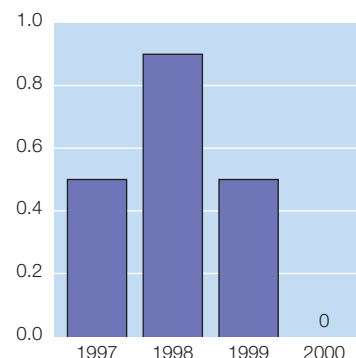
### More accidents on level crossings

A total of 52 accidents occurred at level crossings in 2000 resulting in the deaths of 10 people, including one passenger. In 1999 a total of 47 accidents occurred in which 10 people were killed. The corresponding figures for 1998 were 38 and 12 respectively. VR's Supervisory Board submitted a proposed programme to the Ministry of Transport and Communications and the Finnish Rail Administration for removing level crossings on main lines by 2012. At present there are 612 level crossings on main lines. Some FIM 1.3 billion



Fatalities and seriously injured passengers 1997–2000

per billion passenger-km



Collisions in rail traffic 1997–2000

per 10 million train-km



in financing is needed to implement this program. In September the Ministry of Transport and Communications established a working committee to draw up a programme for improving the safety of level crossings.

At the end of the review period, there were a total of 4,251 level crossings in Finland, of which 3,559 were on main lines. Level crossings have been removed from all sections of track between Tampere and Seinäjoki. All level crossings on both the Helsinki–Tampere line and the Helsinki–Turku line will be removed during 2001.

### **Prospects**

Work on improving rail safety will continue to be targeted at eliminating train collisions and other serious accidents in railway traffic. VR plans to further refine the responsibilities and safety targets of its different units, and will regularly monitor the implementation of these targets.

Construction of a new railway radio system based on the pan-European Gsm-R standard will start in 2001. Similar systems will be introduced in a number of European countries over the next few years, notably Sweden and Norway. The new Gsm-R radio system will reduce interference in radio communications over the rail network. It will enable data to be transmitted between traffic control and trains, and can later also be integrated into the ATP system. The Finnish Rail Administration is in charge of constructing the radio network while VR will equip its rolling stock with the new radio equipment.

ATP will be installed on the entire main line network during 2001, including the Kouvola–Iisalmi and Lappeenranta–Joensuu track sections. ATP will be deployed on all parts of the rail network used by passenger traffic by 2005.

VR's objective is to raise rail safety in Finland to the highest levels in the EU.

## Guided by the principles of sustained development

The main focus of VR's environmental activities is directed at reducing the impact of rail traffic by decreasing emissions, noise and vibration while also addressing the potential risks of carrying hazardous goods by rail. VR strives for environmental efficiency in using energy and in handling, using and recycling materials and chemicals. Goods and products purchased by VR are assessed for the environmental impact they cause throughout their lifecycle. VR also concentrates on keeping stations and marshalling yards clean and on maintaining rolling stock in good physical condition.

Conserving the environment is one of VR's five core values. VR is committed to improving environmental conservation and applying the principals of sustainable development in all its operations and activities. The business units of VR-Group Ltd, VR Ltd and VR-Track Ltd apply a common environmental system. VR Group's environmental organization comprises the Environmental Manager, the Environmental Coordinators of the Group's companies, and officers responsible for environmental issues at specific sites. VR Cargo, VR Passenger Services and Transpoint Oy Ab have received ISO 14001 certification for their services.

VR published its second Environmental Report, covering 1998 and 1999, during the review period. VR Ltd formulated an environmental strategy in 2000 that addresses the procurement and usage of energy and rolling stock, and issues related to both noise and vibration.

### Focus on energy consumption and emissions

The main impact that VR's operations have on the environment is caused by energy consumption and the resulting emissions. The sources of carbon dioxide, nitrogen oxide and sulphur dioxide emissions are diesel rolling stock and the fossil fuels used to produce electricity.

Electrically-driven rail traffic saves energy and produces far lower emissions. Trains powered by diesel cause 63 % of the carbon dioxide emissions generated by rail traffic, although less than 30 % of rail traffic in Finland is diesel-powered. Energy consumption per train unit was 0.28 MJ/(freight kilometres + passenger kilometres) during the review period. VR's target is to reduce this figure to below 0.23 by 2012. VR decided to further reduce the use of diesel locomotives for shunting on electrified track in marshalling yards in order to increase savings in energy consumption. VR also plans to optimize the loading of trains and modernize rolling stock to achieve more energy savings.

### Electrified traffic extended between Turku and Toijala

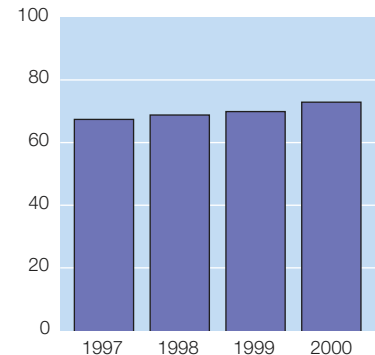
An electrified train service started between Turku and Toijala during the review period. The proportion of all rail traffic that is now electrified rose to 73 % in 2000. The target is to raise this figure to 80 % of rail traffic by 2012. However, this will require further electrification of the rail network.

Transpoint's drivers received EcoTraining during the review period, and subsequent changes in the drivers' driving habits produced a 6 % saving in fuel consumption.

VR Ltd's maintenance services department conducted internal environmental audits after reorganization of the department had been completed. The audits identified training personnel in environmental issues and maintaining a chemicals register as targets for development. VR Cargo launched a cleaning campaign at goods stations and loading yards, while VR-Track highlighted the importance of site orderliness during the year.

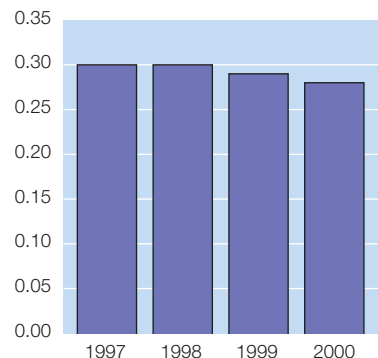
### Survey of land areas continued

The surveying and investigation of polluted ground and soil started in previous years was continued. One of the large sites owned by VR-Group to be investigated was the Hyvinkää workshop and grounds. The Jyväskylä Travel Centre grounds and numerous smaller sites



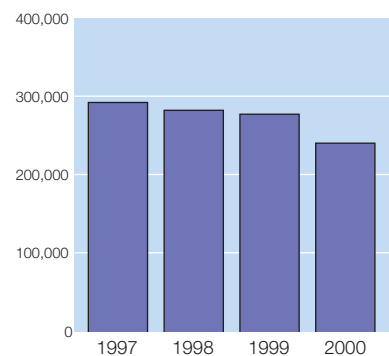
Electric traction 1997–2000

%



Energy consumption by total transport volume 1997–2000

MJ/(tonne-km + passenger-km)



Carbon dioxide emissions 1997–2000

t





were jointly examined with the Finnish Rail Administration. Wider studies are needed to fully evaluate the economic impact of soil risks.

Modernization of refuelling depots and the equipment they contain was continued. The Pori and Kotka refuelling depots were upgraded during the review period. Plans for modernizing the Kokkola and Seinäjoki refuelling depots were finalized and will be implemented in 2001. The subsurface of refuelling depots will be examined, and if necessary cleaned, as part of the modernization work.

There were two accidents involving the transportation of hazardous substances on 1st December 2000. An estimated 13 cubic metres of crude oil leaked into the ground at Sköldvik due to a defective drain valve. Some 800 cubic metres of oil-contaminated water were pumped out of the leak site and 300–400 cubic metres of soil were removed. At the Viinikka marshalling yard in Tampere, two tankers containing ammonia were derailed during shunting, although the tanker wagons did not overturn or leak.

A total of 6.4 million tonnes of goods classified as hazardous were carried during the review period, some 3 % less than the previous year. Flammable liquids comprised the largest group of hazardous products, with carryings amounting to 4.5 million tonnes.

### Prospects

VR is committed to following the Ministry of Transport and Communications' environmental programme. Emissions of greenhouse gases, and especially the need to reduce carbon dioxide emissions, pose the greatest challenges over the next few years.

Efforts will be made to reduce other emissions produced by rail traffic, in particular by electrifying more track and modernizing rolling stock. Attention will also focus on fuel quality and methods of generating electricity.

In combined road-rail transport articulated trucks are loaded onto trains. One electric locomotive can pull 20 truck-trailers or 30 trailers. Combined transport not only reduces the impact on the environment but it also saves labour and running costs for the haulage company.









# Financial Statements

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# Report by the Board of Directors

## Market conditions

Rail carryings account for approximately 25% of total freight transport volumes in Finland compared with around 15% in other western European countries. The main reason for this relatively high market share is the structure of Finnish industry, typical of which are large production and transport volumes as in the forest sector. Long transport distances – on average 250 kilometres per journey – are another factor working in rail transport's favour in Finland. The economic strength of the rail sector lies in high-volume, regular, long-distance traffic.

Approximately 5% of total passenger traffic takes place by rail. Unlike the freight sector, this figure is lower than on average elsewhere in western Europe, where the figure is about one percentage point higher. Passenger cars account for the lion's share of the Finnish market owing in particular to the country's sparse population. Nonetheless rail accounts for about 38% of public transport and for about 60% of all journeys longer than 75 kilometres.

No major changes were evident in passenger rail traffic during the year. Some normal express services were replaced by InterCity services and two new train services were added on the Helsinki–Oulu and Helsinki–Turku lines respectively. Ticket prices were raised by 2.7% on average at the beginning of July. The previous price increase, 3.4% on average, was made at the beginning of December 1999.

The existing standard of the rail network made it impossible to speed up timetables for passenger services. In fact the Finnish Rail Administration decided that timetables on line sections not equipped with automatic train protection (ATP) actually had to be lengthened. This resulted in a marked increase in travel times especially on the Savo and Karelia lines, which consequently reduced passenger numbers.

Punctuality of train services reached a good level in passenger traffic. The number of trains arriving at their destination stations no more than five minutes late was 92.8%, compared with 83.8% in the previous year. This was due to timetable changes as well as a reduction in track construction and maintenance work and better planning of traffic control at these sites, as well as milder winter conditions.

VR Group's road transport operations, like the road transport sector in general, was faced with heavy cost pressures during the year. Fuel prices rose to record levels in the autumn and, following labour disputes during the spring, wage agreements were higher than on average.

## Consolidated turnover, result and liquidity

The Group's net turnover totalled FIM 6,796 million. Net turnover in the previous year was FIM 6,773 million. Turnover increased in passenger and freight traffic but decreased in track construction and maintenance commissioned by the government. Turnover in the other business segments changed very little on the previous year. Operating expenses were increased notably by pension costs and depreciation. In pension costs alone, a one-time increase of FIM 100 million was recorded. Other cost increases were absorbed by improvements in efficiency.

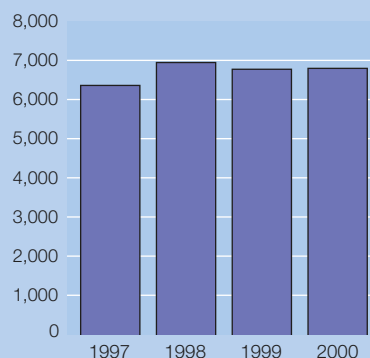
The Group posted an operating profit of FIM 389 (429) million and the net profit for the year was FIM 307 (396) million. The profit in 1999 included extraordinary income totalling FIM 54 million arising from the adoption of the percentage-of-completion method of accounting for track construction and maintenance projects sold to the government.

The Group's liquidity remained good throughout the year. Net interest income amounted to FIM 65 (63) million. No new external loans were raised during the year except for state housing loans for Avarra Oy.

## Rail volumes

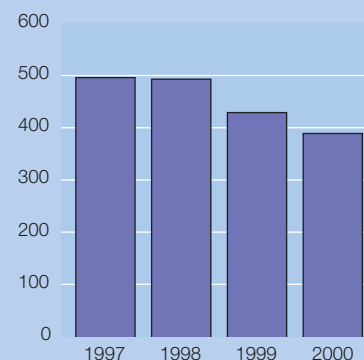
Rail transport operations are the responsibility of VR-Group's subsidiary VR Ltd. Freight transport is handled under the name of VR Cargo and passenger transport by VR Passenger Services.

VR Cargo's total carryings increased by over one percent to 40.5 million tonnes, which was a record in VR's history. Of this total, 24 million tonnes came from domestic traffic and 16.5 million tonnes from international traffic. Domestic traffic increased almost 4% whereas



Net turnover 1997–2000

MFIM



Operating profit 1997–2000

MFIM

international traffic declined 2%. International traffic refers to rail traffic crossing Finland's borders. Most of this comprises traffic between Finland and Russia or transit traffic via Finland to third countries.

The high volume of freight traffic in Finland reflected the strong business conditions for industry. Forest industry carryings increased especially strongly, more than 7%. On the other hand metal industry carryings declined about 2% and chemical industry carryings were down 11%.

Traffic between Finland and Russia, totalling slightly less than 13 million tonnes, decreased 1.6%. Roughly half of the total consists of raw timber imports into Finland, which also declined by about the same amount. Within this sector, chemical industry carryings also decreased but metal industry carryings rose in volume. The chemical industry accounted for 30% and the metal industry for 17% of the total.

Transit traffic via Finland amounted to approximately 2.7 million tonnes, down almost 5% on the previous year. Chemical carryings accounted for 80% of the total. Connecting traffic to the west, most of which is railferry traffic to Germany and Sweden, increased slightly to over one million tonnes.

Almost 55 million passenger journeys were made during the year, the highest annual total ever recorded by VR and an increase of 3% on the previous year. Growth came from commuter traffic in the Helsinki metropolitan area, where the number of journeys increased about 4% to 43 million. A major factor in this increase was the improved service provided on the Tikkurila–Helsinki city line. The number of long-distance journeys, however, declined almost one percent to slightly below 12 million journeys. Passenger volumes decreased on the Savo and Karjala lines, where train speeds were temporarily reduced last spring by a decision of the Finnish Rail Administration.

The number of passengers using InterCity services rose 40%, largely because a number of normal express services were replaced by InterCity services. More than 200,000 passengers travelled by rail between Finland and Russia, representing growth of 17%. Traffic was particularly lively during the New Year holiday season.

### Road services

VR's road transport operations are handled by Oy Pohjolan Liikenne Ab and its subsidiaries. Transpoint Oy Ab is a national general cargo carrier and its subsidiary Combitrans Oy handles partial and full-load carryings. Oy Transuotila Ab carries liquid fuels in southern Finland, while its subsidiaries handle the same business in the Baltic countries.

The Pohjolan Liikenne companies carried a total of 8.4 million tonnes of freight in the review year, an increase of 5%. They owned 238 trucks at the end of the year and employed a further 780 trucks owned by subcontractors.

The Pohjolan Liikenne subsidiary Oy Pohjolan Henkilöliikenne Ab is responsible for express and regular coach services and for town and contract services mainly in southern and eastern Finland. Oy Pohjolan Kaupunkiliikenne Ab manages contract traffic in the Helsinki metropolitan area and Turku. These companies carried a total of 14.5 million passengers, an increase of 35% on the previous year owing to an increase in contract services and the acquisition of Onni Vilkas Oy at the end of the 1999. There were 307 coaches in service at the year end.

### Track construction and maintenance

VR-Track Ltd, which sells most of its track construction and maintenance services to the Finnish government, generated net turnover of FIM 1,530 (1,703) million. The Finnish Rail Administration commissioned 92% of VR-Track's work volume during the year, the remainder coming from contracts placed by local authorities and industrial companies using the rail network.

The reduction in government appropriations for track construction and maintenance work was also reflected in the volume of work contracted by the VR Group. Furthermore, an increasing amount of work was undertaken directly by the Finnish Rail Administration or by other contractors in open competition with VR.

In practice VR-Track is responsible for normal maintenance of the entire Finnish rail network. The company was also engaged in major construction projects on the Helsinki–Tampere line and Helsinki–Leppävaara city line, as well as renovation and superstructure renewal on the Kouvola–Pieksämäki, Lappeenranta–Imatra, Joensuu–Varkaus and Oulu–Kemi sections. Construction of the ATP system between Helsinki and Oulu was completed during the year. VR-Track completed more than 400 other contracts including modification work to tracks and marshalling yards and various safety and safety equipment projects.

VR-Track signed a framework agreement covering track construction and maintenance work with the Finnish Rail Administration at the beginning of the current year. This agreement



has no specific date of expiry. Orders for track construction and maintenance work totalled approximately FIM 800 million at the end of the financial year.

During the year VR-Track was commissioned by the Estonian railways to carry out planning assignments related to renewal of the Estonian rail network, and it completed a ballast cleaning contract in Estonia. The company also concluded a new six-year ballast cleaning agreement.

## Investments

The Group's capital expenditure totalled FIM 902 (1,277) million, which included FIM 620 million covering rolling stock for VR Ltd. Six Sr2-series electric locomotives were ordered at the year end, following an earlier order for 40 similar locomotives, twenty of which are now in service. The entire series of 46 locomotives will be operational in 2003.

Renewal of passenger rolling stock continued. In long-distance traffic the old blue coaches will be replaced with InterCity coaches and Pendolino trains over the next 10–15 years. A further 24 double-decker InterCity coaches were received bringing the number in service to 61 out of a total series of 92 such coaches. The first in the new series of eight Pendolino train sets arrived in Finland in the autumn. This train is currently undergoing testing and technical trials.

VR-Track Ltd's investments amounted to FIM 79 (75) million, most of which comprised machinery purchases. The Pohjolan Liikenne group's investments totalled FIM 73 (130) million and principally covered vehicles.

## Group structure

The structure of the Pohjolan Liikenne group was simplified through the merger of Onni Vilkas Oy and Oy Kaakkois-Pohjolan Liikenne Ab with Oy Etelä-Pohjolan Liikenne Ab, the merger of Linjaliikenne K. Hakanen Oy with Oy Pohjolan Kaupunkiliikenne Ab, and the merger of the tanker transport company Kuljetusliike Leppänen Oy with Oy Transuotila Ab. In the same connection Oy Etelä-Pohjolan Liikenne Ab was renamed Oy Pohjolan Henkilöliikenne Ab at the end of August. Oy Pohjolan Henkilöliikenne Ab acquired the share capital of Kaarle Tamminen Oy on 11 September 2000. This now means that the Pohjolan Liikenne companies are structured around three subgroups: passenger transport, freight transport and tanker transport.

Transpoint Oy Ab, a Pohjolan Liikenne company, increased its holding in Combitrans Oy to 90% at the end of June when UPM-Kymmene Plc sold its 39% holding.

Owing to a change in the act on state-financed housing, Avarra Oy was split into two companies at the beginning of September. Avarra-Asunnot Oy is a non-profit company owning VR's state-financed residential apartments and shares. Avarra Oy owns VR's privately financed residential apartments. It also develops and manages properties.

VR-Track Ltd set up a subsidiary in Estonia called VR-Track AS. This company was not operational during the review year. The company was registered in the Estonian trade register on 31 January 2001.

VR-Data Ltd, which is mainly responsible for providing information technology services within VR Group, adopted the name IT Solicom Ltd early in the year. The change of name had no impact on its ownership.

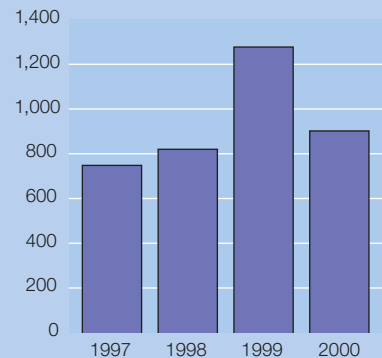
## The environment and rail safety

VR is committed to improving environmental protection and to applying the principles of sustainable development and the environmental programme of the Ministry of Transport and Communications. Environmental responsibility is one of VR Group's core values. Its environmental organisation comprises the Group's Environmental Manager, the environmental coordinators in its various companies and environmental officers at its various operating sites.

VR's main environmental focus is on making the transportation of hazardous substances safer and minimising energy consumption. Other priorities include noise and vibration, and the surveying and cleaning of possibly previously polluted land.

Rail safety in VR Group is based on a safety programme prepared jointly by VR and the Finnish Rail Administration in 1998. The aim of this programme, which runs until 2002, is to raise the standard of rail safety in Finland to the highest European levels by 2002; i.e. no rail collisions or accidents resulting in loss of life, and a reduction in unmanned level crossings.

Adoption of the new safety management system proceeded as planned. VR's regional rail safety committees met regularly and VR established a national rail safety committee to intensify co-operation among its units and to prepare opinions on rail safety issues for bodies including the Finnish Rail Administration. Risk assessments on marshalling yards were carried out at six localities and refresher training on rail safety regulations for traffic personnel was revised.



Investments 1997–2000

MFIM

The automatic train protection system covered altogether 1,686 track-kilometres by the year end including the Helsinki–Oulu line.

The number of accidents at unmanned level crossings has remained largely unchanged in recent years. There were 52 such accidents in 2000 resulting in 10 fatalities, one of whom was a train passenger. In view of this situation VR's Supervisory Board proposed in September that the Ministry of Transport and Communications and the Finnish Rail Administration should formulate a programme to abolish level crossings on all main lines by the year 2012. There are altogether 612 such level crossings and the programme has an estimated cost of almost FIM 1,300 million. The ministry appointed a working committee in September to investigate ways of improving safety at level crossings.

### **Personnel and administration**

Personnel numbered 15,405 on average during the year, which marked a reduction of 4.2% compared to the previous year. A limited number of new employees were taken on for special tasks. Most of the reduction in personnel was the result of natural loss but VR-Track Ltd was compelled to lay off its entire workforce for one week and to make about 100 employees redundant for financial reasons.

VR began revision of its human resources strategy in the autumn. Initial data for this work was obtained from, among other sources, a personnel survey completed during the year to establish employees' opinions about their jobs. Basic professional training was made more practical and worktime mentoring was increased. Refresher courses in rail safety were renewed. Renewal of the VR's payroll system was continued during the year with the adoption of an evaluation system based on job responsibilities and individual assessment for salaried staff. Incentive schemes were also extended to cover different types of units and jobs.

The Board of Directors of VR-Group Ltd comprised Martin Granholm (chairman), Pentti Talonen (deputy chairman until 11 April 2000), and members Kalevi Alestalo, Eija Malmivirta, Antti Remes, and Veli-Matti Ropponen from 11 April 2000. Antti Remes was elected deputy chairman from 11 April 2000.

The chairman of the Supervisory Board was Tapio Karjalainen and the deputy chairman was Raija Vahasalo. VR's Chief Executive Officer and VR-Group Ltd's President was Henri Kuitunen. The company's auditors were Erkki Mäki-Ranta, Approved Accountant, Chartered Public Finance Auditor, and the firm of authorised public accountants Arthur Andersen Oy under the supervision of principal auditor Jarmo Lohi, Authorised Public Accountant, Chartered Public Finance Auditor.

### **Adoption of the euro**

VR intensified preparation of the assessments and measures required for the adoption of the euro during the year. The main focus was on cash handling systems and the necessary changes in information systems. VR's policy is to delegate responsibility for the changes required by adoption of the euro to the units or individuals who are already responsible for the same functions handled so far in Finnish markka.

A management committee comprising representatives of almost all the Group companies has been established to make decisions necessary to the adoption of the euro and to oversee the entire project. VR also participates in the Euro Partnership Programme organised by the Bank of Finland. The EPP is an unofficial body that includes the Bank of Finland and programme members to facilitate adoption of the euro.

### **Prospects in 2001**

Published economic forecasts suggest that the future economic outlook has weakened owing to slower growth in the US economy and the strengthening of the euro against the dollar, which affects Finnish exports. Economic growth in EU countries has started to rise more slowly this year than expected but the pace of growth in Europe is likely to remain satisfactory. VR expects the current year to be slightly better with respect to freight volumes.

Passenger volumes have normally changed very little over a span of one year. It is still not possible to speed up rail services and since the amount of services available will remain broadly unchanged, it can be assumed that passenger volumes will also stay largely similar to the previous year's level. Further growth can be expected in commuter traffic in the Helsinki metropolitan area, however.

In road traffic the Group's freight transport operations are expected to become more profitable and its passenger transport operations to continue as in the previous year.

The volume of track maintenance and construction work is not expected to increase compared to the review year.

# Consolidated Profit and Loss Account

(FIM 1,000)	Note	1 Jan.–31 Dec. 2000	1 Jan.–31 Dec. 1999
<b>Net turnover</b>	1	<b>6,795,681</b>	6,772,838
Change in stocks of finished goods and work in progress		3,265	1,238
Production for own use		239,974	209,257
Profits from associated companies		1,676	1,703
Other operating income	2	89,095	114,009
Materials and services	3	2,007,717	2,063,786
Personnel expenses	4	3,267,270	3,222,927
Depreciation	5	602,447	539,182
Other operating expenses		863,101	844,008
Expenses, total		<b>6,740,535</b>	6,669,903
<b>Operating profit</b>		<b>389,156</b>	429,142
Financial income and expenses	6	65,152	62,860
<b>Profit before extraordinary items</b>		<b>454,308</b>	492,002
Extraordinary items	7		
Extraordinary income		0	345,823
Extraordinary charges		0	-292,320
		<b>0</b>	53,503
<b>Profit before taxes</b>		<b>454,308</b>	545,505
Income taxes	9	-140,748	-139,100
Minority interest		-6,910	-10,366
<b>Profit for the year</b>		<b>306,650</b>	396,039



# Consolidated Balance Sheet

(FIM 1,000)	Note	31 Dec. 2000	31 Dec. 1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	10	27,798	8,373
Goodwill on consolidation		74,976	86,791
Tangible assets	10	5,814,806	5,585,627
Investments	11		
Holdings in Group companies		27,255	24,781
Other investments		42,087	41,549
		<b>5,986,922</b>	<b>5,747,119</b>
<b>Current assets</b>			
Stocks	12	370,898	397,755
Long-term receivables	13	16,934	16,662
Current receivables	13	724,932	742,455
Securities	14	1,765,319	1,722,529
Cash at bank and in hand		49,203	52,068
		<b>2,927,286</b>	<b>2,931,468</b>
<b>ASSETS, TOTAL</b>		<b>8,914,208</b>	<b>8,678,587</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	15		
Share capital		2,200,000	2,200,000
Share premium account		3,125,998	3,125,991
Other reserves		2,000	4,190
Retained earnings		1,292,092	1,028,871
Profit for the year		306,650	396,039
Capital loan	16	0	3,600
<b>Shareholders' equity, total</b>		<b>6,926,739</b>	<b>6,758,691</b>
<b>Minority interest</b>		<b>50,914</b>	<b>53,674</b>
<b>Consolidation difference</b>		<b>0</b>	<b>24,084</b>
<b>Provisions</b>	18	<b>9,120</b>	<b>10,063</b>
<b>Liabilities</b>			
	19		
Deferred tax liability		349,180	309,465
Long-term liabilities		329,956	330,718
Current liabilities		1,248,299	1,191,893
<b>Liabilities, total</b>		<b>1,927,435</b>	<b>1,832,076</b>
<b>CAPITAL AND LIABILITIES, TOTAL</b>		<b>8,914,208</b>	<b>8,678,587</b>

# Consolidated Cash Flow Statement

(FIM 1,000)

1 Jan.–31 Dec. 2000 1 Jan.–31 Dec. 1999

<b>Cash flow from operating activities</b>			
Operating profit		389,156	429,142
Adjustments to operating profit	1)	558,661	502,961
Change in net working capital		98,682	-53,261
Interest received		83,426	79,448
Interest paid and other payments		-18,575	-18,417
Dividends received		217	0
Other financial items		0	1,830
Taxes paid		-114,189	-68,920
<b>Net cash from operating activities</b>		<b>997,378</b>	<b>872,782</b>
<b>Cash flow from investing activities</b>			
Subsidiaries acquired		-153	0
Capital expenditure on fixed assets		-902,070	-1,276,912
Divestments of Group companies		0	17,640
Sale of shares		0	70
Other fixed assets disposals		85,321	91,155
<b>Net cash from investing activities, total</b>		<b>-816,902</b>	<b>-1,168,049</b>
<b>Cash flow before financing activities</b>		<b>180,476</b>	<b>-295,266</b>
<b>Cash flow from financing activities</b>			
Long-term loans, proceeds		1,456	7,573
Long-term loans, repayments		-12,757	0
Change in long-term receivables		7,533	3,880
Short-term loans, proceeds/repayments		-2,593	1,437
Dividends paid		-134,344	-134,646
<b>Net cash used in financing activities, total</b>		<b>-140,705</b>	<b>-121,757</b>
<b>Change in cash reserves</b>		<b>39,771</b>	<b>-417,023</b>
<b>Cash reserves on 1 Jan.</b>		<b>1,774,596</b>	<b>2,191,619</b>
<b>Cash reserves on 31 Dec.</b>		<b>1,814,368</b>	<b>1,774,596</b>

1) Depreciation according to plan, other non-monetary items, adjustments for cash flow

# Parent Company Profit and Loss Account

(FIM 1,000)	Note	1 Jan.–31 Dec. 2000	1 Jan.–31 Dec. 1999
<b>Net turnover</b>	1	<b>271,610</b>	266,403
Other operating income	2	<b>44,447</b>	29,821
Materials and services	3	<b>61,959</b>	65,359
Personnel expenses	4	<b>71,436</b>	69,612
Depreciation	5	<b>71,202</b>	76,426
Other operating expenses		<b>56,949</b>	54,364
Expenses, total		<b>261,546</b>	265,761
<b>Operating profit</b>		<b>54,512</b>	30,462
Financial income and expenses	6	<b>131,266</b>	225,106
<b>Profit before extraordinary items</b>		<b>185,778</b>	255,569
Extraordinary items	7	<b>70,000</b>	85,000
<b>Profit before taxes</b>		<b>255,778</b>	340,569
Change in depreciation difference	8	<b>1,194</b>	3,759
Income taxes	9	<b>-73,244</b>	-88,870
<b>Profit for the year</b>		<b>183,728</b>	255,458



# Parent Company Balance Sheet

(FIM 1,000)	Note	31 Dec. 2000	31 Dec. 1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	10	7,048	232
Tangible assets	10	1,298,877	1,349,238
Investments	11		
Holdings in Group companies		1,825,461	1,825,461
Other investments		909,155	780,517
		<b>4,040,541</b>	<b>3,955,448</b>
<b>Current assets</b>			
Long-term receivables	13	15,000	16,662
Current receivables	13	432,038	390,624
Securities	14	1,765,319	1,722,529
Cash at bank and in hand		39,367	36,013
		<b>2,251,723</b>	<b>2,165,828</b>
<b>ASSETS, TOTAL</b>		<b>6,292,264</b>	<b>6,121,276</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	15		
Share capital		2,200,000	2,200,000
Share premium account		3,125,989	3,125,989
Retained earnings		187,947	62,489
Profit for the year		183,728	255,458
<b>Shareholders' equity, total</b>		<b>5,697,664</b>	<b>5,643,936</b>
<b>Depreciation difference</b>	17	<b>6,710</b>	<b>13,657</b>
<b>Liabilities</b>			
	19		
Long-term liabilities		760	407
Current liabilities		587,130	463,276
<b>Liabilities, total</b>		<b>587,890</b>	<b>463,683</b>
<b>CAPITAL AND LIABILITIES, TOTAL</b>		<b>6,292,264</b>	<b>6,121,276</b>

# Parent Company Cash Flow Statement

(FIM 1,000)

1 Jan.–31 Dec. 2000 1 Jan.–31 Dec. 1999

<b>Cash flow from operating activities</b>		
Operating profit	54,512	30,462
Depreciation according to plan	71,202	76,426
Other non-payment-related income and expenses	-36,500	-28,300
<b>Cash flow before change in net working capital</b>	<b>89,214</b>	<b>78,589</b>
Change in net working capital		
Change in current receivables	-115,771	39,712
Change in current liabilities	71,864	1,516
<b>Change in net working capital</b>	<b>-43,907</b>	<b>41,228</b>
Interest paid		
	-12,415	-19,943
Dividends received		
	3,156	83,121
Interest received from operating activities		
	139,297	129,603
Taxes paid		
	-72,281	-52,652
<b>Cash flow from financial items and taxes</b>	<b>57,758</b>	<b>140,129</b>
<b>Net cash from operating activities</b>	<b>103,065</b>	<b>259,946</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on fixed assets	-41,822	-44,349
Sale of fixed assets	50,665	80,099
<b>Net cash from investing activities, total</b>	<b>8,843</b>	<b>35,750</b>
<b>Cash flow before financing activities</b>	<b>111,908</b>	<b>295,696</b>
<b>Cash flow from financing activities</b>		
Long-term receivables, increase	-324,430	-214,370
Long-term receivables, decrease	182,750	82,950
Change in short-term financing	0	10,500
Group contributions received	85,000	0
Dividends paid	-130,000	-130,000
Change in funds transferred to Group accounts	120,917	-461,183
<b>Net cash used in financing activities, total</b>	<b>-65,763</b>	<b>-712,103</b>
<b>Change in cash reserves</b>	<b>46,145</b>	<b>-416,407</b>
<b>Cash reserves on 1 Jan.</b>	<b>1,758,541</b>	<b>2,174,948</b>
<b>Cash reserves on 31 Dec.</b>	<b>1,804,686</b>	<b>1,758,541</b>

# Notes to the Financial Statements

## ACCOUNTING PRINCIPLES

**Scope of consolidation** The consolidated financial statements comprise the parent company, all subsidiaries and associated companies except minor real estate and other companies, which have no material impact on the Group's shareholders' equity.

More detailed information on the Group's subsidiary and associated companies is given below under investments.

The Group's parent company is VR-Group Ltd and its domicile is Helsinki.

### Principles of consolidation

**Mutual holdings** The consolidated financial statements are prepared using the purchase method. The purchase date was set as 1 July 1995, the date on which VR began operating as a joint stock company. The differences arising in the elimination of subsidiary shares and shareholders' equity at the date of acquisition have been netted as the consolidation difference and charged to the profit and loss account over a period of five years.

**Intragroup transactions and margins** Intragroup transactions, internal receivables and liabilities, and internal distribution of profit are eliminated.

**Minority interest** Minority interest is shown as a separate item.

**Associated companies** Associated companies are consolidated using the equity method. The Group's share of associated companies' results is shown separately after net turnover.

**Comparability of accounts** No significant changes compared to the previous year were made to the accounting principles applied when preparing the financial statements. Certain items in the balance sheet have been regrouped for clarification and the previous year's figures have been adjusted accordingly.

**Recognition of long-term projects** Revenue from VR-Track Ltd's construction projects is recognised as a percentage of their completion, with the exception of small contracts worth less than FIM 300,000, income from which is recognised on their completion. The percentage of completion is determined according to the project's physical degree of completion. The aggregate recognised percentage as a proportion of the estimated total revenue accruing from the projects is calculated as net turnover. Project costs are the aggregate recognised percentage as a proportion of the estimated total costs.

In the case of estimated losses from long-term projects, the uncompleted percentage is entered under provisions.

**Valuation principles applied when preparing the financial statements** Fixed assets are capitalised at their direct acquisition cost. Fixed assets totalling FIM 240 (209) million were produced by the company itself and include FIM 31 (27) million in fixed costs related to production.

Stocks are valued at their average cost in line with the prudence concept of accounting. Production for own use included in stocks is valued at direct production cost. Work in progress includes variable costs accrued up to the balance sheet date.

Securities are valued at purchase cost.

Receivables, liabilities and other commitments denominated in foreign currencies are translated into Finnish markka at the average exchange rates given by the European Central Bank on the balance sheet date.

**Scheduling of pension costs** The pension covers of the Group companies are insured by VR-Pension Fund s.r. Pension costs are allocated as booked.



## NOTES TO THE PROFIT AND LOSS ACCOUNT

	Group		Parent Company	
	2000	1999	2000	1999
<b>1 NET TURNOVER BY OPERATING SECTOR (FIM 1,000)</b>				
Rail services				
Freight services	1,964,093	1,907,200		
Passenger services	1,631,760	1,567,513		
Road services				
Freight services	950,912	921,133		
Passenger services	194,118	160,026		
Track construction and maintenance	1,483,091	1,656,084		
Catering services	169,777	168,522		
Other services	401,930	392,359	271,610	266,403
<b>Total</b>	<b>6,795,681</b>	<b>6,772,838</b>	<b>271,610</b>	<b>266,403</b>

Revenue from long-term line construction projects is recognised as a percentage of completion, calculated from actual costs and estimated total costs. The amount recognised during the year was FIM 468 (432) million.

	Group		Parent Company	
	2000	1999	2000	1999
<b>2 OTHER OPERATING INCOME (FIM 1,000)</b>				
Profits on sale of fixed assets	40,279	35,673	36,291	29,190
Other	48,816	78,336	8,156	631
<b>Total</b>	<b>89,095</b>	<b>114,009</b>	<b>44,447</b>	<b>29,821</b>

The parent company's profit on the sale of fixed assets was derived from the sale of land.

<b>3 MATERIALS AND SERVICES (FIM 1,000)</b>	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
Materials and supplies (goods)				
Purchases during the year	912,565	933,899	27,964	30,276
Change in stocks	25,737	-43,052	0	0
External services purchased	1,069,415	1,172,939	33,995	35,082
<b>Total</b>	<b>2,007,717</b>	<b>2,063,786</b>	<b>61,959</b>	<b>65,359</b>
<b>4 PERSONNEL AND PERSONNEL EXPENSES</b>	<b>2000</b>	<b>1999</b>		
The Group's average number of personnel during the year was distributed as follows:				
VR-Group Ltd	306	318		
VR Ltd	9,482	9,900		
VR-Track Ltd	2,934	3,235		
Pohjolan Liikenne companies	1,896	1,839		
Avecra Oy	492	487		
IT Sollicom Ltd	91	96		
Railtelia Ltd	188	184		
Avarra Oy	16	16		
<b>Total</b>	<b>15,405</b>	<b>16,075</b>		
<b>Personnel expenses (FIM 1,000)</b>	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
Wages and salaries	2,511,305	2,532,731	57,186	54,537
Pension expenses	511,156	400,392	8,508	8,317
Other social expenses	244,809	289,804	5,742	6,757
<b>Personnel expenses in the P&amp;L account</b>	<b>3,267,270</b>	<b>3,222,927</b>	<b>71,436</b>	<b>69,612</b>
<b>Management remuneration (FIM 1,000)</b>	<b>2000</b>	<b>1999</b>		
Presidents	4,515	5,861		
Members of boards of directors	810	630		
Supervisory Board	486	478		
<b>Total</b>	<b>5,811</b>	<b>6,969</b>		

Including FIM 2.2 (2.0) million to parent company management and administrative bodies.

The same pension commitments apply to the members of the Board of Directors and Presidents as to other company employees.

5 DEPRECIATION (FIM 1,000)	Group		Parent Company	
	2000	1999	2000	1999
Planned depreciation				
Intangible assets	18,573	16,154	81	17
Buildings and structures	68,533	69,325	49,926	51,916
Tractive and rolling stock	333,671	279,732	0	0
Other machinery and equipment	189,620	182,469	19,292	22,786
Other tangible assets	16,133	15,358	1,903	1,708
Deduction of consolidation difference	-24,084	-23,855		
<b>Total</b>	<b>602,447</b>	<b>539,182</b>	<b>71,202</b>	<b>76,426</b>

In the consolidated accounts planned depreciation is calculated on a straight-line basis from the original acquisition cost based on the estimated economic life of the fixed assets. However, this does not include the buildings, other machinery and equipment belonging to the parent company, and the other machinery and equipment belonging to VR Ltd and VR-Track Ltd, which are depreciated at fixed percentages according to the declining balance method.

**Planned depreciation periods and method:**

Intangible assets	5 years	planned
Other long-term expenditure	5 years	planned
Buildings (parent company)	4%–7%	declining
Buildings (other companies)	30–50 years	planned
Structures	20%	declining
Tractive stock (including Pendolinos and electric trains)	25 years	planned
Rolling stock	15 years	planned
Other machinery and equipment (parent company, VR Ltd, VR-Track Ltd)	20%–25%	declining
Other machinery and equipment (other companies)	5–10 years	planned
Other tangible assets	5–30 years	planned

6 FINANCIAL INCOME AND EXPENSES (FIM 1,000)	Group		Parent Company	
	2000	1999	2000	1999
<b>Dividend income</b>				
From Group companies	0	0	4,167	115,278
From associated companies	51	0	0	0
From others	250	184	217	168
<b>Dividend income, total</b>	<b>301</b>	<b>184</b>	<b>4,384</b>	<b>115,446</b>
<b>Interest income from long-term investments</b>				
From Group companies	0	0	57,898	50,267
From others	810	1,646	809	1,632
<b>Other interest and financial income</b>				
From Group companies	0	0	400	1,234
From associated companies	2	5	0	0
From others	82,616	79,443	80,190	76,470
<b>Interest expenses and other financial expenses</b>				
To Group companies	0	0	12,719	19,819
To others	18,575	18,417	236	124
<b>Financial income and expenses, total</b>	<b>65,152</b>	<b>62,860</b>	<b>131,266</b>	<b>225,106</b>

	Group		Parent Company	
	2000	1999	2000	1999
<b>7 EXTRAORDINARY ITEMS (FIM 1,000)</b>				
Percentage-of-completion income	-	345,823	-	-
Percentage-of-completion costs	-	292,320	-	-
Group contribution received	-	-	<b>70,000</b>	85,000

Extraordinary items in the 1999 consolidated profit and loss account represents the income and costs of long-term construction projects recognised on adoption of the percentage-of-completion method.

	Group		Parent Company	
	2000	1999	2000	1999
<b>8 APPROPRIATIONS (FIM 1,000)</b>				
Difference between planned depreciation and depreciation booked for tax purposes				
Change in depreciation difference (increase +, decrease -)				
Intangible assets	<b>850</b>	35	<b>737</b>	33
Buildings and structures	<b>2,559</b>	-1,085	<b>-1,259</b>	-2,476
Tractive and rolling stock	<b>112,281</b>	175,723	<b>0</b>	0
Machinery and equipment	<b>-30,509</b>	-15,028	<b>-1,948</b>	-2,086
Other tangible assets	<b>1,347</b>	2,427	<b>1,276</b>	769
<b>Total</b>	<b>86,528</b>	162,072	<b>-1,194</b>	-3,759

The depreciation difference is divided in the consolidated accounts between the net profit for the year, non-restricted shareholders' equity, the change in deferred tax liability and deferred tax liability.

	Group		Parent Company	
	2000	1999	2000	1999
<b>9 INCOME TAX (FIM 1,000)</b>				
Income tax on extraordinary items	<b>0</b>	14,981	<b>20,300</b>	23,800
Income tax on operating activities	<b>105,035</b>	77,375	<b>52,944</b>	65,070
Change in deferred tax liability	<b>25,956</b>	46,744	<b>0</b>	0
Adjustment to deferred tax liability in previous period	<b>9,757</b>	0	<b>0</b>	0
<b>Total</b>	<b>140,748</b>	139,100	<b>73,244</b>	88,870



## NOTES TO THE BALANCE SHEET

### 10 FIXED ASSETS (FIM 1,000)

Group 2000	Intangible assets			Tangible assets						Grand total
	Intangible rights	Goodwill	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 2000	10,235	159,193	169,428	395,240	1,732,416	5,069,021	92,845	488,258	7,777,781	7,947,208
Increases	21,837	3,430	25,267	191	73,121	746,400	31,688	79,220	930,619	955,886
Decreases	15	0	15	13,724	15,479	42,350	444	44,643	116,640	116,655
Transfers between items	1,016	0	1,016	0	0	0	-1,016	-4,631	-5,647	-4,631
Acquisition cost 31 Dec. 2000	33,072	162,623	195,695	381,706	1,790,058	5,773,070	123,073	518,204	8,586,112	8,781,807
Accumulated depreciation 1 Jan. 2000	2,215	72,832	75,047	0	376,248	1,801,879	42,388	0	2,220,515	2,295,562
Accumulated depreciation in decreases	20	680	700	0	10,146	42,480	586	0	53,211	53,911
Depreciation during year	3,078	15,495	18,573	0	68,532	523,291	16,133	0	607,957	626,531
Accumulated depreciation 31 Dec. 2000	5,274	87,646	92,920	0	434,634	2,282,690	57,936	0	2,775,260	2,868,180
Revaluations	0	0	0	50	3,900	0	0	0	3,950	3,950
Book value 31 Dec. 2000	27,798	74,976	102,774	381,756	1,359,324	3,490,381	65,139	518,204	5,814,803	5,917,580

Group 1999	Intangible assets			Tangible assets						Grand total
	Intangible rights	Goodwill	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 1999	5,599	104,577	110,176	445,751	1,680,799	4,105,049	91,017	296,464	6,619,080	6,729,256
Increases	4,995	54,616	59,611	1,550	53,362	980,864	4,148	207,550	1,247,474	1,307,085
Decreases	0	0	0	52,061	1,745	26,057	2,319	14,244	96,426	96,426
Transfers between items	0	0	0	0	0	9,165	0	10,573	19,738	19,738
Acquisition cost 31 Dec. 1999	10,594	159,193	169,787	395,240	1,732,416	5,069,021	92,846	479,197	7,768,720	7,938,507
Accumulated depreciation 1 Jan. 1999	1,376	57,148	58,524	0	304,552	1,325,589	26,426	0	1,656,567	1,715,091
Accumulated depreciation in decreases	0	0	0	0	297	18,164	0	0	18,461	18,461
Depreciation during year	846	15,254	16,100	0	69,325	462,200	15,413	0	546,938	563,038
Accumulated depreciation 31 Dec. 1999	2,222	72,402	74,624	0	373,580	1,769,625	41,839	0	2,185,044	2,259,668
Revaluations	0	0	0	51	1,900	0	0	0	1,951	1,951
Book value 31 Dec. 1999	8,372	86,791	95,163	395,291	1,360,736	3,299,396	51,007	479,197	5,585,627	5,680,790

Consolidation difference (FIM 1,000)	2000	1999
Value 1 Jan.	120,129	116,603
Increases	0	3,526
Decreases	0	0
Value 31 Dec.	120,129	120,129
Accumulated recognised income 31 Dec.	120,129	96,045
Book value 31 Dec.	0	24,084

## Notes to the Financial Statements

Parent Company 2000	Intangible assets		Tangible assets					Total	Grand total
	Intangible rights	Land	Buildings	Machinery and equipment	Other tangible	Work in progress			
Acquisition cost 1 Jan.	249	383,896	1,140,899	194,089	12,405	46,313	1,777,602	1,777,851	
Increases	6,896	16	38,940	7,282	26,472	0	72,710	79,606	
Decreases	0	13,500	976	31	0	37,784	52,291	52,291	
Acquisition cost 31 Dec.	7,145	370,412	1,178,863	201,340	38,877	8,528	1,798,021	1,805,166	
Accumulated depreciation 1 Jan.	17	0	311,763	111,767	4,835	0	428,365	428,382	
Accumulated depreciation in decreases and transf.	0	0	317	25	0	0	342	342	
Depreciation during year	81	0	49,926	19,292	1,903	0	71,121	71,202	
Accumulated depreciation 31 Dec.	97	0	361,372	131,034	6,739	0	499,145	499,242	
Book value 31 Dec.	7,048	370,412	817,491	70,307	32,138	8,528	1,298,876	1,305,924	

Parent Company 1999	Intangible assets		Tangible assets					Total	Grand total
	Intangible rights	Land	Buildings	Machinery and equipment	Other tangible	Work in progress			
Acquisition cost 1 Jan.	0	434,820	1,127,198	189,522	12,337	22,280	1,786,157	1,786,157	
Increases	249	873	13,998	4,818	68	24,033	43,790	44,039	
Decreases	0	51,797	297	251	0	0	52,345	52,345	
Acquisition cost 31 Dec.	249	383,896	1,140,899	194,089	12,405	46,313	1,777,602	1,777,851	
Accumulated depreciation 1 Jan.	0	0	260,143	89,230	3,127	0	352,500	352,500	
Accumulated depreciation in decreases and transf.	0	0	297	248	0	0	545	545	
Depreciation during year	17	0	51,916	22,785	1,708	0	76,409	76,426	
Accumulated depreciation 31 Dec.	17	0	311,762	111,767	4,835	0	428,364	428,381	
Book value 31 Dec.	232	383,896	829,137	82,322	7,570	46,313	1,349,238	1,349,470	

11 INVESTMENTS (FIM 1,000)	Shares			Receivables		
	Group companies	Associated companies	Other companies	Group companies	Associated companies	Total
<b>Group 2000</b>						
Acquisition cost 1 Jan.	1,539	23,244	21,527	0	20,020	66,330
Increases	0	798	10	0	1,430	2,238
Decreases	0	0	901	0	0	901
Intragroup item	0	1,676	0	0	0	1,676
Acquisition cost 31 Dec.	1,539	25,718	20,636	0	21,450	69,342
<b>Group 1999</b>						
Acquisition cost 1 Jan.	1,469	20,166	25,615	0	7,150	54,400
Increases	70	0	711	0	12,870	13,651
Decreases	0	0	4,799	0	0	4,799
Intragroup item	0	3,078	0	0	0	3,078
Acquisition cost 31 Dec.	1,539	23,244	21,527	0	20,020	66,330
<b>Parent Company 2000</b>						
Acquisition cost 1 Jan.	1,822,947	2,515	13,547	746,950	20,020	2,605,979
Increases	0	0	0	321,000	1,430	322,430
Decreases	0	0	292	193,500	0	193,792
Acquisition cost 31 Dec.	1,822,947	2,515	13,255	874,450	21,450	2,734,616
<b>Parent Company 1999</b>						
Acquisition cost 1 Jan.	1,822,947	2,515	13,237	703,600	7,150	2,549,449
Increases	0	0	655	205,400	12,870	223,925
Decreases	0	0	345	162,050	0	167,395
Acquisition cost 31 Dec.	1,822,947	2,515	13,547	746,950	20,020	2,605,979

The parent company's receivables from associated companies arise from a capital loan granted according to the Companies Act.

## GROUP AND PARENT COMPANY SHARES

Group companies	Group holding%	Parent company holding%
VR Ltd, Helsinki	100	100
VR-Track Ltd, Helsinki	100	100
Avecra Oy, Helsinki	60	0
Oy Pohjolan Liikenne Ab, Helsinki	100	0
Transpoint Oy Ab, Helsinki	100	0
Combitrans Oy, Helsinki	90	0
Oy Transuotila Ab, Helsinki	100	0
Napapiirin Turistiauto Oy, Helsinki	100	0
Oy Pohjolan Kaupunkiliikenne Ab, Helsinki	100	0
Oy Pohjolan Henkilöliikenne Ab, Helsinki	100	0
Kaarle Tamminen Oy, Nummi-Pusula	100	0
Joensuun Maaliikenneasema Oy, Joensuu	69.8	0
Oy Logis Ab, Helsinki	100	0
Kuljetus Huhtala Oy, Lohja	100	0
AS Transuotila, Estonia	100	0
UAB Transuotila, Lithuania	100	0
SIA Transuotila, Latvia	100	0
IT Solicom Ltd, Helsinki	60	60
Raittelia Ltd, Helsinki	60	60
Avarra Oy, Helsinki	100	100
Avarra-Asunnot Oy, Helsinki	100	100
Oulun Keskusliikenneasemakiinteistö Oy, Oulu	57.3	57.3
Kokkolan Tavaraterminaali Oy, Kokkola	53.4	53.4

### Associated companies

Oy Railtrans Ltd, Helsinki	50	0
Oy Railcarriers Ab, Helsinki	33.3	0
Searail EEIG, Helsinki	33.3	0
Elielin Pysäköinti Oy, Helsinki	31.8	31.8
Seinäjoen linja-autoasemakiinteistö Oy, Seinäjoki	20.7	20.7
Varkauden Keskusliikenneasemakiinteistö Oy, Varkaus	33.3	33.3
Vainikkalan Vesi Oy, Lappeenranta	42.5	42.5
KT Oy Oulun Terminaalivarasto, Oulu	39.1	0

	Group		Parent Company	
	2000	1999	2000	1999
<b>12 STOCKS (FIM 1,000)</b>				
Materials and supplies	327,595	353,276	0	0
Work in progress	34,986	35,186	0	0
Advance payments	8,317	9,292	0	0
<b>Total</b>	<b>370,898</b>	<b>397,755</b>	<b>0</b>	<b>0</b>



	Group		Parent Company	
	2000	1999	2000	1999
<b>13 RECEIVABLES (FIM 1,000)</b>				
<b>Receivables from other companies</b>				
Loans receivable	0	16,662	0	16,662
Other long-term receivables	16,934	0	15,000	0
<b>Current receivables</b>				
Receivables from Group companies				
Accounts receivable	0	0	32,008	29,080
Loans receivable	0	0	244,250	224,250
Prepaid expenses and accrued income	0	0	70,302	85,172
Receivables from associated companies				
Accounts receivable	6,248	4,021	0	0
Receivables from other companies				
Accounts receivable	538,067	596,070	6,438	7,861
Loans receivable	10,076	0	9,412	0
Other receivables	63,584	35,907	34,473	6,458
Prepaid expenses and accrued income	106,957	106,456	35,154	37,804
<b>Current receivables, total</b>	<b>724,932</b>	<b>742,455</b>	<b>432,038</b>	<b>390,624</b>

**Main items in prepaid expenses and accrued income**

Parent company prepaid expenses and accrued income includes Group contribution receivables totalling FIM 70 (85) million.

	Group		Parent Company	
	2000	1999	2000	1999
<b>14 SECURITIES (FIM 1,000)</b>				
Repurchase cost	1,770,033	1,725,396	1,770,033	1,725,396
Book value	1,765,319	1,722,528	1,765,319	1,722,528
<b>Difference</b>	<b>4,714</b>	<b>2,868</b>	<b>4,714</b>	<b>2,868</b>

Securities mainly comprise bank certificates and depository receipts as well as bonds purchased in public trading.

	Group		Parent Company	
	2000	1999	2000	1999
<b>15 SHAREHOLDERS' EQUITY (FIM 1,000)</b>				
Share capital on 1 Jan.	2,200,000	2,200,000	2,200,000	2,200,000
Share capital on 31 Dec.	2,200,000	2,200,000	2,200,000	2,200,000
Revaluation reserve 1 Jan.	4,190	0	0	0
Change in revaluation reserve	-2,190	4,190	0	0
Revaluation reserve 31 Dec.	2,000	4,190	0	0
Legal reserve 1 Jan.	3,125,991	3,125,991	3,125,989	3,125,989
Increase during the year	7	0	0	0
Legal reserve 31 Dec.	3,125,998	3,125,991	3,125,989	3,125,989
Retained earnings 1 Jan.	1,424,910	1,141,789	317,947	192,489
Dividend distribution	-134,344	-134,646	-130,000	-130,000
Changes in Group structure	1,526	21,728		
Retained earnings 31 Dec.	1,292,092	1,028,871	187,947	62,489
Profit for the year	306,650	396,039	183,728	255,458
Capital loan 1 Jan.	3,600	4,000	0	0
Repayment	-3,600	-400	0	0
Capital loan 31 Dec.	0	3,600	0	0
<b>Shareholders' equity, total</b>	<b>6,926,739</b>	<b>6,758,691</b>	<b>5,697,664</b>	<b>5,643,936</b>

Calculation of distributable funds (FIM 1,000)	Group		Parent Company	
	2000	1999	2000	1999
Retained earnings	1,292,092	1,028,871	187,947	62,489
Profit for the year	306,650	396,039	183,728	255,458,
Total	1,598,742	1,424,910	371,675	317,947
Depreciation difference and voluntary provisions in shareholders' equity	-851,471	-800,476		
<b>Distributable funds, total</b>	<b>747,271</b>	<b>624,434</b>	<b>371,675</b>	<b>317,947</b>

## 16 CAPITAL LOAN

A Group subsidiary (Raittelia Ltd) was granted a capital loan of FIM 4 million by a minority shareholder on its establishment. The outstanding principal on this loan, FIM 3.6 million, was entirely repaid during the reporting period.

## 17 ACCUMULATED APPROPRIATIONS

Accumulated appropriations in the parent company comprise the accumulated depreciation difference.

18 PROVISIONS (FIM 1,000)	Group		Parent Company	
	2000	1999	2000	1999
<b>Voluntary provisions</b>				
Housing provision	17,416	14,441	-	-

In the consolidated financial statements voluntary provisions are divided into the profit for the year and the deferred tax liability.

### Obligatory provisions

Obligatory provisions FIM 9.1 (10.1) million comprise expected warranty costs on long-term projects.

Impact of voluntary provisions and depreciation difference on the balance sheet	Group		
	2000	1999	
Voluntary provisions	17,416	14,441	
Depreciation difference	1,186,654	1,099,990	
	1,204,070	1,114,431	
Transfer to shareholders' equity	851,471	800,476	
Deferred tax liability	349,180	309,465	
Minority interest	3,419	4,490	
	1,204,070	1,114,431	
<b>Impact of voluntary provisions and depreciation difference on the profit and loss account</b>	<b>2000</b>	<b>1999</b>	
Change in voluntary provisions	2,975	4,870	
Change in depreciation difference	86,528	162,072	
	89,503	166,942	
Change affecting profit for the year	64,568	120,622	
Change in deferred tax liability	25,956	46,744	
Change affecting minority interest	-1,021	-424	
	89,503	166,942	

	Group		Parent Company	
	2000	1999	2000	1999
<b>19 LIABILITIES (FIM 1,000)</b>				
<b>Long-term liabilities</b>				
Loans from financial institutions	293,532	290,634	0	0
Pension loans	30,142	32,700	0	0
Advances received	6,281	7,384	760	407
<b>Long-term liabilities, total</b>	<b>329,955</b>	<b>330,718</b>	<b>760</b>	<b>407</b>
<b>Liabilities due after five years</b>				
Loans from financial institutions	251,672	222,294	0	0
Pension loans	18,840	21,353	0	0
<b>Total</b>	<b>270,512</b>	<b>243,647</b>	<b>0</b>	<b>0</b>

	Group		Parent Company	
	2000	1999	2000	1999
<b>Current liabilities</b>				
Loans from financial institutions	8,123	10,402	0	0
Pension loans	2,310	3,902	0	0
Advances received	23,764	21,365	1,405	1,692
Accounts payable	367,212	318,087	14,585	19,367
Debt payable to Group companies				
Advances received	0	0	6	17
Accounts payable	0	0	14,802	7,154
Other liabilities	0	0	535,422	414,505
Accrued expenses and prepaid income	0	0	250	605
Debt payable to associated companies				
Accrued expenses and prepaid income	1,383	1,503	0	0
Accounts payable	248	0	248	0
Debt payable to other companies				
Other liabilities	277,162	270,400	5,071	4,529
Accrued expenses and prepaid income	568,095	566,235	15,340	15,406
<b>Current liabilities, total</b>	<b>1,248,299</b>	<b>1,191,893</b>	<b>528,130</b>	<b>463,276</b>

	Group		Parent Company	
	2000	1999	2000	1999
<b>20 CONTINGENT LIABILITIES (FIM 1,000)</b>				
Debt for which mortgages given as collateral				
Pension loans	32,452	36,602	0	0
Loans from financial institutions	307,936	308,298	0	0
Mortgages	644,719	626,865	0	0
Debt for which shares given as collateral				
Loans from financial institutions	198	122	0	0
Book value of shares	571	1,816	0	0
Other contingent liabilities	341,494	388,730	338,448	386,759

The Group has made commitments related to fixed assets acquisitions totalling FIM 1,330 million in the years 2001–2004.

A Group company (VR Ltd) has a one-third holding in the Searail EEIG. This company is jointly and severally liable with the EEIG's other shareholders for its FIM 4.1 million loss.

21 DERIVATIVE FINANCIAL INSTRUMENTS (FIM 1,000)	Group		Parent Company	
	2000	1999	2000	1999
Foreign exchange forward contracts				
Fair value	<b>284,368</b>	268,957	<b>0</b>	0
Value of underlying instruments	<b>269,862</b>	287,109	<b>0</b>	0

Payments of fixed purchase contracts are hedged using foreign exchange forward contracts, the most recent of which will mature during 2003. Changes to interest rates are not included when calculating the fair value of foreign exchange forward contracts.

22 GROUP KEY INDICATORS		2000	1999	1998	1997
<b>Scope of operations</b>					
Net turnover	MFIM	<b>6,796</b>	6,773	6,945	6,360
Balance sheet total	MFIM	<b>8,914</b>	8,679	8,687	8,462
Capital expenditure	MFIM	<b>902</b>	1,277	820	748
– as% of net turnover	%	<b>13.3</b>	18.9	11.8	11.8
Average number of employees		<b>15,405</b>	16,075	16,439	16,690
<b>Profitability</b>					
Operating profit	MFIM	<b>389</b>	429	493	496
– as% of net turnover	%	<b>5.7</b>	6.3	7.1	7.8
Net profit	MFIM	<b>307</b>	396	386	419
Return on investment (ROI)	%	<b>6.5</b>	7.2	8.7	9.0
Return on shareholders' equity (ROE)	%	<b>4.5</b>	5.3	6.1	6.8
<b>Solvency</b>					
Solvency ratio	%	<b>78.5</b>	79.0	78.5	78.4
<b>Liquidity</b>					
Quick ratio		<b>2.1</b>	2.2	2.5	2.4

#### CALCULATION OF KEY INDICATORS

Capital investments = Balance sheet total – interest-free debt

Return on investment (ROI) =  $\frac{\text{Profit before extraordinary items} + \text{interest costs and other financial costs}}{\text{Balance sheet total} - \text{interest-free debt}} \times 100$

Return on shareholders' equity (ROE) =  $\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$

Solvency ratio =  $\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$

Quick ratio =  $\frac{\text{Financial assets}}{\text{Current liabilities} - \text{advance payments received}}$



## Board's Proposal on the Disposal of Profit

The Group's distributable funds total	FIM 747 million.
The parent company's distributable funds amount to and the net profit for the year is	FIM 372 million, FIM 184 million.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

To be distributed as dividend	FIM 120,000,000,
To be retained in shareholders' equity	FIM 251,675,334.

Helsinki, 7 March 2001

Martin Granholm	Kalevi Alestalo
Eija Malmivirta	Antti Remes
Veli-Matti Ropponen	Henri Kuitunen

## Auditors' Report

### To the shareholders of VR-Group Ltd

We have audited the accounts, the financial statements and the corporate governance of VR-Group Ltd for the period 1 January to 31 December 2000. The financial statements, which include the report of the Board of Directors, the consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on the company's 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 members of the Supervisory Board and the Board of Directors and the CEO have complied with 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 in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's result of operations and financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the CEO can be discharged from liability for the accounting period examined by us. The proposal of the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 8 March 2001

Erkki Mäki-Ranta, AA, Chartered Public Finance Auditor	Arthur Andersen Oy Authorised Public Accountants Jarmo Lohi, APA, Chartered Public Finance Auditor
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# Statement by the Supervisory Board

The Supervisory Board of VR-Group Ltd has today reviewed the parent company's and the consolidated financial statements for the period 1 January–31 December 2000 and the auditors' report.

The Supervisory Board proposes to the Annual General Meeting that the profit and loss account and the balance sheet, and the consolidated profit and loss account and balance sheet, be confirmed and that the net profit be disposed of in the manner proposed by the Board of Directors.

The Supervisory Board notes that its decisions and guidelines have been complied with and that it has received the requisite information from the Board of Directors and the President.

The following are in turn for retirement from the Supervisory Board: Alf Jakas, Ulla Juurola, Tapio Karjalainen, Markku Lehtosaari, Leena Piikivi, Reijo Svento and Sakari Visa.

Helsinki, 14 March 2001

Tapio Karjalainen	Raija Vahasalo	Eero Akaan-Penttilä
Ralf Grahn	Leea Hiltunen	Alf Jakas
Ulla Juurola	Marina Krause-Holmström	Paula Lehtomäki
Markku Lehtosaari	Olli Männikkö	Pekka Nousiainen
Mika Nykänen	Leena Piikivi	Katariina Poskiparta
Erkki Rantala	Timo Rautajoki	Harri Rumpunen
Reijo Svento	Pentti Tiusanen	Sakari Visa

# Consolidated Profit and Loss Account in Euro

(€ 1,000)	Note	1 Jan.–31 Dec. 2000	1 Jan.–31 Dec. 1999
<b>Net turnover</b>	1	<b>1,142,951</b>	1,139,109
Change in stocks of finished goods and work in progress		549	208
Production for own use		40,361	35,194
Profits from associated companies		282	286
Other operating income	2	14,985	19,175
Materials and services	3	337,674	347,104
Personnel expenses	4	549,515	542,057
Depreciation	5	101,324	90,684
Other operating expenses		145,163	141,952
Expenses, total		<b>1,133,677</b>	1,121,797
<b>Operating profit</b>		<b>65,451</b>	72,176
Financial income and expenses	6	10,958	10,572
<b>Profit before extraordinary items</b>		<b>76,409</b>	82,749
Extraordinary items			
Extraordinary income	7	0	58,163
Extraordinary charges		0	-49,165
		<b>0</b>	8,999
<b>Profit before taxes</b>		<b>76,409</b>	91,747
Income taxes	9	-23,672	-23,395
Minority interest		-1,162	-1,744
<b>Profit for the year</b>		<b>51,575</b>	66,609

# Consolidated Balance Sheet in Euro

(€1,000)	Note	31 Dec. 2000	31 Dec. 1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	10	4,675	1,408
Goodwill on consolidation		12,610	14,597
Tangible assets	10	977,980	939,435
Investments	11		
Holdings in Group companies		4,584	4,168
Other investments		7,078	6,988
		<b>1,006,928</b>	<b>966,596</b>
<b>Current assets</b>			
Stocks	12	62,381	66,898
Long-term receivables	13	2,848	2,802
Current receivables	13	121,925	124,872
Securities	14	296,905	289,709
Cash at bank and in hand		8,275	8,757
		<b>492,334</b>	<b>493,038</b>
<b>ASSETS, TOTAL</b>		<b>1,499,262</b>	<b>1,459,634</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	15		
Share capital		370,013	370,013
Share premium account		525,755	525,754
Other reserves		336	705
Retained earnings		217,314	173,044
Profit for the year		51,575	66,609
Capital loan	16	0	605
<b>Shareholders' equity, total</b>		<b>1,164,994</b>	<b>1,136,730</b>
<b>Minority interest</b>		<b>8,563</b>	<b>9,027</b>
<b>Consolidation difference</b>		<b>0</b>	<b>4,051</b>
<b>Provisions</b>	18	<b>1,534</b>	<b>1,692</b>
<b>Liabilities</b>			
	19		
Deferred tax liability		58,728	52,048
Long-term liabilities		55,495	55,623
Current liabilities		209,949	200,462
<b>Liabilities, total</b>		<b>324,171</b>	<b>308,133</b>
<b>CAPITAL AND LIABILITIES, TOTAL</b>		<b>1,499,262</b>	<b>1,459,634</b>









# Corporate Governance

VR Group's parent company is VR-Group Ltd, which is owned entirely by the Finnish state and subordinated to the Ministry of Transport and Communications. The company was established in 1995 to continue the operations of the Finnish State Railways (VR) and for this purpose was given the state assets that were legally owned by VR according to a decree of the Council of State (the Finnish government).

The company engages in rail transportation and other related and supporting service activities either directly or through subsidiary and associated companies. Immediately after its establishment, two subsidiaries were set up: VR Ltd and VR-Track Ltd.

VR-Group Ltd operates in accordance with the provisions of the Finnish Companies Act. Its Board of Directors comprises a chairman and at least four, and at most eight, members who are elected by the Annual General Meeting for the following financial year. The Board currently has five members, including the chairman. They are not employees of VR.

The Board of Directors' duties include managing the administration of the company, appointing its chief executive officer, preparing the matters to be put before the general meetings and the Supervisory Board, and the duties which it is required to undertake by law.

The President of VR-Group Ltd is also the Chief Executive Officer of the VR Group.

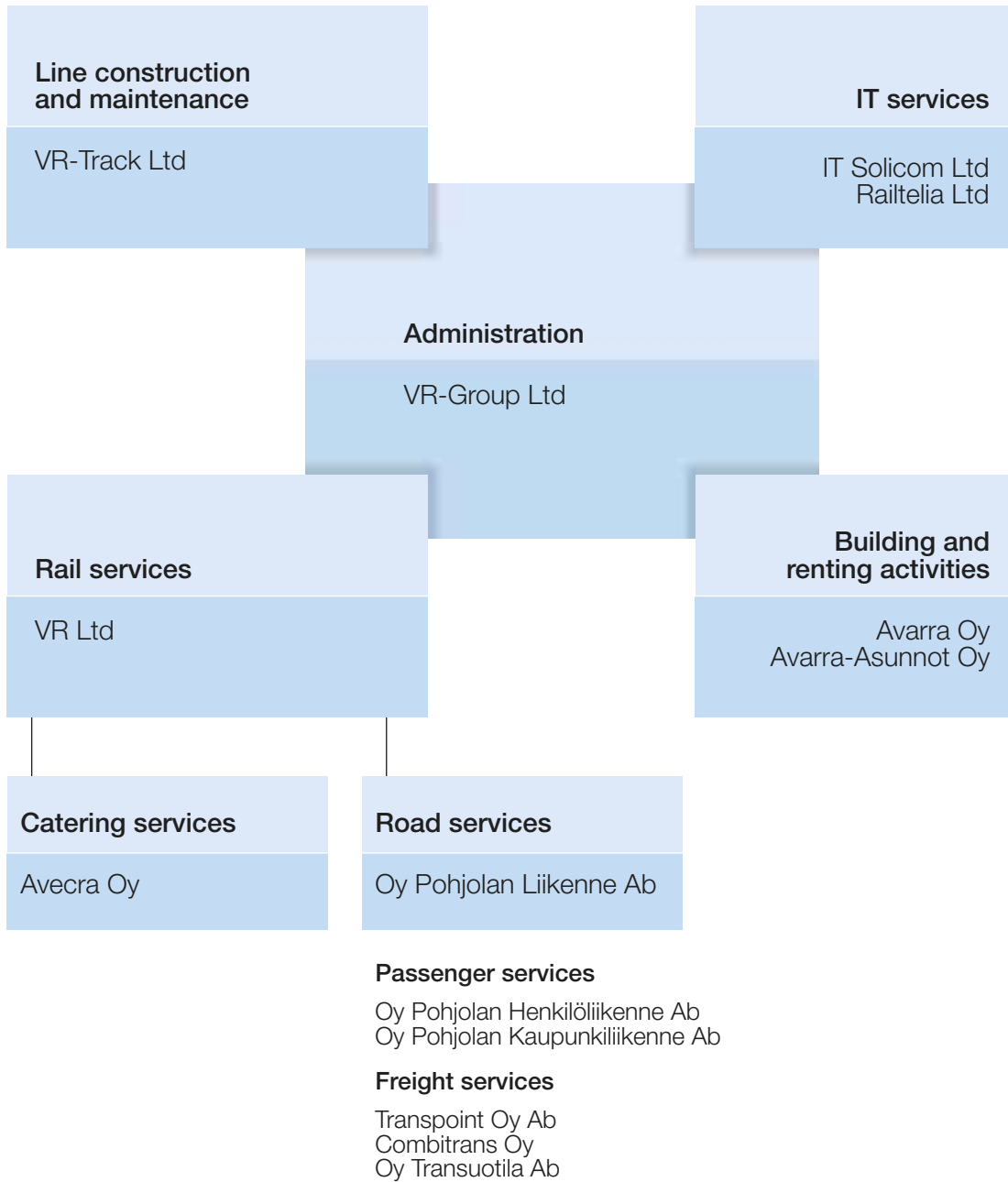
The company's Supervisory Board comprises at least 15 and at most 24 members who are elected by the Council of State. The Supervisory Board currently has 21 members and their period of office is three years. One third of the Supervisory Board's members are due to retire every year.

The Supervisory Board's duties include ensuring that the company's affairs are managed in compliance with sound business principles. In addition the Supervisory Board advises the Board of Directors on matters of wide-ranging or fundamental significance, reviews the financial and annual plans, and submits an opinion on the financial statements and the auditors' report to the Annual General Meeting. The Supervisory Board also makes decisions regarding substantial reductions or expansions in the company's operations or significant changes to its organisation.

The company has at least two and at most five auditors.



# VR Group Structure





# Administration and Management

## Board of Directors

### Martin Granholm

Chairman  
Born 1946  
MSc (Eng.)  
Executive Vice President, UPM-Kymmene Group  
Chairman of the Board, VR-Group Ltd, since 1995  
Chairman or Deputy Chairman of the Board, The Foundation for the Finnish Institute of Management  
German-Finnish Chamber of Commerce (deputy chairman), Finnish-American Chamber of Commerce (deputy chairman)  
Chairman of the Supervisory Board: Nordland Papier AG  
Member of the Board: Ilmarinen Mutual Pension Insurance Co., Finnish Forest Industries ry, the Central Chamber of Commerce, the Economic Information Bureau, The Foundation for the University of Turku, and Pohjola Group Insurance Corporation  
Chairman: Confederation of Finnish Industry and Employers, Labour Market Unit of Finnish Forest Industries ry  
Member: The Swedish Academy of Technology in Finland, Advisory Board of the Helsinki University of Technology

### Antti Remes

Deputy Chairman  
Born 1947  
MSc (Econ. and Bus. Admin.)  
Managing Director, Cooperative Tradeka Corporation  
Member of the Board of VR-Group Ltd since 1997  
Chairman or Deputy Chairman of the Board: Ketjuetu Oy T & E, Palveluetu Oy T & E, Restel Oy, Tradeka Oy and Inex Partners Oy (deputy chairman)  
Member of the Board: The Federation of Finnish Commerce and Trade, The Employers' Confederation of Service Industries in Finland, Elannon Hotellit Oy, Elannon Ravintolat Oy, Elannon Vähittäiskauppa Oy, Eka-kiinteistöt Oy and Tradeka Group Oy

Member of the Supervisory Board: Luottokunta and Varma-Sampo Oy

### Kalevi Alestalo

Born 1947  
MSc (Soc. Sc.)  
Ministerial Adviser, Ministry of Transport and Communications

### Eija Malmivirta

Born 1941  
MSc (Eng.)  
Director  
Member of the Board of VR-Group Ltd since 1995  
Chairman of the Board: Meri Energy Oy Ltd  
Member of the Board: Kemira Oyj, Tosco Corporation and The Finnish National Theatre

### Veli-Matti Ropponen

Born 1949  
MSc (Econ. and Bus. Admin.)  
Corporate Executive Vice President, Oil and Gas, Fortum Corporation  
Member of the Board of VR-Group Ltd since 2000  
Chairman or Deputy Chairman of the Board: Finnish Oil and Gas Federation, Finnish Chemical Industry ry (deputy chairman), Helsinki Chamber of Commerce (deputy chairman), AB Nynäs Petroleum (deputy chairman)  
Member of the Board: Confederation of Finnish Industry and Employers, Central Chamber of Commerce



VR-Group Ltd's Board of Directors comprises Antti Remes (front left), Martin Granholm, Veli-Matti Ropponen, Kalevi Alestalo (back row, right), and Eija Malmivirta (absent from the photo). Tapio Karjalainen, Chairman of VR's Supervisory Board, is on the left in the back row.

## Supervisory Board

Tapio Karjalainen, MP, Chairman  
Raija Vahasalo, MP, Deputy Chairman  
Eero Akaan-Penttilä, MP  
Ralf Grahn  
Leea Hiltunen, MP  
Alf Jakas  
Ulla Juurola, MP  
Marina Krause-Holmström  
Paula Lehtomäki, MP  
Markku Lehtosaari  
Olli Männikkö  
Pekka Nousiainen, MP  
Mika Nykänen  
Leena Piikivi  
Katariina Poskiparta  
Erkki Rantala  
Timo Rautajoki  
Harri Rumpunen  
Reijo Svento  
Pentti Tiusanen, MP  
Sakari Visa

## Auditors

Erkki Mäki-Ranta, Approved Accountant,  
Chartered Public Finance Auditor  
Arthur Andersen Oy, Authorised Public Accountants:  
Jarmo Lohi, Authorised Public Accountant,  
Chartered Public Finance Auditor

## Board of Management

**Henri Kuitunen**, Chairman  
Born 1958  
LLM  
President and CEO, VR-Group Ltd  
Member of the Board of Management since 1995

**Juhani Kopperi**  
Born 1940  
LLM  
President, VR Ltd  
Member of the Board of Management since 1995

**Mirja Mutikainen**  
Born 1958  
MSc (Eng), MBA  
Director, Development, VR-Group Ltd  
Member of the Board of Management since 1999

**Pertti Saarela**  
Born 1957  
LLM  
Director, Administration, VR-Group Ltd  
Member of the Board of Management since 1999

**Teuvo Sivunen**  
Born 1946  
MSc (Eng.)  
President, VR-Track Ltd  
Member of the Board of Management since 1995

**Veikko Vaikkinen**  
Born 1945  
MSc (Soc. Sc.)  
CFO, VR-Group Ltd  
Member of the Board of Management since 1995



VR's Board of Management comprises  
Juhani Kopperi (back row left), Veikko Vaikkinen,  
Pertti Saarela, Mirja Mutikainen, Henri Kuitunen  
and Teuvo Sivunen.

	2000	1999	% change <sup>1)</sup>	1998	1997	1996
<b>Freight services</b>						
<b>Carryings, 1,000 t</b>						
By rail	40,501	39,979	1.3	40,740	40,321	37,717
In Finland	24,071	23,212	3.7	23,613	23,603	21,565
International	16,430	16,767	-2.0	17,127	16,718	16,152
East	12,703	12,912	-1.6	12,986	11,935	11,602
Transit	2,671	2,809	-4.9	2,948	3,368	3,205
West	1,056	1,046	1.0	1,193	1,415	1,345
By road	8,399	7,993	5.1	7,384	5,017	1,651
<b>Total</b>	<b>48,900</b>	<b>47,972</b>	<b>1.9</b>	<b>48,124</b>	<b>45,338</b>	<b>39,368</b>
<b>Tonne-kilometres by rail, million</b>						
Finland	6,802	6,380	6.6	6,313	6,257	5,699
International	3,305	3,373	-2.0	3,572	3,599	3,107
East	2,473	2,525	-2.1	2,571	2,441	2,018
Transit	473	485	-2.5	578	652	611
West	359	363	-1.1	423	506	478
<b>Total</b>	<b>10,107</b>	<b>9,753</b>	<b>3.6</b>	<b>9,885</b>	<b>9,856</b>	<b>8,806</b>
<b>Passenger services</b>						
<b>Journeys, 1,000</b>						
By rail	54,783	53,209	3.0	51,370	49,980	47,000
Long-distance	11,783	11,851	-0.6	11,985	12,031	11,400
Commuter	43,000	41,358	4.0	39,385	37,949	35,600
Helsinki Metropolitan Area	32,300	31,000	4.2	29,300	28,000	26,100
Other	10,700	10,358	3.3	10,085	9,949	9,500
By road	14,456	10,747	34.5	8,472	8,930	8,844
<b>Total</b>	<b>69,239</b>	<b>63,956</b>	<b>8.3</b>	<b>59,842</b>	<b>58,910</b>	<b>55,844</b>
<b>Passenger-kilometres by rail, million</b>						
Long-distance	2,707	2,748	-1.5	2,737	2,766	2,655
Commuter	697	666	4.7	640	610	599
Helsinki Metropolitan Area	308	295	4.4	279	260	260
Other	390	371	5.1	361	350	339
<b>Total</b>	<b>3,405</b>	<b>3,414</b>	<b>-0.3</b>	<b>3,377</b>	<b>3,376</b>	<b>3,254</b>
<b>VR Group personnel</b>	<b>15,405</b>	<b>16,075</b>	<b>-4.2</b>	<b>16,439</b>	<b>16,690</b>	<b>17,320<sup>2)</sup></b>
<b>Energy consumption in rail traffic, %</b>						
Electric traction	72.9	69.9	-	68.8	67.4	66.6
Diesel traction	27.1	30.1	-	31.2	32.6	33.6

1) % change refers to the change from 1999 to 2000

2) Financial year 1 July 1995–31 December 1996

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