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RÄNNÄINEN



Annual Report 2001

## **The year 2001**

- Pendolino services were increased in October to include the Helsinki–Jyväskylä line.
- Commuter traffic in Greater Helsinki continued to grow. The new city line connecting Helsinki to Leppävaara in Espoo was completed.
- For VR Cargo, 2001 was a lively year in transit traffic. Container traffic to East Asia and combined road-rail transport in Finland increased likewise.
- VR developed extranet solutions with its customers to raise transport efficiency.
- VR-Track completed its contracts on the Leppävaara city line and in automatic train protection installation.
- The network of terminals and depots for road transport was further developed.
- Baguette&Co sales points were opened in Pasila and Tampere following success in Helsinki railway station.

## **Financial information in 2002**

- The Annual Report is published in Finnish, Swedish, English and Russian.
- Interim Reports will be published in June and October.
- Interim Reports are published in Finnish, Swedish and English.
- 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 20 827, telefax +358 307 21 500 or by writing to P.O. Box 488, FIN-00101 Helsinki, Finland.



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Finland's first Travel Centre was inaugurated in Seinäjoki in 2000. Approximately 50 train services and 250 bus or coach services leave Seinäjoki Travel Centre every day. Roughly 1.5 million passengers pass through the Travel Centre every year. A network of 22 Travel Centres in Finland is planned by 2005. The Travel Centre provides all public transport services under a single roof in the centre of the town, making it easy to change one mode of transport to another. The Travel Centre also has good parking facilities.





Matkakeskus

# 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.

VR started a re-appraisal of its values during autumn 2001, and VR's new values will be confirmed during spring 2002.

## Evolution of the VR Group

Finnish State Railways, government office, 1862–1989

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

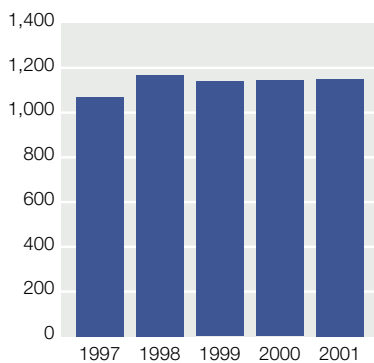
VR-Group Ltd, state-owned company, 1 July 1995–





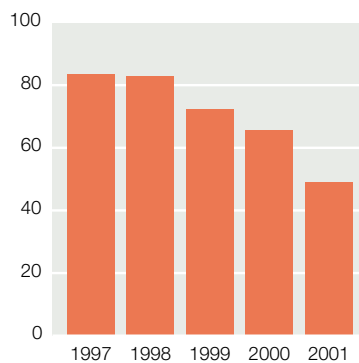


Key figures	2001	2000	% change
Net turnover, M€	1,150.9	1,143.0	0.7
Operating profit, M€	49.0	65.5	-25.0
% of net turnover	4.3	5.7	
Net profit, M€	42.0	51.6	-18.6
% of net turnover	3.6	4.5	
Gross capital expenditure, M€	177.7	151.7	17.0
Return on shareholders' equity, %	3.7	4.5	
Return on investment, %	5.2	6.5	
Solvency ratio, %	79.1	78.5	
Personnel on average	14,913	15,405	-3.2



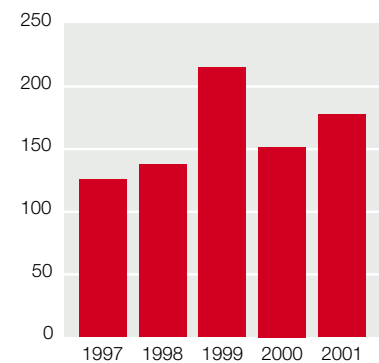
Net turnover 1997-2001

M€



Operating profit 1997-2001

M€



Investments 1997-2001

M€

# 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 EUR 235.9 million with 2,800 employees.



## Rail services

- VR Ltd, the Group's largest company, is Finland's leading freight and passenger carrier.
- The company carries over 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 250 long-distance services and 700 commuter services every day. Six daily train services operate between Finland and Russia.
- Rail services generate annual net turnover of EUR 617.0 million. This comprises EUR 335.3 million from freight services and EUR 281.6 million from passenger services.
- Personnel totals 9,100.







### Road services

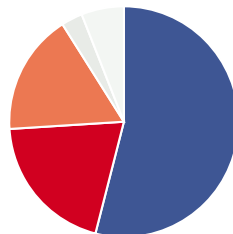
- Pohjolan Liikenne is a subgroup of VR Ltd that provides supplementary road services. It has a strong position in Finland's road transport sector.
- The group has three freight companies. Transpoint Oy Ab is a national carrier of general cargo. Combitrans Oy handles partial and full-load carryings. 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 subsidiary Oy Pohjolan Kaupunkiliikenne Ab transport 15 million passengers by coach and bus every year.
- Road services generate annual net turnover of EUR 195.4 million. This comprises EUR 160.4 million from freight services and EUR 35.0 million from passenger services.
- Personnel totals 1,900.

### 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 Holding Ag.
- Catering services generate annual net turnover of EUR 29.4 million.
- Personnel totals 490.

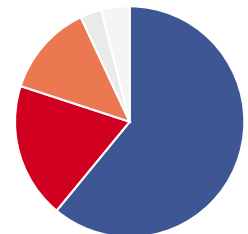
### IT services

- Railtelia Ltd provides telecommunications services for VR's rail transport operations and develops specialized telecommunications systems for transport and logistics needs. The company's minority shareholder is Song Communications Ltd.
- IT Solicom Ltd provides specialized IT systems and services for the transport sector. The company's minority shareholder is Novo Group Plc.



**Net turnover by business**

■ Rail services	54%
■ Track construction and maintenance	20%
■ Road services	17%
■ Catering services	3%
■ Other	6%



**Personnel by business**

■ Rail services	61%
■ Track construction and maintenance	19%
■ Road services	13%
■ Catering services	3%
■ Other	4%



## VR increased its share of freight transport Higher volumes in commuter services

The Finnish economy entered a distinct downturn during 2001. Growth in total output fell well below that of any other year since the end of the previous recession in the early 1990s. Estimates of gross domestic product for 2001 were revised downwards during the year on an exceptional scale, mainly owing to the weakening of Finland's main export markets at the beginning of the year. The situation was worsened by the much publicized events in the USA.

Although total output grew slightly in Finland, industrial output and exports both declined. These developments had a direct impact on demand for freight services. Output from the forest industry, a highly important sector for rail transport, declined by some seven per cent. Modest growth in the metal and chemical industries did not make up for reduced demand from the forest industry. A favourable development for VR, however, was that rail transport increased its share of the freight transport market, boosting the total volume of freight carried by rail by three per cent.

Demand for passenger rail transport reacts more mildly and more slowly to changes in the business cycle. A number of factors further distort this relationship. Developments in fuel prices and changes in the quality of main traffic lines, for example, can cause contradictory effects in the demand for different modes of transport. Long-distance rail services in particular need higher speeds and faster rolling stock on the main line network if it is to develop favourably in the future.

Train speeds were not increased during the year just ended and in some cases, notably in Eastern Finland, were actually lowered, which resulted in a loss of market share. Despite this, passenger rail transport recorded overall growth of almost one percentage point, due largely to increased commuter traffic in the Helsinki metropolitan area.

### Large projects made good progress

2001 saw a number of highly favourable developments in the Finnish railway network. The decision to construct the direct line between Kerava and Lahti was the year's most prominent achievement. Due for completion in 2006, the line will release significantly more capacity on the main line, thereby improving rail services everywhere in Finland.

Other development projects on the main line, electrification of line sections in Northern Finland and, for instance, major renovation of the Savo and Pohjanmaa lines show that Finland believes the future lies in railways.

### Revised ticket system in the spotlight

Of all VR's operations, the new ticket system introduced during the review period aroused most public debate. The revised system was

introduced in response to the large amount of negative feedback about the additional charges that were previously levied. It was also aimed at improving the capacity utilization rate of trains, matching ticket prices to the standard of train service and providing a platform for e-purchasing of tickets in the future.

Much criticism concerned the timing of the new ticket system. There were solid grounds for introducing it when the summer timetable started, however, because leaving it to the end of the year would have clashed with all the extra changes required by the transition to the euro.

### Operational milestones

A significant milestone for passenger transport was the extension of the Pendolino service on the Helsinki–Tampere–Jyväskylä line during the autumn. Growth in passenger volumes on this route has been encouraging. Other milestones during the review period included the start of passenger services on the Leppävaara urban line and the placement of an order for new railcars. Construction of the call centre in Riihimäki, a focal point incorporating the latest technology, substantially enhanced VR's customer service.

High priority was given to internal development during the review period. The results of the personnel survey were applied to mapping out a human resources strategy. The open discussion about reformulating VR's values, involving all VR's personnel, was also of great importance. The new values that will underpin VR's operations will be published in spring 2002. At this early stage, one thing at least is clear: safety will continue to be VR's guiding principle.

### Group records EUR 42 million profit

The Group's operating profit for 2001 amounted to EUR 49.0 million, compared to EUR 65.5 million for the previous year. The main reasons for the decrease were the downturn in freight transport at the end of the autumn and increased pension costs. VR Group's profit for the financial year was EUR 42.0 million.

I would like to extend my thanks to VR's customers and partners for the trust they have placed in VR during 2001, which I hope will remain firm in 2002. I would also like to thank VR Group's personnel for their hard work and commitment to common goals.

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















City line to Leppävaara completed ■ New Pendolino service from Helsinki to Jyväskylä ■ Abundant feedback on new ticket system

## Pendolino service extended

VR offers passengers a wide range of services on both long-distance routes and commuter lines in the Helsinki metropolitan area. VR provides some 250 daily long-distance services, of which six are between Finland and Russia, and an average of 700 commuter services each day in the Helsinki metropolitan area. One of the objectives of passenger services is to improve passenger comfort and convenience, and to 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 travel by private car.

VR has had a roughly 32 % share of the public transport market in Finland over the past few years. VR's share of passenger journeys longer than 75 kilometres, some 60 %, is appreciably higher. Rail transport's share of all passenger traffic in Finland is 5 %. The proportion of journeys made by private car is increasing while public transport's market share has declined to 16%. There were no significant changes in the market shares of different modes of transport during 2001.

### Further increase in commuter traffic

A total of 55 million passenger journeys were made by rail in 2001, 43 million of them on commuter lines in the Helsinki metropolitan area. The number of passenger journeys increased by 0.5% compared to the previous year. Net turnover amounted to EUR 281.6 million, an increase of 2% on the previous year.

Passenger volumes on commuter lines in the Helsinki metropolitan area grew by 1%, and in the Helsinki Metropolitan Area Council's zone by 3%. This growth was boosted by steady migration to the Helsinki region, which is a long-term trend, and the high level of service on VR's new city lines. The new city line to Leppävaara in Espoo was completed in August. Commuter and long-distance traffic on that route was transferred to separate tracks, improving the traffic flow on the new line. Introduction of 86 new daily services on the city line reduced the intervals between trains. Altogether 704 trains served commuters in the Helsinki metropolitan area every day. The number of services will increase again in summer 2002 when the connecting terminal at Leppävaara is commissioned and traffic on the city lines reaches the full amount planned.

The gradual decline in passenger volumes on long-distance services continued, with 2% fewer passenger journeys made in 2001. Rail travel declined more steeply in Eastern Finland than in other regions because travel times in the eastern part of the country have lengthened, in some cases by almost one hour, since two years ago. Timetables have been changed in Eastern Finland because of extensive line work and a lower speed limit of 120 kilometres an hour on sections of line that are not yet equipped with Automatic Train Protection (ATP).

Most growth was seen in passenger rail traffic between Finland and Russia, which grew by 16% compared to the previous year. Altogether 240,000 passengers travelled on these routes in 2001, with the Finnish Sibelius express to St. Petersburg achieving a new passenger record. Passenger volumes also increased appreciably on the Russian Repin express between Helsinki and St. Petersburg and on the Russian Tolstoy overnight express to Moscow. This growth was mainly due to the higher number of Russian tourists visiting Finland on shopping or holiday trips, especially during the Christmas season. Car sleeper volumes to Northern Finland reached a new record, with altogether 33,600 vehicles carried by train during the year.

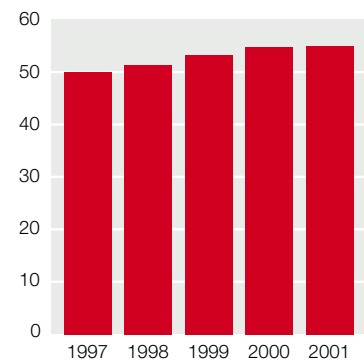
### Further upgrading of rolling stock

VR received five new Pendolino trains during the review period. A total of eight have been ordered. A new Pendolino service between Helsinki and Jyväskylä started in October. Some



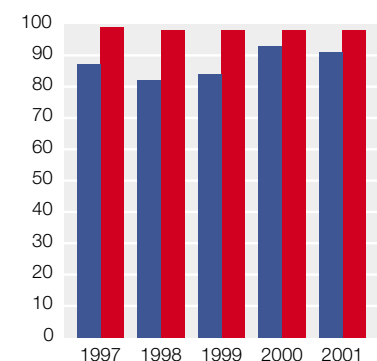
Rail services, share of VR's net turnover 2001

Passenger services	25 %
Freight services	29 %



Passenger journeys 1997-2001

Million



Punctuality of rail traffic 1997-2001

%

Long-distance	
Commuter services	

InterCity services were upgraded to Pendolino standard, which boosted passenger volumes in the services by 20%.

VR has improved the new Pendolino services in line with customers' wishes. A Business class was introduced to meet the needs of business travellers and the trains have been provided with more seating. The onboard Prego restaurant extended its services to include hot meals and doubled its seating capacity compared to the first Pendolinos.

Deliveries of the double-decker InterCity coaches continued during the year, and all 92 of the coaches ordered should be in service by summer 2002. VR did not exercise any options to purchase more. In August VR decided to order 16 new railcars of the same type in use in the Czech Republic but adapted among other things for the different rail gauge in Finland. VR reached agreement with the Ministry of Transport and Communications on purchases of railcar services up until 2020. The railcar service will start in 2005.

#### Four train types and price categories in new ticket system

In June VR introduced a new ticket pricing system which classifies train services into four types – Pendolinos, InterCity trains, express trains and regional trains – each with its own price category. Tickets for travel, seat reservations and additional charges were all combined into a single ticket. Some prices rose while others fell as a result of the new system, although the overall price level remained unchanged. New features included off-peak Green Departure discounts of 15%.

The new ticket system was based on research and on feedback received from customers, which indicated that passengers wanted extra charges eliminated and tickets that include both travel and seat reservations also on express trains. The new system provides VR with better information on how full trains actually are, so rolling stock can be transferred to trains with growing passenger volumes. Prices can be raised or lowered flexibly to match demand. The new system also opens the door for purchasing train tickets electronically.

The revised price system aroused wide public debate, prompting a statement by the Consumer Ombudsman. VR changed some of its practices as a result of this feedback. In December seat quotas were introduced for passengers boarding trains at small local stations. VR also decided to increase the number of Green Departures and regional trains at the start of the following year.

#### Ease of travel

VR gave high priority during the year to making it easy for passengers to travel. All conductors were issued with portable sales devices to speed up the purchase of tickets on trains. Train conductors now accept all major credit and debit cards, Helsinki Metropolitan Area Council's travel cards and cash. The construction of canopies over the platform concourse at Helsinki central station and renovation of the platform area at Tampere station were completed during the review period. High platforms to make boarding a train easier were introduced at a number of stations.

Construction of the Travel Centre network continued. These centres combine all public transport services under a single roof. The new Travel Centre at Lappeenranta was taken into use and construction of the Jyväskylä Travel Centre started. Jyväskylä will be the first Travel Centre to be built as a completely new integrated terminal, and is scheduled for completion in autumn 2002. Travel Centres are planned in 22 different locations by 2005. Passengers can buy tickets and obtain timetables for all modes of public transport in Travel Centres and priority is given to accessibility and central location in planning them.

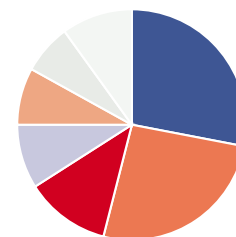
VR established a nationwide call centre in Riihimäki during the autumn using the latest technology in communications and information technology. All telephone enquiries about rail travel and ticket reservations have been directed to this call centre from the beginning of 2002. The aim is to improve VR's service, especially by reducing waiting times.

Trial use of Helsinki Metropolitan Area Council's travel cards was started on commuter services. Final introduction of the complete system is planned for 2002. Sales and marketing of the TrainSki and SkimbaTrain package tickets were transferred to Matka-Vekka Oy. VR also found new partners for sales of combined SeaRail tickets.

#### Punctuality rate remains high

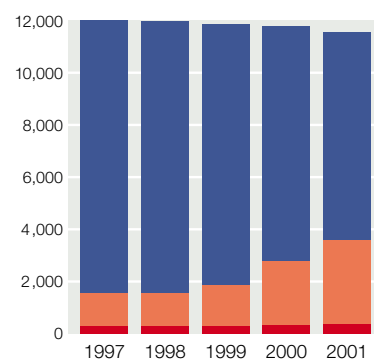
Long-distance services exceeded the 90% punctuality rate in 2001, a rate that is regarded as good by international standards. This means that 90% of long-distance trains arrived at their destination on time or at most five minutes late. Exceptional weather conditions, including fierce storms in the autumn, pushed the punctuality rate below average for some months.

VR received some 20,000 items of customer feedback, 50% more than the previous year. The main reasons for the increase were the revised ticket pricing structure, the intro-



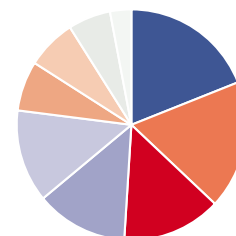
Passenger groups in long-distance services 2001

%	
■ Salaried employees	28%
■ Students and schoolchildren	26%
■ Wage earners	12%
■ Pensioners	9%
■ Senior managers	8%
■ Self-employed	7%
■ Other	10%



Long-distance journeys by type of train 1997-2001

Million	
■ Pendolino	
■ InterCity	
■ Express services (includes regional trains)	



Passenger feedback 2001

■ Tickets, prices and sales systems	19%
■ Railway stock	18%
■ Traffic services	14%
■ VR's onboard service	13%
■ Ticket sales at stations	13%
■ Other services at stations	7%
■ Avecra's onboard service	7%
■ VR's operations generally	6%
■ Telephone service	3%



duction of the Pendolino service from Helsinki to Jyväskylä and the increasing popularity of the Internet as a channel for feedback. One out of every three items of feedback is sent via VR's Internet website.

### Prospects

During 2002, VR plans to extend the network of Pendolino services from Jyväskylä to Kuopio and from Tampere northwards to Oulu. Travel times from Helsinki to Jyväskylä will be shortened by half an hour, and some intermediate stops will be eliminated. VR will decide during the current year on ordering at most 15 additional Pendolino trains.

VR will change its timetabling in June 2002. A new standardized timetable will be introduced on the busier stops on lines in Southern Finland so that each of the four train types has its own hourly departure time from a given station. The four train types will also have their own stops. VR will also increase the number of services on busier sections of line, such as the Helsinki–Tampere line. These changes should improve interconnections and make it easier for passengers to plan their journeys.

The decisions made during 2001 to improve the rail network are important to the future of rail travel. Raising the speed on main lines to 200 kilometres an hour and construction of the city line to Kerava and a direct line from Kerava to Lahti will enhance the competitiveness of rail travel. New commuter rolling stock will be needed for extending the city line from Tikkurila to Kerava.

The decision to build a direct line between Helsinki and St. Petersburg combined with the Russian President's dynamic approach to this project have also speeded up the introduction of a fast rail service between Helsinki and St. Petersburg. In September 2001 the joint Finno-Russian committee completed its report on the investment needed in fast rolling stock for the line and the technical features required of the stock. Faster travel is expected to substantially boost passenger volumes between Helsinki and St. Petersburg. The target is to reduce the travel time to three hours by 2008.

Tickets and timetables for different modes of transport are readily available at the Travel Centre and access for people with prams or pushchairs is easy likewise.



Downturn curtailed initial strong growth ■ Brisk year for transit traffic  
 ■ Enhanced transport chains improve competitiveness

# Growth in transit traffic and combined carryings

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 a safe, punctual and environmentally friendly transport system for Finnish industry. VR aims to offer customers a comprehensive package of logistics services. The company's goal is to maintain its 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. This figure is high compared to other EU countries, where railways account for an average 13 % 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 a viable option when the items to be carried are bulky and carried regularly over long distances.

VR Cargo carried a record volume of freight in 2001. A total of 41.7 million tonnes were carried by rail during the year, some 3 % more than in the previous year. Net turnover increased by 2 % on the previous year, amounting to EUR 335.3 million.

## Domestic freight volumes unchanged

Domestic freight grew during the first eight months of the year, but the downturn in the industrial sector towards the year's end reduced freight volumes by some 10 % compared to the previous year. Carryings for the forest industry, an important sector for VR, contracted towards the end of the year and declined overall by 2 %. Carryings for the chemical industry also fell, by 1 %, but carryings for the metal industry rose by 4 %. Total volumes of domestic freight nevertheless rose to 24 million tonnes, broadly similar to the previous year.

## Increased volumes of international freight

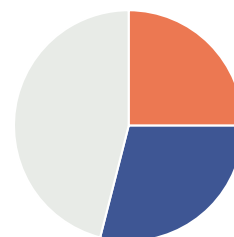
VR Cargo's carryings of international freight grew strongly at the beginning of the year. Growth peaked during the summer, however, especially in imports for the forest industry. Most carryings of international freight consist of raw materials from Russia to supply Finnish industry, and these volumes closely follow the business cycle. Altogether some 17.7 million tonnes of freight were carried across Finland's borders, 8 % more than the previous year.

In August Russia imposed tariffs favouring Russian ports. The impact of the tariffs was reflected particularly in imports of flammable liquids and raw metal stock, and carryings of these fell by around 40 % compared to the previous year. Despite this, total carryings of imports from the east remained broadly at last year's level, altogether 12.6 million tonnes. Carryings of exports to Russia totalled 600,000 tonnes in 2001, up 23 % on the previous year. Construction in Russia underwent strong growth, boosting freight volumes for building materials.

The volume of freight carried westwards via Turku and Tornio remained much the same as in the previous year, altogether 1.0 million tonnes. Timetable changes during the year contributed towards improving the rail-ferry service. New equipment for adjusting bogie width to rail gauge in Tornio was still undergoing testing during the review period. Using the equipment to change bogie width provides an alternative to reloading cargo.

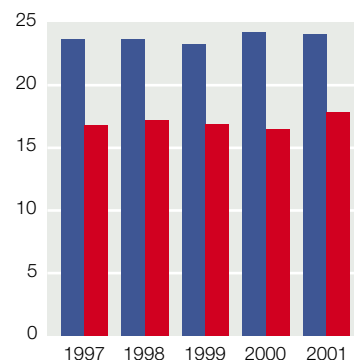
## Good year for transit traffic

Transit traffic from Russia to the west via Finland grew by 50 %. VR carried altogether 4.0 million tonnes of transit freight through Finland on this route, compared to 2.7 million tonnes the previous year. The transport system and ports were upgraded, enabling west-bound fertilizers, ore pellets and petrochemicals to travel through Finland more quickly. Reductions in shipping lane charges also boosted growth in transit traffic.



Rail services, share of VR's net turnover 2001

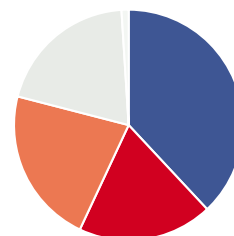
Passenger services	25 %
Freight services	29 %



VR Cargo's carryings 1997-2001

Million tonnes

Finland	International
---------	---------------



VR Cargo's carryings by product group 2001

Mechanical forest industry	38 %
Chemical forest industry	19 %
Metal industry	22 %
Chemical industry	20 %
Other	1 %





The acute shortage of Russian wagons that at times hampers east-west traffic was addressed by a number of bodies during the year. One method of ensuring an adequate supply of wagons is cooperation with private companies that own rolling stock. During 2001, over 30% of east-west freight was carried in private wagons.

In Northern Finland, preparations are being made for the opening of the line section between Lietmajärvi and Kochkoma on the Russian side in 2002. This will provide a new route between the border crossing at Vartius and Murmansk, shortening the route to North-West Russia by 500 kilometres.

### Continued growth in Siberian container traffic

Container traffic on the Trans-Siberia route between Finland and the East Asia region continued to show strong growth. The number of containers carried in both directions increased. In 2001 container volumes grew by 20%, whilst volumes doubled in the previous year. Altogether 50,000 TEUs were carried on the Trans-Siberian route during the year. TEU (twenty-foot equivalent unit) is a unit of measurement used in container traffic and refers to one 20-foot container.

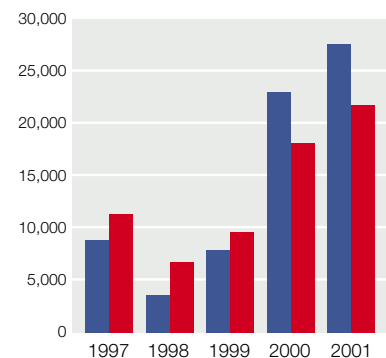
The reasons for the popularity of this route are the regular connections, speed and reliability of quality. The exact times required for transport are known in advance thanks to effective computerized systems. Transport from the Pacific coast to Finland takes 12 days, and the eastward journey takes 14 days.

A wide range of products is carried from Korea, Japan and China to Finland. The biggest product group is Korean consumer electronics. Carrying of Finnish exports on the Trans-Siberia route also increased, mainly bound for Korea, China and Japan.

### Combined carryings up by one quarter

Volumes of combined road-rail carryings grew favourably, amounting to 25% more than the previous year. Trains loaded with trucks and trailers travel overnight in both directions on the Oulu–Helsinki, Kemi–Helsinki and Kemi–Oulu–Tampere–Turku routes. VR Cargo carried some 4,500 articulated vehicles, 11,000 trailers and 9,000 swap-bodies as combined road-rail transport, altogether equivalent to almost 46,000 TEUs. VR Cargo

VR's Pieksämäki workshop manufactured customized new wagons for the paper industry. The wagons can carry heavier loads, which raises transport efficiency.



East Asia container traffic 1997–2001

TEU = twenty-foot equivalent unit  
 ■ Import ■ Export



also carries shipborne containers by rail and the volume of these, 147,000 TEUs, grew by 16% during the year.

Combined-road rail carryings are limited by a lack of suitable stock and by the fact that capacity utilization of the Oulu terminal facilities is currently at its maximum. VR is modernizing wagons to ease the shortage of freight stock and planning started for a new terminal at Oritkari in Oulu.

VR completed trials of a new prototype wagon for combined road-rail transport during the review period, and 20 of these wagons will soon be placed into service. The new wagons, which are lower and longer, can carry modular articulated vehicles. The wagons are also capable of carrying units of over 4 metres height, now permitted in road transport.

**Online services benefit the customer**

During the review period VR Cargo collaborated with its customers in enhancing its online services by building Internet-based extranet networks. These operate alongside the EDI (electronic data interchange) system that has been in use for many years now. The target is that 90% of consignment notes will be in electronic format. Currently some 70% of consignment notes and 10% of invoices are transmitted in EDI format between VR and large industrial corporations. Internet-based solutions will bring the benefits of electronic data interchange within the reach of smaller companies as well.

The extranet contains transport plans, instructions for emergencies and tracking reports. The wagon ordering system now being phased in will be able to receive orders directly from the IT system at the customer's plant. The RailTrace service developed by VR enables railway shipments to be tracked via the Internet.

**New types of wagons**

VR modernizes its rolling stock to meet the needs of Finnish industry. VR's Pieksämäki workshop completed 35 new wagons during the year, most of which were customized for the Finnish paper industry. The new wagons are designed for heavier loads. With an axle weight of 25 tonnes, they can carry over 70 tonnes of cargo. The normal axle weight of standard wagons is 22.5 tonnes.

Trials of a number of wagon prototypes were completed during the year. Serial production of the specially designed wagons for carrying timber and ore concentrates will start in 2002.

**Customer satisfaction rises**

Customers were slightly more satisfied with VR Cargo's operations than in the previous year. In the annual customer satisfaction survey, customers gave VR Cargo a higher average rating in 2001 than at any time previously. VR Cargo's strengths are perceived as competent customer service and sales personnel, clarity of contracts, keeping customers informed and adequate marketing.

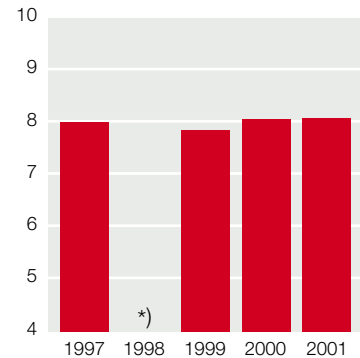
The survey also charted customers' conceptions of VR Cargo and competing modes of transport. Customers considered VR Cargo to be safe and environmentally friendly. VR Cargo's other strengths are efficiency in transporting large consignments and its good rolling stock.

**Prospects**

VR Cargo launched a three-year development project aimed at enhancing efficiency in its operations. The project is being conducted in collaboration with customers and personnel. The objective is to improve the competitiveness of rail transport and ensure that VR Cargo continues to occupy a strong position in the transport market. Targets for development include a network of operating hubs, a transport system, a service network, shunting, and the customer service and sales organization. Opportunities for utilizing information technology will also be explored.

VR Cargo plans to reduce the number of its loading stations and use trains more effectively by increasing their capacity utilization. Faster turnaround and higher capacity utilization will reduce the number of train-kilometres. VR Cargo's target is to increase the volume of direct carryings from the factory to the port used by the customer. An increasing proportion of pulp and paper is carried in these types of customer trains, in which all the wagons in the train are loaded at the same factory and taken to the same port. Most rail transportation continues to be concentrated in groups of wagons, however.

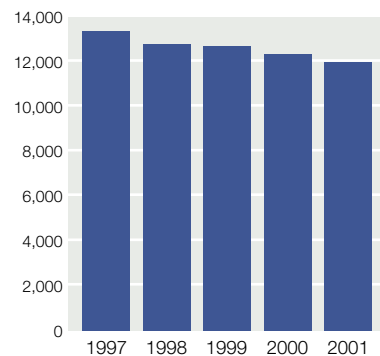
VR Cargo plans a 10% reduction in the number of freight wagons by the end of 2003 and aims to improve efficiency in transport planning. Annual capital expenditure will rise appreciably over the next few years as higher priority will be given to acquiring new wagons rather than modernizing existing rolling stock.



**Customer satisfaction 1997-2001**

Overall grade, scale 4-10

\*) No survey conducted in 1998



**Number of freight wagons 1997-2001**







Rail Network 2020 plan gives guidelines for future years ■ Contracts on the Leppävaara city line and second stage of Automatic Train Protection completed ■ Quality systems in place in all VR-Track's operating sectors

# Solid expertise and robust rolling stock

VR-Track Ltd provides track design, construction and maintenance services for the Finnish government, local authorities, ports and industrial companies using the rail network. 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 efficiently provides high-quality services that ensure rail traffic operates smoothly and safely. The company's goal is to offer customers a total package for rail infrastructure services.

The Finnish Rail Administration published a plan called Rail Network 2020 during the year outlining the long-term strategy for rail infrastructure management. The plan proposes increased maintenance and replacement investments in infrastructure and also emphasizes the need for improving rail safety and deploying more advanced technology.

Apart from developing the existing rail infrastructure, the Finnish Rail Administration will also invest in constructing new lines over the next few years. This will increase the capacity of the rail network and improve the competitiveness of rail transport. The most important new projects are construction of the direct line from Kerava to Lahti and building more city lines in the Helsinki metropolitan area. The Finnish government's annual expenditure on track construction and maintenance has been some EUR 330 million. In addition to this, the market for constructing private tracks and for track maintenance and construction for other industrial sectors is worth EUR 20–30 million a year.

Track construction and maintenance generated net turnover of EUR 235.9 million in 2001. Contracts commissioned by the Finnish Rail Administration accounted for 90% of net turnover. VR-Track's market share of all contracts commissioned by the Finnish Rail Administration was around 70%. The company's own production focused on work requiring a high level of expertise in railway engineering. VR-Track co-operates with private companies for construction engineering projects. The company's order book at the year end was EUR 108 million.

### Contracts in different parts of Finland

VR-Track's largest worksite during the review period was again the section of line between Helsinki and Tampere. Modernization of this section started in the early 1990s. The modernization is scheduled for completion in 2002, apart from some minor finishing work. Sites in the Helsinki metropolitan area included the city line between Helsinki and Leppävaara in Espoo, which was completed during the review period. VR-Track was the contractor for the track and electrical work needed for the line, as well as for some of the safety equipment.

In Eastern Finland VR-Track carried out contracts for infrastructure renovation and modernization, including installation of safety equipment, in the Kotka–Kouvola–Iisalmi area and Lappeenranta–Imatra area. Line superstructure – i.e. rails and sleepers – was replaced on the section of line between Joensuu and Varkaus. The Pohjanmaa line was renovated between Seinäjoki and Oulu and between Kemi and Tornio.

Railway sleepers were replaced on altogether 300 kilometres of track and rails laid on a total of 110 kilometres of track. VR-Track uses an effective track relaying machine for renovating and modernizing lines. The largest contracts ordered by private track owners were carried out in Joutseno, Rauma and Imatra.

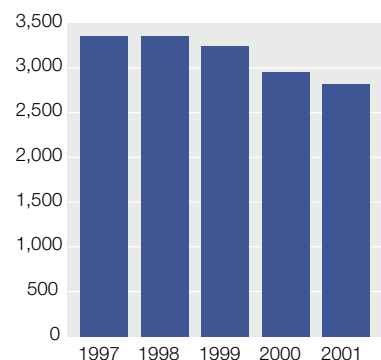
### Second stage of Automatic Train Protection completed

VR-Track reached an important milestone in the Automatic Train Protection (ATP) programme when the second stage of ATP construction was completed on schedule in December 2001. Most passenger traffic is now protected by ATP. The Finnish Rail Administration plans to have ATP deployed on the entire rail network by 2005.



Track construction and maintenance, share of VR's net turnover 2001

■ Track construction and maintenance 20%



Number of employees 1997–2001



VR-Track completed over 400 different assignments in 2001, including the renovation and modernization of tracks and marshalling yards, electrification work and installation of safety equipment.

VR-Track made progress with its design work for upgrading the rail network in Estonia during the year. Also in Estonia, the company continued cleaning ballast under a six-year contract. A VR subsidiary called VR-Track AS operates in Estonia.

The impregnation facility at Haapamäki also entered the export market. At the end of the year the facility signed a contract for impregnating electricity poles for an end-user in Ireland.

### Investment to strengthen service performance

VR-Track acquired a majority shareholding in Megasiirto Oy, a company specialized in bridge construction and moving heavy goods, during the review period. The acquisition strengthens VR-Track's position in the Finnish contracting market.

VR-Track won the Finnish Rail Administration's international tender for providing mechanical inspection of tracks and overhead lines during 2003–2008. The company will procure a new measuring wagon to provide these services.

Capital expenditure was mainly allocated to mobile rail machinery and wagons, and altogether amounted to EUR 12.8 million. VR-Track acquired seven new rail trucks for track maintenance and construction and 12 new ballast wagons during the review period. Installation of onboard ATP equipment on track maintenance and construction machines continued. By the year's end over one-half of the company's track machinery units were equipped with onboard ATP.

### Quality systems in all operating sectors

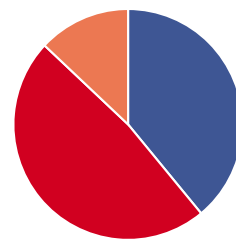
VR-Track has focused on enhancing safety, quality and environmental management systems in recent years. In 2001, all the company's operating sectors had quality management systems in place. All four track centres received quality certificates for their construction and maintenance operations. The electrical installation centre received certification for its environmental management system and the Haapamäki sleeper impregnation facility received both quality and environmental certification. VR-Track's objective is to reach a uniformly high standard in the practical implementation of all the company's safety and environmental management systems.

The largest single IT project, a new system that supports preventive electrical maintenance and troubleshooting, was completed. Progress was made in VR-Track's development target of improving customer relationships and personnel's reaction to customer feedback throughout the company. Surveys showed that customers believe VR-Track's operations have developed favourably and that overall the company provides good customer service.

### Prospects

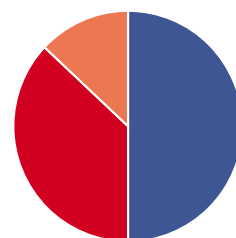
The focus for modernization of the rail network is steadily shifting to Eastern and Northern Finland. Over the next few years a number of new track construction projects will be started in Southern Finland as well as projects to improve automation, safety and track capacity. Work will start on the direct line between Kerava and Lahti and on the urban line between Tikkurila and Kerava in 2002.

VR-Track expects competition in the track maintenance and construction market to intensify. The company plans to concentrate on work that calls for expertise in railway engineering, special track maintenance machinery and a thorough knowledge of rail safety. This will ensure that VR-Track continues to provide competitive services in the future.



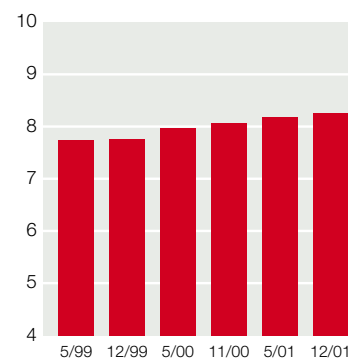
Net turnover 2001

■ Maintenance	39%
■ Construction	48%
■ Engineering, materials and other services	13%



Working hours 2001

■ Maintenance	50%
■ Construction	37%
■ Engineering, materials and other services	13%



Customer satisfaction 1999–2001

Overall grade, scale 4–10





Decline in freight volumes ■ Passenger services strengthened  
 ■ Changes in terminal and depot network

# Road traffic services supplement rail traffic

Oy Pohjolan Liikenne Ab's subsidiaries are responsible for providing road transport services, which supplement VR Group's rail traffic. Freight transport is handled by Transpoint Oy Ab, its subsidiary Combitrans Oy and Oy Transuotila Ab, which specializes in bulk transportation using tanker wagons. These companies use approximately 190 of their own trucks, 750 trucks owned by subcontractors and 60 articulated road tankers. Bus and coach services are provided by Oy Pohjolan Henkilöliikenne Ab and its subsidiaries, which have approximately 310 buses. All these companies aim to be efficient and profitable pioneers in their respective fields.

The Pohjolan Liikenne subgroup holds 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. The group's share of the Finnish bus and coach market is over 5% and of the market for chartered services in the Helsinki metropolitan area 4%. Pohjolan Liikenne's market position in 2001 remained broadly the same as the previous year.

### Growth in passenger transport and tanker freight

The Pohjolan Liikenne group's net turnover amounted to EUR 195.4 million in 2001, an increase of 2% on the previous year. Freight services generated EUR 160.4 million, representing 82% of net turnover and passenger services EUR 35.0 million, 18%.

Freight volumes increased at the beginning of the year, but started declining during the summer. Some 6.9 million tonnes of freight were carried by road in 2001, some 7% less than in the previous year. The lower freight volumes were largely due to shutdowns in the forest industry in the second half of the year. Tanker volumes increased by 12%, amounting to some one million tonnes. Growth in tanker volumes was a result of the new vehicles the group acquired at the end of the previous year and new transport contracts.

A total of 15.2 million passenger journeys were made during the review period, an increase of 5% on the previous year. The acquisition of Pyhtään Liikenne Oy in June 2001 and an increase in contracted transport contributed to this growth. The group streamlined its corporate structure by merging two passenger transport companies during the review period.

### Professional skills highly rated

The customer satisfaction survey, conducted annually, showed that in 2001 customers believed Transpoint's strong points to be the competence of its drivers and its salesmen's professional skills. Transpoint's targets for development are resolving problems and handling refund claims. Combitrans's strengths were professionalism and flexibility, while the company's targets for development are handling non-conformance and communications. Transpoint received a higher rating from customers than in the previous year while Combitrans's rating was slightly lower.

Pohjolan Kaupunkiliikenne again received very high ratings in the customer satisfaction survey for its chartered services. Customers in the Helsinki metropolitan area and in Turku stated that the company offers the best urban transport service in their areas. The company's strengths are the professional skill of its drivers, and the good physical condition and cleanness of the bus and coach fleet.

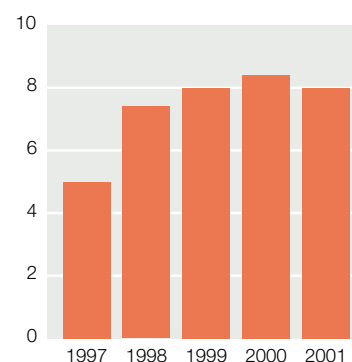
### Improvements in customer service

Transpoint established clearer procedures and processes for the transport order centre it established in 2000. The centre takes orders by phone, over the Internet and by e-mail.



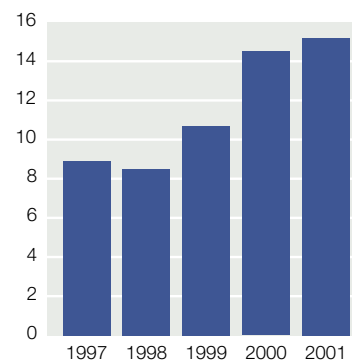
Road services, share of VR's net turnover 2001

■ Road services 17%



Freight volume by road 1997-2001

Million tonnes



Bus and coach journeys 1997-2001

Million





Electronic invoicing was also developed during the review period, and since the end of 2001 customers may now choose between two methods for receiving invoices. Transuotila introduced a new IT system for handling customer orders that makes it easier to prepare and process customers' transport orders. In the autumn the company started delivering heavy oil to the ferries sailing between Finland and Sweden.

Passenger transport focused its development activities on Kymenlaakso, where the group merged the operations of Pyhtään Liikenne, a company it had earlier acquired, with its other business operations. Development of the group's network of terminals and depots continued. Transpoint's terminals at Riihimäki and Lahti were merged. In Kymenlaakso the depot operations for Hamina's, Pyhtää's and Kotka's passenger transport services were centralized in the main depot in Kotka. Kotka's vehicle washing activities were outsourced.

### Prospects

The prospects for freight services are linked to general economic developments. Competition will intensify as freight volumes decline. The outlook for tanker services is more stable. The size of companies in this sector, until now dominated by small firms, will grow. Passenger services also have stable prospects, with slight growth in long-distance transport. A crucial issue is the impact that changes in EU legislation will have on the Finnish transport licensing system.

The objectives for passenger services in 2002 are building an environmental management system and developing a system of designated supervisors. Freight services will focus on offering customers a wider range of transport services and more diversified invoicing options, while also placing high priority on wider adoption of telecommunications.

The volume of VR Group's combined carryings increased by one-quarter during 2001. Truck carrying trains travel from one end of Finland to the other by night. Goods are delivered to their destinations by road.





New service outlets in Pasila and Tampere stations ■ Wider range of catering services on Pendolino trains ■ International award for payment terminals in restaurant cars

# New catering services on Pendolino train

Avecra Oy provides catering services in cafés, restaurants and kiosks at Finland's larger railway stations and on long-distance trains. Avecra has some 30 outlets at railway stations and provides daily services on about 130 trains. Avecra aims to provide high-standard services, operate efficiently and ensure customer satisfaction, while motivating personnel and securing personnel commitment.

The situation in the catering sector has remained broadly the same during the last ten years. Seating for customers grows faster than overall demand for catering services each year. A recent trend is growth in food sales, although sales of alcoholic beverages declined over the same period. Avecra's market share has contracted over the last few years, partly because railway stations are located outside town and city centres.

During 2001 the company continued to give priority to developing its operations in Helsinki railway station. Clearer focus was given to the business concepts for the service outlets opened there last year, with the aim of improving the quality of products and services while also enhancing cost-efficiency. Net turnover of catering services amounted to EUR 29.4 million, representing growth of 3% on the previous year.

Baguette&Co, encouraged by favourable feedback about its new outlet in Helsinki station, opened outlets in Pasila and Tampere stations as well. Baguette&Co offers customers fresh baguettes with a range of fillings, baked on the premises. Aseman Würsti, a new type of kiosk specializing in hot sausages that met with success in Helsinki, opened a kiosk adjacent to Baguette&Co's in Tampere station.

Avecra closed the restaurant at Karjaa station during the year. Towards the end of the year Avecra also decided to close the Semafori restaurant at Tampere station at the beginning of 2002.

### New restaurant in the Pendolino

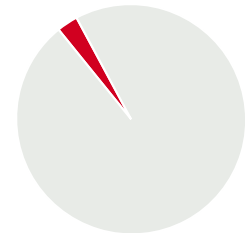
Avecra's A-Catering, which provides catering services on trains, developed a new service package especially for Pendolino trains. Coffee at the self-service counter is now included in the price of Business class tickets on Pendolino trains. Passengers in Business class compartments can also order breakfast or a snack served at their seats. The Prego restaurant also has more seating room and a more diversified menu that includes hot meals and bread baked in the restaurant car.

Trolley catering services expanded as more double-decker InterCity2 trains were placed into service. The IC2 trains do not have restaurant cars; all catering services are provided from trolleys. This change reduced A-Catering's net sales by 3% in 2001. Avecra launched a programme aimed at adjusting costs to the reduced volume of sales during the year, which will continue during 2002.

A-Catering was one of the winners of Computer World magazine's Wireless Innovator 2001 awards in recognition of the payment terminals the company introduced in restaurant cars, which are wirelessly linked to the company's other IT systems. Developed specially for Avecra, the system is the only one of its kind in the world.

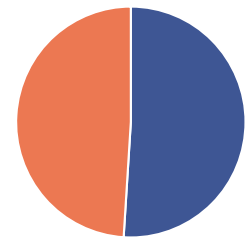
### Prospects

Competition in the catering sector is expected to remain broadly the same as in previous years. The main development target for 2002 is the refurbishment of the Eliel restaurant in Helsinki railway station. This will make the Eliel a comfortable restaurant offering a wide range of services to train passengers and other station visitors.



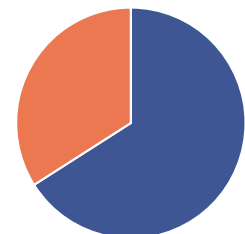
**Catering services, share of VR's net turnover 2001**

■ Catering services	3%
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**Net turnover 2001**

■ Restaurants in trains	51%
■ Restaurants at stations	49%



**Personnel 2001**

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







keskus  
rum Travel Centre

Information icons

Additional information icons



New human resources strategy formulated ■ Dialogue with personnel about shared values ■ Skills survey launched

# Personnel management given higher priority

VR is an established employer of long standing 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. The company collaborates closely with employees to achieve results.

VR Group gave its policy for personnel management sharper focus in 2001. A human resources strategy was formulated as part of the Group's review of its business strategies. Higher priority will be given to personnel management in the Group as a whole and in all VR's companies and units over the next few years.

The VR Group is Finland's largest employer. The company employed an average of 14,900 people in 2001. Most of the personnel, 9,100 people, worked in rail transport operations. Some 2,800 people were employed in track construction and maintenance. The number of the Group's personnel declined by 3% compared to the previous year.

One principle of the Group's personnel policy is that employees are offered new positions within the Group in the event of restructuring. Recruitment from outside the Group has been moderate for some time now, and this policy will continue. Some personnel were recruited from outside the Group during the review period, mainly for specialist duties.

## Dialogue with personnel about shared values

The Group's new human resources strategy for 2002–2006 will focus on strengthening VR's unified and long-term management culture. The strategy also focuses on managing VR's rapidly changing personnel structure. The average age of VR's personnel is 45 years, and natural depletion of personnel over the next ten years is expected to be 42%. VR has identified the key success factors for its strategy as supervision targeted at improved performance of the working community, skills management, preparation for future new recruitment and effective use of personnel resources.

VR has engaged in an open dialogue with personnel about the company's values as one element in formulating its strategy. Each employee has the opportunity to express opinions about the values proposed by management. This dialogue has provided much useful feedback about the company's working methods and management. VR's shared values will be finalized during 2002.

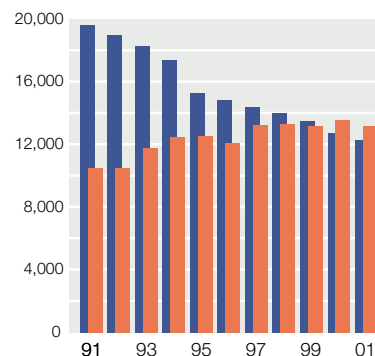
High priority was given to appraisal discussions for formulating personal development plans and annual operational targets during the review period. The aim is to firmly integrate these discussions into standard management practices, development activities and the normal interaction between supervisors and employees at all organizational levels. A number of internal trainers have been designated in different units to support supervisors' development activities. The objective is to create new ways of working that enable employees to participate more actively in developing their own jobs and in developing the whole company.

## The right skills

Maintaining a competitive position, strengthening customer relationships, growth in e-business and other technical developments place high demands on the skills of VR's personnel. In response to these demands, VR formulated a unified model for skills management in 2001. E-business was the first field of expertise reviewed.

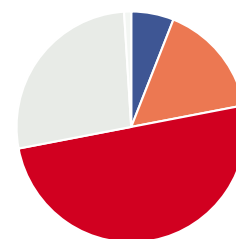
VR's training courses are both practical and diversified. A higher proportion of training was devoted to job guidance and more opportunities for distance learning were provided during the year. VR launched an online website that offers all interested personnel the opportunity for independent learning.

Training for locomotive drivers restarted after a break of several years. The course is of about one year's duration. Supplementary courses focused mainly on supervisor training. The first group of middle management participants completed a one-year course on managing



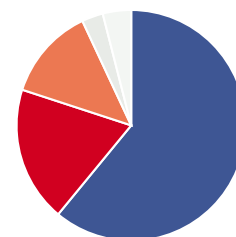
Number of rail employees and transport volumes 1991–2001

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



Age structure 2001

■ 20–30 years	6%
■ 31–40 years	16%
■ 41–50 years	50%
■ 51–60 years	27%
■ Over 60 years	1%



Personnel by business

■ Rail services	61%
■ Track construction and maintenance	19%
■ Road services	13%
■ Catering services	3%
■ Other	4%





people and change management. Middle management training continued with two new groups, and the training programme for supervisors was also continued.

One element of VR's personnel training programme is apprenticeship contracts. VR-Track provided vocational training to the electrical and safety equipment fitters the company recruited under apprenticeship contracts. AVECRA continued the apprenticeship training for its catering staff that is aimed at obtaining professional qualifications, and close to 20% of the company's personnel have participated over the years. Transpoint also signed apprenticeship contracts with its new drivers.

An important element in VR's human resources strategy is maintaining and continuously improving the level of employees' work fitness. The aim is that personnel are fit and able to work throughout their working careers. VR conducted more medical examinations and will shorten the interval between checkups in future years. An extensive study of the level of work fitness of traffic controllers and locomotive drivers, jointly conducted with the Finnish Institute of Occupational Health, was completed during the year. The study provided useful input for improving medical examinations of people in jobs related to traffic safety.

### Prospects

The objective for 2002 is to apply the reformulated human resources strategy and monitor the results of development activities. Establishing the Group's new values as fundamental elements of practical everyday work is of key importance and high priority will be placed on developing the processes for managing skills.

One challenge that VR faces is the uneven development of employment prospects in different parts of Finland. More personnel will be needed to service the Helsinki metropolitan area as commuter traffic grows. Elsewhere in Finland, on the other hand, VR will be reducing jobs over the next few years but not many new jobs will be created.

A locomotive driver has a high degree of responsibility. Training for new drivers restarted during the review period after a break of several years.

Three-year Rail Safety Programme completed ■ Automatic Train Protection improves safety ■ Higher priority on safety at level crossings

## Safety is foremost in VR's core values

Safety receives top priority in VR's day-to-day operations. VR's target is to improve rail safety to the level where Finland ranks among the top European countries in terms of safety standards. The three-year Rail Safety Programme initiated in 1999 was completed during the review period and a new programme was prepared for 2002–2004. The new Rail Safety Programme again places high priority on the continuous training of personnel.

VR's Rail Safety Programme outlines the practical targets and main development projects for VR's safety activities. The principles, organization and responsibilities for rail safety are documented in VR's safety policy, which also addresses other aspects of corporate safety. The policy prepared in 1995 was updated in 2001 in order to emphasize the significance of safety as a core value and to define safety as a key function in supporting business operations.

The main targets of the now completed three-year programme were achieved. The level of rail safety improved. There were no serious collisions or other such accidents in rail traffic that could have caused the death of VR's passengers or personnel.

The most serious accident during the review period occurred at Tampere station in November when an electric locomotive collided with the rear end of a passenger train. The locomotive was relocating to another line for coupling with another train. 48 persons received injuries. None of these people sustained permanent injury. Two people died and five were seriously injured during the year after falling from a moving train or attempting to board a moving train. Two people were injured doing line work.

### ATP system covers the main line network

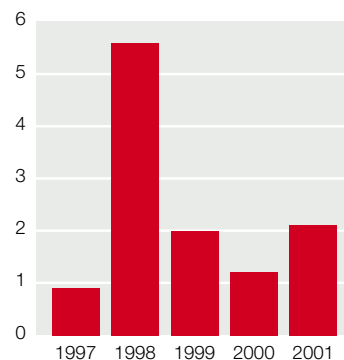
A central target of the Rail Safety Programme has been to extend the Automatic Train Protection (ATP) system to cover the entire main line network by the end of 2001. Although demanding, the work was completed on schedule. ATP is now deployed on some 2,500 track-kilometres. The ATP system monitors compliance with speed restrictions and stops the train if necessary. The Finnish Rail Administration has overall responsibility for the system, while VR installed the ATP equipment in locomotives and track machinery. Other important safety developments have included harmonization of the signal system, the updating of safety training courses for personnel and improvements in safety management.

An advance warning system was introduced in rail services in November. Locomotive drivers, traffic controllers and track maintenance personnel receive more precise information about advance warnings of line work and other traffic disruptions from the system. An extensive analysis of the fitness of rail traffic personnel doing demanding work was completed towards the end of the year. Part of the Rail Safety Programme, the analysis was conducted in cooperation with the Finnish Institute of Occupational Health and the results will be used to improve health at work.

The Rail Safety Programme also focused on reducing situations where passengers are able to fall from a moving train. By year's end, the older blue-liveried rolling stock had been equipped with a door-locking system that prevents doors opening when the train is moving. All InterCity, Pendolino and commuter trains are provided with an automatic door-closing system.

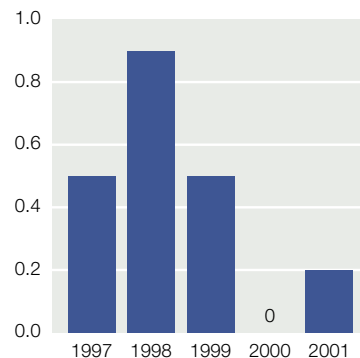
### Priority given to level crossings

In the spring, the safety committee appointed by Ministry of Transport and Communications submitted a programme for improving safety at level crossings. The programme aims to eliminate 1,100 level crossings by 2015 and provide the remaining level crossings with safety equipment. The Ministry of Transport and Communications, Central Organization for Traffic Safety in Finland, Finnish Road Administration, police and VR have conducted a joint campaign directed at making drivers more safety conscious at level crossings. The



Fatalities and seriously injured passengers 1997–2001

Per billion passenger-km



Collisions in rail traffic 1997–2001

Per 10 million train-km



campaign has focused particularly on the sections of line from Seinäjoki to Vaasa and Kasinen and from Oulu to Tornio.

A total of 60 accidents occurred at level crossings during the review period, compared to 52 in the previous year. Twelve people were killed and five seriously injured in accidents at level crossings, but there were no injuries to train passengers. The worst accident during the review period occurred in July in Kärkölä, when five people in a private car lost their lives. The accident report established that the car had driven in front of an approaching express train despite the warning signals.

### Prospects

VR will shift the focus of the Rail Safety Programme away from large investments and more towards practical safety in everyday work. The main focus of the programme for 2002–2004 is again directed at continuous personnel training and instruction. Risk analysis and safety management are also high priorities. A special training programme targeted at supervisors and specialists will be launched during 2002.

The two biggest safety projects over the next few years are further deployment of the Automatic Train Safety (ATP) system and construction of a new radio communications system. The ATP system will be extended beyond the main line network. The Finnish Rail Administration's target is for ATP to cover the entire rail network in Finland by 2005.

The new radio communications system will also cover the whole rail network and is scheduled to be in service by 2006. The same GsmR radio system is being constructed in many other European countries. The new system reduces interference in railway communications and provides faster communication between traffic control and trains. The Finnish Rail Administration will be responsible for constructing the system while VR will install the new equipment on its trains.

The standard of rail safety has risen over the past few years, partly because of Automatic Train Protection. The ATP system now covers all main lines and will be extended to the entire rail network by 2005.



- New environmental management certificates ■ Electrified services extended
- Decontamination of land areas continued

## Rail is a more eco-friendly means of transport

The main focus of VR's environmental activities is directed at minimizing the impact of rail traffic by reducing emissions, noise and vibration while also addressing the risks associated with transporting hazardous substances. VR seeks efficiency in the use of energy, materials and chemicals and in recycling reusable materials. VR also places high priority on the cleanness of railway stations and marshalling yards and the physical condition of railway rolling stock.

Environmental friendliness is one of VR's key success factors. The Group's Environmental Policy sets out guidelines for the company's environmental activities. In line with this policy, VR is committed to improving environmental conservation and applying the principles of sustainable development in all its operations. In 2001 the Group supplemented its Environmental Policy with the publication of its environmental strategy.

Group companies apply a common environmental management system and prepare their own environmental programmes every year. VR's environmental organization comprises the Group's Environmental Manager, the Environmental Coordinators of Group companies and officers responsible for environmental issues at specific sites.

VR Ltd's freight services and passenger services, and Transpoint's road transport services have ISO 14001 environmental certification. VR-Track's wood impregnation plant at Haapamäki and electricity installation centre at Hyvinkää, and Combitrans's road transport services received their first ISO 14001 certificates in 2001.

### Most environmental impact from energy consumption and emissions

The main environmental impact of VR's operations is caused by energy consumption and the resulting emissions. Fossil fuels used by diesel stock and for generating energy are the source of carbon dioxide, nitrogen oxide and sulphur dioxide emissions. Electric rail traffic saves energy and produces fewer emissions. Diesel-powered trains produce 71 % of all carbon dioxide emissions from rail traffic although only 25 % of rail traffic is diesel-powered.

Rail traffic's energy performance in terms of tonne- and passenger-kilometres remained broadly the same as the previous year, at 0.28 MJ. VR's target is to reduce energy consumption to below 0.23 MJ per tonne- and passenger-kilometre by 2012. Energy savings can be made by increasing the proportion of electric tractive stock, improving shunting efficiency when assembling trains, increasing the utilization rate of passenger and freight capacity, and by modernizing rolling stock.

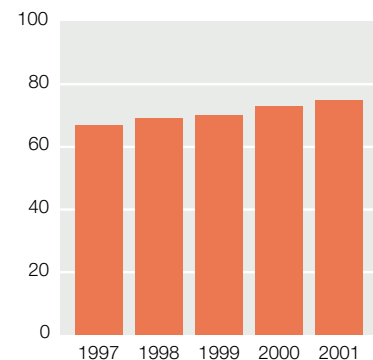
There were no serious licensing infringements that could injure health or damage the environment during 2001, nor were there any court cases or claims against VR concerning its environmental performance. VR and various public bodies received some complaints about noise caused by loading wagons and by line work during the year.

Costs for surveying and decontaminating land areas during 2001 amounted to EUR 440,000. The surveys did not identify any sites that would require booking a provision for environmental activities. No other provisions relating to environmental performance were recorded.

A total of EUR 5.4 million was paid in environmentally-related taxes and statutory fees. VR paid energy tax of EUR 590,000 on electricity, EUR 4.7 million on light fuel oil and diesel oil, and EUR 120,000 in tax on waste sent to landfill sites. Track charges, which are partly based on external transport costs, amounted EUR 52.5 million.

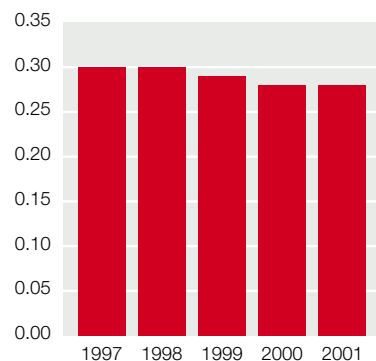
### Electrified services extended

VR started an electrified service on the section of line between Raahе and Tuomioja during the review period. The proportion of all rail traffic that is now electrified increased to 75 % in 2001. VR's target is to raise this figure to 80 % by 2012.



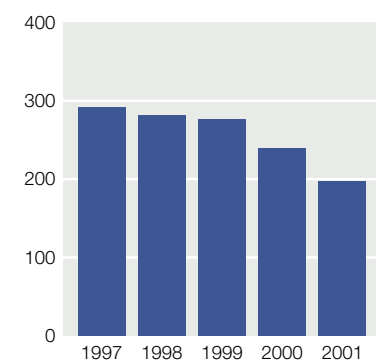
Electric traction, share of total train-km 1997–2001

%



Energy consumption by total transport volume 1997–2001

MJ/(tonne-km + passenger-km)



Carbon dioxide emissions in rail services 1997–2001

1,000 tonnes



Safety analyses, based on regulations issued by public authorities, were conducted at ten marshalling yards during the year. The sites analysed were the marshalling yards at Kouvola, Vainikkala, Hamina, Kotka, Sköldvik, Joensuu, Niirala, Riihimäki, Tampere and Oulu. Large volumes of hazardous substances pass through these yards every year. No emissions dangerous to health or damaging to the environment occurred in the transport of hazardous substances during 2001. A total of 5.8 million tonnes of hazardous substances were carried during the year, 9% less than the previous year.

Track maintenance operations introduced a weed-killing substance and a lubricant for track points that are less harmful to the environment. Transpoint continued its programme for teaching drivers economic driving habits. A total of over 600 drivers have now received eco-training on a new environmentally friendlier driving style. Introduction of a waste sorting process in catering operations was completed according to plan.

The surveying, investigation and decontamination of polluted land areas continued. Two of VR Group's largest sites, Pasila and Hyvinkää workshops, were examined, and two other sites at Seinäjoki and Kokkola.

Harbour storage of fuels was centralized at Vihreäsaari in Oulu during the review period, and the storage facility and oil tanks at Tahkoluoto in Pori were sold. The lease expired on the storage facility at Vaskiluoto in Vaasa and the oil tanks located there were sold.

## Prospects

The greatest environmental challenges over the next few years relate to reducing emissions of greenhouse gases, and especially of carbon dioxide. The main methods for achieving this are improving efficiency in the use of energy and increasing the proportion of electric traction in rail transport. Higher efficiency will also be sought in waste sorting and recycling. External auditing and certification of the environmental management systems of the Group's companies will continue.

Electric trains save energy and produce fewer emissions and less noise. Environmentally friendly rail transport has become more popular in the Helsinki metropolitan area in recent years.





1

Lahtoaika  
Tid  
Time

Uusi aika  
Ändrad tid  
Delayed

Juna  
Tåg  
Train



07:47 IC 48

HELSINKI TAMPERE HÄMEENLINNA

PASILA



# 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) and Finnish-American Chamber of Commerce (deputy chairman)

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, Pohjola Group Plc, Pohjola Customer Service Ltd and Pohjola Non-Life Insurance Company Ltd



### **Antti Remes**, Deputy Chairman

Born 1947

MSc (Econ. and Bus. Admin.)

Managing Director, Cooperative Tradeka Corporation, Tradeka Group Oy

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, ECR-Finland 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 (the Finnish Credit Card Institution) and Varma-Sampo Oy



### **Kalevi Alestalo**

Born 1947

MSc (Soc. Sc.)

Ministerial Adviser, Ministry of Transport and Communications

Member of the Board of VR-Group Ltd since 1998



### **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, National Emergency Supply Agency 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) and AB Nynäs Petroleum (deputy chairman)

Member of the Board: Confederation of Finnish Industry and Employers



**Board of Management**

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

**Juhani Kopperi**  
Born 1940, LL.M.  
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, LL.M.  
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

## Supervisory Board

Tapio Karjalainen, MP, Chairman	Mika Nykänen
Raija Vahasalo, MP, Deputy Chairman	Lauri Oinonen, MP
Eero Akaan-Penttilä, MP	Jouko Oittinen
Ralf Grahn	Osku Pajamäki
Leea Hiltunen, MP	Katariina Poskiparta
Alf Jakas	Erkki Rantala
Ulla Juurola, MP	Timo Rautajoki
Marina Krause-Holmström	Harri Rumpunen
Paula Lehtomäki, MP	Pentti Tiusanen, MP
Olli Männikkö	Marjatta Vehkaoja, MP
Pekka Nousiainen, MP	

## Auditors

Erkki Mäki-Ranta, Approved Accountant,  
Chartered Public Finance Auditor  
KPMG Wideri Oy Ab:  
Pentti Savolainen,  
Authorized Public Accountant

## 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.

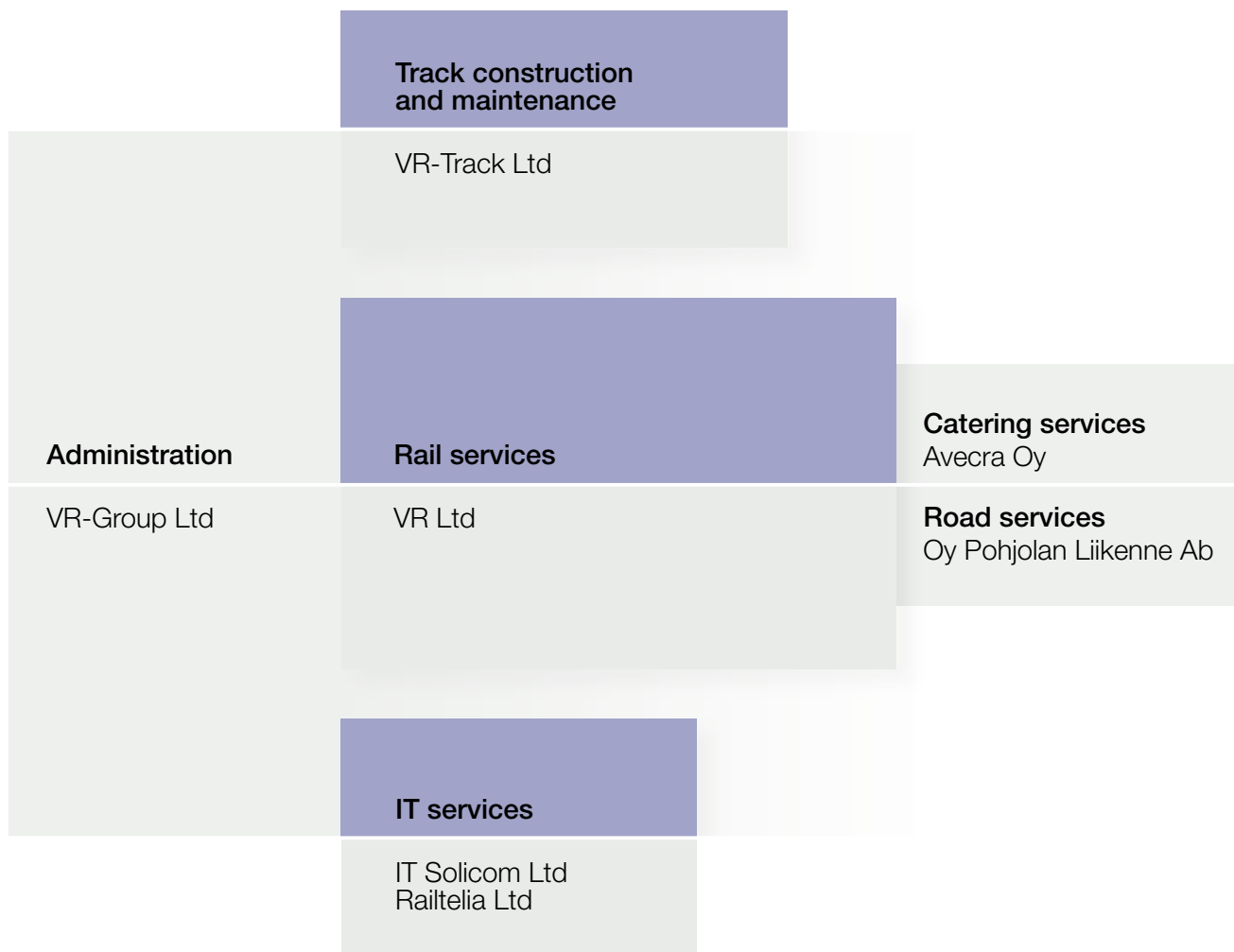
The President of VR-Group Ltd is also the Chief Executive Officer of the VR Group.

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.





	2001	2000	% change <sup>1)</sup>	1999	1998	1997
<b>Freight services</b>						
<b>Carryings, 1,000 t</b>						
By rail	41,678	40,501	2.9	39,979	40,740	40,321
Finland	23,993	24,072	-0.3	23,212	23,613	23,603
International	17,685	16,429	7.6	16,767	17,127	16,718
East	12,631	12,703	-0.6	12,912	12,986	11,935
Transit	4,006	2,671	50.0	2,809	2,948	3,368
West	1,048	1,055	-0.6	1,046	1,193	1,415
By road	7,988	8,399	-4.9	7,993	7,384	5,017
<b>Total</b>	<b>49,666</b>	<b>48,900</b>	<b>1.6</b>	<b>47,972</b>	<b>48,124</b>	<b>45,338</b>
<b>Tonne-kilometres by rail, million</b>						
Finland	6,588	6,802	-3.1	6,380	6,313	6,257
International	3,269	3,305	-1.1	3,373	3,572	3,599
East	2,170	2,473	-12.3	2,525	2,571	2,441
Transit	772	473	63.2	485	578	652
West	327	359	-8.9	363	423	506
<b>Total</b>	<b>9,857</b>	<b>10,107</b>	<b>-2.5</b>	<b>9,753</b>	<b>9,885</b>	<b>9,856</b>
<b>Passenger services</b>						
<b>Journeys, 1,000</b>						
By rail	54,987	54,783	0.4	53,209	51,370	49,980
Long-distance	11,561	11,783	-1.9	11,851	11,985	12,031
Commuter	43,426	43,000	1.0	41,358	39,385	37,949
Helsinki metropolitan area	33,166	32,300	2.7	31,000	29,300	28,000
Other	10,260	10,700	-4.1	10,358	10,085	9,949
By road	15,248	14,456	5.5	10,747	8,472	8,930
<b>Total</b>	<b>70,235</b>	<b>69,239</b>	<b>1.4</b>	<b>63,956</b>	<b>59,842</b>	<b>58,910</b>
<b>Passenger-kilometres by rail, million</b>						
Long-distance	2,596	2,707	-4.1	2,748	2,737	2,766
Commuter	686	697	-1.6	666	640	610
Helsinki metropolitan area	316	308	2.6	295	279	260
Other	370	390	-5.0	371	361	350
<b>Total</b>	<b>3,282</b>	<b>3,405</b>	<b>-3.6</b>	<b>3,414</b>	<b>3,377</b>	<b>3,376</b>
<b>VR Group personnel</b>	<b>14,913</b>	<b>15,405</b>	<b>-3.2</b>	<b>16,075</b>	<b>16,439</b>	<b>16,690</b>
<b>Energy consumption in rail traffic, %</b>						
Electric traction	75.4	72.9	-	69.9	68.8	67.4
Diesel traction	24.6	27.1	-	30.1	31.2	32.6

1) % change refers to the change from 2000 to 2001.

## Automatic Train Protection (ATP)

The ATP system consists of equipment installed both on the track and onboard locomotives. ATP ensures that the train complies with speed limits, warning signs and line signals. If the train exceeds the permitted speed, the ATP system brakes the train automatically. ATP will cover the entire rail network in Finland in 2005.

**Ballast cleaning** The removal of impurities and finely ground granules from the ballast that supports and anchors the track.

**City line** A line exclusively for commuter traffic in the Helsinki metropolitan area, providing frequent train services. The first city line, between Helsinki and Hiekkaharju in Vantaa, was completed in 1996, and the second, between Helsinki and Leppävaara in Espoo, in 2001. The city line between Hiekkaharju and Kerava will be completed in 2004.

**Combined transport** In combined transport, the freight remains in the same container or unit from departure to destination while being carried by at least two different means of transport. A long terminal-to-terminal journey is made by rail, ship or inland waterway while short pick-up and delivery trips are made by road.

**EDI** Electronic Data Interchange. The exchange of messages in electronic format between large companies.

**Express train** Express trains consist of conventional passenger coaches, traditionally blue in colour, that are in service between larger cities and on long-distance routes.

**Finnish Rail Administration** A civil service department, subordinate to the Finnish Ministry of Transport and Communications, which is responsible for maintaining and developing the rail network, for rail safety and for other administrative duties relating to infrastructure management. [www.rhk.fi](http://www.rhk.fi)

**Full-train** A train of a weight or length that uses the full tractive power of the locomotive, and the wagons of which are loaded in the same location and taken to the same destination.

**Gauge adjusting device** A device for adjusting the width of wagon wheel-and-axle sets to match the width (i.e. gauge) of the rails. The device is undergoing trials in Tornio, Finland. The rail gauge in Finland is 1,524 mm and in Sweden 1,435 mm.

**Green Departure** A train service that is 15% cheaper than the normal price, but with limitations on using and cancelling the ticket. Green Departures account for some 10% of all long-distance train services.

**GsmR radio system** A new radio system for European railways that reduces interference when sending and receiving messages and speeds up contact between traffic control and the train. The system will cover the whole of Finland in 2006.

**Hazardous substances** Substances that can injure people, harm the environment or damage property because of their explosive,

flammable, radiational, toxic, corrosive, etc. properties.

**Helsinki Metropolitan Area Council (YTV) zone** The Helsinki Metropolitan Area Council (YTV) zone includes Helsinki, Vantaa, Espoo and Kauniainen. YTV is a cooperative council for the Helsinki metropolitan area that produces public transport services, among other services, for its area.

**InterCity (IC) train** InterCity trains are in service between larger cities, and contain single-decker and double-decker coaches. IC trains are ideal for business travellers while also meeting the needs of families, the physically handicapped, passengers with allergies and passengers travelling with pets.

**InterCity2 (IC2) train** An InterCity2 train consists entirely of double-decker coaches and is no smoking throughout. Catering services on IC2 trains are provided by staff who circulate the passenger compartments with trolleys. InterCity2 trains have a nominal top speed of 200 km/h.

**Kerava-Lahti direct line** A new rail connection between Kerava and Lahti. Construction of the track will start in autumn 2002, and is scheduled for full completion, including bridges and railway stations, in 2006. Once completed, the fastest journey time from Helsinki to Lahti will be 44 minutes.

**Partial-load and full-load carryings** Partial-load and full-load carryings are used to transport large quantities of freight, and are based on agreements between the customer and the carrier. Depending on the agreement, the customer can use either complete trucks (full-load) or parts of the truck's capacity (partial-load).

**Passenger-kilometre** A performance measurement for passenger transport representing a journey of one kilometre made by one passenger.

**Pendolino train** A Pendolino is a high-speed train for passenger services between major cities. The Pendolino has a top speed of 220 kilometres an hour. The Business class on the Pendolino includes a high standard of service for business travellers. The tilting pressure-proofed body of the train inclines around corners, ensuring good passenger comfort at high speeds.

**Rail-ferry** Ferry services between Turku and Germany and between Turku and Sweden. The freight wagons are then transported onwards from the ports to continental Europe and Scandinavia. The bogies of the wagons are changed at Turku harbour to the correct gauge for the destination country.

**RailTrace** A service developed by VR that enables the progress of consignments conveyed by rail to be tracked over the Internet. The RailTrace service covers all rail freight transport in Finland and from continental Europe to Finland. RailTrace is a part of the TEDIM programme, which is coordinated by the Finnish Ministry of Transport and Communications.

**Regional train** Regional trains offer a basic service and also stop at small stations. Seats cannot be reserved on regional trains. The trains are either pulled by locomotives or are electric train sets.

**Safety equipment** A system that consists of rail points controlling the direction taken by the train, switching devices for the rail points, and signals which function as traffic lights for trains.

**SeaRail** A package including travel by both ship and train, with a 50% discount on the train travel.

**Standardized timetable** A timetabling structure in which the departure times and stops are standardized for different train types. A standardized timetable will be introduced for the busiest routes in Southern Finland in summer 2002.

**TEU** Twenty-Foot Equivalent Unit. A unit of measurement used in container traffic, which refers to one 20-foot container.

**Tonne-kilometre** A performance measurement for freight traffic representing one tonne of freight multiplied by a distance carried of one kilometre.

**Track renovation** Renovation improves the performance of the track, thereby enabling rail services to travel at higher speeds or, in the case of freight traffic, to use higher axle loads.

**Track superstructure** Track superstructure consists of the rails, railway sleepers and ballast of a railway line. Rails with a weight of 60 kg/m are used on main lines. Nowadays only concrete sleepers are used for new tracks. The track – i.e. the pair of rails and the sleepers – is supported and anchored by ballast.

**Transshipment** The moving of freight from one wagon to another – for instance because of differences in rail gauge.

**Transit traffic** Traffic passing through Finland en route for a third country. Most of VR's transit traffic comes from Russia and passes westwards via Finnish ports.

**Travel card** A travel card can be used to pay for journeys on public transport. It is a ticket or other means of payment. A travel card can be used to pay for train journeys within the Helsinki Metropolitan Area Council travel zone. It can be loaded with time, for travel during a set period, or with a monetary value.

**Travel Centre** A Travel Centre is a transport service point in a central position in a town or city, enabling trouble-free interchange between different modes of transport. A Travel Centre contains ticket sales, information services, waiting facilities and other services for all modes of transport under a single roof. A Travel Centre is a junction point for local, regional and national passenger transport services.



10:32 2 HELSINKI IC 58 R  
10:34 1 OULU IC 49 R  
10:37 4 JYVASKYLÄ P 562  
10:40 3 VAASA P 521  
13:20 1 HELSINKI P 52  
13:38 1 ROVANIEMI P 51



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# Report by the Board of Directors

## Market conditions and operating environment

The long period of economic growth turned into decline during 2001 and for the first time since the recession in the early 1990s industrial production and export figures decreased. The main reason for this was a downturn in the principal markets of Finland's exporters early in the year, a trend which was accelerated by the momentous geopolitical events in the autumn.

Forest industry production, which is of particular importance to rail operations, decreased according to preliminary information by 7%, which had a direct impact on demand for VR's freight services. With a simultaneous reduction in volume in the chemical industry, the moderate growth recorded by the metal industry was not able to compensate for the fall in demand for transport services in Finland. Vigorous growth in transit traffic, however, meant that total freight carryings increased on the previous year.

The structure of Finland's manufacturing and process industries and the country's long transport distances favour rail transport, which for some time has represented roughly 25% of the total freight transport in Finland. This market share increased slightly during 2001. Elsewhere in the EU rail typically accounts for upwards of 13% of total freight traffic.

Demand for rail services in passenger transport reacts more mildly and slowly to business cycle changes than other forms of transport. Several other factors also blur this causal relationship such as changes in energy prices, the efficiency of the transport networks and socio-economic changes. Contrary to the situation in freight transport, rail represents a smaller share of the passenger services market in Finland than in other EU countries, approximately 5% in Finland compared with 6% on average in the EU. The main reason for this is Finland's small population and therefore the relatively low frequency of public transport services.

The city line connecting Helsinki city centre and the suburb of Leppävaara was completed in August, allowing commuter and long-distance services to run on their own tracks. A further 86 daily services were added to this stretch of line as well, bringing the total number of daily commuter services in the Helsinki metropolitan area to over 700. The Helsinki Metropolitan Area Council's travel cards were gradually introduced on a pilot scale during the latter half of the year.

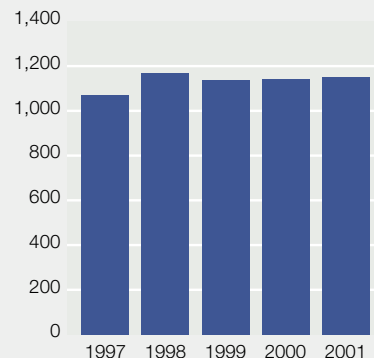
A new ticket system was introduced in June based on train types and the standard of service they provide. Separate seat tickets and extra charges for different train types were abolished. Pre-purchased tickets on all except regional trains now include a seat reservation. The new ticket system also lays the groundwork for the introduction of electronic ticket purchasing systems in the future. The system was fine-tuned in certain respects during the year following feedback from passengers.

Some InterCity services between Helsinki and Jyväskylä were upgraded to Pendolino services in October. Over 90% of long-distance trains and 98% of commuter trains arrived at their destinations on time; in long-distance traffic this means delays of no more than five minutes and in commuter traffic three minutes. The introduction of the euro took place as planned and without any notable problems.

## Consolidated turnover, result and liquidity

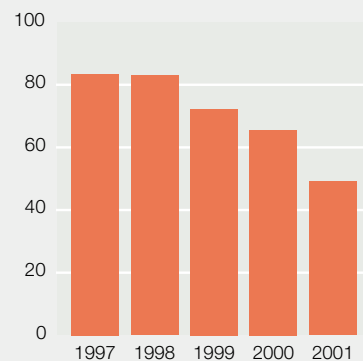
The Group's net turnover totalled EUR 1,150.9 million having been EUR 1,143.0 million in the previous year. Net turnover grew in both passenger and freight traffic whereas net turnover from track construction and maintenance contracts decreased. Turnover in other business segments changed very little. Operating expenses were increased in particular by pension costs, which rose EUR 6.7 million. Other cost increases were absorbed by improvements in efficiency.

The Group posted an operating profit of EUR 49.0 (65.5) million and the net profit for the year was EUR 42.0 (51.6) million.



Net turnover 1997-2001

M€



Operating profit 1997-2001

M€



The Group's liquidity was good throughout the year. Net interest income amounted to EUR 12.3 (11.0) million. No new external long-term loans were raised during the year except for state housing loans for housing properties owned by Avarra-Asunnot 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 almost 3% to 41.7 million tonnes, which was a record in VR's history. Of this total, 24.0 million tonnes came from domestic traffic and 17.7 million tonnes from international traffic. Domestic traffic decreased almost half a percentage point whereas international traffic grew almost 8%. 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.

Within domestic traffic, forest industry carryings fell nearly 2%. Metal industry carryings rose 4% and chemical industry carryings declined almost 1%.

Traffic between Finland and Russia, totalling 12.6 million tonnes, decreased almost 1%. More than half of the total consists of raw timber imports into Finland, over one quarter comprises chemical industry products and the rest consists almost entirely of metal industry products. Raw timber carryings increased but chemical and metal industry carryings both declined.

Transit traffic via Finland amounted to 4.0 million tonnes, up 50% on the previous year. Chemical carryings, principally petroleum products from Russia to western Europe, accounted for almost 80% of the total. This freight category also showed the largest increase.

Direct train traffic between Finland and western Europe remained at approximately one million tonnes. Most of this freight is carried by ferry from Finland to Germany and Sweden. Freight transported via Tornio and Haaparanta in northern Finland represented one-fourth of total carryings to the west.

In passenger services 55.0 million journeys were made during the year, once again the highest annual total recorded by VR. The increase on 2000, half of one percent, came from commuter traffic in the Helsinki metropolitan area which rose almost 3%. Altogether 43.4 million journeys were made in commuter traffic. The number of journeys in commuter traffic was raised at the end of the year by the completion of the Helsinki-Leppävaara city line, which improved the level of service.

Long-distance traffic showed a decline of almost 2% and totalled 11.6 million journeys. Journey times in long-distance traffic have remained unchanged or actually increased in the past two years owing to the technical standard of the lines. This was particularly true of the Savo and Karjala lines, on which the Finnish Rail Administration decided to impose temporary speed restrictions.

Passenger volumes in Pendolino services between Helsinki and Jyväskylä increased clearly compared to the earlier InterCity services. Altogether 240,000 journeys were made in passenger traffic between Finland and Russia, an increase of 16%. Travel was especially lively during holiday periods.

## Road services

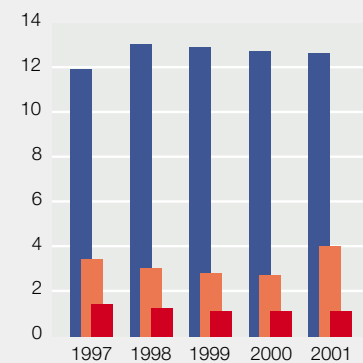
VR's road transport operations are handled by Oy Pohjolan Liikenne Ab and its subsidiaries. Transpoint Oy Ab is a national carrier of general cargo and Combitrans Oy handles partial and full-load carryings. Oy Transuotila Ab carries liquid fuels. The Pohjolan Liikenne companies carried a total of 8.0 million tonnes of freight, down 5% on the previous year mainly because of slacker business conditions in the forest industry. Pohjolan Liikenne companies owned 255 trucks at the end of the year and employed a further 750 trucks owned by subcontractors.

Road services in the Pohjolan Liikenne group are organized around two companies. Oy Pohjolan Henkilöliikenne Ab is responsible for regular and charter coach 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 15.2 million passengers, an increase of 5% on the previous year mainly because of acquisitions. There were 310 coaches in service at the year end.

Net turnover from road services totalled EUR 195.4 (193.9) million.

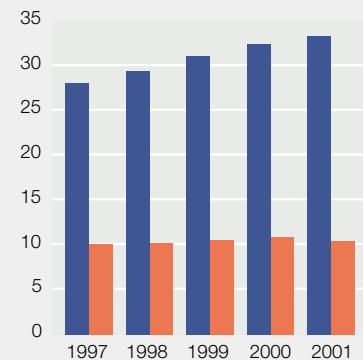
## Track construction and maintenance

VR-Track Ltd is the VR Group company responsible for providing track engineering, construction and maintenance services for the Finnish government, local authorities and



VR Cargo's international rail carryings 1997-2001

Million tonnes  
 ■ Eastern traffic  
 ■ Transit traffic  
 ■ Western traffic



Journeys in Helsinki commuter traffic 1997-2001

Million  
 ■ Helsinki metropolitan area  
 ■ Other

also companies that use rail services. VR-Track Ltd's largest customer is the Finnish Rail Administration, a government department subordinated to the Ministry of Transport and Communications and responsible for management of the rail network.

Net turnover from track construction and maintenance totalled EUR 235.9 (249.4) million, over 90 % of which was commissioned by the Finnish Rail Administration. In practice VR-Track Ltd is responsible for normal maintenance of the entire Finnish rail network. The largest investment during the year was once again the section of line between Helsinki and Tampere, where renovation and upgrading has been in progress for some ten years. This project is due for completion in all essential respects in 2002.

In the Helsinki metropolitan area the largest project was work related to the Helsinki-Leppävaara city line, completed in 2001. Extensive track renovation and ATP installation work was performed on the Kotka–Kouvola–Iisalmi line and in Lappeenranta and Imatra. The northern line was renovated between Seinäjoki and Oulu and between Kemi and Tornio. The largest contracts on private rail lines took place in Joutseno, Rauma and Imatra.

VR-Track Ltd completed altogether 400 contracts during the year involving track renovation, modification, electrification or installation of ATP equipment.

The company continued to be active in Estonia, where it was responsible for ballast cleaning and for providing engineering services related to track renovation projects. The Haapamäki wood impregnation plant concluded a contract at the end of the year to supply impregnated poles to Ireland.

## Investments

The Group's capital expenditure totalled EUR 177.7 (151.7) million, which included EUR 131.4 million covering rolling stock for VR Ltd.

An agreement was concluded with CKD Vagonka in the Czech Republic in August for the purchase of 16 railcars. These diesel-driven railcars are intended to replace heavy locomotive-driven trains on low-density lines. Deliveries will begin in the summer of 2005. The contract is worth EUR 27 million and it includes an option for a further 20 railcars.

Five of the eight Pendolino trains ordered at the end of 1997 had been delivered by the end of 2001. A further nine Sr2 electric locomotives were received during the year bringing the total number delivered so far to 29 of the total series of 46 locomotives. Twenty-one double-decker InterCity coaches were delivered during the year and at the close of the period 82 of the total order for 92 coaches were in service.

VR-Track Ltd's investments amounted to EUR 12.8 (13.3) million, most of which comprised purchases of track machinery and maintenance wagons.

The Pohjolan Liikenne group's investments totalled EUR 8.9 (12.3) million and principally covered spending on new vehicles.

## Group structure

Road transport operators Kaarle Tamminen Oy, acquired for the Pohjolan Liikenne group in 2002, and Pyhtään Liikenne Oy acquired in 2001, were merged with Oy Pohjolan Henkilöliikenne Ab at the close of the year.

In June VR-Track Ltd acquired a majority holding in Megasiirto Oy, a company specialized in moving railway bridges.

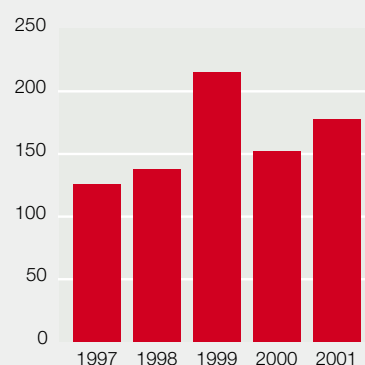
An agreement was signed in December under which the government-financed Avarra-Asunnot Oy housing company was sold to VVO-yhtymä Oyj. The deal covered 1,961 residential units in 26 localities. The right of ownership was transferred to the buyer on 1 March 2002.

## Safety and the environment

The main targets of the three-year rail safety enhancement programme have been achieved. No serious collisions occurred in rail traffic, nor were there any other accidents involving loss of life among passengers or VR personnel. The most serious accident took place at Tampere railway station in November when an electric locomotive moving to another line for coupling to another train collided with the rear end of a passenger train leaving the station; 48 people received injuries.

A new safety programme was formulated during the year for 2002–2004. As before, this programme gives high priority to continuous personnel training.

The target was reached by the end of 2001 to extend the ATP system to the entire main track network and approximately 2,500 kilometres of track are now equipped with this technology. Responsibility for the system as a whole lies with the Finnish Rail Administration. Rolling stock safety was further enhanced; a new door locking system was fitted to older blue passenger coaches preventing the door from being opened while the train is in motion.



Investments 1997–2001

M€

An extensive analysis of the fitness of rail traffic personnel doing demanding work was completed towards the end of the year. The results of the analysis, conducted in co-operation with the Finnish Institute of Occupational Health, will be used to improve health and safety at work.

VR's Environmental Policy commits the company to improving its environmental performance and to the principles of sustainable development. An environmental strategy underpinning the Environmental Policy was completed in the review year. VR's environmental responsibilities are defined in writing.

VR surveys and investigates possibly polluted land areas and replaces or decontaminates the soil as required. The costs of such measures in 2001 totalled EUR 440,000. Investigations during the year did not reveal any situations that would have required VR to enter a provision to cover environmental measures in its annual accounts. Major investigations were undertaken at the Pasila and Hyvinkää workshop areas.

Officially regulated safety analyses were performed at marshalling yards through which large quantities of hazardous substances are transported. No emissions from hazardous substances were observed that posed a threat to human health or the environment.

Environmental certification was obtained by the Haapamäki wood impregnation plant, the Hyvinkää electricity installation centre and the Combitrans freight operations.

### Personnel and administration

The number of employees in VR Group has steadily declined by a few percentage points annually for a number of years as a result of rationalization using new technology and the concentration of traffic flows. Most reductions have been natural depletion. Personnel decreased 3 % during the review year. The Group had 14,913 employees on average during the year. The largest personnel reductions, in both relative and absolute terms, took place in VR Ltd and VR-Track Ltd.

Personnel reductions have been essential to VR's targets to raise efficiency and cut costs. Very few new employees have been recruited from outside the company, but the need for new personnel will grow in the years ahead. Maintaining the work ability of VR's ageing personnel is also creating a new set of challenges. Against this background VR placed greater priority on its human resources policy during the year, preparing as part of this effort a human resources strategy for the years 2002–2006. Under this strategy the critical success factors will be work supervision, management of expertise, and making provision for recruitment of new employees. VR's employees also participated in redefining the Group's values during the year.

The Board of Directors of VR-Group Ltd consisted of Martin Granholm (chairman), Antti Remes (deputy chairman) and members Kalevi Alestalo, Eija Malmivirta, and Veli-Matti Ropponen.

The chairman of the Supervisory Board was Tapio Karjalainen and the deputy chairman was Raija Vahasalo.

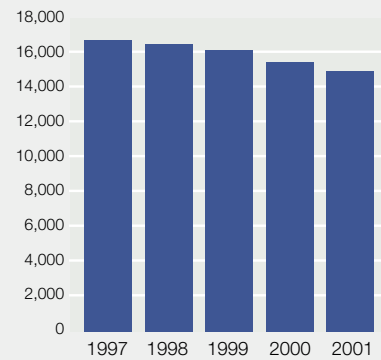
VR's Chief Executive Officer and VR-Group Ltd's President was Henri Kuitunen.

The company's auditors were Erkki Mäki-Ranta, Approved Accountant, Chartered Public Finance Auditor, and the firm of authorised public accountants KPMG Wideri Oy Ab under the supervision of principal auditor Pentti Savolainen, Authorised Public Accountant.

### Prospects in 2002

Deteriorating growth prospects in the world economy along with unemployed production capacity will reduce the level of industrial investment this year in both large and medium-sized companies. Economic recovery is not likely to occur during the first half of the year. The industrial confidence barometer rose slightly at the beginning of the year but it was distinctly weaker than normal. Production volumes in the forest industry, a significant sector for rail transport, are forecast to increase roughly 1 % in 2002.

Freight tonnage and sales are not forecast to increase beyond the level at the end of 2001. Similarly no significant changes are expected in passenger volumes and sales. The number of passenger journeys could rise by one percentage point or so and net turnover by almost 4 %. The volume of track construction and maintenance work will decrease slightly.



Personnel on average  
1997–2001



# Consolidated Profit and Loss Account

(1,000 €)	Note	1 Jan.–31 Dec. 2001	1 Jan.–31 Dec. 2000
<b>Net turnover</b>	1	<b>1,150,873</b>	1,142,951
Change in stocks of finished goods and work in progress		-1,351	549
Production for own use		28,738	40,361
Profits from associated companies		223	282
Other operating income	2	<b>11,783</b>	14,985
Materials and services	3	<b>314,223</b>	337,674
Personnel expenses	4	<b>569,833</b>	549,515
Depreciation	5	<b>109,526</b>	101,324
Other operating expenses	6	<b>147,636</b>	145,163
Expenses, total		<b>1,141,219</b>	1,133,677
<b>Operating profit</b>		<b>49,047</b>	65,451
Financial income and expenses	6	<b>12,258</b>	10,958
<b>Profit before extraordinary items and taxes</b>		<b>61,306</b>	76,409
Income taxes	9	-17,685	-23,672
Minority interest		-1,647	-1,162
<b>Profit for the year</b>		<b>41,974</b>	51,575

# Consolidated Balance Sheet

(1,000€)	Note	31 Dec. 2001	31 Dec. 2000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	10	7,886	4,675
Goodwill on consolidation		11,519	12,610
Tangible assets	10	1,038,629	977,980
Investments	11		
Holdings in Group companies		327	259
Holdings in associated companies		4,554	4,325
Other investments		7,023	7,078
<b>Fixed assets, total</b>		<b>1,069,937</b>	<b>1,006,928</b>
<b>Current assets</b>			
Stocks	12	55,403	62,381
Long-term receivables	13	2,068	2,848
Current receivables	13	107,838	121,925
Securities	14	264,170	296,905
Cash at bank and in hand		15,679	8,275
<b>Current assets, total</b>		<b>445,158</b>	<b>492,334</b>
<b>ASSETS, TOTAL</b>		<b>1,515,095</b>	<b>1,499,262</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	15	370,013	370,013
Share premium account		525,755	525,755
Other reserves		339	336
Retained earnings		41,974	51,575
Profit for the year		248,837	217,314
<b>Shareholders' equity, total</b>		<b>1,186,919</b>	<b>1,164,994</b>
<b>Minority interest</b>		<b>9,228</b>	<b>8,563</b>
<b>Provisions</b>	17	<b>1,547</b>	<b>1,534</b>
<b>Liabilities</b>			
Deferred tax liability	18	55,363	58,728
Long-term liabilities		55,784	55,495
Current liabilities		206,254	209,949
<b>Liabilities, total</b>		<b>317,401</b>	<b>324,171</b>
<b>CAPITAL AND LIABILITIES, TOTAL</b>		<b>1,515,095</b>	<b>1,499,262</b>

# Consolidated Cash Flow Statement

(1,000 €)

1 Jan.–31 Dec. 2001 1 Jan.–31 Dec. 2000

## Cash flow from operating activities

Operating profit	49,047	65,451
Adjustments to operating profit <sup>1)</sup>	106,236	93,960
Change in net working capital	10,043	16,623
Interest received	14,928	14,031
Interest paid and other payments	-3,301	-3,124
Dividends received	449	36
Taxes paid	-17,035	-19,205
<b>Net cash from operating activities, total</b>	<b>160,367</b>	<b>167,773</b>

## Cash flow from investing activities

Subsidiaries acquired	-506	-26
Capital expenditure on fixed assets	-177,152	-151,717
Other fixed assets disposals	8,800	14,350
<b>Net cash from investing activities, total</b>	<b>-168,858</b>	<b>-137,393</b>

## Cash flow before financing activities

-8,491 30,380

## Cash flow from financing activities

Long-term loans, proceeds	951	245
Long-term loans, repayments	-740	-2,146
Change in long-term receivables	3,892	1,267
Short-term loans, proceeds/repayments	228	-436
Dividends paid	-21,171	-22,595
<b>Net cash used in financing activities, total</b>	<b>-16,840</b>	<b>-23,665</b>

## Change in cash reserves

-25,331 6,715

## Cash reserves on 1 Jan.

305,181 298,466

## Cash reserves on 31 Dec.

279,849 305,181

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



# Parent Company Profit and Loss Account

(1,000€)	Note	1 Jan.–31 Dec. 2001	1 Jan.–31 Dec. 2000
<b>Net turnover</b>	1	<b>46,960</b>	45,682
Other operating income	2	<b>1,116</b>	7,475
Materials and services	3	<b>12,007</b>	10,421
Personnel expenses	4	<b>12,462</b>	12,015
Depreciation	5	<b>11,432</b>	11,975
Other operating expenses		<b>9,295</b>	9,578
Expenses, total		<b>45,196</b>	43,989
<b>Operating profit</b>		<b>2,879</b>	9,168
Financial income and expenses	6	<b>24,958</b>	22,077
<b>Profit before extraordinary items</b>		<b>27,837</b>	31,246
Extraordinary items	7	<b>26,910</b>	11,773
<b>Profit before taxes</b>		<b>54,747</b>	43,019
Appropriations	8	<b>231</b>	201
Income taxes	9	<b>-15,761</b>	-12,319
<b>Profit for the year</b>		<b>39,218</b>	30,901

# Parent Company Balance Sheet

(1,000 €)	Note	31 Dec. 2001	31 Dec. 2000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	10	1,242	1,185
Tangible assets	10	213,849	218,455
Investments	11		
Holdings in, and receivables from, Group companies		467,028	453,670
Other investments		6,226	6,260
<b>Fixed assets, total</b>		<b>688,345</b>	<b>679,570</b>
<b>Current assets</b>			
Long-term receivables	13	1,682	2,523
Current receivables	13	94,710	72,663
Securities	14	264,170	296,905
Cash at bank and in hand		10,664	6,621
<b>Current assets, total</b>		<b>371,226</b>	<b>378,713</b>
<b>ASSETS, TOTAL</b>		<b>1,059,571</b>	<b>1,058,283</b>
<b>CAPITAL AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	15	370,013	370,013
Share premium account		525,754	525,754
Retained earnings		42,329	31,610
Profit for the year		39,218	30,901
<b>Shareholders' equity, total</b>		<b>977,314</b>	<b>958,278</b>
<b>Accumulated appropriations</b>	16	897	1,129
<b>Liabilities</b>			
Long-term liabilities	18	154	128
Current liabilities		81,206	98,748
<b>Liabilities, total</b>		<b>81,360</b>	<b>98,876</b>
<b>CAPITAL AND LIABILITIES, TOTAL</b>		<b>1,059,571</b>	<b>1,058,283</b>

# Parent Company Cash Flow Statement

(1,000€)

1 Jan.–31 Dec. 2001 1 Jan.–31 Dec. 2000

<b>Cash flow from operating activities</b>		
Operating profit	2,879	9,168
Depreciation according to plan	11,432	11,975
Other non-payment-related income and expenses	-1,012	-6,139
<b>Cash flow before change in net working capital</b>	<b>13,299</b>	<b>15,005</b>
Change in current receivables	-11,591	-19,471
Change in current liabilities	12,082	12,087
<b>Change in net working capital</b>	<b>491</b>	<b>-7,385</b>
Interest paid	-2,311	-2,088
Dividends received	1,379	531
Interest received from operating activities	25,326	23,428
Taxes paid	-12,158	-12,157
<b>Cash flow from financial items and taxes</b>	<b>12,236</b>	<b>9,714</b>
<b>Net cash from operating activities, total</b>	<b>26,026</b>	<b>17,334</b>
<b>Cash flow from investing activities</b>		
Capital expenditure on fixed assets	-8,168	-7,034
Sale of fixed assets	2,299	8,521
<b>Net cash from investing activities, total</b>	<b>-5,870</b>	<b>1,487</b>
<b>Cash flow before financing activities</b>	<b>20,157</b>	<b>18,822</b>
<b>Cash flow from financing activities</b>		
Long-term receivables, increase	-52,306	-54,565
Long-term receivables, decrease	32,982	30,736
Group contributions received	11,773	14,296
Dividends paid	-20,183	-21,864
Change in funds transferred to Group accounts	-21,114	20,337
<b>Net cash used in financing activities, total</b>	<b>-48,849</b>	<b>-11,061</b>
<b>Change in cash reserves</b>	<b>-28,692</b>	<b>7,761</b>
<b>Cash reserves on 1 Jan.</b>	<b>303,526</b>	<b>295,765</b>
<b>Cash reserves on 31 Dec.</b>	<b>274,835</b>	<b>303,526</b>



# Notes to the Financial Statements

## ACCOUNTING PRINCIPLES

**Scope of consolidation** The consolidated financial statements comprise 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 and its subsidiaries began operating as a joint stock company. The consolidation difference was amortized 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.

**Recognition of long-term projects** Revenue from VR-Track Ltd's construction projects is recognized as a percentage of their completion, with the exception of small contracts worth less than EUR 50,500, income from which is recognized on their completion. The percentage of completion is determined according to the project's physical degree of completion. Net turnover is calculated as the aggregate recognized percentage as a proportion of the estimated total revenue accruing from the projects. Project costs are the aggregate recognized 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 capitalized at their direct acquisition cost. Fixed assets totalling 28.7 M€ (40.4 M€) million were produced by the company itself and include 2.5 M€ (5.2 M€) 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 their purchase cost.

Receivables, liabilities and other commitments denominated in foreign currencies are translated into euro 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 Financial Statements

### NOTES TO THE PROFIT AND LOSS ACCOUNT

	Group		Parent Company	
	2001	2000	2001	2000
<b>1 NET TURNOVER BY OPERATING SECTOR (1,000€)</b>				
Rail services				
Freight services	<b>335,337</b>	330,337		
Passenger services	<b>281,622</b>	274,442		
Road services				
Freight services	<b>160,382</b>	159,932		
Passenger services	<b>35,012</b>	32,648		
Track construction and maintenance	<b>235,920</b>	249,438		
Catering services	<b>29,446</b>	28,554		
Other services	<b>73,155</b>	67,600	<b>46,960</b>	45,682
<b>Total</b>	<b>1,150,873</b>	1,142,951	<b>46,960</b>	45,682

Revenue from long-term line construction projects is recognized as a percentage of completion, calculated from actual costs and estimated total costs. The amount recognized during the year was 72.1 M€ (83.8 M€).

	Group		Parent Company	
	2001	2000	2001	2000
<b>2 OTHER OPERATING INCOME (1,000€)</b>				
Profits on sale of fixed assets	<b>2,473</b>	6,774	<b>1,013</b>	6,104
Other	<b>9,310</b>	8,210	<b>103</b>	1,372
<b>Total</b>	<b>11,783</b>	14,985	<b>1,116</b>	7,475

The main items under other operating income comprise compensation for damages (2 M€) and penalty payments for late delivery of fixed assets (4.5 M€). The parent company's profit on the sale of fixed assets was derived from the sale of land.

	Group		Parent Company	
	2001	2000	2001	2000
<b>3 MATERIALS AND SERVICES (1,000€)</b>				
Materials and supplies (goods)				
Purchases during the year	<b>131,722</b>	153,482	<b>5,107</b>	4,703
Change in stocks	<b>4,542</b>	4,329	<b>0</b>	0
External services purchased	<b>177,959</b>	179,863	<b>6,901</b>	5,718
<b>Total</b>	<b>314,223</b>	337,674	<b>12,007</b>	10,421

<b>4 PERSONNEL AND PERSONNEL EXPENSES</b>	<b>2001</b>	<b>2000</b>		
The Group's average number of personnel during the year was distributed as follows:				
VR-Group Ltd	299	306		
VR Ltd	9,117	9,482		
VR-Track Ltd	2,808	2,934		
Pohjolan Liikenne companies	1,889	1,896		
Avecra Oy	489	492		
IT Solicom Ltd	98	91		
Railtelia Ltd	197	188		
Avarra Oy	16	16		
<b>Total</b>	<b>14,913</b>	<b>15,405</b>		
	<b>Group</b>		<b>Parent Company</b>	
<b>Personnel expenses (1,000€)</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Wages and salaries	436,861	422,371	9,866	9,618
Pension expenses	93,132	85,970	1,635	1,431
Other social expenses	39,840	41,174	961	966
<b>Personnel expenses in the P&amp;L account</b>	<b>569,833</b>	<b>549,515</b>	<b>12,462</b>	<b>12,015</b>
<b>Management remuneration (1,000€)</b>	<b>2001</b>	<b>2000</b>		
Presidents	1,010	759		
Members of boards of directors	164	136		
Supervisory Board	75	82		
<b>Total</b>	<b>1,249</b>	<b>977</b>		

Including 0.40 M€ (0.37 M€) 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.

	<b>Group</b>		<b>Parent Company</b>	
<b>5 DEPRECIATION (1,000€)</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Planned depreciation				
Intangible assets	3,980	3,124	148	14
Buildings and structures	11,464	11,526	8,271	8,397
Tractive and rolling stock	58,946	56,119	0	0
Other machinery and equipment	32,812	31,892	2,689	3,245
Other tangible assets	2,264	2,713	324	320
Amortization of goodwill on consolidation	59	0		
Deduction of consolidation difference	0	-4,051	0	0
<b>Total</b>	<b>109,526</b>	<b>101,324</b>	<b>11,432</b>	<b>11,975</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	<b>planned</b>
Other long-term expenditure	5 years	<b>planned</b>
Buildings (parent company)	4%–7%	<b>declining</b>
Buildings (other companies)	30–50 years	<b>planned</b>
Structures	20%	<b>declining</b>
Tractive stock (including Pendolinos and electric trains)	25 years	<b>planned</b>
Rolling stock	15 years	<b>planned</b>
Other machinery and equipment (parent company, VR Ltd and VR-Track Ltd)	20%–30%	<b>declining</b>
Other machinery and equipment (other companies)	5–10 years	<b>planned</b>
Other tangible assets	5–30 years	<b>planned</b>



## Notes to the Financial Statements

	Group		Parent Company	
	2001	2000	2001	2000
<b>6 FINANCIAL INCOME AND EXPENSES (1,000€)</b>				
<b>Dividend income</b>				
From Group companies	0	0	1,919	701
From associated companies	598	9	0	0
From others	34	42	24	36
<b>Dividend income, total</b>	<b>632</b>	<b>51</b>	<b>1,942</b>	<b>737</b>
<b>Interest income from long-term investments</b>				
From Group companies	0	0	10,680	9,738
From others	0	136	0	136
<b>Other interest and financial income</b>				
From Group companies	0	0	28	67
From associated companies	48	0	48	0
From others	14,880	13,895	14,570	13,487
<b>Interest expenses and other financial expenses</b>				
To Group companies	0	0	2,279	2,048
To others	3,301	3,124	31	40
<b>Financial income and expenses, total</b>	<b>12,258</b>	<b>10,958</b>	<b>24,958</b>	<b>22,077</b>

## 7 EXTRAORDINARY ITEMS

Extraordinary items in the parent company consist of Group contributions received.

	Parent Company	
	2001	2000
<b>8 APPROPRIATIONS (1,000€)</b>		
Difference between planned depreciation and depreciation booked for tax purposes		
Change in depreciation difference (increase +, decrease -)		
Intangible assets	-30	-124
Buildings and structures	330	212
Machinery and equipment	361	328
Other tangible assets	-430	-215
<b>Total</b>	<b>231</b>	<b>201</b>

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	
	2001	2000	2001	2000
<b>9 INCOME TAX (1,000€)</b>				
Income tax on extraordinary items	0	0	7,804	3,414
Income tax on operating activities	21,050	17,666	7,957	8,905
Change in deferred tax liability	-3,365	4,365	0	0
Adjustment to deferred tax liability in previous period	0	1,641	0	0
<b>Total</b>	<b>17,685</b>	<b>23,672</b>	<b>15,761</b>	<b>12,319</b>

## NOTES TO THE BALANCE SHEET

### 10 FIXED ASSETS (1,000€)

Group 2001	Intangible assets				Tangible assets						Assets, total
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 2001	5,562	27,351		32,914	64,198	301,066	970,961	20,699	87,935	1,444,859	1,477,773
Increases	4,418	1,191	506	6,114	174	11,085	183,534	758	136,030	331,579	337,694
Decreases	-2	0		-2	-811	-2,682	-10,368	0	-159,986	-173,847	-173,849
Transfers between items	0	0		0	0	0	0	54	-54	0	0
Acquisition cost 31 Dec. 2001	9,978	28,542	506	39,026	63,562	309,469	1,144,127	21,510	63,924	1,602,592	1,641,617
Accumulated depreciation 1 Jan. 2001	887	14,741	0	15,628	0	73,100	383,921	9,744	0	466,765	482,393
Accumulated depreciation in decreases	47	0	0	47	0	1,433	6,020	170	0	7,623	7,670
Depreciation during year	1,252	2,729	59	4,040	0	11,464	91,758	2,264	0	105,486	109,526
Accumulated depreciation 31 Dec. 2001	2,092	17,470	59	19,621	0	83,131	469,659	11,838	0	564,628	584,248
Revaluations	0	0	0	0	8	656	0	0	0	664	664
Book value 31 Dec. 2001	7,886	11,072	447	19,405	63,570	226,994	674,468	9,672	63,924	1,038,628	1,058,033

Group 2000	Intangible assets				Tangible assets						Assets, total
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 2000	1,721	26,774	0	28,496	66,475	291,371	852,548	15,615	82,119	1,308,129	1,336,624
Increases	3,673	577		4,250	32	12,298	125,535	5,330	13,324	156,519	160,769
Decreases	-3	0		-3	-2,308	-2,603	-7,123	-75	-7,508	-19,617	-19,620
Transfers between items	171	0		171	0	0	0	-171	-779	-950	-779
Acquisition cost 31 Dec. 2000	5,562	27,351	0	32,914	64,199	301,066	970,961	20,699	87,156	1,444,081	1,476,994
Accumulated depreciation 1 Jan. 2000	373	12,249		12,622	0	63,280	303,054	7,129	0	373,464	386,086
Accumulated depreciation in decreases	3	114		118	0	1,706	7,145	99	0	8,950	9,067
Depreciation during year	518	2,606		3,124	0	11,526	88,011	2,713	0	102,251	105,375
Accumulated depreciation 31 Dec. 2000	887	14,741	0	15,628	0	73,100	383,921	9,744	0	466,765	482,393
Revaluations					8	656	0	0	0	664	664
Book value 31 Dec. 2000	4,676	12,610	0	17,286	64,207	228,622	587,040	10,955	87,156	977,980	995,266

## Notes to the Financial Statements

Parent Company 2001	Intangible assets		Tangible assets					Assets, total
	Intangible rights	Land	Buildings	Machinery and equipment	Other tangible	Work in progress		
Acquisition cost 1 Jan. 2001	1,202	62,299	198,271	33,863	6,539	1,434	303,607	
Increases	205	168	5,563	586	458	7,910	14,889	
Decreases	0	-759	-1,292	-107	0	-6,720	-8,879	
Acquisition cost 31 Dec. 2001	1,406	61,708	202,541	34,341	6,997	2,624	309,617	
Accumulated depreciation 1 Jan. 2001	16	0	60,778	22,038	1,133	0	83,966	
Accumulated depreciation in decreases and transfers	0	0	788	84	0	0	872	
Depreciation during year	148	0	8,271	2,689	323	0	11,432	
Accumulated depreciation 31 Dec. 2001	165	0	68,261	24,644	1,457	0	94,526	
Book value 31 Dec. 2001	1,242	61,708	134,280	9,698	5,540	2,624	215,091	

Parent Company 2000	Intangible assets		Tangible assets					Assets, total
	Intangible rights	Land	Buildings	Machinery and equipment	Other tangible	Work in progress		
Acquisition cost 1 Jan. 2000	42	64,567	191,885	32,643	2,086	7,789	299,013	
Increases	1,160	3	6,549	1,225	4,452	0	13,389	
Decreases	0	-2,271	-164	-5	0	-6,355	-8,795	
Acquisition cost 31 Dec. 2000	1,202	62,299	198,271	33,863	6,539	1,434	303,607	
Accumulated depreciation 1 Jan. 2000	3	0	52,435	18,798	813	0	72,049	
Accumulated depreciation in decreases and transfers	0	0	53	4	0	0	58	
Depreciation during year	14	0	8,397	3,245	320	0	11,975	
Accumulated depreciation 31 Dec. 2000	16	0	60,778	22,038	1,133	0	83,966	
Book value 31 Dec. 2000	1,185	62,299	137,492	11,825	5,405	1,434	219,641	

11 INVESTMENTS (1,000€)	Shares			Receivables		
	Group companies	Associated companies	Other companies	Group companies	Associated companies	Other companies
<b>Group 2001</b>						
Acquisition cost 1 Jan. 2001	259	4,325	3,471	0	3,608	11,662
Increases	68	0	3	0	0	71
Decreases	0	0	-25	0	-33	-58
Intragroup item	0	229		0	0	229
Acquisition cost 31 Dec. 2001	327	4,554	3,448	0	3,575	11,904
<b>Group 2000</b>						
Acquisition cost 1 Jan. 2000	259	3,909	3,621	0	3,367	11,156
Increases	0	134	2	0	241	376
Decreases	0	0	-152	0	0	-152
Intragroup item	0	282		0	0	282
Acquisition cost 31 Dec. 2000	259	4,325	3,471	0	3,608	11,663
<b>Parent Company 2001</b>						
Acquisition cost 1 Jan. 2001	306,598	423	2,229	147,072	3,608	459,929
Increases	0	0	0	52,306	0	52,306
Decreases	0	0	0	-38,948	-33	-38,981
Acquisition cost 31 Dec. 2001	306,598	423	2,229	160,430	3,575	473,255
<b>Parent Company 2000</b>						
Acquisition cost 1 Jan. 2000	306,598	423	2,278	125,628	3,367	438,294
Increases	0	0	0	53,988	241	54,229
Decreases	0	0	-49	-32,544	0	-32,593
Acquisition cost 31 Dec. 2000	306,598	423	2,229	147,072	3,608	459,930

The parent company's receivables from associated companies consist of a capital loan granted according to the Companies Act and a loan to an associated company.



## GROUP AND PARENT COMPANY SHARES

Group companies	Group holding %	Parent company holding %
VR 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
Purolan Liikenne Oy, Pyhtää	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
VR-Track Ltd, Helsinki	100	100
Megasiirto Oy, Nurmo	80	0
AS VR-Track, Estonia	100	0
IT Solicom Ltd, Helsinki	60	60
Railtelia 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
<b>Associated companies</b>		
Oy Railtrans Ltd, Helsinki	50	0
Oy Railcarriers Ab, Helsinki	33.3	0
Searail EEIG, Turku	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	
	2001	2000
<b>12 STOCKS (1,000€)</b>		
Materials and supplies	50,695	55,098
Work in progress	4,662	5,884
Advance payments	46	1,399
<b>Total</b>	<b>55,403</b>	<b>62,381</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2001	2000	2001	2000
<b>13 RECEIVABLES (1,000€)</b>				
<b>Receivables from other companies</b>				
Other long-term receivables	2,068	2,848	1,682	2,523
<b>Current receivables</b>				
Receivables from Group companies				
Accounts receivable	0	0	6,332	5,383
Loans receivable	0	0	50,999	41,080
Prepaid expenses and accrued income	0	0	26,962	11,824
Receivables from associated companies				
Accounts receivable	680	1,051	0	0
Receivables from other companies				
Accounts receivable	82,538	90,496	497	1,083
Loans receivable	156	1,695	153	1,583
Other receivables	5,609	10,694	3,399	5,798
Prepaid expenses and accrued income	18,855	17,989	6,368	5,912
<b>Current receivables, total</b>	<b>107,838</b>	<b>121,925</b>	<b>94,710</b>	<b>72,663</b>

### Main items in prepaid expenses and accrued income

The main items in the Group's prepaid expenses and accrued income are interest receivables (6.2 M€) and reimbursements (3.2 M€) from the Social Insurance Institution. Parent company prepaid expenses and accrued income includes Group contribution receivables totalling 26.9 M€ (11.8 M€).

	Group		Parent Company	
	2001	2000	2001	2000
<b>14 SECURITIES (1,000€)</b>				
Repurchase cost	264,780	297,698	264,780	297,698
Book value	264,170	296,905	264,170	296,905
<b>Difference</b>	<b>610</b>	<b>793</b>	<b>610</b>	<b>793</b>

Securities comprise bank certificates and depository receipts as well as Commercial Papers and corporate and state bonds purchased in public trading.

	Group		Parent Company	
	2001	2000	2001	2000
<b>15 SHAREHOLDERS' EQUITY (1,000€)</b>				
Share capital on 1 Jan.	370,013	370,013	370,013	370,013
Share capital on 31 Dec.	370,013	370,013	370,013	370,013
Revaluation reserve 1 Jan.	336	705	0	0
Change in revaluation reserve	3	-368	0	0
Revaluation reserve 31 Dec.	339	336	0	0
Share premium account 1 Jan.	525,755	525,754	525,754	525,754
Increase during the year	0	1	0	0
Share premium account 31 Dec.	525,755	525,755	525,754	525,754
Retained earnings 1 Jan.	268,889	239,653	62,511	53,475
Dividend distribution	-21,091	-22,595	-20,183	-21,864
Changes in Group structure	1,039	257		
Retained earnings 31 Dec.	248,837	217,314	42,329	31,610
Profit for the year	41,974	51,575	39,218	30,901
<b>Shareholders' equity, total</b>	<b>1,186,919</b>	<b>1,164,994</b>	<b>977,314</b>	<b>958,278</b>

	Group		Parent Company	
	2001	2000	2001	2000
<b>Calculation of distributable funds (1,000€)</b>				
Retained earnings	248,837	217,314	42,329	31,610
Profit for the year	41,974	51,575	39,218	30,901
Total	290,811	268,889	81,547	62,511
Accumulated depreciation difference and voluntary provisions in shareholders' equity	-135,087	-143,207		
Distributable funds, total	155,724	125,682	81,547	62,511

## 16 ACCUMULATED APPROPRIATIONS

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

	Group		Parent Company	
	2001	2000	2001	2000
<b>17 PROVISIONS (1,000 €)</b>				
<b>Voluntary provisions</b>				
Housing provision	3,118	2,929	-	-

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

### Obligatory provisions

Obligatory provisions 1.5 M€ (1.5 M€) comprise expected warranty costs on long-term projects.

	Group	
	2001	2000
<b>Impact of voluntary provisions and depreciation difference on the balance sheet</b>		
Voluntary provisions	3,118	2,929
Depreciation difference	187,788	199,581
	190,905	202,510
Transfer to shareholders' equity	135,087	143,207
Deferred tax liability	55,363	58,728
Minority interest	456	575
	190,905	202,510
<b>Impact of voluntary provisions and depreciation difference on the profit and loss account</b>		
Change in voluntary provisions	188	500
Change in depreciation difference	-11,793	14,553
	-11,605	15,053
Change affecting profit for the year	-8,121	10,860
Change in deferred tax liability	-3,365	4,365
Change affecting minority interest	-119	-172
	-11,605	15,053



## Notes to the Financial Statements

	Group		Parent Company	
	2001	2000	2001	2000
<b>18 LIABILITIES (1,000€)</b>				
<b>Long-term liabilities</b>				
Loans from financial institutions	50,183	49,369	0	0
Pension loans	4,730	5,070	0	0
Advances received	871	1,056	154	128
<b>Long-term liabilities, total</b>	<b>55,784</b>	<b>55,494</b>	<b>154</b>	<b>128</b>
<b>Liabilities due after five years</b>				
Loans from financial institutions	42,002	42,328	0	0
Pension loans	3,330	3,169	0	0
<b>Total</b>	<b>45,332</b>	<b>45,497</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Loans from financial institutions	1,608	1,366	0	0
Pension loans	388	389	0	0
Advances received	1,421	3,997	225	236
Accounts payable	46,721	61,761	2,837	2,453
Debt payable to Group companies				
Advances received	0	0	4	1
Accounts payable	0	0	1,864	2,490
Other liabilities	0	0	68,937	90,052
Accrued expenses and prepaid income	0	0	831	42
Debt payable to associated companies				
Accrued expenses and prepaid income	210	233	0	0
Accounts payable	0	42	0	42
Debt payable to other companies				
Other liabilities	42,077	46,615	675	853
Accrued expenses and prepaid income	113,830	95,547	5,834	2,580
<b>Current liabilities, total</b>	<b>206,254</b>	<b>209,948</b>	<b>81,206</b>	<b>98,748</b>

The major items in accrued expenses and prepaid income are holiday pay (83 M€) and the periodization of pension costs (10 M€).

	Group		Parent Company	
	2001	2000	2001	2000
<b>19 CONTINGENT LIABILITIES (1,000€)</b>				
Debt covered by mortgages				
Pension loans	4,946	5,266	0	0
Loans from financial institutions	51,516	49,578	0	0
Mortgages	106,896	101,508	0	0
Debt covered by shares				
Loans from financial institutions	191	33	0	0
Book value of shares	601	96	0	0
Book value of shares	1,683	0	1,683	0
Other contingent liabilities	94,706	58,463	94,194	58,463
<b>Contingent liabilities, total</b>	<b>203,886</b>	<b>160,067</b>	<b>95,877</b>	<b>58,463</b>
Commitments given on behalf of				
VR Group	165,186	160,067	0	0
VR subsidiaries	0	0	57,177	58,463
Others	38,700	0	38,700	0
	<b>203,886</b>	<b>160,067</b>	<b>95,877</b>	<b>58,463</b>

The Group has made commitments related to fixed assets acquisitions totalling 143 M€ in the years 2002–2006.

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 0.6 M€ (0.7 M€) loss.

	Group		Parent Company	
	2001	2000	2001	2000
<b>20 DERIVATIVE FINANCIAL INSTRUMENTS (1,000€)</b>				
Payments of fixed purchase contracts are hedged using foreign exchange forward contracts, the most recent of which will mature during 2003.				
Foreign exchange forward contracts				
Value of underlying instruments	42,404	45,942	0	0

The fair value of the foreign exchange forward contracts at 31 December 2001 was 1.48 M€ (1.16 M€). The fair value is the difference in contract prices between the balance sheet date and the purchase date discounted to the balance sheet date. The fair value of the foreign exchange forward contracts is not entered in the P&L account because future payments related to hedged purchase agreements are not included in the balance sheet.

## Notes to the Financial Statements

21 GROUP KEY INDICATORS		2001	2000	1999	1998	1997
<b>Scope of operations</b>						
Net turnover	M€	1,151	1,143	1,139	1,168	1,070
Balance sheet total	M€	1,515	1,499	1,460	1,461	1,423
Gross capital expenditure	M€	178	152	215	138	126
– as % of net turnover	%	15.4	13.3	18.9	11.8	11.8
Average number of employees		14,913	15,405	16,075	16,439	16,690
<b>Profitability</b>						
Net turnover	M€	49	65	72	83	83
– as % of net turnover	%	4.3	5.7	6.3	7.1	7.8
Net profit	M€	42	52	67	65	70
Return on investment (ROI)	%	5.2	6.5	7.2	8.7	9.0
Return on shareholders' equity (ROE)	%	3.7	4.5	5.3	6.1	6.8
<b>Solvency</b>						
Solvency ratio	%	79.1	78.5	79.0	78.5	78.4
<b>Liquidity</b>						
Quick Ratio		1.9	2.1	2.2	2.5	2.4

### CALCULATION OF KEY INDICATORS

Capital investments = Balance sheet total – interest-free debt

Return on investment (ROI) =  $\frac{\text{Profit before extraordinary items} + \text{interest costs and other financial costs}}{\text{Capital investments (average over period)}} \times 100$

Return on shareholders' equity (ROE) =  $\frac{\text{Profit before extraordinary items} - \text{taxes and change in deferred tax liability}}{\text{Shareholders' equity} + \text{minority interest (average over period)}} \times 100$

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

Quick Ratio =  $\frac{\text{Financial assets (excl. long-term receivables)}}{\text{Current liabilities} - \text{advance payments received}}$



# Board's Proposal on the Disposal of Profit

The Group's distributable funds were	EUR 155.7 million.
The parent company's distributable funds were	EUR 81.5 million,
which included a net profit for the year totalling	EUR 39.2 million.

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

To be distributed as dividend	EUR 16,820,000,
to be retained under shareholders' equity	EUR 64,726,722.

Helsinki, 6 March 2002

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 2001. 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, 6 March 2002

Erkki Mäki-Ranta, AA, Chartered Public Finance Auditor	KPMG Wideri Oy Ab Authorized Public Accountants Pentti Savolainen, APA
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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 to 31 December 2001 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: Ralf Grahn, Olli Männikkö, Pekka Nousiainen, Erkki Rantala, Timo Rautajoki, Pentti Tiusanen ja Raija Vahasalo.

Helsinki, 21 March 2002

Tapio Karjalainen	Raija Vahasalo	Eero Akaan-Penttilä
Ralf Grahn	Leea Hiltunen	Alf Jakas
Ulla Juurola	Marina Krause-Holmström	Paula Lehtomäki
Olli Männikkö	Pekka Nousiainen	Mika Nykänen
Lauri Oinonen	Jouko Oittinen	Osku Pajamäki
Katariina Poskiparta	Erkki Rantala	Timo Rautajoki
Harri Rumpunen	Pentti Tiusanen	Marjatta Vehkaoja

## **Contact Information**

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