



Annual Report 2002



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VR in Brief

Vision

VR's goal is to be the most successful and safest transport company in Finland, developing and providing services throughout the country. VR is also the leading railway construction and maintenance company in Finland.

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.



VR's goal is to be the most successful and safest transport company in Finland.

Values

Safety

- We transport passengers and freight safely
- We prevent environmental risks
- We ensure safety in all situations
- We continuously work towards improving safety and punctuality

Satisfied customers

- We work for the good of our customers
- We provide high-quality services that are easily available
- We collaborate with customers in improving our services
- We also value our customers within VR

Successful together

- When our operations are profitable and meet our customers' needs, that is when we are successful
- We co-operate with openness, mutual respect and a commitment to achieving our goals
- Dynamism, expertise and innovation are the keys to our success

Responsibility

- Each employee is responsible for the results and quality of their own work
- Our work is based on honesty and trust
- We recognize our responsibility to the environment



The VR Group

Rail services

- VR Ltd, the Group's largest company, is Finland's leading freight and passenger carrier.
- The company carries over 41 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 58 million passenger journeys are made every year, most of them commuter journeys in the Helsinki metropolitan area. VR provides an average of 260 long-distance services and 850 commuter services every day. Six daily train services operate between Finland and Russia.
- Rail services generate annual net turnover of EUR 618.0 million. This comprises EUR 330.0 million from freight services and EUR 288.0 million from passenger services.
- Personnel totals 8,800.

Track construction and maintenance

- VR-Track Ltd provides track design, construction and maintenance services for the Finnish government, local authorities, ports, industrial companies using the rail network, and other main contractors in rail maintenance projects.
- 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 231.8 million with 2,700 employees.



Road services

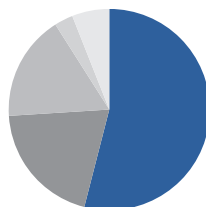
- Pohjolan Liikenne is a subgroup of VR Ltd that provides supplementary road services. It has a strong position in Finland's road transport sector.
- The group has three freight companies. Transpoint Oy Ab is a national carrier of general cargo. Combitrans Oy handles partial and full-load carryings. Oy Transuotila Ab specializes in bulk transportation using tanker wagons. Together, these companies carry approximately 8 million tonnes of freight every year.
- Oy Pohjolan Henkilöliikenne Ab and its subsidiary Oy Pohjolan Kaupunkiliikenne Ab transport 15 million passengers by coach and bus every year.
- Road services generate annual net turnover of EUR 195.7 million. This comprises EUR 160.4 million from freight services and EUR 35.3 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 20 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 27.7 million.
- Personnel totals 430.

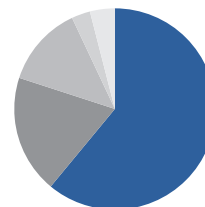
IT services

- Corenet 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 Networks 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 Group Structure

VR Group comprises 21 different companies. The Group's parent company is VR-Group Ltd, which provides administrative and real estate services to the other Group companies.

VR Group's subsidiaries are VR Ltd, VR-Track Ltd, IT Solicom Ltd and Corenet Ltd. VR Ltd has two subsidiaries: Oy Pohjolan Liikenne Ab and AVECRA Oy. Pohjolan Liikenne is a group of companies that provides freight and passenger services by road.

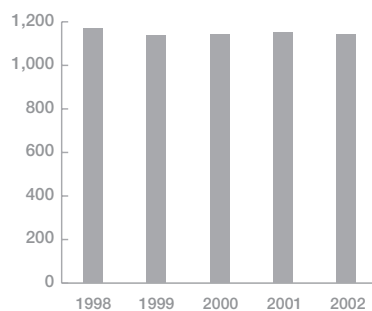


Key Figures

	2002	2001	% change
Net turnover, M€	1,140	1,151	-1.0
Operating profit, M€	27	49	- 45.4
% of net turnover	2.3	4.3	
Net profit, M€	22	42	- 48.4
% of net turnover	1.9	3.6	
Gross capital expenditure, M€	144	178	-19.0
Return on shareholders' equity, %	2.2	3.7	
Return on investment, %	3.2	5.2	
Solvency ratio, %	82.9	79.1	
Personnel on average	14,401	14,913	-3.4

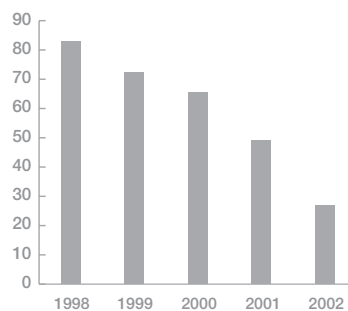


In recent years VR has made major investments in renewing its rolling stock. In 2002, VR decided to acquire a further eight Pendolino trains, in addition to the ten train sets already ordered.



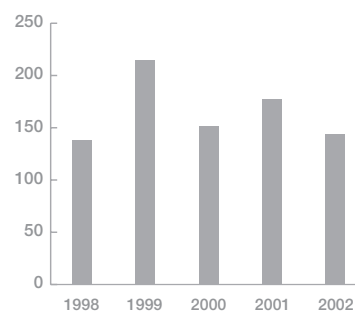
Net turnover 1998–2002

M€



Operating profit 1998–2002

M€



Investments 1998–2002

M€



Construction of the Oulu line began in 1884.



Rail traffic grew strongly at the beginning of the 1900s.

VR's 140-Year History

1862

Train services started between Helsinki and Hämeenlinna on 17 March 1862. Safety was important in designing the railway line and for that reason there were no level crossings and initially the trains travelled in different directions on alternate days.

1870

Completion of the line between Riihimäki and St Petersburg in 1870 opened a rail connection to Russia. The volume of freight services to Russia grew steadily and commuter services to St Petersburg became a valuable source of income for the Finnish State Railways. The new line also created an international rail connection from St Petersburg to Stockholm and onwards to continental Europe via Finland.

1900

Finland's rail network was for the most part completed by the time the country gained independence (1917). The lines running from south to north were built first, at the end of the 19th century, then the cross-country lines from west to east at the beginning of the 1900s. Rail traffic was growing strongly. A record volume of goods was carried by rail during World War I, because a large amount of transit traffic to Russia travelled through Finland. Finland's independence marked the termination of the St Petersburg and Russian services, which was a major setback to the development of Finnish railways.

1930

As late as the 1930s almost all long-distance travel in Finland took place predominantly by rail as trains were faster and more comfortable also in winter. There were more railway stations and halts than ever before, almost 3,000 in all. Bus and coach services started to supplement rail services.

1940

War was a serious challenge to the railways. Large volumes of war matériel were carried to the front by train. Trains also carried troops. Evacuees from Finnish Karelia and the movable property from public buildings were carried to safety by train. The transportation required for the war reparations levied on Finland by Russia was a heavy burden for the railways. An all-time record for rail passenger volumes was set in the 1940s when the population began moving from farms to factories and commuting distances became longer.

1950

After the war Finland's rolling stock was old and in poor condition. Modernization was started and diesel locomotives were introduced. The Helsinki Olympic Games in 1952 were a major event also for Finland's railways. Living conditions in Finland gradually improved and people started travelling again. The railways marketed round trips for holidaymakers that were linked with ferry and bus services.



Tourism picked up after the Olympic Games were held in Finland in the 1950s.



The first electric trains were introduced in 1969.

1960–70

The number of railway personnel declined as lines were electrified and other technical developments introduced. Private cars became widespread and started competing with rail travel. A major track renovation programme was started in the 1960s and included, among other improvements, the direct Parkano line from Tampere to Seinäjoki. The first electric trains were introduced on the commuter line between Helsinki and Kirkkonummi in 1969. The last remaining steam locomotives were taken out of regular service in 1975. The railways started closer co-operation with Finnish industry. Wagons designed for specific product groups, such as paper, started replacing general freight wagons. Travellers to Lapland, a favourite venue for skiing holidays, were offered a new service allowing them to take their cars with them by train.

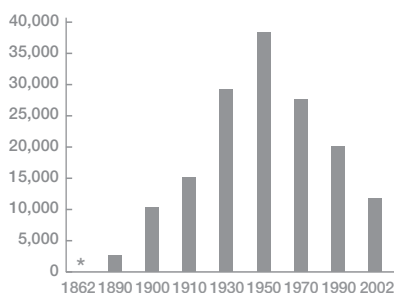
1980–90

Restructuring of the Finnish State Railways began, with priority given to teamwork, efficiency and customer service. In 1990 Finnish State Railways ceased to be a civil service department and became a public enterprise, and five years later a state-

owned limited liability company. Services improved when the new InterCity trains were introduced in the mid-1980s. Ten years later VR started the Pendolino service on the coastal line between Helsinki and Turku. The first urban commuter line, between Helsinki and Tikkurila, was completed.

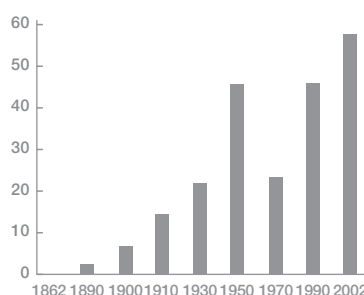
2000

The Pendolino service was extended to Jyväskylä, Kuopio and Oulu. Travel times are becoming shorter as tracks are renovated, high-speed trains are introduced and timetabling is re-arranged. The first freight trains with an axle load of 25 tonnes were introduced. Most passenger services are covered by the Automatic Train Protection (ATP) system, which greatly improves rail safety. New projects have been started, including a direct line between Kerava and Lahti, and an urban line between Tikkurila and Kerava.



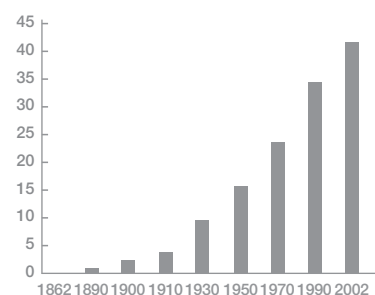
Rail personnel
1862–2002

* no statistics available



Passenger journeys
1862–2002

Millions



Freight carryings
1862–2002

Million tonnes



Chief Executive's Review

VR lives by its customers. Vital to VR's freight services is the state of Finnish industry. If conditions in the forest, metal and chemical sectors are buoyant, the volume of raw materials and products needing to be transported by rail will be sufficient. Slumps in production, however, reduce the volume of carryings. In 2002 we did not reach our freight targets.

Alongside freight volumes in Finland, VR also carefully monitors traffic to and from Russia. Nowadays this business is of central importance to VR as it accounts for roughly 40 % of VR's total rail-bound freight volume. This figure is so significant, in fact, that VR is very sensitive to shifts in the amount of material shipped to and from Russia by Finnish companies, as well as any changes made by the Russians to their own tariff policies. The effects of both these factors were felt during 2002.

New measures to increase public transport

VR's passenger customers are also vital to the company. Over the years passenger services have accounted for a clearly increasing proportion of VR's total net turnover. In the 1990s freight services still represented two-thirds of turnover from rail operations and passenger services one-third. This situation has now been changed; passenger services have caught up with freight services and now account for more than 45 % of turnover from rail operations.

Public transport in Finland has lost ground for a number of years as the use of private cars has grown in popularity. Public transport operators have, both individually and together, done a great deal to change this situation. In VR's case this has meant continuous development with measures including extensive purchases of new rolling stock and considerable improvements

to its various services. The latest of these includes last year's overhaul of timetables, making them simpler and clearer for customers, and the introduction of ticket sales on the Internet this year.

A crucial factor when competing for customers is travel time. In this context customers still expect a great deal, as indeed does VR itself. As long as the state appropriations allocated for track maintenance are insufficient, it will not be possible to run trains at the speeds they are designed for. The principle when deciding on future rail infrastructure appropriations should be the avoidance of unnecessary speed and weight restrictions.

Result fell short of target

VR Group's financial performance in 2002 was not satisfactory and the Group's result fell short of target. The Group's operating profit amounted to EUR 26.8 million (EUR 49.0 million in 2001) and the year's net profit was EUR 21.7 (42.0) million.

The Group's performance was weakened by higher accident insurance premiums and increased pension expenses, along with a slight decline in net sales.

Large track modernization projects

Although insufficient funds were allocated to track modernization, nonetheless a great deal was achieved in 2002. Milestones during the year included the start of construction work for the direct line between Kerava and Lahti and for the urban line to Kerava, and completion of the urban line to Leppävaara. Extensive track renovation was completed elsewhere in Finland as well, especially on the Savo line.



Services upgraded

VR Ltd, which is responsible for rail services, introduced a number of improvements during the year. The most prominent of these was the introduction of much more logical timetables for passenger services along with more regular train arrivals and departures. More train services were introduced as well.

VR extended its Pendolino services to Oulu and Kuopio and established a national call centre in Riihimäki, which has substantially improved VR's telephone services. The call centre also paved the way for the introduction of ticket sales over the Internet in 2003. VR ordered more Pendolinos and commuter trains to further improve its passenger services.

The main development priority in freight services has been to change the network of operating hubs and to develop the transport system. Action taken has included enhancing the efficiency of marshalling yard operations and tightening up timetables.

Safety VR's number one value

VR re-defined its values during the year. All the company's personnel were invited to participate in this process and over a thousand employees expressed their opinions on the subject.

The values that guide VR's operations are Safety, Satisfied Customers, Successful Together and Responsibility. I believe every VR employee will find it easy to live by these values.

Safety has long been VR's foremost value and the company's purposeful approach to safety can be measured by results. Rail safety in Finland has risen over the last few years to one of the highest levels in any European country. This is the result of increasing training, shaping attitudes and improving reporting procedures as well as through advances in safety technology and extension of the Automatic Train Protection (ATP) system.

The future is open

The future will not be easy for VR. Unless track financing is increased, more restrictions on speed and weight will need to be imposed on the rail network. That will weaken the competitiveness of rail transport and force a very critical review of at least some of the proposed investments in rolling stock. If Finland is aiming to increase rail's share of public transport and restrain the growth in travel by private car, the railway network must be maintained and modernized.

The main issue facing rail freight services is whether Russia will continue maintaining tariffs that favour Russian harbours. VR will face financial challenges if transport of Russian freight to Russian harbours remains cheaper than using other routes.

A new Railway Act will come into force during spring 2003 based on the EU's proposal to open up rail networks to competition. This issue will require close monitoring and VR will need to make known its own views on the subject. Although the doors are not likely to be completely opened to competition within the next few years, VR continues to hope that patience will prevail, since there is no reason to rush deregulation in Finland. It would be wise to await favourable results from other countries first, on which Finland can then base its own decisions.

I would like to express my warmest thanks to VR's customers and other stakeholders for their co-operation during 2002. The confidence you showed in VR encouraged us in our endeavours to improve our passenger and freight transport operations. I would also like to thank our personnel for their hard work.

Henri Kuitunen
President and CEO
VR-Group Ltd



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Tanja Takanen serves behind a sales desk shared by VR and Matkahuolto in the new Travel Centre in Jyväskylä.

Passenger Services Rail Services

- New Pendolino services to Oulu and Kuopio introduced
- National call centre commissioned
- Timetabling restructured, travel times shorter

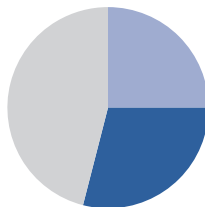
VR offers passengers a wide range of services on both long-distance routes and commuter lines in the Helsinki metropolitan area. VR provides some 260 daily long-distance services, six of which connect Finland and Russia. An average of 850 commuter services run each day in the Helsinki metropolitan area. One of VR's objectives 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.

Rail transport's share of all passenger traffic in Finland is 5 %. VR has a roughly 30 % share of the public transport market in Finland, although VR's share of journeys by public transport longer than 75 kilometres is some 60 %. For some years now, journeys made by private car have accounted for almost all the growth in public transport in Finland. The situation did not change significantly during 2002.

Commuting by rail grows strongly

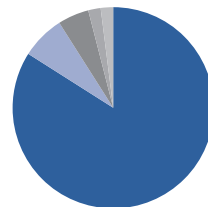
Rail travel grew by 5 % during the review period. A total of 57.7 million passenger journeys were made by rail in 2002, 46.1 million of which took place on commuter lines in the Helsinki metropolitan area. This number was only exceeded during the exceptional conditions of the 1940s. Net turnover amounted to EUR 288.0 million, an increase of 2 % on the previous year.

Most growth, 10 % compared to the previous year, was in the zone managed by the Helsinki Metropolitan Area Council, which comprises Helsinki, Espoo, Vantaa and Kauniainen. Conversely, the volume of passenger journeys on services in VR's zone extending to Karjaa and Riihimäki declined by 6 %. Passenger journeys on long-distance services increased by slightly less than 1 %. The statistical methods for counting passenger journeys were changed in June 2001, however, so the figures are not fully comparable.



Rail services, share of VR's net turnover 2002

Passenger services	25 %
Freight services	29 %



Passenger transport in Finland 2001

Private cars	84 %
Bus and coach	7 %
Rail	5 %
Air	2 %
Other	2 %



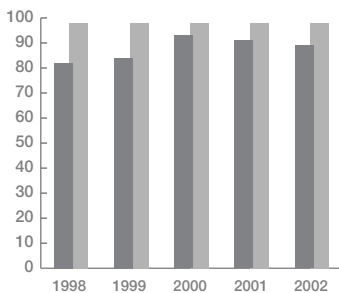
New Pendolino services

Passengers welcomed the new high-speed Pendolino services to Oulu and Kuopio. Passenger volumes on the Helsinki–Oulu route rose by 10 % compared to the previous year and the weekend Pendolino services proved especially popular. High demand made it necessary to add another six-coach trainset to the Sunday afternoon departure from Oulu at the end of October. New rolling stock and shorter travel times also boosted passenger volumes on the Helsinki–Kuopio route by 3 %.

Passenger volumes to and from Russia continued to grow. Altogether some 266,000 passenger journeys were made between Finland and Russia during the year, an increase of 11 % compared to the previous year and close to the record level of 1990, 277,000 passengers. The Sibelius express carried a total of 95,000 passengers on the Helsinki–St Petersburg service, the highest figure in the ten-year history of the service.

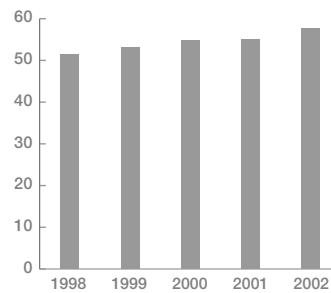
The number of Russian tourists to Finland reached a peak as the year changed. Altogether 33,000 passenger journeys were made between Russia and Finland during the Christmas season, 10 % less than the previous year. In addition to the scheduled services, 13 extra services arrived from Moscow. Finns were more active in visiting Russia during the year. Sales of package tours to Vyborg, St Petersburg and Moscow almost doubled compared to 2001.

The second-class sleeping cars on the Helsinki–Moscow Tolstoy express were replaced at the end of the year and the colours of the train's livery were changed to white and blue. The new sleeping cars have air-conditioning and more spacious cabins. The train is now provided with facilities for handicapped passengers. The first-class coaches will be replaced during 2003.



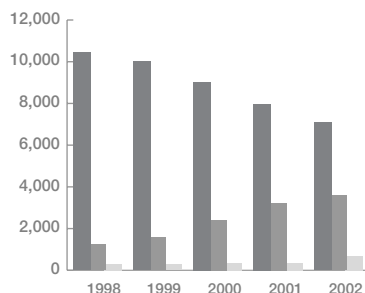
Punctuality of rail traffic 1998–2002

%
 ■ Long-distance
 ■ Commuter services



Passenger journeys 1998–2002

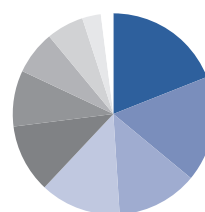
Millions



Long-distance journeys by type of train 1998-2002

Millions

- Express services (includes regional trains)
- InterCity
- Pendolino



Passenger feedback 2002

Traffic services	19 %
Rolling stock	17 %
VR's in-train services	13 %
Avecra's in-train services	13 %
Station ticket sales	11 %
Tickets, prices and sales system	9 %
Internet pages and online sales	7 %
Other station services	6 %
Telephone service	3 %
VR's operations in general	2 %

Improved telephone service

The opening of a new national call centre in Riihimäki at the beginning of 2002 greatly improved the telephone service VR provides. The call centre handles all ticket reservations and rail travel enquiries made by phone.

The call centre receives on average between 2,000 and 4,000 calls a day on weekdays. The target for the first year of operation was to provide 80 % of callers with an answer to their query within 30 seconds. This target was achieved, except for June and July when the number of calls doubled.

Customer feedback and survey results show that customer satisfaction with VR's telephone service improved considerably compared to the previous year.

Restructured timetabling makes changing trains easier

Passenger services underwent a major change when a standardized timetable to make services more regular was introduced on all long-distance services. Trains now leave the busier stations in southern Finland at the same minute every hour. Even elsewhere in Finland, where services are less frequent, most trains now depart at the same time past the hour.

The new timetabling makes changing trains considerably easier and more convenient. Trains arriving from different directions meet at main junctions, allowing passengers to change trains quickly regardless of which route they are travelling. Faster changes considerably shorten travel times, in some cases by tens of minutes. Main line passengers can choose either a conventional or a high-speed train because both the InterCity and Pendolino trains now depart within minutes of each other.

The new timetables were also geared around a speed of 160 kilometres an hour introduced between Kerava and Tampere,

which cut travel times on the main line. The travel time of Pendolino trains was reduced by some 15 minutes between Helsinki and Tampere, by 30 minutes between Helsinki and Jyväskylä, by 25 minutes on the Helsinki-Seinäjoki and Helsinki-Oulu routes, and by 15 minutes between Helsinki and Kuopio.

The number of long-distance train services increased by 8 % at the beginning of June, due to more efficient use of rolling stock. VR provides altogether 263 daily long-distance train services. Almost 150 new services were introduced on commuter lines in the Helsinki metropolitan area making a total of 850 daily commuter services, an increase of over 20 %. The steep rise in commuter volumes was largely due to the Leppävaara urban line reaching its designed capacity in the spring.

Further rolling stock purchases

VR again made significant rolling stock investments during the review year, confirming orders for a further 8 Pendolino trains and 20 low-floor city trains. VR will have altogether 18 Pendolinos and 30 city trains when all the new trains are delivered by the end of 2006. VR also plans to put the city trains into service over longer distances, for example on the Helsinki-Tampere line and the new direct line between Kerava and Lahti.

Manufacture of the 16 railcars that VR has ordered was started in the Czech Republic. These diesel-driven railcars will be placed into service on lines with low passenger volumes in 2005.

VR is also upgrading its existing stock in addition to procuring new stock. Half the electric trainsets in service on commuter lines have been rebuilt and the most recent 50 will be renovated this decade. A prototype of a replacement train was completed during the review period.

New services

The number of visitors to VR's Internet website continued to increase. Some 280,000 visitors per month were counted in 2002, compared to 160,000 in 2001. VR incorporated a new feature in June that allows the searcher to find all the relevant operating points, price information and train services for the specific journey planned. Passengers can now find the most suitable timetables for the desired route and date more easily.

The second phase of the ticket system revision, started in 2001, was implemented in the spring. Passengers needing to change trains now normally receive one through-ticket that contains all necessary information in train changes. The tickets have a clearer layout and the automatic ticket machines are also easier to use. Passenger feedback has been positive.

Helsinki Metropolitan Area Council's travel card was introduced on commuter services. The card can be used for travel on any mode of public transport in the Helsinki metropolitan area.

The Travel Centres in Kouvola and Jyväskylä were completed during the review period. The Jyväskylä Travel Centre is the first of its kind to be designed and built from the very beginning as a fully-integrated travel complex. Bus, coach, taxi and train services are accommodated under the same roof, and all information systems and ticket sales fully integrated with each other. The Jyväskylä Travel Centre contains a complete range of facilities and services, including comfortable waiting rooms, a cafeteria and restaurant.

The marshalling yard at Kolari in Lapland was completely upgraded in 2002. A full-length, raised platform was completed for passenger trains and two new loading bays facilitate the loading and unloading of road vehicles. VR increased the number of train services to Kolari during the 2003 skiing season to meet growing demand.

Customer satisfaction improved

VR received some 18,800 items of customer feedback, 6 % fewer than the previous year. Positive feedback increased by 30 % while negative feedback declined by 20 %. Overall, some 16 % of the feedback contained praise from passengers and slightly over onehalf contained criticism, the remainder consisting of suggestions for improvement and claims.

Most feedback in 2002 concerned train services. VR also received more feedback than before about its restaurant cars and

Internet website. Both feedback and VR's own surveys showed an overall improvement in customer satisfaction. Customers particularly appreciated the service-minded attitude of VR's personnel.

Prospects

The rising standard of cars on Finnish roads today, coupled with improvements in Finland's motorways, make it necessary to continuously improve the quality of rail travel and ensure that rail passengers receive good value for their money. VR Passenger Services will continue to train customer service personnel, invest in new stock and develop IT systems in 2003.

VR started selling train tickets over the Internet in March 2003. Most long-distance train tickets can now be purchased online. Passengers can pay using the e-services provided by their own bank or by credit card. VR will also build an extranet-based reservation system enabling agencies and corporate customers to purchase train tickets online. Services supporting online transactions are located in the call centre in Riihimäki.

VR will need to replace its vehicle carriers and sleeping cars within the next few years. Feasibility studies on the different options and surveys of passenger needs will continue in 2003. The existing sleeping cars will be phased out of service this decade.

Pendolino services will be increased in 2003 when the first two trains are placed back into service after modification work. The maximum permitted speed of Pendolino trains between Kerava and Tampere will be increased at the beginning of June to 200 kilometres an hour, reducing travel time between Helsinki and Tampere to less than 90 minutes.

The track improvement projects due for completion over the next few years will enhance the competitiveness of rail travel. At the end of the review year work was started on the direct line between Kerava and Lahti, which is scheduled for completion in 2006.

The full length of the Kerava-Lahti line will be provided with two tracks equipped with Automatic Train Protection, allowing a speed of 220 kilometres an hour. This means a travel time between Helsinki and Lahti of only 44 minutes.

Construction of the urban line between Tikkurila and Kerava also started in 2002. Due for completion in 2004, this line will allow Helsinki's high-density commuter traffic to be extended northwards to Kerava. ■

Passengers welcomed the new Pendolino services. Conductor Harri Kuntala makes sure that passengers enjoy their train journey.





Freight Services Rail Services

- Market share in Finland strengthened
- Growth in combined road-rail transport
- Trains with 25-tonne axle load introduced

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. VR Cargo's aim is 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 14 % 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 altogether 41.7 million tonnes of freight during the review period, broadly the same as the record volume in 2001. Net turnover, EUR 330.1 million, declined by 2 % compared to the previous year, however, owing to changes in the structural composition of freight.

Domestic freight volumes remained high

VR Cargo continued systematic collaboration with customers in order to reinforce its position as Finnish industry's main freight carrier. VR Cargo retained its overall market share and even

increased its share of carryings for the forest industry despite more intensive competition from road transport.

Domestic freight volumes were spread more evenly over the year compared to 2001, when volumes grew strongly especially during the first part of the year and then declined sharply after the summer. VR Cargo carried a record 24.7 million tonnes of domestic freight altogether, an increase of 3 % on the previous year. The highest growth, 6 %, was in carryings for the chemical forest industry but volumes of raw timber also grew strongly. Conversely, carryings for the metal and chemical industries declined slightly.

Transit carryings decreased

VR Cargo carried a total 17.0 million tonnes of international freight in 2002, representing some 41 % of all VR Cargo's carryings. Most international freight was carried to or from the east, 16.1 million tonnes. Volumes declined by 0.5 million tonnes compared to the previous year, largely due to reduced transit traffic through Finland.

Eastern export and import volumes remained broadly the same as the previous year despite increased activity in Russian ports. Development projects in Baltic ports were completed ahead of schedule and Russia's railway tariff system continues to favour transportation directly to Russian ports.

The structure of eastern freight carryings changed compared to the previous year. Carryings for the chemical industry grew

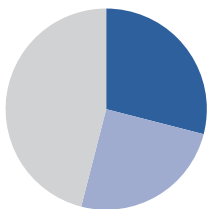


Container traffic volume between Finland and East Asia continued to grow strongly.

slightly. Carriages of raw materials for the forest industry rose by 5 %, while the volume of raw materials carried for the metal industry declined by 20 %.

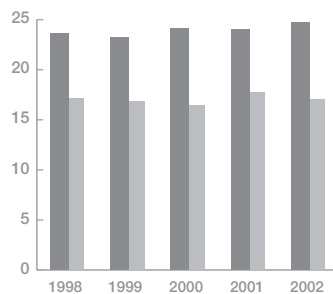
The decrease in transit traffic through Finnish ports, 14 %, was less than forecast. Westward transit carryings for the Russian

metal industry declined steeply, but this was offset by carryings of fertilizer, continuing from the previous year, and of grain, which started towards the end of 2002. Altogether VR Cargo carried 3.5 million tonnes of transit freight, compared to 4.0 million in the previous year.



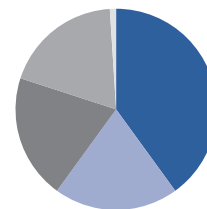
Rail services, share of VR's net turnover 2002

- Freight services 29 %
- Passenger services 25 %



VR Cargo's carryings 1998–2002

- Million tonnes
- Finland
 - International



VR Cargo's carryings by product group 2002

- Mechanical forest industry 40 %
- Chemical forest industry 20 %
- Chemical industry 20 %
- Metal industry 19 %
- Other 1 %

The use of privately-owned wagons for eastern freight carryings increased. Border traffic flowed more smoothly as a result because privately-owned wagons are generally more technically advanced. The number of privately-owned wagons increased by some 10 % compared to the previous year and now account for 40 % of all Russian railway wagons. VR Cargo continued its co-operation with Russian railways and private companies that own rolling stock to ensure an adequate supply of rolling stock.

Continued growth in Siberian container traffic

Volumes of container traffic between Finland and East Asia, both inbound and outbound, continued to grow strongly. Growth was 6 % in 2002, and in the previous year 20 %. Altogether 52,000 TEU 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 was carried from Korea, Japan and China to Finland by container train. The biggest product group was Korean consumer electronics but imports from China started climbing steeply in 2002. Most inbound containers were carried to terminals in southeast Finland, from where the goods

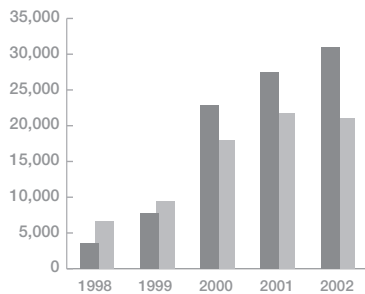
were distributed to Russia's consumer markets. Carryings of Finnish exports on the Trans-Siberian route again increased, accounting for some 40 % of total volume, mainly bound for Korea, China and Japan.

Demand for combined road-rail transport

The volume of combined road-rail transport in Finland grew by 11 % compared to 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 6,000 articulated vehicles, 11,000 trailers and 8,000 swap-bodies as combined road-rail transport, altogether equivalent to almost 51,000 TEU. VR Cargo also carries shipborne containers by rail and the volume of these, 153,300 TEU, grew by 3.5 % during the year.

Growth in combined road-rail transport is limited by a lack of suitable stock and by the fact that the capacity of the Oulu terminal facilities is currently fully utilized. A new terminal at Oritkari in Oulu, due for completion in 2004, will greatly help to eliminate the bottleneck as the Oulu terminal will then be able to double the volume it handles.

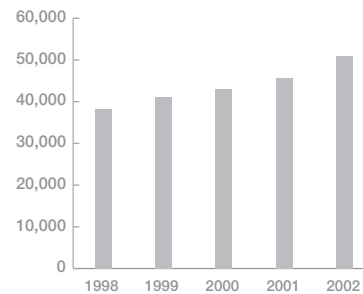
Prototypes of a new wagon designed for combined road-rail transport were completed during the year. Twenty of these wagons will be placed into service during 2003. The new wagons, which are lower and longer, can carry modular articulated vehicles with a length of up to 25.25 metres. The wagons are also capable of carrying the 4.2-metre-high units currently permitted on Finnish roads.



East Asia container traffic 1998-2002

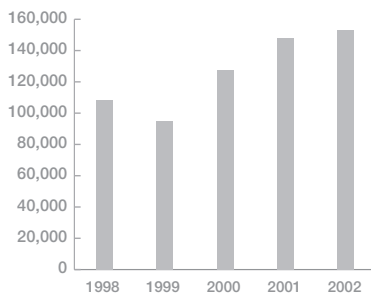
TEU = 20-foot container equivalent

■ Imports
■ Exports



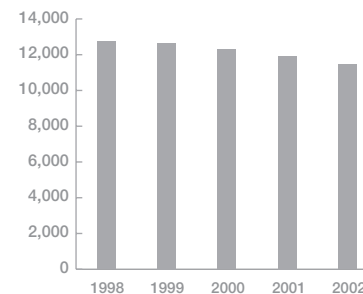
Combi-transport carryings 1998-2002

TEU = 20-foot container equivalent



Sea container carryings 1998-2002

TEU = 20-foot container equivalent



Number of freight wagons 1998-2002

Online services enhance logistics efficiency

VR Cargo developed its online services in collaboration with its customers and introduced a number of complete service packages during the year. Extranets based on Internet technology link the customer with VR Cargo through a common IT network. The aim is to speed up processes, enhance their efficiency and eliminate duplicated work. Customers can easily check all the instructions for their consignments over the extranet as well as prepare and send transport documents, order transport capacity and track the progress of consignments.

The extranet also allows small companies to gain benefit from electronic communications. The target is to have 90 % of customers' consignment notes in electronic format. The networks are constructed in parallel with the EDI (electronic data interchange) system that has already been in use for several years. Currently some 80 % of consignment notes and 14 % of invoices are transmitted in EDI format between VR and large industrial corporations.

25-tonne axle load between Kirkniemi and Hanko

At the end of the year paper carryings from the Kirkniemi paper mill were transferred to heavy freight trains that can carry an axle load of 25 tonnes. The track between Kirkniemi and Hanko was the first in Finland with a permitted axle load of 25 tonnes. Finnish rolling stock previously had a maximum axle load of 22.5 tonnes.

The higher axle load improves the competitiveness of the transport chain. An extra ten tonnes of freight can now be loaded into one wagon so trains can be shorter, which enhances efficiency in the loading and unloading processes.

In February 2003 the permitted axle load was raised on the track between Mäntyluoto in Pori and Harjavalta. VR Cargo is preparing for higher permissible axle loads on the Finnish railway network in the future by equipping all new wagons with bogies designed for a 25-tonne axle load.

New types of wagons

VR Cargo continued to collaborate with Finnish industry in modernizing its rolling stock. During the review period, 40 new Simn-t wagons designed for carrying freight for the paper industry were placed into service. Another 100 new wagons are due to be commissioned by the end of 2003.

VR Cargo placed 25 wagons specially designed for carrying ore concentrates into service between Mäntyluoto and Harjavalta during the year. The new wagons can carry almost 70 tonnes, compared to the 50-tonne capacity of older wagons. A prototype wagon with four axles, designed for carrying sawn timber, was completed. The load capacity of the prototype is almost 2.5 times higher than the existing wagons.

An automatic loading and unloading system for freight carried between the Kajaani paper mill and Rauma harbour was completed. Paper rolls are moved from the mill warehouse onto railway wagons automatically and later automatically unloaded at Rauma. The system, jointly developed with the paper industry, handles half a wagonload at a time. Automation enhances the efficiency of the transport chain and significantly reduces damage to paper rolls during handling.

Prospects

VR Cargo continues the development project it launched in 2001 to improve efficiency in co-operation with its customers. The aim of the three-year project is to improve the competitiveness of rail transport and maintain VR Cargo's 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. Further centralization of the loading station network will enable more efficient utilization of trains. VR Cargo also plans to improve the capacity utilization of its trains.

VR Cargo aims to increase the volume of direct carryings from the factory to the port used by the customer. An increasing proportion of Finnish industry's products and raw materials is carried in these types of customer trains, in which all the wagons in the train are loaded at the same factory or mill and taken to the same port.

The number of wagons carrying freight continues to decline, increasing the need for greater efficiency in transport planning. The level of annual investment will increase considerably in the near future as the focus of investment shifts away from modernizing rolling stock and towards procuring new wagons.

One of the main challenges facing freight services is to extend the range of services towards comprehensive logistics solutions. This will be achieved through expanded co-operation between VR Cargo and VR Group's other freight companies. ■

Shunting foreman Harri Lehmusmetsä ensures that freight trains leave the Kouvola marshalling yard on time.





Track Construction and Maintenance

- Long-term project on the Helsinki-Tampere line nearing completion
- Largest worksite was between Kouvola and Mikkeli on the Savo line
- Design expertise centralized in a single profit unit

VR-Track Ltd specializes in track design, construction and maintenance services. The company's customers include the Finnish government, local authorities, ports, industrial companies using the rail network and other track maintenance contractors.

VR-Track offers its customers a total package for rail infrastructure services, including design, construction and maintenance. The customer can also purchase individual services, such as design or specific aspects of design. The company's strengths are technical expertise and competent management of the complete railway system. VR-Track is Finland's leading company in track construction and maintenance and it aims to keep this position in the future.

VR-Track'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. The Finnish government's annual expenditure on track construction and maintenance has been some EUR 350 million. In addition to this, the market for building private tracks and for track maintenance and construction for other industrial sectors is worth EUR 20–30 million a year.

A growing proportion of the Finnish government's expenditure on rail infrastructure is allocated to new projects, such as the direct line between Kerava and Lahti, the new line to Vuosaari harbour and the Kerava urban line. Conversely, government expenditure on renovation of existing track, VR-Track's core business area, is proportionally less and VR-Track's net turnover and number of personnel have declined as a result.

The prominent feature in railway development, both in Finland and elsewhere in the EU, has been market deregulation and a consequent increase in competition. VR-Track has responded to the changing business environment by adapting the size of its workforce to the actual work on hand.

Net turnover from track construction and maintenance was EUR 231.8 million in 2002, broadly the same as in the previous year. Contracts commissioned by the Finnish Rail Administration accounted for over 90 % of net turnover. VR-Track's market share of all contracts commissioned by the Finnish Rail Administration was over 60 %.

The company's own production focused on work requiring a high level of expertise in railway engineering. Materials and



Track machinery is highly automated because the work demands speed and accuracy. The crew of this tamping machine includes foreman Jukka Makkonen and machine operator Jukka Latva.

services purchased by VR-Track accounted for 31 % of its net turnover. The company's order book at the year end was EUR 120 million.

Largest worksite in Savo

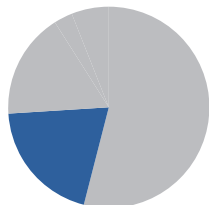
VR-Track's largest worksite during the year was the renovation of the Savo line between Kouvola and Mikkeli, where ballast, sleepers and rails were replaced on 80 kilometres of track. Some 300 men and VR-Track's key machinery worked on the construction phase, which lasted about three months.

The renovation work on the line between Helsinki and Tampere, started a number of years ago, was completed at the end of 2002. The maximum permitted speed of Pendolino trains

along this section of line will rise to 200 kilometres an hour in summer 2003.

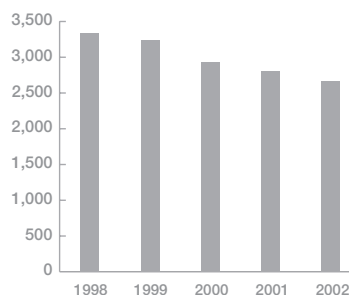
In 2002 VR-Track replaced sleepers on altogether 300 kilometres of track and rails on a total of 200 kilometres of track. The utilization rate of the company's own production units remained at the same high level as in the previous year.

The rail-welding unit in Kaipiainen handled some 25,000 tonnes of rails, of which over half comprised new heavy rails and around one-third renovated rails. The track point units in Pieksämäki and Kaipiainen manufactured 170 track points of varying types and overhauled 60. Production at the impregnation facility in Haapamäki amounted to some 24,000 cubic metres of timber, two-thirds of which consisted of railway sleepers.



Track construction and maintenance, share of VR's net turnover 2002

Track construction and maintenance 20 %



Number of employees 1998-2002

Installation of ATP continued

The Finnish Rail Administration ordered the final stage of Automatic Train Protection (ATP) during the review period. The system so far covers most passenger services and by 2005 should also include lines with low passenger volumes. Work started on designing and constructing a safety system for the Pieksämäki–Siilinjärvi–Joensuu line.

VR-Track won a large tender for electrification of the direct line between Kerava and Lahti. Design started during the year and construction is due to start in 2004. The project is scheduled for completion in 2006.

At the beginning of the year an international consortium headed by VR-Track's design department won a tender for an EU-financed project for designing a railway border crossing between Estonia and Russia and an adjacent marshalling yard. The work will be completed by summer 2003. Also in Estonia, the six-year contract for cleaning ballast entered its third year. A VR subsidiary called VR-Track AS operates in Estonia.

Megasiirto Oy, a VR-Track subsidiary specialized in bridge construction and moving heavy goods, met its growth targets during the year. The company is becoming a medium-sized enterprise in its chosen sector. VR-Track acquired a majority shareholding in the company in 2001.

Investments in 2002 amounted to EUR 8.2 million and focused mainly on replacing obsolete equipment, particularly mobile track machinery and wagons. The Pieksämäki workshop completed the last five in a series of 25 rail-trucks. ATP installation in railtrucks was also completed during the review period.

Design expertise strengthened

VR-Track decided to centralize its design expertise in a business unit called VR-Track Ltd Railway Consulting from the beginning of 2003. The aim is to have an independent unit to perform design and engineering assignments related to construction contracts for customers.

A project for developing design systems was launched during the year aimed at upgrading and integrating software relating to geometry, geotechnical engineering, track electrification and safety equipment. The project will be completed in spring 2003.

All VR-Track's main units operate quality systems. The company also has a safety management system for construction and maintenance activities. VR-Track made further progress in its environmental activities during the year, obtaining environmental certification for the Eastern Finland and Western Finland track centres. VR-Track's target is to receive environmental certification for all its business areas in 2003.

Customers well satisfied

Improving customer relationships and rapid reaction to customer feedback throughout the company continues to be one of VR-Track's development targets. Customer satisfaction has risen steadily and in recent years has reached a good level. In 2002 customers gave their highest rating to VR-Track's construction activities and saw most improvement in the company's design activities.



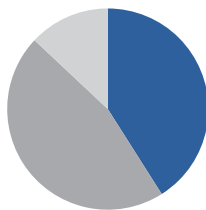
In 2002 the International Union of Railways (UIC) published a report comparing the cost efficiency of track maintenance and the availability of the rail network in different countries. The report rated Finland as the most cost-effective country in Europe for track maintenance. Lateness due to defective track equipment in Finland was below the average.

Prospects

The focus for upgrading rail infrastructure has shifted to eastern and northern Finland. Large track construction projects will be launched in different parts of Finland over the next few years.

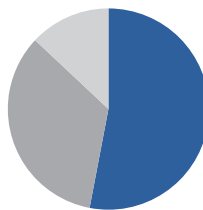
The largest worksites in southern Finland are the urban line between Tikkurila and Kerava and the new line to Vuosaari harbour. Upgrading of the main line will continue northwards from Tampere to Seinäjoki and Oulu. The eastward connections from Lahti to Vainikkala and Imatra will also be developed.

VR-Track will continue to focus on work that calls for strong expertise in railway engineering, special track maintenance machinery and a thorough knowledge of rail safety. The company will also actively participate in earthworks and bridge construction relating to railway infrastructure. The market for railway maintenance is changing, and VR-Track must respond by being more flexible and adaptable. ■



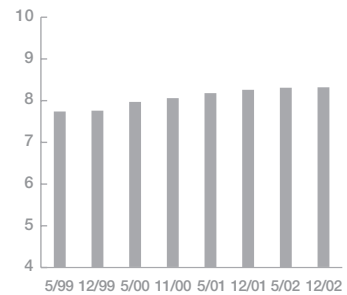
Net turnover 2002

■ Maintenance	41 %
■ Construction	46 %
■ Engineering, materials and other services	13 %



Working hours 2002

■ Maintenance	53 %
■ Construction	34 %
■ Engineering, materials and other services	13 %



Customer satisfaction 1999–2002

Overall grade, scale 4–10

VR-Track's largest worksite during 2002 was the Savo line. Track machinery was used at night to minimize interruptions to services.



Road Services

- Net turnover at the previous year's level
- Tanker services win new contracts
- Transpoint expanded its range of services

Oy Pohjolan Liikenne Ab's subsidiaries are responsible for providing road services that supplement VR Group's rail services. Transpoint Oy Ab and Combitrans Oy, a Transpoint subsidiary, provide freight services. Oy Transuotila Ab and its subsidiaries in the Baltic countries provide bulk transportation using road tankers. Oy Pohjolan Henkilöliikenne Ab and its subsidiary Oy Pohjolan Kaupunkiliikenne Ab provide bus and coach services. All these companies aim to be efficient and profitable pioneers in their respective fields.

Altogether freight traffic amounted to 8.2 million tonnes, which was at the same level as in the previous year. Volumes of general cargo declined 5 % because Transpoint stopped providing one-way transport. Volumes of partial and full-load carryings decreased 1 % as a result of the slowdown in the building materials industry. Road tanker carryings grew by 14 %. The growth in tanker services was due to an extension of existing transport contracts and to new contracts won by the company.



Combitrans transports partial and full loads by road. Driver Esa Uski receives instructions from warehouse foreman Petri Raskila.

The Pohjolan Liikenne subgroup holds a strong position in the Finnish road transport sector. 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 Pohjolan Liikenne subgroup accounts for over 5 % of the Finnish bus and coach market and 4 % of the market for chartered services in the Helsinki metropolitan area. Pohjolan Liikenne's market position in 2002 remained broadly the same as in the previous year. In 2002 the company had 186 of its own trucks, 750 trucks owned by subcontractors, 69 articulated road tankers and 313 buses.

Volumes declined

Net turnover from road transport operations amounted to EUR 195.7 million in 2002, broadly the same as the previous year. Freight services generated 74 % of net turnover, EUR 144.5 million, passenger services 18 %, EUR 35.3 million, and tanker services 8 %, EUR 15.9 million.

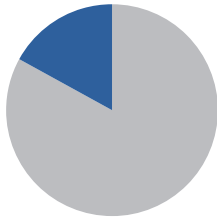
A total of 14.7 million passenger journeys were made during the review period, some 4 % fewer than the previous year. The main reason for the decrease was a change in the structure of contract services. A further factor was the long hot summer, which depressed demand for urban and commuter transport.

Personnel competence an asset

Customer satisfaction with both Transpoint and Combitrans improved. The results of customer satisfaction surveys gave both companies a higher overall rating than one year earlier.

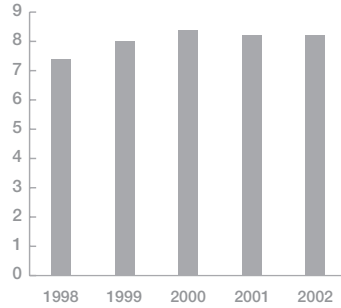
Transpoint's strengths continued to be the competence of its drivers and the professional competence of its sales force. Transpoint's main targets for development are resolving problems and handling refund claims. Combitrans's strengths were its customer service and its sales and marketing activities. Customers noted that Combitrans has considerably improved its communications and its approach to resolving problems.

Customer satisfaction with Pohjolan Kaupunkiliikenne remains at a very high level. In particular, customers highly



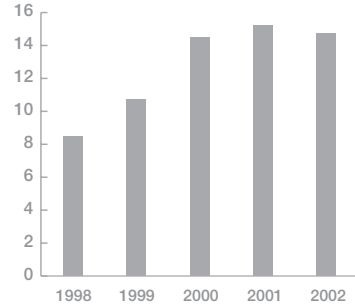
Road services, share of VR's net turnover 2002

■ Road services 17 %



Freight volume by road 1998–2002

Million tonnes



Bus and coach journeys 1998–2002

Millions



rated the professional skills of its drivers and the good condition and cleanness of the buses and coaches.

Wider range of services

Transpoint diversified its range of services in 2002. The company added transport services for temperature-controlled and technically demanding product groups to its conventional general cargo services. Delivery routes were developed and, in many cases, extended directly to the customer's retail or production premises. Transpoint also offered its customers a set of options for electronic invoicing.

Transuotila expanded its customer base. The company landed a contract for handling carryings for the new service station chain from the end of 2002. Transuotila is responsible for providing the chain with a comprehensive service package that starts with determining the need for tank replenishment, making extensive use of modern IT technology.

Prospects

In view of the general economic climate, the prospects for freight services are uncertain and economic recovery is not expected during 2003. Development of road services will focus on improving the interchange of information between the customer and the transport company, and on enhancing supply chain management.

The biggest challenge facing tanker services is the volatility of prices caused by fluctuations in demand for liquid fuels. Pohjolan Liikenne companies will continue to focus on improving their cost efficiency. ■

Catering Services

- Restaurant in Helsinki station refurbished
- Improved customer feedback
- Cost cutting measures continued

Avecra Oy provides catering services in cafés, restaurants and kiosks at Finland's larger railway stations and on long-distance passenger trains. Avecra provides daily services on some 130 trains and has 20 outlets at railway stations. The company aims to provide high-standard services, operate efficiently and ensure customer satisfaction, while motivating personnel and securing personnel commitment.

The main trend in the catering sector in recent years has been considerable growth in seating for customers, which has risen faster than overall demand for catering services. Another recent trend is the growing proportion of food sales by restaurants compared to sales of alcoholic beverages.



Johanna Rajala, chef at the newly refurbished restaurant in Helsinki railway station, makes sure there is always a wide choice of fresh produce on offer.

Avecra's market share has decreased in recent years, largely due to the closure and disposal of unprofitable outlets. Net turnover of catering services in 2002 amounted to EUR 27.7 million, a decrease of 6 % compared to the previous year.

Prestigious restaurant refurbished

Development of Helsinki railway station continued. In December 2002 the refurbished Station Restaurant, which previously operated under the name Eliel, opened its doors. The aim of the refurbishment was to provide a pleasant restaurant with cafeteria services for train passengers and other visitors to Helsinki city centre.

Avecra collaborated with the Finnish National Board of Antiquities in order to preserve the ambience that architect Eliel Saarinen originally intended for the restaurant. The restaurant also enhanced its services, placing priority on providing a broad range of fresh products and a choice in lunches.

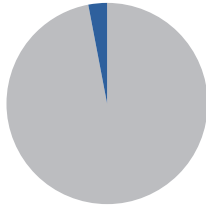
During the review period Avecra improved the operations of outlets opened earlier in Helsinki station, aiming at better cost-efficiency and high quality in both the products and services they offer.

Avecra closed or sold the station restaurants in Hämeenlinna, Lahti, Jyväskylä and Kouvola in 2002, in addition to closing the Semafori restaurant in Tampere railway station.

Trolley catering services grew as more InterCity2 trains were placed into service. The InterCity2 trains do not have restaurant cars; all catering services are provided from trolleys. This change reduced the company's onboard sales by 2 %. Avecra introduced a bonus system for personnel working on IC2 trains to reward individual employees for boosting sales.

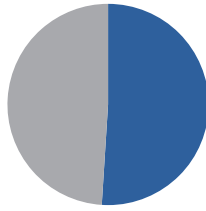
Good feedback about personnel

In addition to its own customer feedback system Avecra also conducts Mystery Shopper surveys to measure customer



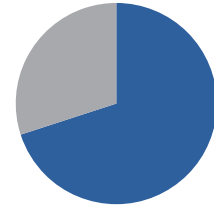
Catering services, share of VR's net sales 2002

■ Catering services 3 %



Net turnover 2002

■ Restaurants in trains 55 %
■ Restaurants at stations 45 %



Personnel 2002

■ Restaurants in trains 70 %
■ Restaurants at stations 30 %



satisfaction. In these, researchers visit different outlets and assess the quality of service provided.

Customer satisfaction with A-Catering, the company responsible for catering services in trains, improved during 2002. Some 52 % of the feedback received was positive. Customers were particularly pleased with the service provided by personnel, an aspect previously pinpointed for development. Customers were also satisfied with service in the station restaurants; 47 % of feedback on restaurants was positive and most of this related to the service-mindedness and professionalism of the staff.

Avecra received altogether 3,700 items of feedback during the review period. Most of the feedback concerned customer service. The company's aim is to triple the volume of customer feedback.

Avecra continued its cost cutting programme, partly by using leased personnel on trains. A development programme was launched in autumn 2002 for improving the materials management and logistics operations located in Ilmala, Helsinki.

Prospects

Little change is expected in the catering services sector. Competition will remain intense as the supply of licensed restaurants and cafeterias exceeds demand, especially in the Helsinki area. Avecra's main development priority in 2003 is a new café to be opened in the west wing of Helsinki railway station. ■





Human Resources

- New values form basis for human resources strategy
- Personnel policy clarified with common ground rules
- Priority given to personnel's work ability and well-being

VR is vigorously developing its human resources management and procedures. The company has several major projects in progress that address the challenges of the future. These challenges include an appreciable increase in personnel turnover over the next few years and the need to ensure employees' work fitness and professional competence. The company is building its future in collaboration with its personnel.

VR Group bases its personnel management policy on its human resources strategy, which was reformulated in 2001. The policy ties in VR's values and business strategies.

One of the most important tools available to VR's management is personal appraisal discussions, in which an employee and his/her superior jointly set work targets, review results and seek suitable methods for developing group activities and personal skills.

Appraisal discussions are already common practice in VR, but the company is continually improving the methodology it applies. Internal trainers in VR's different units assist managers and supervisors in creating better methods for the discussions and in the practicalities of holding group discussions.



New values adopted

VR Group confirmed its new values during the review year. The Group's values are Safety, Satisfied Customers, Successful Together and Responsibility. All personnel were able to participate in defining the company's values. The two values Successful Together and Responsibility are the cornerstones of VR Group's human resources strategy and management practice. The goal of all VR's activities is to be profitable while meeting customers' expectations.

In autumn 2002 the company initiated steps to ensure that these values are applied in practice to everyday activities. The aim is for each VR employee to form an understanding of the importance of VR's values in his or her own work.

Ground rules prepared in joint co-operation

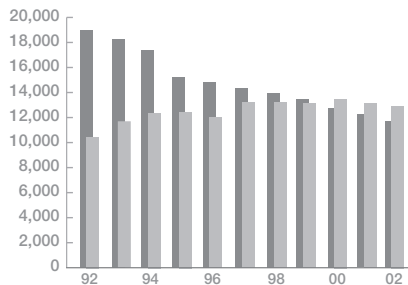
During the year VR Group encapsulated its human resources strategy in practical ground rules prepared in joint co-operation with employee representatives. These provide new guidelines for personnel policy.

Expertise an asset

VR trains its own employees in the occupational skills needed in the railway sector at the company's own Training Centre. The amount of basic training remained at the same level as the previous year. The theoretical training given by the Training Centre is supplemented with on-the-job work guidance.

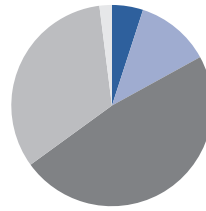
In 2002 VR's Training Centre arranged courses for conductors, drivers and marshalling yard foremen. Some of the entrants for the drivers' course came from outside VR Group for the first time in twenty years. Twenty drivers graduated from the course that started in 2001.

VR Group's training courses incorporated more online study than previously. The basic qualification for marshalling yard personnel, for example, can now be obtained through online study followed by on-the-job work guidance, without the need to attend class-based courses. One of the development priorities for training in 2002 was acquisition of the skills needed for VR's e-business operations.



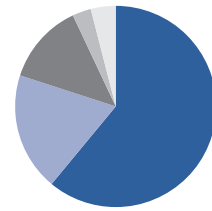
Number of rail employees and transport volumes 1992–2002

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



Age structure 2002

■ 20–29 years 5 %
■ 30–39 years 12 %
■ 40–49 years 48 %
■ 50–59 years 33 %
■ 60+ years 2 %



Personnel by business

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



VR places high priority on work ability and fitness. Seen here are VR employees on a skiing trip in Vuokatti.

Co-operation towards improved work ability

VR Group introduced a new programme for promoting work ability and fitness during the year. The interval between employees' regular health checkups was shortened, with particular emphasis on older employees and personnel in jobs affecting rail safety. The results of an extensive psychophysical ability survey conducted for VR were used in employee healthcare units and for improving rail safety. VR offered its employee healthcare operations to competitive bidding in several localities, and found new service providers as a result.

Target-oriented personnel plan

The company developed tools and methods for its personnel plan during the year. The Group's larger companies introduced a new management reporting system and also a new IT system for planning and managing training.

The number of VR's personnel declined by 3 % compared to the previous year. The Group employed an average 14,400 people during the review period: 8,800 of these worked in traffic-related jobs and 2,700 people in track construction and

maintenance. New recruits in the near future will be mainly drivers and conductors for commuter services. VR's recruitment will continue to be relatively moderate for some time, although planning allows for the need to substantially increase recruitment in a few years' time.

Prospects

The challenging task for managers in 2003 is to put the company's values and common ground rules into practice. Appraisal discussions will be extended to include personnel groups that have not so far been included. Priority will also be given to improving competence management. The goal is to link personnel development in the Group more closely to business targets.

Development priorities include refining recruitment models and further improving personnel reporting tools. VR Group will conduct a group-wide personnel survey in autumn 2003, similar to the previous one arranged in 2000. This will provide information about VR's personnel management status and give guidelines for continuous development. ■

Safety

- Safety continued to be VR's foremost core value
- No serious rail accidents occurred during the year
- Construction of new radio network started

Safety has long been one of VR Group's core values. The importance of safety in VR's operations was underscored in the open dialogue about values that the company conducted in 2002. VR aims to convey passengers and freight safely and reliably. Regular training of personnel and an emphasis on learning and complying with the correct working methods are key points in VR's Rail Safety Programme.

The 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 was updated in 2001.

also received awards acknowledging their alertness and responsible approach to safety issues.

VR launched a new training programme in collaboration with the Technical Research Centre of Finland (VTT) during the year for instructing managers and specialists in risk assessment and prevention.

Construction of the Automatic Train Protection (ATP) system has been a project of crucial importance to rail safety. The system was extended during 2001 to cover the main line network. Installation of ATP on low-volume lines was started during the review year.



No major accidents occurred in rail services during the review year, which is the fundamental target for rail safety. There were no train collisions or any other accidents that could have caused loss of life or serious injury. The year's most serious accident occurred in Suoniemi, where a goods train drove into the end buffer of a siding while manoeuvring and was partially derailed. The locomotive of the train was damaged and transformer oil from the locomotive's electrical equipment leaked onto the ground. No-one was injured in the accident.

Focus on practical issues

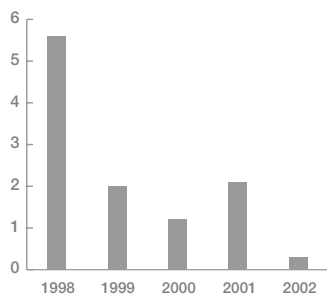
The focus of the Rail Safety Programme is shifting away from large investments and towards practical safety in everyday work. Continuous training and instruction of personnel combined with encouraging employees to promote safety are central features of the programme. The advanced training course for traffic personnel begun in 1998 continued during the review period. At the start of the year ten employees from different professional groups received awards in acknowledgement of their significant contribution to rail safety. Many employees

The ATP system monitors compliance with speed limits and stops a train if necessary. The Finnish Rail Administration is responsible for the overall system. VR-Track has installed the ATP system in the rail network, and VR Ltd the ATP equipment in locomotives and track machinery.

Fewer accidents at level crossings

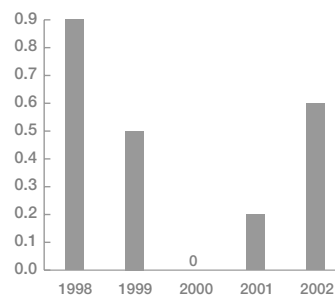
There were fewer accidents at level crossings in 2002 than in the previous year. Altogether 42 accidents occurred at level crossings, compared to 60 in the previous year. Four people were killed and nine injured in accidents during the review period. The corresponding figures for the previous year were 12 and 25, respectively.

A campaign directed at making motorists more safety conscious at level crossings was continued. The campaign focused particularly on the Turku and Rauma areas, where accidents at level crossings have increased. The campaign is run jointly by the Ministry of Transport and Communications, the Finnish Rail Administration, the Central Organization for Traffic Safety in Finland, the Finnish Road Administration, the police and VR.



Fatalities and seriously injured passengers 1998–2002

Per billion passenger-km



Collisions in rail traffic 1998–2002

Per 10 million train-km



Traffic controller Jussi Oikia works at the Helsinki traffic control centre. His job is to ensure that train services operate safely.

There were several incidences of obstacles placed on railway tracks during the year, which created a serious hazard and damaged rolling stock. Vandalism was one of the themes of the joint campaign targeted at schoolchildren by VR, the Finnish Rail Administration and the police, which is now in its seventh year. The geographic focus of the campaign in 2002 was on northern Finland and Tampere's neighbouring municipalities, where it reached some 8,000 schoolchildren.

Construction of new radio network started

Construction of a radio network based on the European GSM-R standard started during the review period. At the end of the year the Finnish Rail Administration selected Corenet Ltd, a VR Group company, as the construction consultant. The target is to start trials of the system during 2003 and to have a fully operable system covering the entire rail network by 2006.

The new radio system will reduce interference in railway communications and make contact between trains and traffic control centres faster. VR will install the radio equipment on its rolling stock.

Prospects

Developing and maintaining the skills of traffic safety personnel will continue to be one of the most important methods of ensuring safety. Work on improving safety will also focus on continuous assessment of safety status to prevent risks and on further developing safety management. Effective internal monitoring is another important element in ensuring safety.

The third stage in the construction of the ATP system will continue. By 2006 the ATP system will cover all lines used by passenger services. Installation of new traffic control and safety equipment on the Lappeenranta–Parikkala and Pieksämäki–Varkaus–Joensuu lines is nearing completion.

The purpose of new safety equipment is to improve rail safety and enhance efficiency in traffic control. Equipment malfunctions have occurred, especially during commissioning, and caused considerable delays in rail services. A major challenge in the future is to ensure fault-free operation of traffic control and safety equipment, and the speedy repair of any defects. ■

The Environment

- Efficient use of energy
- Noise an important environmental hazard
- New certificates for environmental management

Responsibility for the environment and environmentally safe ways of operating are of key importance in VR's new values. VR regards environmental friendliness as one of its key success factors. The principles underlying VR's environmental activities are defined in the Group's Environmental Policy.

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 Co-ordinators of VR Group companies and officers responsible for environmental issues at specific sites.

Energy consumption scrutinized

Fossil fuels used by diesel stock and for generating energy are the source of carbon dioxide, nitrogen oxide and sulphur dioxide emissions. Electric trains consume less energy and produce fewer emissions per passenger-kilometre or tonne-kilometre than diesel trains. Electrically-powered trains produce only 30 % of all carbon dioxide emissions from rail traffic although electric trains comprise 77 % of rail traffic.

Rail traffic's energy performance per tonne-kilometre and passenger-kilometre, 0.29 MJ, increased slightly compared to the previous year. VR's target is to reduce energy consumption to below 0.23 MJ per tonne-kilometre and passenger-kilometre by 2012. This will require increasing the proportion of electric tractive stock, improving shunting efficiency when assembling trains, increasing the utilization rate of passenger and freight capacity, and modernizing rolling stock.

Renovation and the deployment of modern real estate technology reduced energy consumption in VR's buildings. Transpoint continued its programme for teaching drivers economic driving habits in order to reduce fuel consumption, and 239 drivers attended these courses in 2002.

Noise produced by rail traffic has become an important environmental factor, especially in view of new residential construction near railway tracks and stations. VR addresses noise reduction by keeping rolling stock in good condition, modernizing stock and by changing working procedures, for example in marshalling yards.

Wider environmental certification

In 2002, VR Ltd's Rolling Stock Maintenance Department, VR-Track Ltd's Eastern Finland and Western Finland track centres and Pohjolan Kaupunkiliikenne received ISO 14001 certification for their environmental management systems.

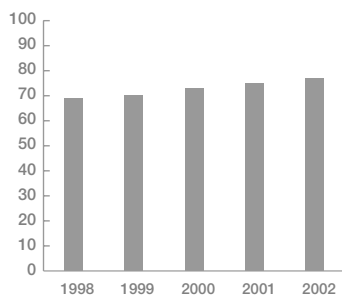
VR Ltd's Passenger Services and Freight Services, VR-Track's Haapamäki impregnation plant and Hyvinkää electricity installation centre, and both Transpoint's and Combitrans's freight services have already been ISO 14001 certified.

Environmental audits have resulted in clearer instructions and more environmental training for personnel.

Soil contamination risks further reduced

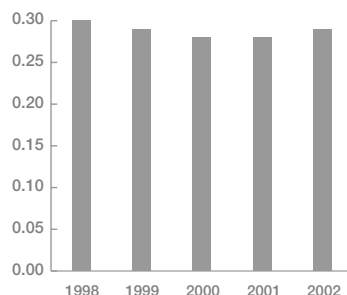
VR has systematically reduced risks to the soil and groundwater for a number of years, by modernizing fuelling depots and decontaminating polluted areas. Upgrading during the review year included replacing underground fuel tanks with surface tanks, modernizing equipment and removing polluted soil. VR modernized the fuel depots in Kemi, Jyväskylä and Vainikkala.

The cost of surveying and decontaminating polluted ground areas amounted to EUR 720,000 in 2002. In addition to the fuel depots, the main targets for modernization were the Seinäjoki marshalling yard and the Vaskiluoto oil storage facility in Vaasa. The oil storage area at Pieksämäki workshop and the marshalling yard at Mikkeli were surveyed.



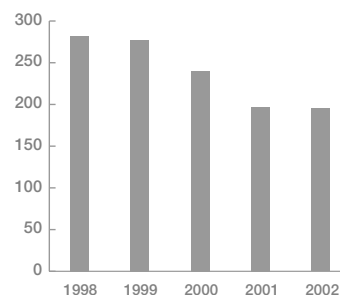
Electric traction, share of total train-km 1998–2002

%



Energy consumption by total transport volume 1998–2002

MJ/(tonne-km + passenger-km)



Carbon dioxide emissions in rail services 1998–2002

1,000 tonnes

No dangerous emissions during transport of hazardous materials

Altogether 6.1 million tonnes of hazardous materials were transported by rail and 0.1 million tonnes by road during the review period, 5 % more than the previous year. No emissions dangerous to health or damaging to the environment occurred in the transport of hazardous substances during 2002. In May, a commuter train collided with an obstacle placed on the track at Malmi, Helsinki, which resulted in an estimated 600 litres of transformer oil leaking onto the track.

A total of EUR 5.0 million was paid in environmentally-related taxes and statutory fees. VR paid energy tax of EUR 513,000 on electricity and EUR 4.4 million on liquid fuels. Tax on waste sent to landfill sites amounted to EUR 100,000. These taxes and fees were calculated on actual fuel consumption and actual waste volumes. Track charges, which are partly based on external transport costs, amounted EUR 53 million.

Co-operation in environmental issues

VR, in co-operation with local authorities, the Finnish Rail Administration and Fortum Corporation, conducted a survey in the Riihimäki and Hämeenlinna area to collect feedback from local residents on the environmental impacts of rail traffic. The survey will be completed in spring 2003.

VR collaborated closely with the Finnish Rail Administration during the review period. The company also participated in a project co-ordinated by the Ministry of Transport and Communications to promote environmental co-operation in the transport sector and in joint projects with international railway organizations.

The main projects concerning environmental legislation in the EU that have an impact on rail transport were the EU noise

directive, and the directives on emissions and environmental impact still being drafted.

VR published its third Environmental Report, which covers 2000 and 2001. The next Environmental Report will be published in 2004.

Prospects

VR's objectives over the next few years focus on enhancing efficiency in the use of energy and increasing the proportion of electric traction in rail transport. The target is for 80 % of all rail traffic to be electrically powered in 2012.

VR aims to make its travel chains smoother so that rail transport and other modes of public transport compete successfully with private cars. The main methods for achieving this are further building of Travel Centres and improving transport connections with railway stations.

VR will continue the external auditing and certification of its environmental management systems. ■

Electric trains are environmentally friendly. They consume relatively little energy and produce very few emissions.



Board of Directors



Administration and Management

Board of Directors

1. Martin Granholm, Chairman

Born 1946
MSc (Eng.), DSc (hc)
Executive Vice President, UPM-Kymmene Group

Chairman of the Board of VR-Group Ltd since 1995

Chairman or Deputy Chairman of the Board:
The Foundation for the Finnish Institute of Management,
German-Finnish Chamber of Commerce (deputy chairman),
Finnish-American Chamber of Commerce (deputy chairman)
and The Foundation for the University of Turku
(deputy chairman)

Member of the Board: Ilmarinen Mutual Pension
Insurance Co., the Central Chamber of Commerce,
ICC Finland, the Economic Information Bureau, Pohjola
Group Insurance Corporation, Pohjola Customer Service Ltd
and Pohjola Non-Life Insurance Company Ltd

2. 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

3. Kalevi Alestalo

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

Member of the Board of VR-Group Ltd since 1998

4. Eija Malmivirta

Born 1941
MSc (Eng.)
Director

Member of the Board of VR-Group Ltd since 1995

Member of the Board: Kemira Oyj, National Emergency Supply
Agency and The Finnish National Theatre

5. 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 chair-
man), Helsinki Chamber of Commerce (deputy chairman)
and AB Nynäs Petroleum (deputy chairman)

Member of the Board: European Petroleum Industry Association
(EUROPIA) and Confederation of Finnish Industry and Employers

6. Raimo Tainamo

Born 1948
Conductor, VR Ltd

Member of the Board of VR-Group Ltd since 2002

Chief Shop Steward and chairman of the General Council of the
Finnish Railwaymen's Union

1



2



3



Board of Management

4



5



6



7



Board of Management

1. Henri Kuitunen, Chairman

Born 1958

LLM

President and CEO, VR-Group Ltd

Member of the Board of Management since 1995

2. Juhani Kopperi

Born 1940

LLM

Executive Vice President, VR-Group Ltd

Member of the Board of Management since 1995

3. Mirja Mutikainen

Born 1958

MSc (Eng.), MBA

Director, Development, VR-Group Ltd

Member of the Board of Management since 1999

4. Pertti Saarela

Born 1957

LLM

Director, Administration, VR-Group Ltd

Member of the Board of Management since 1999

5. Tapio Simos

Born 1950

MSc (Econ.)

President, VR Ltd

Member of the Board of Management since 2002

6. Teuvo Sivunen

Born 1946

MSc (Eng.)

President, VR-Track Ltd

Member of the Board of Management since 1995

7. 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
Raija Vahasalo, MP, Deputy Chairman
Eero Akaan-Penttilä, MP
Marcus Henricson
Leea Hiltunen, MP
Anne Huotari, MP
Arto Isomäki
Alf Jakas
Ulla Juurola, MP
Eero Kippola
Marina Krause-Holmström
Paula Lehtomäki, MP

Alpo Mäkinen
Olli Männikkö
Pekka Nousiainen, MP
Mika Nykänen
Lauri Oinonen, MP
Jouko Oittinen
Osku Pajamäki
Katariina Poskiparta
Erkki Rantala
Timo Rautajoki
Harri Rumpunen
Marjatta Vehkaoja, 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 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's field of business is providing railway transport and other related or supporting services, either directly or through subsidiaries or associated companies. Immediately after its establishment the company founded VR Ltd, a subsidiary providing passenger and freight services, and VR-Track Ltd, a subsidiary specializing in track construction and maintenance.

Annual General Meeting

The company's financial year is the calendar year. The Annual General Meeting is held every year on a date specified by the Board of Directors within six months of the end of the financial year. A Ministry of Transport and Communications representative exercises votes at the Annual General Meeting on behalf of the Finnish state.

Supervisory Board

VR-Group Ltd'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 24 members and their period of office is three years. One third of the Supervisory Board's members are in turn for retirement 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 organization. The Supervisory Board convened six times during the review year.

Board of Directors

VR-Group Ltd's 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 six members, including the chairman, who are not members of the management of VR.

The Board of Directors is responsible for managing the administration of the company, for appointing and dismissing its president and deputy president and deciding on their remuneration, and for preparing the matters to be put before General Meetings and the Supervisory Board. The Board of Directors also ensures that decisions by these bodies are executed, and it handles other duties which it is required to perform under the Finnish Companies Act if these are not separately assigned to the Supervisory Board or President. The Board of Directors convened 12 times during the review year.

President and Board of Management

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

VR-Group Ltd's Board of Management comprises the President and CEO, Chief Financial Officer (CFO), the Director, Administration and the Director, Development as well as the Presidents of VR Ltd and VR-Track Ltd. The Board of Management addresses the matters of strategic or other major importance for VR's business operations. The Board of Management generally convenes once a week and is chaired by the President and CEO.

Auditors

The company has at least two and at most five auditors. The company currently has two auditors. Four people work in an internal audit unit, which is subordinate to the President and CEO. Parliamentary State Auditors have the right to conduct audits of VR.

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Report by the Board of Directors

Market conditions and operating environment

The economic outlook varied during 2002. The slump that began half way through the previous year was expected to ease by the middle of the year and the economy to start recovering again. That scenario still appeared likely during the second quarter but as autumn came conditions were more depressed than expected. The situation failed to improve significantly at the end of the year and industrial production and export targets were not met.

The forest industry production index increased by a good 4 % and the metal industry production index by more than 3 % according to preliminary estimates but the chemical industry's production index declined by over one per cent. These three industrial sectors are of decisive importance to VR's freight transport business.

Another factor of significance to VR alongside general economic trends is the state of freight operations handled with Russia. This is affected not only by the Finnish economy and import needs but also by Russia's own trade policies. In this context it is particularly difficult to predict with reliability the volume of transit freight carried via Finland to third countries and VR is largely unable to exert any influence on this factor. Russia is investing heavily in its Baltic ports while the tariff system operated by the Russian railways heavily favours freight routed to Russian ports. Naturally this affected VR's freight carryings during the year.

The change in the structure of freight traffic, combined with general economic and competitive conditions, resulted in a decrease in real freight prices compared to the previous year.

Changes in passenger volumes are so slow that, unlike the freight business, they do not follow economic trends. On the other hand they are particularly sensitive to socio-economic and demographic changes which in the long term have not favoured rail transportation in Finland.

VR expected its rolling stock modernization programme, which had made a good start, and its various other service improvements to be reflected in passenger volumes even though it was still not possible to speed up train services appreciably owing to the condition of the tracks. Long-distance passenger numbers did in fact start to recover and the number of these journeys was higher in the second half of the year. Full-year growth, however, was lower than expected, whereas the number of commuter journeys in the

Helsinki metropolitan area increased markedly as new services were introduced.

Consolidated turnover, result and liquidity

The Group's net turnover totalled EUR 1,139.9 million having been EUR 1,150.9 million in the previous year. Net turnover grew in passenger traffic but decreased in freight traffic. Net turnover from track construction and maintenance contracts awarded by the government decreased. Consolidated net turnover was also reduced by the disposal of Avarra-Asunnot Oy, the company responsible for managing VR's state-financed housing units. Operating expenses were increased by the need for further pension fund financing and higher depreciation. Materials costs, external services and other operating costs did not rise.

The Group posted an operating profit of EUR 26.8 (49.0) million and the net profit for the year was EUR 21.7 (42.0) million.

The Group's liquidity was good throughout the year. Net interest income amounted to EUR 10.6 (12.3) million. No new external long-term loans were raised during the year.

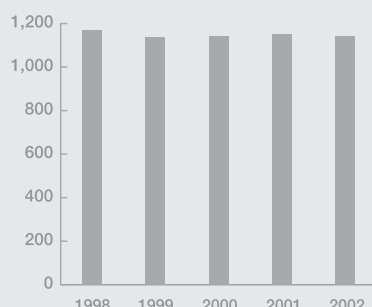
Rail volumes

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 remained at the previous year's level of 41.7 million tonnes. Of this total, 24.7 million tonnes came from domestic traffic and 17.0 million tonnes from international traffic. Domestic traffic increased by almost 3 % whereas international traffic declined by 4 %. 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.

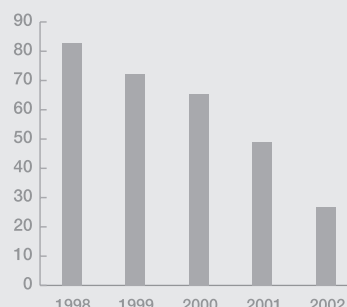
Within domestic traffic, carryings in the largest segment, the forest industry, increased by some 6 %, while metal industry carryings were down by about 3 % and chemical industry carryings by about 5 % likewise. The latter two segments are the largest freight categories after the forest industry.

Traffic between Finland and Russia, 12.6 million tonnes, was broadly similar to the previous year. More than half of the total



Net turnover 1998–2002

M€



Operating profit 1998–2002

M€

consists of raw timber imports into Finland, over one quarter comprises chemical industry products, and the rest is made up almost entirely of metal industry products. Forest and chemical industry carryings rose but metal industry carryings decreased due to the tariff policy exercised by the Russian railways. Traffic between Finland and Russia also includes traffic between East Asia (principally Korea, Japan and China), most of which is container traffic. This rose 6 % and totalled 52,000 TEU (1 TEU = twenty-foot equivalent unit, i.e. the nominal capacity of one 20-ft long container).

Transit traffic via Finland to third countries totalled 3.5 million tonnes. Most of this comprised Russian exports of raw materials to western Europe. The volume of transit traffic decreased by almost 14 %. Chemical carryings, principally petroleum products and fertilizers from Russia to western Europe, accounted for 88 % of total transit traffic. This freight category increased by about half a per cent but metal industry products fell to below half of the previous year's level.

Direct train traffic between Finland and western Europe decreased by 15 % to below 0.9 million tonnes. Most of this freight, almost 80 %, is carried by ferry from Finland to Germany and Sweden, and almost all the remainder was transported west via Tornio and Haaparanta in northern Finland.

VR Cargo's non-consolidated net turnover was EUR 332.2 (337.7) million. The average transport distance decreased by almost 2 % to 232 kilometres.

In passenger services 57.7 million journeys were made during the year, an increase of 5 %. Most of this growth came from commuter traffic in the Helsinki metropolitan area, where the number of passenger journeys increased 6 % to 46,1 million. In the zone administered by YTV, the Helsinki Metropolitan Area Council (Helsinki, Vantaa, Espoo, Kauniainen), the volume of commuter traffic rose by almost 10 %. The volume of train services in the YTV zone increased from 704 to 850 weekday departures when the Leppävaara city line reached its designed capacity at the beginning of June.

Long-distance traffic showed an increase of almost one per cent to 11.6 million. Long-distance traffic comprises all journeys other than those made in the Helsinki metropolitan area regardless of journey length. Growth in long-distance traffic was slightly higher during the second half of the year than in the first six months. The Pendolino services to Oulu and Kuopio increased passenger volumes on these routes. A total of 266,000

passenger journeys were made between Finland and Russia, up 11 % on the previous year. Travel was especially lively during holiday periods and extra services were provided.

Non-consolidated net turnover from passenger services amounted to EUR 288.7 (282.2) million.

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 8.2 million tonnes of freight, which was roughly the same as in 2001. Carryings of liquid fuels increased 14 % whereas carryings of general cargo were down by 2 %. Pohjolan Liikenne companies owned 255 trucks and employed an average of 750 trucks owned by subcontractors.

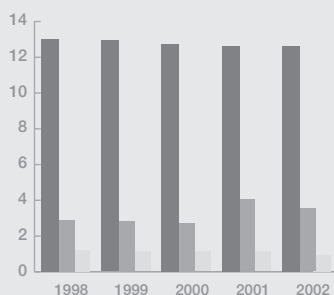
Road services in the Pohjolan Liikenne group are organized around two companies. Oy Pohjolan Henkilöliikenne Ab is responsible for regular and charter coach services mainly in southern and eastern Finland. Oy Pohjolan Kaupunkiliikenne Ab manages contract traffic in the Helsinki metropolitan area and Turku. These companies carried a total of 14.7 million passengers, down roughly 4 % on the previous year due mainly to changes in contract traffic. There were 313 coaches in service at the year end.

Net turnover of the Pohjolan Liikenne companies was EUR 196.7 (196.4) million, 82 % of which was derived from freight traffic and 18 % from passenger traffic.

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 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.

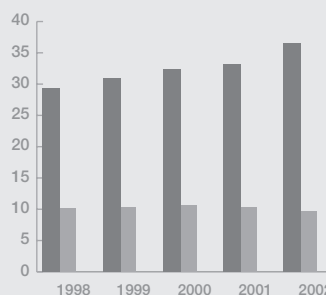
VR-Track Ltd's net turnover was EUR 239.8 (243.6) million, over 90 % of which was commissioned by the Finnish Rail Administration. In practice VR-Track Ltd is responsible



VR Cargo's international rail carryings 1998-2002

Million tonnes

- Eastern traffic
- Transit traffic
- Western traffic



Journeys in commuter traffic 1998-2002

Millions

- Helsinki metropolitan area
- Other

for normal maintenance of the entire Finnish rail network and handles more than 60 % of all contracts awarded by the Finnish Rail Administration.

The company's largest project during the year was the renovation of the Savo line between Kouvola and Mikkeli, where ballast, sleepers and rails were replaced along roughly 80 kilometres of track. Renovation and upgrading of the Helsinki–Tampere line, a project lasting several years, was completed at the end of 2002.

Rails were replaced on almost 200 kilometres of track and sleepers on 300 kilometres of track.

The final stage in installation of the ATP (Automatic Train Protection) system was started during the year with the aim of extending the system to low-density lines. This work started on the Pieksämäki–Siilinjärvi–Joensuu triangle.

VR-Track Ltd won the contract in open competition to electrify the direct Kerava–Lahti line. Planning started in 2002 and the construction work will take from 2004 to 2006.

The company continued to be active in Estonia, where it is responsible for a six-year ballast cleaning project. An international consortium headed by VR-Track Ltd won an engineering services tender at the start of the year for the design of a border crossing station on the Estonian–Russian border. Work on this project will be completed by summer 2003.

VR-Track Ltd's orderbook totalled EUR 120 million at the end of the reporting year.

Investments

The Group's capital expenditure amounted to EUR 143.9 (177.7) million, which included EUR 98.4 million covering rolling stock for VR Ltd. The principal items were EUR 29.5 million spent on Pendolino trains and EUR 28.2 million on Sr2 locomotives.

Eight Pendolino trains were ordered from Alstom Ferroviaria in June for delivery between 2004 and 2006. These trains are of the same type as the previously ordered 10 sets, 9 of which have now been delivered. Also in June, an order for 20 Sm4-type city trains was placed with Alstom Ferroviaria following delivery of a 10-train series at the start of the decade. The new trains will be delivered between 2004 and 2005. Nine Sr2 electric locomotives were received during the year, bringing the total received to 38 at the end of the year out of a series of 46 locomotives ordered. The remaining 10 double-decker InterCity coaches out of a total order for 92 were delivered during the year.

VR-Track Ltd's investments amounted to EUR 8.2 (12.8) million, most of which comprised replacements of track machinery and maintenance wagons retired from use.

The Pohjolan Liikenne group's investments totalled EUR 9.2 (8.9) million and principally covered spending on new vehicles.

R&D and services

Renewal of the ticket system, started during 2001, proceeded to the second stage during the spring. This involved adding train changes to the same ticket, making tickets easier to read, and making automatic ticket machines easier to use.

A new timetable structure was introduced in long-distance rail services at the beginning of June. Trains now depart from the main stations in southern Finland every hour at the same minute past the hour and trains in lower-density regions likewise generally depart at the same minute past the hour. This improved train connections at major junctions and made it easier to remember train departure times particularly for frequent passengers. The new timetables also made it possible to introduce a further 17 train services.

A new travel card was introduced in commuter services in the Helsinki metropolitan area allowing passengers to use all forms of public transport throughout the YTV zone with one card.

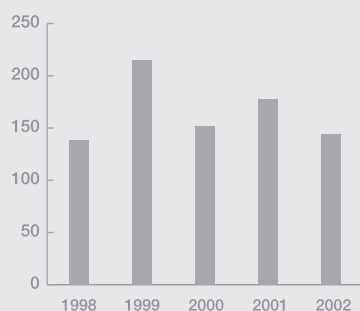
The travel centres at Kouvola and Jyväskylä were completed during the year. The Jyväskylä travel centre is the first such centre in Finland specifically designed to put train, bus, coach and taxi information systems and ticket sales under one roof.

A national call centre was taken into service in Riihimäki at the beginning of the year to handle customer service and ticket reservations by phone. The call centre is also manned by staff at another 15 stations around Finland using the same technology. The phone numbers to reach the centre are the same throughout the country and callers pay only for a local call.

Preparations were made during the year for the introduction of ticket sales on the Internet in March 2003. Passengers can pay using online banking services or certain credit cards. Tickets are either collected at the station or posted to the passenger's home address.

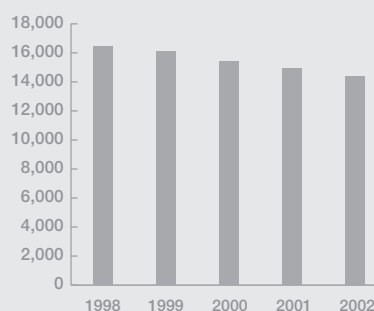
In freight services improvements were made to the online services connecting VR with its customers and the services were also extended to cover new customers. The system enables customers to check all the instructions for their consignments, prepare transport documents, order transport capacity and track the progress of consignments.

A new prototype wagon for combined transport was completed during the year and 20 such wagons will be placed into service during 2003. VR Cargo took 25 wagons specially designed for carrying ore concentrates into use between Mäntyluoto and Harjavalta during the year. The new wagons can carry almost 70 tonnes. A prototype wagon with four axles, designed for carrying sawn timber, was completed. The load capacity of the prototype is almost 2.5 times higher than the existing wagons. An automatic loading and unloading system for freight carried between the Kajaani paper mill and Rauma harbour was completed. The system, jointly developed with the



Investments 1998–2002

M€



Personnel on average 1998–2002

paper industry, handles half a wagonload at a time and will be introduced in 2003.

Group structure

Avarra-Asunnot Oy, the VR subsidiary responsible for the Group's state-financed housing units, was sold to VVO-yhtymä Oyj at the end of the year. The sale consisted of 1,961 housing units in 26 localities. The buyer took over the company on 1 March 2002.

Railtelia Ltd, VR's telecommunications services subsidiary, was renamed Corenet Ltd in March mainly because the minority holding in this company was transferred from Telia Finland Oy to Song Networks Ltd.

Safety and the environment

Safety has long been one of VR Group's core values. The importance of safety in VR's operations was also emphasized in the open dialogue conducted by the company on its values during 2002. VR aims to convey passengers and freight safely and reliably, and it is continuously engaged in efforts to improve safety and punctuality. The key points in VR's Rail Safety Programme between 2002 and 2004 are regular training of personnel and an emphasis on learning and complying with the correct working methods.

The 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 covers all aspects of safety within the company.

VR achieved its basic safety target, the avoidance of serious accidents, during 2003. There were no train collisions or any other accidents that could have caused loss of life or serious injury. The year's most serious accident occurred in April in Suoniemi, where a goods train drove into the buffer of a siding while manoeuvring and was partially derailed. The locomotive was damaged.

The number of accidents at level crossings decreased from 60 in 2001 to 42 during the review year. Four (12) people were killed and nine (25) were injured.

The main environmental impacts of VR's operations are caused by emissions, transport of hazardous substances, risks to the soil from handling fuels, noise from rail traffic and track maintenance, and the generation of municipal and hazardous waste.

Noise produced by rail traffic has become an important environmental factor. VR addresses noise reduction by keeping rolling stock in good condition, modernizing stock and changing working procedures, for example in marshalling yards.

Soil surveys and soil decontamination were carried out at the Seinäjoki marshalling yard, the Vaskiluoto oil storage facility in Vaasa, and certain smaller sites. The fuelling depots in Kemi, Jyväskylä and Vainikkala were modernized. Soil surveys and soil decontamination are performed continuously on an annual basis and VR is not aware of any major environmental damage.

VR published its third Environmental Report, which covers 2000 and 2001. In 2002, VR Ltd's Rolling Stock Maintenance Department, VR-Track Ltd's Eastern Finland and Western

Finland track centres and Pohjolan Kaupunkiliikenne Oy Ab received ISO 14001 certification for their environmental management systems.

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 in freight services. Most reductions have taken place through natural depletion. Personnel decreased 3.4 % during the review year. The Group had 14,401 employees on average during the year. The largest personnel reductions took place in VR Ltd and VR-Track Ltd.

New corporate values were agreed for the VR Group following extensive planning and discussion. These are Safety, Satisfied Customers, Successful Together, and Responsibility. The company initiated steps in the autumn to introduce these values in practice to everyday activities. VR Group encapsulated its human resources strategy in practical ground rules during 2002.

VR Group introduced a new programme for promoting work ability during the year and also shortened the interval between employees' regular health checkups, with particular emphasis on older employees and personnel in jobs affecting rail safety.

VR-Group Ltd's Board of Directors comprised Martin Granholm (chairman), Kalevi Alestalo, Eija Malmivirta, Antti Remes, Veli-Matti Ropponen and Raimo Tainamo (from 2 May 2002). The deputy chairman was Antti Remes.

The Supervisory Board's chairman 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 authorized public accountants KPMG Wideri Oy Ab under the supervision of principal auditor Pentti Savolainen, Authorized Public Accountant.

Prospects in 2003

The industrial production forecast is weak for the months ahead according to the industrial confidence barometer in January. Orderbooks declined in January and there is no sign of economic recovery, at least during the first half of the year. Production volumes during the first quarter are expected to decrease compared to the final quarter of 2002.

Growth in freight tonnage and sales is forecast to total roughly 2 % for the year. The number of passenger journeys is expected to increase by slightly over 1 % and net turnover by some 4 %. Ticket prices were adjusted upwards at the beginning of February corresponding to the rate of inflation. The volume of track construction and maintenance work will depend on how state funds are allocated and VR-Track Ltd's competitive efficiency when bidding for contracts. Conditions in the capital and security markets appear unsettled, which will have an especially strong impact on the expected return on VR's Pension Fund investments.

Consolidated Profit and Loss Account

(1,000 €)	Note	1 Jan.–31 Dec. 2002	1 Jan.–31 Dec. 2001
Net turnover	1	1,139,936	1,150,873
Change in stocks of finished goods and work in progress		- 2,016	-1,351
Production for own use		33,084	28,738
Profits from associated companies		184	223
Other operating income	2	8,814	11,783
Materials and services	3	310,481	314,223
Personnel expenses	4	581,801	569,833
Depreciation	5	114,419	109,526
Other operating expenses		146,520	147,636
Expenses, total		1,153,221	1,141,219
Operating profit		26,781	49,047
Financial income and expenses	6	10,602	12,258
Profit before extraordinary items and taxes		37,383	61,306
Extraordinary expenses	7	- 2,510	0
Income taxes	9	- 10,994	- 17,685
Minority interest		- 2,223	- 1,647
Profit for the year		21,656	41,974

Consolidated Balance Sheet

(1,000 €)	Note	31 Dec. 2002	31 Dec. 2001
Assets			
Fixed assets			
Intangible assets	10	10,234	7,886
Goodwill on consolidation		8,674	11,519
Tangible assets	10	997,999	1,038,629
Investments	11		
Holdings in Group companies		60	327
Holdings in associated companies		5,914	4,554
Other investments		77,974	78,210
Fixed assets, total		1,100,855	1,141,125
Current assets			
Stocks	12	52,458	55,403
Long-term receivables	13	516	2,068
Current receivables	13	97,899	107,838
Securities	14	182,998	192,983
Cash at bank and in hand		15,128	15,679
Current assets, total		348,999	373,970
Assets, total		1,449,855	1,515,095
Capital and liabilities			
Shareholders' equity			
Share capital	15	370,013	370,013
Share premium account		525,758	525,755
Other reserves		339	339
Retained earnings		272,729	248,837
Profit for the year		21,656	41,974
Shareholders' equity, total		1,190,496	1,186,919
Minority interest		9,655	9,228
Provisions	17	1,338	1,547
Liabilities			
Deferred tax liability	18	47,992	55,363
Long-term liabilities		3,613	55,784
Current liabilities		196,761	206,254
Liabilities, total		248,366	317,401
Capital and liabilities, total		1,449,855	1,515,095

Consolidated Cash Flow Statement

(1,000 €)

1 Jan.–31 Dec. 2002 1 Jan.–31 Dec. 2001

Cash flow from operating activities		
Operating profit	26,781	49,047
Adjustments to operating profit ¹⁾	111,007	106,236
Change in net working capital	8,329	10,043
Interest received	11,240	14,928
Interest paid and other payments	- 1,372	- 3,301
Dividends received	521	449
Taxes paid	- 20,964	- 17,035
Net cash from operating activities	135,542	160,367
Cash flow from investing activities		
Subsidiaries acquired	0	- 506
Capital expenditure on fixed assets	- 143,920	- 177,152
Subsidiaries sold	18,072	0
Other fixed assets disposals	4,638	8,800
Change in other long-term investments	- 2,380	- 3,244
Net cash from investing activities, total	- 123,590	- 172,101
Cash flow before financing activities	11,952	- 11,735
Cash flow from financing activities		
Long-term loans, proceeds	58	951
Long-term loans, repayments	- 3,035	- 740
Change in long-term receivables	0	3,892
Short-term loans, proceeds/repayments	- 895	228
Dividends paid	- 18,616	- 21,171
Net cash used in financing activities, total	- 22,488	- 16,840
Change in cash reserves	- 10,536	- 28,575
Cash reserves on 1 Jan.	208,662	237,237
Cash reserves on 31 Dec.	198,126	208,662

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. 2002	1 Jan.–31 Dec. 2001
Net turnover	1	47,818	46,960
Other operating income	2	2,495	1,116
Materials and services	3	12,187	12,007
Personnel expenses	4	12,816	12,462
Depreciation	5	10,848	11,432
Other operating expenses		9,859	9,295
Expenses, total		45,710	45,196
Operating profit		4,603	2,879
Financial income and expenses	6	24,651	24,958
Profit before extraordinary items		29,254	27,837
Extraordinary items	7	16,000	26,910
Profit before taxes		45,254	54,747
Change in depreciation difference	8	36	231
Income taxes	9	– 12,964	– 15,761
Profit for the year		32,326	39,218

Parent Company Balance Sheet

(1,000 €)	Note	31 Dec. 2002	31 Dec. 2001
Assets			
Fixed assets			
Intangible assets	10	1,122	1,242
Tangible assets	10	216,584	213,849
Investments	11		
Holdings in, and receivables from, Group companies		537,374	467,028
Other investments		79,123	77,414
Fixed assets, total		834,203	759,532
Current assets			
Long-term receivables		0	1,682
Current receivables	13	79,893	94,710
Securities	14	182,998	192,983
Cash at bank and in hand		11,820	10,664
Current assets, total		274,712	300,039
Assets, total		1,108,915	1,059,571
Capital and liabilities			
Shareholders' equity			
Share capital	15	370,013	370,013
Share premium account		525,754	525,754
Retained earnings		64,727	42,329
Profit for the year		32,326	39,218
Shareholders' equity, total		992,820	977,314
Accumulated appropriations	16	861	897
Liabilities			
Long-term liabilities	18	160	154
Current liabilities		115,074	81,206
Liabilities, total		115,234	81,360
Capital and liabilities, total		1,108,915	1,059,571

Parent Company Cash Flow Statement

(1,000 €)

1 Jan.–31 Dec. 2002 1 Jan.–31 Dec. 2001

Cash flow from operating activities		
Operating profit	4,603	2,879
Depreciation according to plan	10,848	11,432
Other non-payment-related income and expenses	- 2,227	- 1,012
Cash flow before change in net working capital	13,224	13,299
Change in current receivables	5,090	- 11,591
Change in current liabilities	643	12,082
Change in net working capital	5,733	491
Interest paid	- 3,102	- 2,311
Dividends received	2,365	1,379
Interest received from operating activities	24,421	25,326
Taxes paid	- 14,234	- 12,158
Cash flow from financial items and taxes	9,451	12,236
Net cash from operating activities	28,408	26,026
Cash flow from investing activities		
Capital expenditure on fixed assets	- 13,559	- 8,168
Subsidiaries sold	18,072	0
Sale of other fixed assets	2,349	2,299
Change in other long-term investments	- 2,380	- 3,244
Net cash from investing activities, total	4,483	- 9,113
Cash flow before financing activities	32,890	16,913
Cash flow from financing activities		
Long-term receivables, increase	- 142,084	- 52,306
Long-term receivables, decrease	54,804	32,982
Group contributions received	26,910	11,773
Dividends paid	- 16,820	- 20,183
Change in funds transferred to Group accounts	35,470	- 21,114
Net cash used in financing activities, total	- 41,719	- 48,849
Change in cash reserves	- 8,829	- 31,935
Cash reserves on 1 Jan.	203,647	235,583
Cash reserves on 31 Dec.	194,818	203,647

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. Goodwill on consolidation in eliminations is amortized over 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.

Comparability of accounts Securities maturing after more than 12 months are shown as investments under fixed assets. The previous year's figures have been amended accordingly. No other 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 33.1 M€ (28.7 M€) were produced by the company itself and include 3.0 M€ (2.5 M€) 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 euros at the average exchange rates given by the European Central Bank on the balance sheet date.

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

Notes to the Profit and Loss Account

	Group		Parent Company	
	2002	2001	2002	2001
1 Net turnover by operating sector (1,000 €)				
Rail services				
Freight services	330,079	335,337		
Passenger services	287,962	281,622		
Road services				
Freight services	160,378	160,382		
Passenger services	35,345	35,012		
Track construction and maintenance	231,786	235,920		
Catering services	27,687	29,446		
Other services	66,699	73,155	47,818	46,960
Total	1,139,936	1,150,873	47,818	46,960

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 69.1 M€ (72.1 M€).

	Group		Parent Company	
	2002	2001	2002	2001
2 Other operating income (1,000 €)				
Profits on sale of fixed assets	3,345	2,473	2,297	1,013
Other	5,469	9,310	198	103
Total	8,814	11,783	2,495	1,116

The main items under other operating income comprise compensation for damages (2.3 M€). The parent company's profit on the sale of fixed assets was derived from the sale of land.

	Group		Parent Company	
	2002	2001	2002	2001
3 Materials and services (1,000 €)				
Materials and supplies (goods)				
Purchases during the year	136,882	131,722	5,406	5,107
Change in stocks	1,017	4,542	0	0
External services purchased	172,581	177,959	6,781	6,901
Total	310,481	314,223	12,187	12,007

4 Personnel and personnel expenses	2002	2001
The Group's average number of personnel during the year was distributed as follows:		
VR-Group Ltd	288	299
VR Ltd	8,758	9,117
VR-Track Ltd	2,665	2,808
Pohjolan Liikenne companies	1,943	1,889
Avecra Oy	433	489
IT Solicom Ltd	114	98
Corenet Ltd	200	197
Others	0	16
Total	14,401	14,913

	Group		Parent Company	
Personnel expenses (1,000 €)	2002	2001	2002	2001
Wages and salaries	434,206	436,861	9,915	9,866
Pension expenses	106,419	93,132	1,929	1,635
Other social expenses	41,176	39,840	972	961
Personnel expenses in the P&L account	581,801	569,833	12,816	12,462

Management remuneration (1,000 €)	2002	2001
Presidents	967	1,010
Members of Boards of Directors	164	164
Supervisory Board	93	75
Total	1,223	1,249

Including 0.43 M€ (0.40 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.

5 Depreciation (1,000 €)	Group		Parent Company	
	2002	2001	2002	2001
Planned depreciation				
Intangible assets	4,760	3,980	192	148
Buildings and structures	10,212	11,464	8,033	8,271
Tractive and rolling stock	68,321	58,946	0	0
Other machinery and equipment	28,697	32,812	2,255	2,689
Other tangible assets	2,327	2,264	367	324
Amortization of goodwill on consolidation	101	59		
Total	114,419	109,526	10,848	11,432

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

Planned depreciation periods and method:

Intangible assets	5 years,	planned
Other long-term expenditure	3–10 years,	planned
Buildings	4–7 %,	declining
Structures	20 %,	declining
Tractive stock (including Pendolinos and electric trains)	25 years,	planned
Rolling stock	15 years,	planned
Other machinery and equipment (parent company, VR Ltd, VR-Track Ltd)	20–25 %,	declining
Other machinery and equipment (other companies)	5–15 years,	planned
Other tangible assets	5–30 years,	planned

	Group		Parent Company	
6 Financial income and expenses (1,000 €)	2002	2001	2002	2001
Dividend income				
From Group companies	0	0	3,322	1,919
From associated companies	710	598	0	0
From others	24	34	9	24
Dividend income, total	734	632	3,331	1,942
Interest income from long-term investments				
From Group companies	0	0	13,614	10,680
From others	4	0	0	0
Other interest and financial income				
From Group companies	0	0	4	28
From associated companies	188	48	188	48
From others	11,058	14,880	10,616	14,570
Interest expenses and other financial expenses				
To Group companies	0	0	3,062	2,279
To others	1,382	3,301	40	31
Financial income and expenses, total	10,602	12,258	24,650	24,958

7 Extraordinary items

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

Extraordinary items in the consolidated balance sheet comprise the voluntary provisions reversed and charged to the profit and loss account following VR's divestment of the subsidiary that owned and managed its state-financed housing units.

	Parent Company	
8 Appropriations (1,000 €)	2002	2001
Difference between planned depreciation and depreciation booked for tax purposes		
Change in depreciation difference (increase +, decrease -)		
Intangible assets	- 1	- 30
Buildings and structures	45	330
Machinery and equipment	128	361
Other tangible assets	- 136	- 430
Total	36	231

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 the deferred tax liability.

	Group		Parent Company	
9 Income tax (1,000 €)	2002	2001	2002	2001
Income tax on extraordinary items	- 728	0	4,640	7,804
Income tax on operating activities	17,604	21,050	8,324	7,957
Change in deferred tax liability	- 5,882	- 3,365	0	0
Total	10,994	17,685	12,964	15,761

10 Fixed assets (1,000€)

Group 2002	Intangible assets				Tangible assets						
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	Assets, total
Acquisition cost 1 Jan. 2002	9,978	28,542	506	39,026	63,562	309,469	1,144,127	21,510	63,924	1,602,591	1,641,617
Increases	4,367	0	0	4,367	3	12,228	145,323	1,271	95,219	254,044	258,411
Decreases	- 13	0	0	- 13	- 993	- 70,430	- 5,946	- 215	- 114,917	- 192,501	- 192,514
Transfers between items	0	0	0	0	0	4	- 1,361	1,357	0	0	0
Acquisition cost 31 Dec. 2002	14,332	28,542	506	43,379	62,572	251,271	1,282,143	23,923	44,226	1,664,134	1,707,513
Accumulated depreciation 1 Jan. 2002	2,092	17,469	59	19,620	0	83,131	469,659	11,837	0	564,627	584,247
Accumulated depreciation in decreases	9	0	0	9	0	3,463	4,348	- 426	0	7,385	7,394
Depreciation during year	2,015	2,744	101	4,860	0	10,213	97,019	2,328	0	109,560	114,420
Accumulated depreciation 31 Dec. 2002	4,098	20,213	160	24,471	0	89,881	562,330	14,591	0	666,802	691,273
Revaluations	0	0	0	0	8	656	0	0	0	664	664
Book value 31 Dec. 2002	10,234	8,329	346	18,907	62,581	162,044	719,815	9,333	44,226	997,998	1,016,906

Group 2001	Intangible assets				Tangible assets						
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	Assets, total
Acquisition cost 1 Jan. 2001	5,562	27,351	0	32,914	64,198	301,066	970,961	20,699	87,935	1,444,859	1,477,772
Increases	4,418	1,191	506	6,114	174	11,085	183,534	758	136,030	331,579	337,694
Decreases	- 2	0	0	- 2	- 811	- 2,682	- 10,368	0	- 159,986	- 173,847	- 173,849
Transfers between items	0	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	1,602,591	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	584,249
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

Parent company 2002	Intangible assets				Tangible assets						
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	Assets, total
Acquisition cost 1 Jan. 2002	1,406				61,708	202,541	34,341	6,997	2,624		309,617
Increases	73				3	8,031	1,519	778	13,465		23,869
Decreases	0				- 95	- 507	- 10	0	- 10,310		- 10,922
Acquisition cost 31 Dec. 2002	1,479				61,616	210,065	35,850	7,775	5,779		322,564
Accumulated depreciation 1 Jan. 2002	165				0	68,261	24,644	1,457	0		94,527
Accumulated depreciation in decreases and transfers	0				0	507	9	0	0		516
Depreciation during year	192				0	8,033	2,255	367	0		10,847
Accumulated depreciation 31 Dec. 2002	357				0	75,787	26,890	1,824	0		104,858
Book value 31 Dec. 2002	1,122				61,616	134,278	8,960	5,951	5,779		217,706

Parent company 2001	Intangible assets				Tangible assets						
	Intangible rights	Goodwill	Consolidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	Assets, total
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. 2002	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

11 Investments (1,000€)	Shares			Receivables			Total
	Group companies	Associated companies	Other companies	Group companies	Associated companies	Other companies	
Group 2002							
Acquisition cost 1 Jan. 2002	327	4,554	3,448	0	3,575	71,187	83,092
Increases	0	1,177	0	0	0	10,199	11,376
Decreases	- 267	0	- 1,972	0	- 644	- 7,819	- 10,702
Intragroup item	0	183	0	0	0	0	183
Acquisition cost 31 Dec. 2002	60	5,914	1,476	0	2,931	73,567	83,949
Group 2001							
Acquisition cost 1 Jan. 2001	259	4,325	3,471	0	3,608	67,944	79,606
Increases	68	0	3	0	0	23,084	23,155
Decreases	0	0	- 25	0	- 33	- 19,840	- 19,898
Intragroup item	0	229	0	0	0	0	229
Acquisition cost 31 Dec. 2001	327	4,554	3,448	0	3,575	71,187	83,092
Parent company 2002							
Acquisition cost 1 Jan. 2002	306,598	423	2,229	160,430	3,575	71,187	544,442
Increases	0	1,177	0	141,984	0	10,199	153,360
Decreases	- 18,072	0	- 1,205	- 53,566	- 644	- 7,819	- 81,306
Acquisition cost 31 Dec. 2002	288,526	1,600	1,024	248,848	2,931	73,567	616,496
Parent company 2001							
Acquisition cost 1 Jan. 2001	306,598	423	2,229	147,072	3,608	67,944	527,874
Increases	0	0	0	52,306	0	23,084	75,390
Decreases	0	0	0	- 38,948	- 33	- 19,840	- 58,821
Acquisition cost 31 Dec. 2001	306,598	423	2,229	160,430	3,575	71,188	544,443

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.

Investments include corporate and state bonds

	Group		Parent Company	
	2002	2001	2002	2001
Repurchase cost	77,013	71,513	77,013	71,513
Book value	73,567	71,187	73,567	71,187
Difference	3,446	326	3,446	326

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
Corenet Ltd, Helsinki	60	60
Avarra Oy, Helsinki	100	100
Oulun Keskusliikenneasemakiinteistö Oy, Oulu	57.3	57.3
Kokkolan Tavaraterminaali Oy, Kokkola	53.4	53.4
Kiinteistö Oy Vinttikoiria, Kotka	100	0
Associated companies		
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
Kiinteistö Oy Kupittaaan Kolmio, Turku	32.5	32.5

	Group	
12 Stocks (1,000€)	2002	2001
Materials and supplies	49,715	50,695
Work in progress	2,608	4,662
Advance payments	135	46
Total	52,458	55,403

	Group		Parent Company	
	2002	2001	2002	2001
13 Receivables (1,000 €)				
Receivables from other companies				
Other long-term receivables	516	2,068	0	1,682
Current receivables				
Receivables from Group companies				
Accounts receivable	0	0	3,229	6,332
Loans receivable	0	0	52,339	50,999
Prepaid expenses and accrued income	0	0	16,040	26,962
Receivables from associated companies				
Accounts receivable	749	680	0	0
Receivables from other companies				
Accounts receivable	74,611	82,538	1,102	497
Loans receivable	38	156	0	153
Other receivables	4,529	5,609	2,901	3,399
Prepaid expenses and accrued income	17,972	18,855	4,282	6,368
Current receivables, total	97,899	107,838	79,893	94,710

Main items in prepaid expenses and accrued income

The main items in the Group's prepaid expenses and accrued income are interest receivables 4.2 M€ and reimbursements 2.4 M€ from the Social Insurance Institution. Parent company prepaid expenses and accrued income includes Group contribution receivables totalling 16.0 M€ (26.9 M€).

	Group		Parent Company	
	2002	2001	2002	2001
14 Securities (1,000 €)				
Repurchase cost	183,078	193,267	183,078	193,267
Book value	182,998	192,983	182,998	192,983
Difference	80	284	80	284

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

	Group		Parent Company	
	2002	2001	2002	2001
15 Shareholders' equity (1,000 €)				
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.	339	336	0	0
Change in revaluation reserve	0	3	0	0
Revaluation reserve 31 Dec.	339	339	0	0
Share premium account 1 Jan.	525,755	525,755	525,754	525,754
Increase during the year	3	0	0	0
Share premium account 31 Dec.	525,758	525,755	525,754	525,754
Retained earnings 1 Jan.	290,811	268,889	81,547	62,511
Dividend distribution	- 16,820	- 20,183	- 16,820	- 20,183
Changes in Group structure	- 1,262	130		
Retained earnings 31 Dec.	272,729	248,837	64,727	42,329
Profit for the year	21,656	41,974	32,326	39,218
Shareholders' equity, total	1,190,496	1,186,919	992,820	977,314

The Group's shareholders' equity was reduced during the year (changes in Group structure) by the reversal of accumulated appropriations, less the deferred tax liability, entered under shareholders' equity in the 1997 consolidated accounts.

	Group		Parent Company	
	2002	2001	2002	2001
Calculation of distributable funds (1,000€)				
Retained earnings	272,729	248,837	64,727	42,329
Profit for the year	21,656	41,974	32,326	39,218
Total	294,385	290,811	97,053	81,547
Accumulated depreciation difference and voluntary provisions in shareholders' equity	- 117,122	- 135,087		
Distributable funds, total	177,263	155,724	97,053	81,547

16 Accumulated appropriations

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

	Group		Parent Company	
	2002	2001	2002	2001
17 Provisions (1,000€)				
Voluntary provisions				
Housing provision	324	3,118	-	-

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

Obligatory provisions

Obligatory provisions 1.3 M€ (1.5 M€) comprise expected warranty costs on long-term projects.

	Group	
	2002	2001
Impact of voluntary provisions and depreciation difference on the balance sheet		
Voluntary provisions	324	3,118
Depreciation difference	165,165	187,788
	165,489	190,905
Transfer to shareholders' equity	117,122	135,087
Deferred tax liability	47,992	55,363
Minority interest	375	456
	165,489	190,905
Impact of voluntary provisions and depreciation difference on the profit and loss account		
Change in voluntary provisions	0	188
Change in depreciation difference	- 20,283	- 11,793
	- 20,283	- 11,605
Change affecting profit for the year	- 14,319	- 8,121
Change in deferred tax liability	- 5,882	- 3,365
Change affecting minority interest	- 82	- 119
	- 20,283	- 11,605

18 Liabilities (1,000 €)	Group		Parent Company	
	2002	2001	2002	2001
Long-term liabilities				
Loans from financial institutions	2,523	50,183	0	0
Pension loans	0	4,730	0	0
Advances received	1,089	871	160	154
Long-term liabilities, total	3,612	55,784	160	154
Liabilities due after five years				
Loans from financial institutions	1,326	42,002	0	0
Pension loans	0	3,330	0	0
Total	1,326	45,332	0	0
Current liabilities	2002	2001	2002	2001
Loans from financial institutions	90	1,608	0	0
Pension loans	0	388	0	0
Advances received	1,735	1,421	308	225
Accounts payable	45,593	46,721	2,800	2,837
Debt payable to Group companies				
Advances received	257	0	5	4
Accounts payable	0	0	3,643	1,864
Other liabilities	0	0	104,407	68,937
Accrued expenses and prepaid income	0	0	0	831
Debt payable to associated companies				
Accrued expenses and prepaid income	54	210	0	0
Accounts payable	0	0	0	0
Debt payable to other companies				
Other liabilities	41,258	42,077	242	675
Accrued expenses and prepaid income	107,775	113,830	3,669	5,834
Current liabilities, total	196,761	206,254	115,074	81,206

The major items in accrued expenses and prepaid income are holiday pay 86 M€ and the timing of pension costs 4.3 M€.

19 Contingent liabilities (1,000€)	Group		Parent Company	
	2002	2001	2002	2001
Debt covered by mortgages				
Pension loans	0	4,946	0	0
Loans from financial institutions	2,595	51,516	0	0
Mortgages	5,774	106,896	0	0
Debt covered by shares				
Loans from financial institutions	0	191	0	0
Book value of shares	0	601	0	0
Pledges	0	1,683	0	1,683
Other contingent liabilities	101,752	94,706	101,752	94,194
Contingent liabilities, total	107,525	203,886	101,752	95,877
Commitments given on behalf of				
VR Group	68,825	165,186	0	0
VR subsidiaries	–	–	63,052	57,177
Others	38,700	38,700	38,700	38,700
	107,525	203,886	101,752	95,877

The Group has made commitments related to fixed assets acquisitions totalling 294 M€ in the years 2003–2007. 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 0.1 M€ (0.6 M€) loss.

20 Derivative financial instruments (1,000€)	Group		Parent Company	
	2002	2001	2002	2001
Foreign exchange forward contracts				
Value of underlying instruments	18,936	42,404	0	0

Payments of fixed purchase contracts are hedged using foreign exchange forward contracts, the most recent of which will mature during 2003.

The fair value of the foreign exchange forward contracts at 31 December 2002 was 0.74 M€ (1.48 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.

21 Group key indicators	2002	2001	2000	1999	1998
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Scope of operations

Net turnover	M€	1,140	1,151	1,143	1,139	1,168
Balance sheet total	M€	1,450	1,515	1,499	1,460	1,461
Gross capital expenditure	M€	144	178	152	215	138
- as % of net turnover	%	12.6	15.4	13.3	18.9	11.8
Average number of employees		14,401	14,913	15,405	16,075	16,439

Profitability

Operating profit	M€	27	49	65	72	83
- as % of net turnover	%	2.3	4.3	5.7	6.3	7.1
Net profit	M€	22	42	52	67	65
Return on investment (ROI)	%	3.2	5.2	6.5	7.2	8.7
Return on shareholders' equity (ROE)	%	2.2	3.7	4.5	5.3	6.1

Solvency

Solvency Ratio	%	82.9	79.1	78.5	79.0	78.5
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Liquidity

Quick Ratio		1.5	1.5	1.7	1.6	2.1
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Calculation of key indicators

Capital investments = Balance sheet total – interest-free debt

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

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

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

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 177.3 million.
The parent company's distributable funds were which included a net profit for the year totalling	EUR 97.1 million, EUR 32.3 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 30,000,000,
and to be retained under shareholders' equity	EUR 67,052,797.

Helsinki, 7 March 2003

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

Auditors' Report

To the Annual General Meeting 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 2002. 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, 10 March 2003

Erkki Mäki-Ranta,
AA, Chartered Public Finance Auditor

KPMG Wideri Oy Ab
Authorized Public Accountants
Pentti Savolainen, APA

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 2002 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 CEO.

The following are in turn for retirement from the Supervisory Board: Eero Akaan-Penttilä, Leea Hiltunen, Marina Krause-Holmström, Paula Lehtomäki, Mika Nykänen, Katariina Poskiparta and Harri Rumpunen.

Helsinki, 12 March 2003

Tapio Karjalainen	Raija Vahasalo	Eero Akaan-Penttilä
Marcus Henricson	Leea Hiltunen	Anne Huotari
Arto Isomäki	Alf Jakas	Ulla Juurola
Eero Kippola	Marina Krause-Holmström	Paula Lehtomäki
Alpo Mäkinen	Olli Männikkö	Pekka Nousiainen
Mika Nykänen	Lauri Oinonen	Jouko Oittinen
Osku Pajamäki	Katariina Poskiparta	Erkki Rantala
Timo Rautajoki	Harri Rumpunen	Marjatta Vehkaoja

Statistical Information

	2002	2001	% change ¹⁾	2000	1999	1998
Freight services						
Carryings, 1,000 t						
By rail	41,679	41,678	0.0	40,501	39,979	40,740
In Finland	24,695	23,993	2.9	24,072	23,212	23,613
International	16,984	17,685	- 4.0	16,429	16,767	17,127
East	12,632	12,631	0.0	12,703	12,912	12,986
Transit	3,461	4,006	- 13.6	2,671	2,809	2,948
West	891	1,048	- 15.0	1,055	1,046	1,193
By road	8,169	8,168	0.0	8,399	7,993	7,384
Total	49,848	49,846	0.0	48,900	47,972	48,124
Tonne-kilometres by rail, million						
Finland	6,695	6,588	1.6	6,802	6,380	6,313
International	2,969	3,269	- 9.2	3,305	3,373	3,572
East	2,173	2,170	0.1	2,473	2,525	2,571
Transit	516	772	- 33.2	473	485	578
West	280	327	- 14.4	359	363	423
Total	9,664	9,857	- 2.0	10,107	9,753	9,885
Passenger services						
Journeys, 1,000						
By rail	57,695	54,987	4.9	54,783	53,209	51,370
Long-distance	11,643	11,561	0.7	11,783	11,851	11,985
Finland	11,377	11,321	0.5	11,577	11,674	11,770
International	266	240	10.8	206	177	215
Commuter	46,052	43,426	6.0	43,000	41,358	39,385
Helsinki Metropolitan Area	36,443	33,166	9.9	32,300	31,000	29,300
Other	9,609	10,260	- 6.3	10,700	10,358	10,085
By road	14,653	15,248	- 3.9	14,456	10,747	8,472
Total	72,348	70,235	3.0	69,239	63,956	59,842
Passenger-kilometres by rail, million						
Long-distance	2,623	2,596	1.0	2,707	2,748	2,737
Finland	2,555	2,531	0.9	2,648	2,697	2,674
International	68	65	4.6	60	51	63
Commuter	682	686	- 0.6	697	666	640
Helsinki Metropolitan Area	346	316	9.5	308	295	279
Other	336	370	- 9.2	390	371	361
Total	3,305	3,282	0.7	3,405	3,414	3,377
VR Group personnel	14,401	14,913	- 3.4	15,405	16,075	16,439
Energy consumption in rail traffic, %						
Electric traction	76.6	75.4	-	72.9	69.9	68.8
Diesel traction	23.4	24.6	-	27.1	30.1	31.2

1) % change refers to the change from 2001 to 2002

Glossary

Automatic loading and unloading system The system consists of a forklift truck and conveyors. The truck travels on rails alongside the wagons. The floors of the wagons are specially designed to permit loading of half a wagon at one time.

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.

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.

City train A new type of train introduced in commuter traffic in the Helsinki metropolitan area. These trains have low floors, plenty of space for prams, wheelchairs and bicycles, and air conditioning. VR plans to use these trains also for longer distances in the future, for example between Helsinki and Tampere and on the new Kerava-Lahti line. City trains have a maximum speed of 160 km/h.

Combined carrying In combined carryings, 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 messaging 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

General cargo Packaged goods of various sizes and normally transported from the sender to the recipient by road.

GSM-R 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 train, 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.

Railcar A light, diesel-driven train designed for non-electrified lines serving low passenger volumes. The first railcars will be placed into service in Finland in 2005. They will have a maximum speed of 120 km/h.

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.

Sliding wagon Freight wagons with sliding roofs used in the paper industry. The roof of the wagon consists of plates that slide over each other to enable half a wagon to be loaded with paper rolls at one time.

Tamping machine A tamping machine accurately places and supports the rails in their right positions. Hydraulic arms move the ballast under the rail sleepers and keep them in place. Tamping machines are needed when building or replacing new rails and also in maintenance work when for example straightening rails that have subsided.

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.

Trailer A trailer, or semi-trailer, pulled by a truck (also called a tractor). The trailers are transported by rail or ferry on their own and then taken by truck to their destinations by road.

Transit traffic Traffic passing through Finland en route to 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. A travel card 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. A travel card 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.

