



> Annual Report 2003



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Financial Information in 2004

- The Annual Report is published in Finnish, Swedish, English and Russian.
- Interim Reports will be published in June and October.
- Interim Reports are published in Finnish, Swedish and English.
- The Annual Report and Interim Reports can be downloaded from the Internet at www.vr.fi, under VR Group.
- Printed copies can be ordered by contacting VR-Group Ltd's Corporate Communications, tel. +358 307 20 827, telefax +358 307 21 500 or by writing to P.O. Box 488, FIN-00101 Helsinki, Finland.

> 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 passenger rail network in 2006.

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 trams, wheelchairs and bicycles, and air conditioning. VR plans to use these trains 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 carryings

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.

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 2007.

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 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 was started 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 below 50 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 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.

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.

Transit traffic

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

Travel card

A travel card can be used to pay for journeys on public transport. 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.





> **Annual Report 2003**



Highlights

Main events

25 February

VR started services with heavy freight trains that can carry an axle load of 25 tonnes between Outokumpu and the Port of Mäntyluoto in Pori. The increase in axle load improves transport efficiency and reduces environmental load. The new axle load was first introduced for transporting paper between Kirkniemi and the Port of Hanko towards the end of 2002.

4 March

Internet sales of rail tickets began. In the first phase of Internet sales, the most common tickets for long-distance services were available. Passengers collect their ticket from automatic ticket dispensers or the ticket office at the station or can have it sent by mail to their home address.

14 March

VR ordered 15 vehicle carriers from Talgo Oy for EUR 6.4 million. The double-decker enclosed wagons will enter service in 2004–2005. They will replace the oldest carriers currently in service and will provide extra capacity at peak periods.

26 March

The Board of Directors of VR-Group Ltd changed at the Annual General Meeting. Vesa Puttonen was elected as the new chairman. Kalevi Alestalo continued from the previous Board, and Kari Kallio, Kirsti Lehtovaara-Kolu, Jorma Mäntynen, Hannele Ranta-Lassila and Jukka Ruuska were elected as new members to the Board.

5 May

VR-Group Ltd sold its 60% holding in IT Solicom Ltd to Novo Group plc, which already owned 40% of the company. IT Solicom will continue to manage VR's centralized information systems. The company had a net turnover in 2002 of EUR 17.6 million.

1 June

Travel times by Pendolino train were cut as train speeds rose to 200 kilometres an hour between Kerava and Tampere. This took 10 minutes off the journey from Helsinki to Tampere, bringing the journey time down to less than one and a half hours. Travelling times were also cut to Oulu, Jyväskylä and Kuopio.

3 July

The composition of the Board of Directors of VR-Group Ltd was changed at an Extraordinary General Meeting. Martin Granholm, who had been chairman up until the Annual General Meeting, took over again as chairman. Kalevi Alestalo, Kari Kallio, Kirsti Lehtovaara-Kolu and Jukka Ruuska from the Board elected at the AGM continued as Board members. Eija Malmivirta, Antti Remes and Veli-Matti Ropponen from the previous Board returned to the Board.

10 August

The Sibelius and Repin trains between Helsinki and St Petersburg changed their station in St Petersburg. The modern Ladoga Station, which was completed in the summer, became the terminal for the trains. The Tolstoi night train to Moscow also stops at the new station.

29 October

VR ordered 20 double-decker sleeping cars from Talgo. The sleeping cars will enter service on the Helsinki–Rovaniemi route in 2006. The order is worth EUR 59 million. VR signed an agreement of intent with the Finnish government for the purchase of train services. The agreement ensures that overnight services to Lapland will continue.

10 November

The west wing of Helsinki railway station next to Eliel Square was opened after refurbishment. There are 11 stores in the street-level passageway and a fitness centre on the first floor. Converting the west wing to commercial premises was the last in the series of major refurbishment projects that have taken place in and around the railway station in the past five years.

25 November

The local authorities in the Helsinki Metropolitan Area Council and VR signed the documents to set up a rolling stock company. The new company will purchase and own new trains for commuter services in the area. The cities of Helsinki, Espoo, Kauniainen and Vantaa own 65% of the company and VR 35%.

16 December

VR-Track Ltd acquired the share stock of Vuorenpeikot Oy, an earthworks contractor. Through this acquisition VR-Track aims to strengthen its expertise in earthworks and bridge work for track projects. The Riihimäki-based company has a net turnover of EUR 8 million.

of 2003

Financial performance

Volumes of rail passengers and freight improved during 2003. Freight volumes rose to a record 43.5 million tonnes. A total of 59.9 million journeys were made by train. The number of journeys has only been higher in the exceptional circumstances of the 1940s.

The growth in freight traffic took place mainly in the early part of the year. The growth was largely due to heavy traffic to and from Russia. Container traffic on the Siberian line to East Asia increased by 93%. Rail boosted its market share of freight traffic in Finland.

The prices for passenger services were raised at the beginning of February by an average of 2.5%. The number of passengers between Helsinki and northern Finland declined following the start-up of cheap air services. Despite this, rail increased its share of public transport.

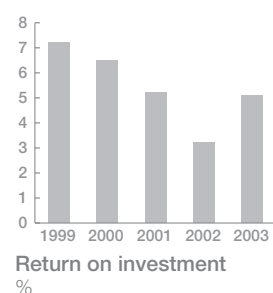
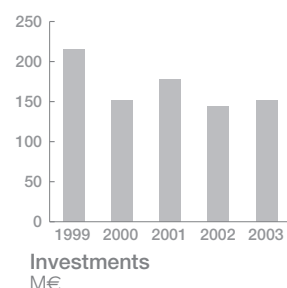
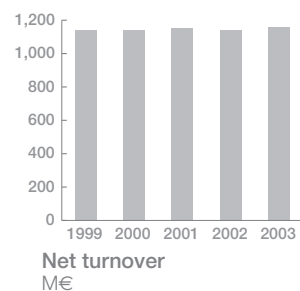
The net sales and profits of rail service provider VR Ltd improved fairly steadily during the year. The cumulative result of

VR-Track Ltd, which carries out track maintenance and construction, turned positive in late summer. During the winter the company's work is mainly maintenance, and it was only able to start track construction and renovation in the spring after the ground frost had thawed.

Costs contained no major non-recurring items to weaken the result. The largest expense item, personnel expenses, fell from the previous year. The biggest Group companies, VR Ltd and VR-Track Ltd, showed the highest operating profits. For VR Ltd this was EUR 21.3 million and for VR-Track EUR 12.8 million.

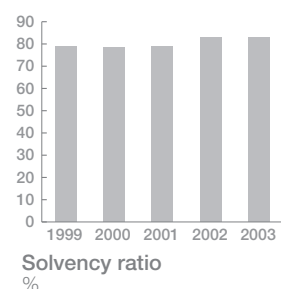
The Group's net profit improved from EUR 21.7 million to EUR 41.3 million. The return on investment was 5.1%. The financial position and liquidity remained strong.

Investments continued at a high level, totalling in all EUR 151.5 million. Two-thirds of capital expenditure was made on rolling stock for VR Ltd.



Key figures

	2003	2002	% change
Net turnover, M€	1,160	1,140	1.8
Operating profit, M€	53	27	98.0
% of net turnover	4.6	2.3	
Net profit, M€	41	22	90.8
% of net turnover	3.6	1.9	
Gross capital expenditure, M€	151	144	5.2
Return on shareholders' equity, %	3.6	2.2	
Return on investment, %	5.1	3.2	
Solvency ratio, %	83.1	82.9	
Personnel on average	13,716	14,401	-4.8





Chief Executive's

“ VR straightaway obtained a good hold on the freight service market. The improvement was especially strong in traffic from Russia. ”

When preparing for 2003, it was difficult to assess the prospects ahead as these were by no means clear nor particularly encouraging. At the time the economic situation and market prospects could only be described as confused.

The year nonetheless got off to an encouraging start with VR straightaway obtaining a good hold on the freight service market. The improvement was especially strong in traffic from Russia. Unfortunately, transport volumes tailed off towards the end of the year, so that during the final months they fell short of the previous year's level. Overall, however, VR's freight services succeeded in boosting market share in a very tough competitive climate, achieving a new record of 43.5 million tonnes of freight transported. This was an increase of 4% from the previous year.

The year was also positive for VR's passenger services. Even though public transport as a whole did not prosper under the pressure from private cars, the number of journeys on long-distance trains rose by 2% and on the commuter services in the area managed by the Helsinki Metropolitan Area Council by 6%. A total of some 60 million journeys were made.

The condition of the rail network plays a major role in the safety, speed and level of service of rail traffic. The funds allocated to basic track improvement and renovation for their part affect the

extent to which VR-Track Ltd can provide employment. Another factor that has a major impact on the operations of the track maintenance company, in addition to contracts placed by the Finnish Rail Administration, is the strongly seasonal nature of this work. Despite these limiting factors, VR-Track's result was better than the target, which demonstrates the confidence that customers have in the company and the effectiveness of its internal development.

Improved profits

The strong market position of passenger and freight services coupled with continuous cost control gave a clear boost to VR's profits. If the result itself was satisfactory, the improvement in the result can be called good.

This sort of development is vitally important for VR. Continuous improvement in performance provides the basis for VR to cope with the series of major investments that started long ago and will continue far into the future. The programme for purchasing rolling stock includes Pendolino trains, city trains, railcars, sleeping cars and vehicle carriers. Not to mention the rolling stock company established with the local authorities in the Helsinki metropolitan area, which is due to purchase 100 commuter trains in the future.

One factor that affects VR's financial performance is rail safety. It is clear that

Review

a safe travel and transport option is extremely important for customers, and for this reason the work on improving safety at VR is ongoing. During 2003 VR met all its main targets for safety; no accidents occurred during the year that resulted in serious injury or loss of life to passengers.

New challenges

In 2003 VR started Internet sales of rail tickets. The next step will be taken in the near future: customers will soon be able to print a ticket purchased on the Internet at home, which will be a significant benefit.

In freight services interest is focusing on services to and from Russia. These offer many opportunities for VR, but on the other hand factors such as Russia's transport and economic policies also affect VR's ability to operate in this market. Another factor that needs considering in connection with eastern freight traffic is the incorporation of services that has taken place on Russian railways. It is my opinion that rail services operate more efficiently when run through a company.

The project to improve the Helsinki-St Petersburg line to enable high-speed train services has also reached an interesting stage. Decisions are imminently expected on the track work and other details relating to high-speed connections in Finland and Russia. It is still our target that by 2008 passengers will be

able to travel between Helsinki and St Petersburg in just over three hours.

Internal change

During 2003, VR Ltd and VR-Track Ltd carried out extensive internal reorganizations to maintain their competitive edge. Process-based operations and reducing the hierarchical structure provided the starting point for the new customer-oriented organizations.

VR undertook a personnel survey during the year, receiving 6,700 replies. Compared with the survey made three years before, the results show progress in all areas. Employee assessments included improvements, for example, in enjoyment of work, setting and meeting targets, and fitness for work. The survey results will be used as the basis for making further improvements at the workplace.

I would like to express my warmest thanks to VR's customers and other partners for our success in 2003. I would also like to thank the Group's personnel for their excellent work.



Henri Kuitunen
President and CEO
VR-Group Ltd

“ Customers will soon be able to print a ticket purchased on the Internet at home, which will be a significant benefit. ”

Goals



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.

Key success factors

- Speed and efficiency
- Safety and punctuality
- Environmental friendliness
- Committed, skilled personnel
- Modern rolling stock
- Smoothly functioning links with Russia
- Efficient track maintenance machinery
- A versatile transport group

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

and values

Strategic goals

1. Rail passenger services: growing faster than the market

VR provides and markets on a profitable and customer-driven basis public transport services that meet the work and leisure travel needs of all sectors of the population. It makes use in its operations of the expertise and resources of other Group companies and partners to increase the market share of rail transport. At present rail has a market share of some 5% of all transport in Finland and of about 30% of public transport.

In long-distance services in Finland and commuter services in the Helsinki area, VR aims to create an easy-to-use service network in co-operation with other forms of public transport. VR is actively involved in the building of Travel Centres. The Ministry of Transport and Communications plans to form a network of 22 Travel Centres in Finland by 2007. In its international services, VR is preparing to speed up its links with Russia and for a sharp rise in travel volumes.

Special attention is being paid to the quality of customer service, with the goal of increasing customer satisfaction. Key means for this are developing new sales channels, reducing journey times and introducing new rolling stock. The company is also improving the safety of travel and punctuality.

2. VR Group freight services: growth at least as fast as the market

VR Cargo is the main freight carrier for Finland's forest, metal and chemical industries. Its operations are based on long-term co-operation agreements. Customers are offered not just rail transport but a comprehensive package of logistics services in co-operation with VR Group's road transport companies. The goal is to strengthen VR Group's market share. At present VR Cargo has an almost 25% share of the freight transport market in Finland.

In international services VR is focusing on improving traffic with Russia and the other CIS countries. It aims to build new partnership models with Russian railways, rolling stock companies and other participants in eastern freight carryings. Most eastern freight carryings involve importing raw materials into Finland and transit goods through Finland to the West. VR's goal is to increase carryings of exports by Finnish industry and transit carryings to the East as well as East Asia traffic along the Trans-Siberian route.

In addition to new service models, VR's goal is also to strengthen its partnerships with key customers and improve the competitiveness and quality of its transport services.

3. Improving profitability

VR's goals are profitability and paying a strong dividend. Profitability is being improved by increasing sales income and improving productivity. If net turnover is to grow, it is essential to improve the quality of customer service and develop total service models. Increasing attention is being paid to personnel skills.

The Group is cutting costs by focusing on core business and eliminating duplication. It is also examining the potential for outsourcing, but this must not endanger the standard of service. Corporate administration is making increased use of electronic services and all change processes are being speeded up.

In passenger and freight services, the company is looking for savings through more efficient management of rolling stock and personnel. It is developing self-service channels for passengers for buying tickets, such as Internet sales. In freight services it is essential to speed up the turn-round of wagons and reduce the number of loading stations.

VR-Track is making every effort to adapt to changing markets: to growing competition and ever shorter-term contracts. Another challenge is managing strong seasonal fluctuation.



The VR

Rail services

- VR Ltd, the Group's largest company, is Finland's leading freight and passenger carrier.
- The company carries over 43 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 over 40% of total freight transport.
- Some 60 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 648.8 million. This comprises EUR 351.8 million from freight services and EUR 296.9 million from passenger services.
- Personnel totals 8,380.

Track construction and maintenance

- VR-Track Ltd provides track design, construction and maintenance services for the Finnish government, local authorities, ports and industrial companies using the rail network.
- Roughly 90% of annual net turnover comes from contracts commissioned by the Finnish Rail Administration, which is responsible for managing the Finnish rail network.
- Annual net turnover totals EUR 208.9 million
- Personnel totals 2,460.

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 9 million tonnes of freight every year.
- Oy Pohjolan Henkilöliikenne Ab and its subsidiary Oy Pohjolan Kaupunkiliikenne Ab transport 14 million passengers by coach and bus every year.
- Road services generate annual net turnover of EUR 201.6 million. This comprises EUR 166.9 million from freight services and EUR 34.7 million from passenger services.
- Personnel totals 1,960.

Group

Catering and restaurant services

- Avekra Oy provides supplementary catering and restaurant services for VR's passenger transport operations.
- Avekra manages cafés and restaurants on long-distance train services and in railway stations. It provides daily catering services on 130 trains and has 20 service points in stations. The Swiss company Rail Gourmet Holding AG, part of the international Compass Group, is a minority shareholder in the company.
- Catering services generate annual net turnover of EUR 26.4 million.
- Personnel totals 380.

ICT services

- Corenet Ltd provides telecommunications services for VR's rail transport operations and develops specialized telecommunications systems for transport and logistics needs. Song Networks Ltd is a minority shareholder in the company.
- ICT services generate annual net turnover of EUR 27.8 million.
- Personnel totals 210.



Net turnover by business 2003

● Rail services	56%
● Track construction and maintenance	18%
● Road services	17%
● Catering and restaurant services	2%
● Other	7%



Personnel by business 2003

● Rail services	61%
● Track construction and maintenance	18%
● Road services	14%
● Catering and restaurant services	3%
● Other	4%





➤ Major changes have taken place at Helsinki railway station in the past few years. In the spring 2003 a new hotel and office building was completed at the station and in the autumn new commercial premises were opened.



Passenger

Main targets

- Cutting travel times and enhancing passenger comfort
- Improving availability of tickets
- Improving punctuality and safety

VR offers passengers a wide range of services on both long-distance routes and on 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 increase rail's share of passenger transport, which is currently some 5% of all journeys made in Finland. Rail transport's share of all public transport is roughly 30%, although its share of passenger journeys longer than 75 kilometres is 60%.

Net turnover and passenger volumes

Rail travel grew by 4% in 2003 and altogether 59.9 million passenger journeys were made. Passenger Services's net turnover amounted to EUR 296.9 million, an increase of 3% on the previous year.

A total of 11.9 million passenger journeys were made on long-distance services, 2% more than in 2002. Travel between Finland and Russia, 256,000 journeys, declined by 4%.

The number of journeys in the zone managed by the Helsinki Metropolitan Area Council, which comprises Helsinki, Espoo, Vantaa and Kauniainen, grew by 6%, but commuter journeys decreased by roughly 1% elsewhere in the Greater Helsinki area. Altogether 48.0 million journeys were made on commuter services during the year.

The range and pricing of domestic air transport in Finland changed substantially during 2003. Price competition between airlines was reflected especially towards the end of the year in long-distance routes, on which rail passenger volumes declined.

Main line travel times reduced

The speed limit on the Kerava-Tampere line was raised to 200 kilometres an hour in June 2003, cutting the travel time for Pendolino trains between Helsinki and Tampere to 1 hour 27 minutes. Travel times to other cities, such as Jyväskylä and Oulu, were also substantially reduced.

Shorter travel times had a clear impact on passenger volumes, with faster than average growth seen on the Helsinki-Tampere and Helsinki-Jyväskylä services.

Investments in travel comfort

VR placed two new orders for coaches in 2003. One was for 15 double-decker, covered car-carriers for car sleeper services, which will come into service in 2004-2005.

Twenty sleeping cars will be placed into service between Helsinki and Rovaniemi in 2006. The cars are of a new type, with two beds in every cabin and en suite shower and toilet in cabins on the top deck. Cabins on the bottom deck can be connected, if necessary, converting two cabins into one 4-berth cabin. The cars also have a cabin that can be adapted for handicapped passengers.

Travel comfort is affected by not only the train journey but also the effectiveness of the entire travel chain. VR aims to develop competitive travel chains together with other modes of public transport. One important method for achieving this is to build jointly-used Travel Centres.

The Ministry of Transport and Communications conducted an extensive study into the ease-of-use of the Jyväskylä Travel Centre, which had operated for one year. The study particularly

stressed passenger satisfaction with the facilities and services provided by the Travel Centre. The Ministry plans to form a network of 22 Travel Centres in Finland by 2007.

A new, cut-price 'Kerava' ticket was introduced for commuters, in co-operation with Helsinki Metropolitan Area Council (YTV) and the City of Kerava. The package is based on a 30-day train ticket, for which the passenger can buy a YTV regional ticket and Vantaa bus connection.

A new company, Junakalusto Oy, was established at the end of the year. The company will handle train procurements for commuter services in the Helsinki metropolitan area, which needs 100 new commuter train sets over the next 20 years. Junakalusto is jointly owned by VR, which has a 35% holding, and the cities of Helsinki, Espoo, Vantaa and Kauniainen.

Internet ticket sales introduced

An online ticket shop opened in March, which sells the most common tickets for long-distance services. Tickets can be collected from automatic ticket vendors or ticket offices at stations, or alternatively can be mailed to the passenger's home.

During the course of the year, the online shop proved to be reliable and easy to use, and was busiest just before public holidays. Online sales generated an average of just under 2% of Passenger Services's total sales.

The national call centre, which has operated for 2 years now, received good customer feedback. The call centre's average response time for phone calls was less than 30 seconds. A new service, assisting online customers, was introduced during the year.

Services



Passenger feedback 2003

● Traffic services	16%
● Rolling stock	16%
● VR's in-train services	16%
● AVECRA's in-train services	11%
● Internet pages and online sales	11%
● Station ticket sales	10%
● Tickets, prices and sales systems	8%
● Other station services	8%
● Telephone service	2%
● VR's operations in general	2%

High rankings for punctuality

The winter in 2003 was very challenging for rail transport. Harsh sub-zero temperatures caused numerous defects in rolling stock and delays in train services.

A special programme aimed at improving punctuality was launched in the spring. The punctuality rate for long-distance services for the full year was 89% and for commuter services in the Helsinki metropolitan area 98%. For long-distance services, all delays of over 5 minutes in arriving at the destination are counted as lateness. The limit for commuter services is 3 minutes.

VR's Passenger Services was highly ranked in an international study of rail transport punctuality. The study covered 10 European countries and Japan. VR was the clear winner for commuter services, and among the leading countries for long-distance services.

An extensive study of passenger safety on commuter services was conducted during the year, and several improvements were implemented at stations and on trains as a result. A new operating model for security was adopted that enables a faster reaction to disturbances. Revisions to shift arrangements and safety training improved personnel safety.

Prospects

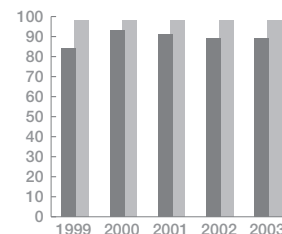
VR's objective is to increase rail travel and raise its share of the public transport market. VR will continue to modernize rolling stock, and will receive more deliveries of Pendolino trains and city trains in 2004. Deliveries of railcars will start in 2005.

The urban line between Kerava and Tikkurila is scheduled for completion in autumn 2004, after which high-volume commuter services between Helsinki and Kerava can start.

VR's next major reduction in travel times will be in 2006, when the direct line between Kerava and Lahti is completed. The top speed on the new line will be 220 kilometres an hour, and the journey from Helsinki to Lahti will only take under 50 minutes on a Pendolino train.

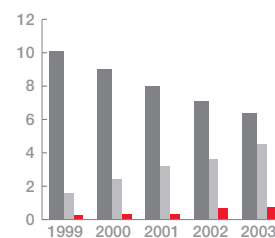
A new sales and ticket issuing system for travel agencies will be introduced in online ticket sales in 2004. The next stage is building a similar system for corporate customers. Online services for consumers will be further developed in 2004, enabling customers to print tickets at their own PC terminals.

Passenger Services re-organized at the beginning of 2004 with the aim of improving customer service and using resources more efficiently.



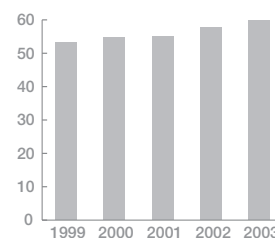
Punctuality of rail traffic %

- Long-distance
- Commuter services



Long-distance journeys by type of train Millions

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

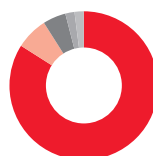


Passenger journeys Millions



Rail services, share of VR's net turnover 2003

● Passenger services	26%
● Freight services	30%



Passenger transport in Finland 2002

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



Freight

Main targets

- Strengthening market share of key customers' freight transport
- Increasing eastern freight and developing co-operation models
- Improving one-stop logistics services

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 safe, punctual and environmentally friendly transport systems.

Railways have had a consistent 25% share of freight carryings in Finland for several years. This figure is high compared to other EU countries, where railways account for an average 14% of the freight market. Rail transport is a viable option when the items to be carried are bulky and carried regularly over long distances.

Net turnover and freight volumes

VR Cargo carried altogether 43.5 million tonnes of freight during the year, an increase of 4% on the previous year. Net turnover amounted to EUR 351.8 million, 7% higher than in 2002. VR Cargo's operating profit from internal invoicing

was EUR 20.4 million.

A record 25.0 million tonnes of freight were carried in Finland, 1% more than in 2002. Most growth was in carryings for the forest industry.

Eastern freight volumes grew by 9% to 17.6 million tonnes, largely due to higher volumes of raw material imports for the forest, metal and chemical industries. VR Cargo carried 3.2 million tonnes of transit freight through Finland, compared to 3.5 million in 2002. Westward carryings via Turku and Tornio grew by 7% to 1.0 million tonnes.

Volumes of container freight rose by 35% and amounted to 207,800 TEUs. Container freight on the Siberian line grew by 93%, totalling 100,324 TEUs. VR Cargo also carried 5,000 articulated vehicles, 9,000 trailers and 6,000 swapbodies in Finland. Altogether these carryings are equivalent to 46,300 TEUs. TEU (Twenty-foot Equivalent Unit) is a unit of measurement used in container traffic and refers to one 20-foot container.

Carryings for key customers growing

Carryings for key customers in the forest, metal and chemical industries grew strongly during the year until the autumn, but the general business downturn slowed growth towards the end of the year. Constant development of partnerships and more precise traffic planning were needed to handle the increase in freight volumes for these customers. Customer service and the reliability of deliveries were also high priorities.

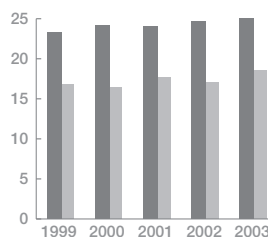
Modernization of rolling stock in co-operation with customers continued. All new wagons were constructed for a 25-tonne axle load, allowing them to carry an additional ten tonnes of freight. Trains are also shorter, enhancing efficiency in loading and unloading.

The axle load for carryings of concentrates between Mäntyluoto and Harjavalta was increased in 2003. The axle load for carryings for the paper industry between Kirkniemi and Hanko was in-



Rail services, share of VR's net turnover 2003

- Freight services 30%
- Passenger services 26%



VR Cargo's carryings
Million tonnes

- Finland
- International



VR Cargo's carryings by product group 2003

- Mechanical forest industry 39%
- Chemical forest industry 20%
- Chemical industry 21%
- Metal industry 19%
- Other 1%

Services

creased earlier.

More automation is also essential for improving the competitiveness of VR Cargo. A new automated loading and unloading system was introduced for carryings of exports from the Kajaani paper mill during the year, which reduces damage to paper rolls during handling and improves the efficiency of transport from the mill to the Port of Rauma.

Development of online services continued during 2003. Online services for customers were centralized in the Internet-based Railnet system, which also allows smaller companies to enjoy the benefits of doing business electronically. The target is to have 90% of customers' consignment notes in electronic format.

A study conducted during the year showed that customers' opinions of VR Cargo had improved. Customers considered the main advantages of rail transport to be safety, reliability and environmental friendliness. Most improvement was in the efficiency of freight transport. Some 38% of respondents said they would increase their volumes of rail freight in the future.

VR Cargo's strengths are the competence of its sales and customer service personnel and its service-oriented approach. Customers were also satisfied with the rolling stock, punctuality, the clarity of contracts and the amount of information they received.

Strong growth in eastern freight

Growth in freight volumes was strongest in eastern carryings, largely due to higher imports of industrial raw materials from Russia. The record volumes of freight made good advance planning essential.

Volumes of container traffic between Finland and East Asia have grown steadily over the last five years. The route is gaining popularity because of its regular connections, speed and reliability of quality. Growth reached a new record in 2003. Some 60% of container freight consisted

of imports, while exports' share grew to 40%.

One-stop logistics service

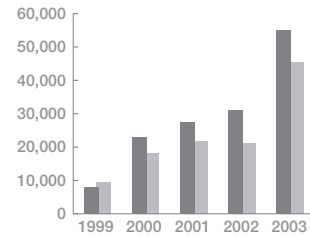
A new type of business model and increased co-operation between VR Cargo and the Group's road services companies are needed to handle the growing volumes of freight efficiently. Towards this end, VR Cargo collaborated with customers during the year to find solutions for providing one-stop service.

A new terminal for combined transport was completed in Oritkari, in Oulu, at the end of the year 2003, which will enable freight volumes to be doubled. Trains carrying commercial vehicles travel at night in both directions on the Oulu-Helsinki, Kemi-Helsinki and Kemi-Oulu-Tampere-Turku lines. The terminal is a joint project between the City of Oulu, VR Ltd and the Finnish Rail Administration.

Prospects

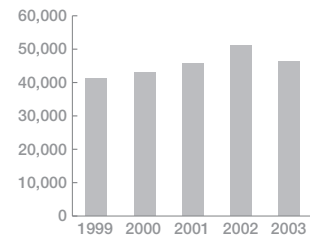
VR Cargo prepared a new business model during the year, which was introduced at the beginning of 2004 and aims at improving customer relationship management. The focus for improving services is the planning of one-stop services. VR Cargo will also enhance the efficiency of the transport system by increasing the number of customer trains, raising capacity utilization and reducing the turnaround times for rolling stock.

The new warehouse terminal in Kouvola, completed in March 2004, will substantially improve VR Cargo's services for eastern freight. The terminal will mainly handle exports carried by rail from Finland's paper industry to Russia and CIS countries, and will combine road and rail freight. The goal is to offer customers a one-stop service from factory to destination.

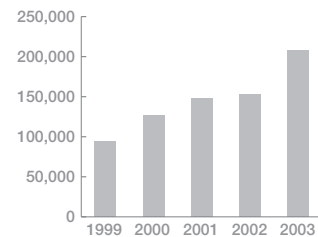


East Asia container traffic
TEU = 20-foot container equivalent

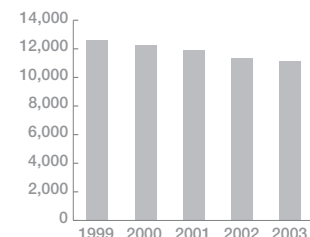
● Imports
● Exports



Combi-transport carryings
TEU = 20-foot container equivalent



Sea container carryings
TEU = 20-foot container equivalent



Number of freight wagons

- Container freight on the Siberian line grew at a record pace. Containerized consumer goods were imported into Finland from Korea, Japan and China. Shown here is container handling at the Kouvola logistics centre.







Track and

Main targets

- Maintaining profitability as net turnover declines
- Improving customer-oriented working procedures
- Strengthening core expertise and expanding the service portfolio

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 a total package for rail infrastructure services but customers can also purchase individual services, such as design or specific aspects of design.

VR-Track's biggest 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. In recent years 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. One of the Finnish Rail Administration's objectives is to increase competition in this sector, which has reduced VR-Track's net turnover and market share.

Net turnover and main projects

Net turnover from Track Construction and Maintenance was EUR 208.9 million in 2003, a decline of 10% compared to the previous year. Contracts commissioned by the Finnish Rail Administration generated over 90% of net turnover. VR-Track's market share of all contracts commissioned by the Finnish Rail Administration is 50%. The company's own production focused on work requiring a high level

of expertise in railway engineering. VR-Track's order book at the year's end was approximately EUR 150 million.

The largest design project completed in 2003 was designing the new marshalling yard on the border between south-east Estonia and Russia. VR-Track Ltd Railway Consulting headed the consortium responsible for the work.

The company won a line superstructure contract for the direct line between Kerava and Lahti. Construction will start in 2004 and be completed in 2006. VR-Track's share of the project includes all line superstructure work and electrification, and installation of equipment for the safety system.

VR-Track's largest worksites were the continued renovation of the Savo line between Kouvola and Pieksämäki and the superstructure renovations of the Parikkala–Joensuu, Rovaniemi–Kemijärvi, Seinäjoki–Oulu and Ylivieska–Iisalmi lines. The cleaning of ballast along the Tampere–Orivesi line also started towards the end of the year.

In Estonia, the contract for cleaning ballast entered its fourth year, where a subsidiary called VR-Track AS is in charge of the project.

VR-Track's Electricity Maintenance Centre continued installing Automatic Train Protection (ATP) systems, which were introduced on the Karjaa–Hanko, Joensuu–Pieksämäki/Siilinjärvi and Tornio–Kolari lines in 2003.

Less snow clearing work than average was needed during the winter but the groundfrost was correspondingly unusually harsh over the entire track net-

work. Frost damage forced VR-Track to introduce traffic restrictions, especially on the main lines in southern Finland.

The utilization rate of the company's own production units remained at the same high level as in 2002. The rail-welding unit in Kaipiainen handled some 25,000 tonnes of rails. The track point units in Pieksämäki and Kaipiainen manufactured 170 track points of varying types and reconditioned 85 track points and 380 units of turning gear. Production at the Haapamäki wood impregnation plant amounted to 26,500 cubic metres of impregnated timber.

Good profitability

VR-Track continued its strict personnel policy to ensure profitability during the review period. Proactive personnel planning enabled the company to adapt to prevailing market conditions and to maintain the number of personnel at the optimum level.

Despite the harsh ground frost, VR was able to raise the condition of the track network to the target level. This enabled track maintenance to meet its profitability target.

The number of construction projects and net turnover declined, but VR-Track made more efficient use of its own personnel and machinery, so profitability remained at broadly the same level as the previous year.

New customer-oriented management model

VR-Track prepared a new, customer-oriented business management model

Construction Maintenance



Track construction and maintenance, share of VR's net turnover 2003

● Track construction and maintenance 18%

during the review period, which was introduced at the beginning of 2004.

VR-Track aims at improving flexibility and utilizing resources more efficiently. The company plans to develop its core businesses – track construction and maintenance – by strengthening product control, introducing a new resource management system and enhancing support services.

Customer satisfaction surveys show that the service-mindedness of VR-Track's personnel has improved systematically in recent years. Customers also appreciate the experience and expertise of VR's personnel.

Competitive service

VR-Track's strengths include technical expertise and comprehensive expertise in management of the entire railway system. One aim is to enhance civil engineering activities, such as earthworks and bridge construction work.

The company invested some EUR 9.7 million in 2003, mainly in replacing track machinery and equipment. In the spring VR-Track introduced new equipment for track inspection, which incorporates sophisticated IT features. The equipment is used for quality control in track construction and maintenance work and

for periodic inspections of the condition of the rail network, so the Finnish Rail Administration can base decisions about track maintenance and investments on the results.

In December VR-Track acquired the entire capital stock of Vuorenteikot Oy, an earthworks contractor. The net turnover of the Riihimäki-based company is some EUR 8 million. VR-Track's last acquisition was in 2001, when it acquired a majority shareholding in Megasiirto Oy, a bridge construction contractor.

Prospects

VR-Track will continue to focus on work that fits in with the needs of rail services and which requires technical expertise in railway engineering, special machinery and a thorough understanding of rail safety. VR-Track will also enhance its expertise in civil engineering in the environs of railway lines. The company will offer track maintenance, construction and consultancy services in regions adjacent to Finland, such as the Baltic countries and Sweden.

Competition is increasing in the track maintenance market. VR-Track will improve its competitiveness by making both its working methods and its organization more flexible and customer-oriented.



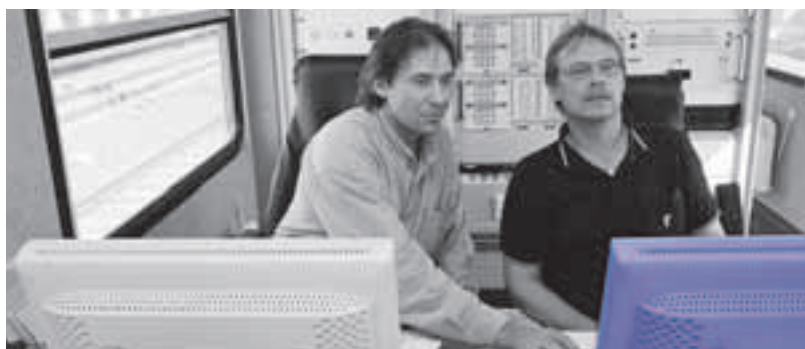
Net turnover 2003

● Maintenance 40%
● Construction 46%
● Engineering, materials and other services 14%

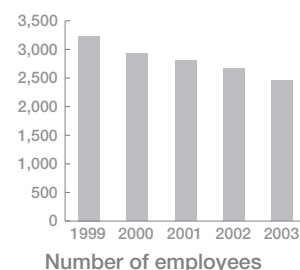


Working hours 2003

● Maintenance 57%
● Construction 31%
● Engineering, materials and other services 12%



In the spring 2003 VR-Track obtained new track inspection equipment that incorporates sophisticated IT features. Summaries on the state of the track are produced even during a run.





Road

Main targets

- Increasing net turnover and good profitability
- Adapting bus services to demand
- Expanding customer base for freight services

Oy Pohjolan Liikenne Ab's subsidiaries are responsible for providing VR Group's road services. Transpoint Oy Ab, Combi-trans Oy (a Transpoint subsidiary), and Oy Transuotila Ab provide freight services. Oy Transuotila Ab has three subsidiaries in the Baltic countries. Oy Pohjolan Henkilöliikenne Ab and Oy Pohjolan Kaupunkiliikenne Ab provide bus and coach services.

The Pohjolan Liikenne subgroup continues to hold a strong position in the Finnish road transport sector. Transpoint is one of the three largest carriers of general cargo on Finnish roads. Combi-trans is the largest Finnish road haulier of partial and full load carryings. Transuo-

tila increased its lead as Finland's largest road haulier of liquid fuels. The Pohjolan Liikenne companies retained their 5% share of the market for bus and coach services.

In 2003 the company had 186 of its own trucks, 750 trucks owned by sub-contractors, 72 articulated road tankers and 298 buses.

Growth in net turnover

The net turnover for road services increased to EUR 201.6 million, representing growth of 3%. Freight services generated 83% of net turnover, EUR 166.9 million, passenger services 17%, EUR 34.7 million.

Altogether freight volumes amounted to 8.6 million tonnes, an increase of 5% on the previous year. Volumes of general cargo grew by 4%, of partial and full load carryings by 2% and of road tanker carryings by 16%. The Group's buses transported some 13.7 million passengers during the year, 6% less than in 2002.

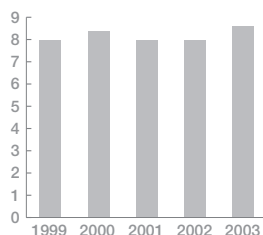
Range of bus services reduced

Passenger volumes on bus services started declining in autumn 2002, and this trend continued during the review period. Pohjolan Henkilöliikenne's express coach volumes declined by 5% after ten years of steady growth. The main

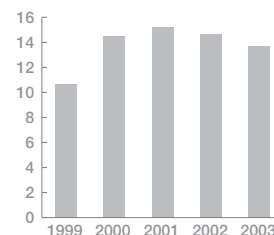


Road services, share of VR's net turnover 2003

● Road services 17%



Freight volume by road
Million tonnes



Bus and coach journeys
Millions

Services

reasons for this were the steep increase in the number of private cars and the construction work for the new Kamppi bus station in Helsinki. Passenger volumes on local and commuter services also declined slightly.

Bus services aimed at adapting the number of services offered to match prevailing demand, which meant cutting supply by some 10%. The cuts will continue in 2004.

The most important targets for development were production planning and the monitoring of fuel consumption, both essential for good cost control. A production planning system was introduced during the review period, and a fuel consumption monitoring system in early 2004.

New transport contracts

Transpoint's general cargo volumes fell short of target but the company's international volumes grew by 78%, generating 7% of total net turnover. Other growth areas were parcel, storage and transport

hotel services. The company developed its terminal network by moving its Savonlinna operations to nearby terminals and starting construction of a new terminal in Karjaa, which is due for completion in spring 2004.

Combitrans signed several new transport contracts, which replaced the loss of two large customers. The company launched an extensive terminal project in Kouvola commissioned by VR's pension foundation. The 9,700 m² storage terminal will combine road and rail transport.

Transuotila's main aims are to expand its customer base and to establish new customer relationships. Volumes of liquid fuel transported grew, largely due to new contracts. The cold winter and the threat of war in the Middle East created a delivery peak early in the year, forcing the company to perform at the limits of its capacity.

Surveys of freight customers during the year showed that customer satisfaction in 2003 was slightly higher than the previous year.

Prospects

No upward trend is expected in Pohjolan Henkilöliikenne's passenger volumes in 2004, and the main goal continues to be cutting bus and coach services to match lower demand. Pohjolan Kaupunkiliikenne's net turnover will probably decline by some 40% in the chartered service business for the Helsinki metropolitan area and Turku, because the company has not landed new contracts to replace those expiring in 2004.

Transpoint's main aim in the general cargo sector is to enhance sales and production activities in its core business. The challenges for Combitrans, which handles partial and full load carryings, are introducing a new, comprehensive transport planning and invoicing system, and commissioning new storage facilities in Kouvola. Transuotila's goal is to adjust to the changes in the customer base for tanker services.



Transpoint's international cargo volumes increased in 2003. Other growth areas were parcel, storage and transport hotel services.

Catering and Restaurant Services

Main targets

- Improving financial performance
- Enhancing customer satisfaction
- Developing personnel skills

Avecra Oy provides catering and restaurant services on long-distance passenger trains and at railway stations. Avecra provides daily services on some 130 trains and has altogether 20 outlets at eight railway stations.

A-Catering provides both restaurant and trolley services on trains. Trolley sales have increased their share of net turnover in recent years. In the restaurant business, Avecra competes with other restaurateurs, especially in Helsinki city centre, and customer seating in the sector has grown faster than demand.

Net turnover and sales performance

Net turnover from Catering and Restaurant Services amounted to EUR 26.4 million in 2003, a decline of 5% on the previous year. A-Catering's restaurant sales on trains declined by 2%, partly due to higher volumes of trolley sales.

Restaurant sales decreased by 7%, largely as a result of the disposal of unprofitable restaurants during 2002. Comparable restaurant sales grew by 1%.

Profitability a priority

The close monitoring of costs initiated earlier continued during the review period. A high priority on trains was monitoring and reducing wastage of perishable goods. The company continued to develop its materials management

procedures. Helsinki railway station's warehousing and procurement operations were re-organized along the same lines as those of the Ilmala depot in Helsinki the previous year.

Long daytime express trains have consistently been profitable for restaurant services. The product range on these trains was enhanced. The quality and preservability of hot food was improved and the range of kiosk products was expanded in line with customers' wishes.

Customers satisfied with personnel

In addition to its own customer feedback system, Avecra also conducts Mystery Shopper surveys to measure customer satisfaction. In these, researchers visit different outlets and assess the quality of service provided. Most improvement in the results of these studies was in the cleanliness and attractiveness of premises. The friendliness and professionalism of Avecra's staff received most praise in customer feedback.

All catering outlets at Helsinki railway station have been refurbished over the last three years. Ooster, a new beer and wine room, opened in the renovated west wing of the station in December. Ooster quickly became a popular port of call for train passengers and other people visiting the city centre. Customers gave particular praise to the restaurant's atmosphere,

service and product range.

Customer service and sales training

Customer service and sales training was arranged for all the company's personnel. The goal was to train personnel for everyday sales situations, improve customer satisfaction and promote the achievement of sales targets.

Most of Avecra's foremen took a specialized examination in management at the Haaga Institute Polytechnic, which provides training in working procedures and practices for foremen.

Prospects

Competition in the restaurant business is intensifying, necessitating continuous development in the quality of products and services. Demand for alcoholic beverages in licensed premises is expected to decline, partly due to Estonia's EU membership and the reduction in alcohol tax.

Restaurant services at Helsinki railway station are on a sound footing, and productivity there is being improved. Nelmanni at Pasila railway station has become a popular local lunch restaurant. Nelmanni's premises will be refurbished in 2004 and its seating capacity increased.

On trains Avecra will focus on cost control and improving person to person selling techniques.



Catering and restaurant services, share of VR's net turnover 2003

- Catering and restaurant services 2%



Net turnover 2003

- Restaurants in trains 56%
- Restaurants at stations 44%



Personnel 2003

- Restaurants in trains 72%
- Restaurants at stations 28%



➤ A new restaurant called Ooster opened at Helsinki railway station towards the end of the year. It is modelled on the traditional café & restaurants in old Amsterdam.

Safety



Main targets

- Avoiding major accidents
- Developing safety management
- Switching to new radio network

Safety is a core value for VR. VR aims to convey passengers and freight safely and reliably. The Rail Safety Programme outlines the goals and development projects for VR's safety activities. The principles, organization and responsibilities for rail safety are stated in VR's Safety Policy, which covers all areas of safety.

No major accidents in rail services

In 2003 VR achieved the main goal for its safety activities: there were no train collisions or other accidents that could have resulted in the loss of life or serious injury to passengers or personnel.

The most serious accidents during the review year took place in freight services, where seven derailments occurred. No-

one was injured in these, however, and there was no damage to the environment. A Pendolino train was derailed in Karjaa in July due to a defective track point. The passengers were in no danger because the train was travelling slowly.

Overall, there has been positive progress in rail service safety in recent years. Fitting locking systems on the doors of older express train rolling stock has improved passenger safety in moving trains. The use of monitoring devices such as hot axle detectors has increased. These monitor the temperature of wheel bearings and have prevented axles from breaking, which might have resulted in derailling.

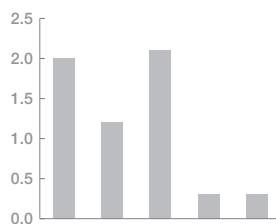
In contrast, the number of level crossing accidents has remained high, and

during the review year it increased significantly. Altogether 52 accidents occurred at level crossings, compared with 42 in the previous year. Six people died and 23 were injured on level crossings. In the previous year, 4 died and 9 were injured.

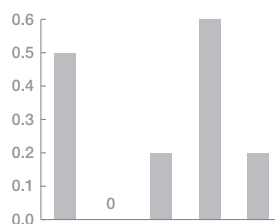
The most effective way to reduce the number of level crossing accidents is to do away with level crossings altogether. Improving road safety depends on sufficient funding for the level crossing programme of the Ministry of Transport and Communications, which aims to replace 1,100 level crossings by 2015.

Professional skills play key role

The focus in safety activities is shifting away from large investments and towards safety management and practical safety



Fatalities and seriously injured passengers
Per billion passenger-km



Collisions in rail traffic
Per 10 million train-km

in everyday work. The Railway Act that came into force in 2003 requires railway companies to have a safety management system, which VR has had since 1999. During the review year both VR Ltd and VR-Track Ltd renewed their documentation for the system. Audits and management reviews contained assessments of VR's safety activities.

The training in risk assessment continued for experts and supervisory staff, and the instructions concerning risk assessment were revised. The focus in internal monitoring is still on traffic communications practice and in ensuring that correct methods are used for shunting.

Despite all the developments in safety technology, the care taken by personnel and their skill are still decisive factors in ensuring safety. During the review year several VR employees received awards in recognition of their alertness which prevented serious hazards or danger.

Training personnel in safety issues is an ongoing process. Safety issues are an important part of the basic training for all railway professionals. In addition to their basic training, all traffic personnel receive refresher training to maintain their professional skills. Those in key professions are given training in rail safety once a year.

Construction of new radio network continued

Construction of the GSM-R radio network, which started in 2002, continued. VR participated in drawing up the system specifications and prepared for trial usage, which will begin between Pieksämäki and Iisalmi in 2004.

The new radio system, based on European standards, will reduce interference in railway communications and make contact between traffic control centres and train drivers faster. VR is equipping rolling stock with new radio equipment. Corenet Ltd, a VR Group company, is the construction consultant for the project. The Finnish Rail Administration has overall responsibility for the project.

The area covered by the automatic train protection system (ATP) expanded. During the review year the system was installed on a total of 500 kilometres of track. The Pieksämäki-Joensuu and Tornio-Kolari lines, among others, are now covered by ATP.

The automatic train protection system covers 3,200 kilometres of the track network and more than 80% of rail traffic. The system monitors the speed of trains and if necessary stops the train if the driver fails to do so. The Finnish Rail Administration is responsible for building the train protection system and VR-Track Ltd is installing it. VR has already installed the ATP equipment in locomotives and track machinery.

Prospects

Developing and maintaining the professional skills of personnel continue to be the main focuses for safety activities. A large proportion of traffic personnel will reach retirement age in the next few years. Providing training and initial instruction for new drivers and traffic controllers, among others, is a major challenge that also concerns safety.

Total management of safety is becoming increasingly important, which means giving extra training to supervisory and management level staff. Doing things safely and correctly requires not only teaching and instruction but also effective monitoring.

More and more monitoring devices, such as the hot axle detectors, are being introduced on the track network, to ensure that trains run safely. The ATP system is expanding gradually and will cover all lines used by passenger services by 2006. The new GSM-R radio network will serve the entire track network by 2007.



Despite all the developments in safety technology, the professional skill of personnel remains a decisive factor in safety activities. VR traffic personnel attend regular refresher courses on rail safety.



Human

Main targets

- Developing human resources planning and recruitment
- Developing competence management
- Supporting work communities and supervisory staff

VR Group bases its personnel management policy on its human resources strategy, which was reformulated in 2001 and ties in with VR's values and business strategies. VR has large-scale development projects in progress that address future challenges such as a major loss of personnel in the next few years.

Number of personnel

During 2003 VR Group employed an average of 13,720 people, which is 5% less than in the previous year. The average age of personnel is 46 years.

The majority of personnel, some 8,380, were employed by VR Ltd in rail service related jobs. Some 2,460 people were employed by VR-Track Ltd in track construction and maintenance. The Pohjolan Liikenne subgroup employed 1,960 people in road services, 380 worked with AVECRA Oy in catering and restaurant services, 210 with Corenet Ltd in ICT services, and 280 people with the Group's parent company VR-Group Ltd mainly in administration.

Proactive personnel planning

External recruitment for VR Group adhered to the same strict policy as in previous years. Most recruitment took place internally. People were mainly employed from outside to be drivers and conductors.

The Group made use of proactive personnel planning to keep the number of personnel at the optimal level. At the same time the Group made preparations

for controlled growth in recruitment from 2006 onwards, when a large number of personnel will be drawing close to retiring age.

Key development targets for HR information systems were the resources management systems needed for operations management and a recruiting system. The system for planning and managing training was also further developed.

The Terveystili (health account) project, with funding from the Finnish Work Environment Fund, examined the link between personnel wellbeing and personnel, financial and production figures. This resulted in a reporting model that will be used on a wider scale in VR Group.

VR-Track's regional Ratakunto (track fitness) projects looked for ways to support personnel wellbeing and coping on the job. Systematic assessment of work-related risks and accidents was started at work places.

Skills required by business operations

To cope with developing customer relations, the growth of e-business and other technical developments, and intensifying competition, VR needs the right expertise. The company has to maintain and develop skills and expertise even as the personnel structure changes.

VR Group's skills requirements were defined on the basis of its business goals, and pilot projects progressed as far as personal skills assessments. The objective is to create effective procedures

for VR that support systematic skills development.

The VR Training Centre celebrated its 90th anniversary during the review year. The Centre provided basic rail service training for drivers, conductors, marshalling yard workers and track construction and maintenance professionals.

In addition to basic training, VR provided further occupational training for various personnel groups. Depot mechanics, for example, were able to extend their qualifications with basic training in the electricity sector. Staff working in rail services received refresher training in rail safety.

Occupational counselling was provided for groups of supervisory staff in different parts of Finland. Language study increased considerably in the review year.

Focusing on supervisory activities

VR Group conducted a group-wide personnel survey in autumn 2003. The results showed an improvement in all the areas studied compared to the survey made three years before. Another positive result was that in general personnel consider their work fitness to be sufficient.

To reach a high level in all areas of personnel satisfaction, however, it is necessary to continue systematic development work. A goal-oriented approach for work communities and the work of supervisory staff are still important areas in this. The majority of personnel already participate

Resources

in appraisal discussions. The challenge now is to establish the discussions as a regular procedure and to improve their effectiveness.

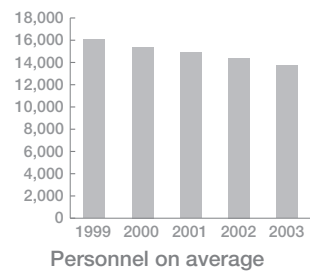
During the review year considerable discussion took place at VR's work places about the Group's new values. According to feedback from the personnel survey, the values are already very well known and personnel also feel that they are put into practice. The biggest challenges lie in matters relating to the "Successful together" value, such as the effectiveness of co-operation and interaction.

Prospects

The work of processing and making use of the results of the personnel survey continues in 2004. The objective is to agree on joint development action at work places and to monitor its implementation together.

Personnel are being increasingly involved in planning and assessing business operations. New forms of co-operation are needed at the work place to improve the flow of information and to give personnel more opportunities to participate. Training of supervisory staff is also needed to carry out the changes.

VR Ltd and VR-Track were reorganized from the beginning of 2004. The challenge is to make the new business models function smoothly and effectively.



Age structure 2003

● -29 years	6%
● 30-39 years	10%
● 40-49 years	46%
● 50-59 years	36%
● 60- years	2%



The entire maintenance personnel participated in customer service training. They divided into groups to consider the importance of their own role in improving customer satisfaction.



Personnel by business 2003

● Rail services	61%
● Track construction and maintenance	18%
● Road services	14%
● Catering and restaurant services	3%
● Other	4%

Environment

Main targets

- Improving efficiency in the use of energy
- Reducing environmental impact
- Strengthening VR's good environmental image

The objective of VR's environmental strategy is to promote the sustainable development of transport and the community. The goal is to strengthen the public image of rail transport and related services as being environmentally friendly. VR reduces the environmental impacts and emissions caused by its operations through the efficient use of energy, materials and chemicals.

The objective of VR's environmental activities is, in addition to conserving the environment, to support and improve the competitiveness of the rail transport business.

Environmental policy a part of management

All companies in the VR Group follow a common Environmental Policy on which they base their own environmental programmes. The content and implementation of the Environmental Policy is a part of VR Group's management system.

VR provides safe, high-standard and environmentally friendly services and is committed to continuously improving its environmental performance. The company trains its employees to be aware of environmental factors in their day-to-day work, informs its stakeholders about its environmental activities and ensures that subcontractors and partners are familiar with VR's environmental principles.

Chemicals used more efficiently

Electric traction's share of all rail transport was 78% in 2003 and 77% in 2002. Rail transport consumed 51% of the company's total fuel consumption of 101 million litres. Acquiring new vehicles and training aimed at promoting economical

driving habits contributed to the reduction in energy consumption.

All the chemicals used for maintenance in different units were recorded in a centralized register, and the number of items in the register decreased by some 40% during the review period. Total annual consumption of creosote increased by 7%, but the Wood Impregnation Plant has raised the quantity of wood impregnated per unit of creosote used.

The Group companies broadened their co-operation in waste management. The Hyvinkää workshop introduced a machine with enclosed water circulation for washing bogie units.

VR spent a total of EUR 1.5 million on the decontamination and analysis of polluted soil, for which the most important sites were the Seinäjoki and Riihimäki marshalling yards and the Pasila and Turku workshop areas.

Altogether 16 leaks occurred in the transport of hazardous substances in 2003, compared to 12 in 2002. Except for a leakage in Riihimäki, the leaks were so minor that no soil decontamination or other protective procedures were necessary.

VR-Track Ltd's Northern Finland and Southern Finland Track Centres and Electricity Maintenance Centre received ISO 14001 environmental management certificates. The VR Group now has environmental management certificates at 13 business units, and 65% of the Group's employees work in ISO 14001 certified units.

VR Cargo conducted a customer satisfaction survey to assess its stakeholders' opinions of the environmental aspects of rail transport. A questionnaire

was also given to the residents along the Riihimäki-Hämeenlinna line.

Some 84% of the respondents to VR Cargo's survey regarded rail transport as environmentally friendly, an improvement of 5 percentage points compared to the last survey. Respondents to the questionnaire for residents were most commonly disturbed by noise from freight traffic.

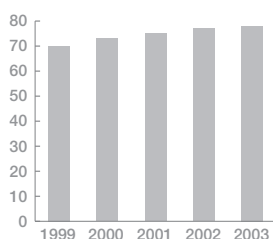
VR Group's 2003 Environmental Report describes the company's environmental activities in 2002 and 2003 in more detail.

Prospects

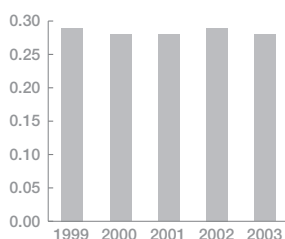
VR's goal is to increase the proportion of electric traction in rail transport. The target is that when services start on the new direct line between Kerava and Lahti in 2006, more than 78% of Finland's rail traffic will be electric traction. Electric traction's share of rail transport will also grow when the Tikkurila-Kerava urban line and the electrification of the Oulu-Rovaniemi line are completed in 2004.

Regulations on noise and on emissions from diesel engines, in particular, will become stricter. VR will reduce the noise caused by rail traffic by modernizing rolling stock and by machining rail wheels. Improved working methods and techniques will also reduce noise.

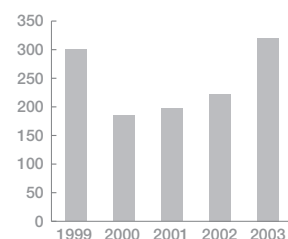
VR addresses environmental aspects when designing and procuring new rolling stock by monitoring the environmental impact of the stock throughout its life cycle, from the manufacture of raw materials through to the scrapping of decommissioned stock. The Group will continue to provide environmental training to its personnel and to broaden the scope of environmental instructions.



Electric traction, share of total train-km %



Energy consumption by total transport volume MJ/(tonne-km + passenger-km)



Carbon dioxide emissions in rail services 1,000 tonnes

> Financial Statements

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Report by the Board of Directors

Market conditions and operating environment

Economic forecasts for the year 2003 in Finland were uncertain and growth prospects for both industrial production and exports were considered to be subdued. Overshadowing the economic outlook were the effects on the Finnish economy of the imminent conflict in the Middle East.

The industrial production index, excluding electrotechnical products, grew 1.7% in 2003 according to preliminary estimates for the year. The forest and paper industry index rose 2.0% and the chemical industry index 2.0% likewise. The metal and mechanical engineering industry index fell 2.4%. Production volumes in these industrial sectors are of decisive importance to VR's freight transport business.

Roughly 40% of VR's total freight carryings consists of traffic over the border with Russia. This amount does not entirely correlate with domestic business trends as it is also affected by Russia's own trade practices such as its port and tariff policies. The volume of transit traffic via Finland to third countries is especially sensitive to factors over which Finland has no control and for this reason transit freight volumes are difficult to predict reliably.

Contrary to the general economic climate and earlier expectations for the year, the bulk of the growth in freight volumes accrued during the first months of the year as forest industry carryings for example, which included timber imports from Russia, were at a high level. Similarly, the volume of freight normally carried by sea was to some extent instead moved to rail owing to the difficult ice conditions during the winter.

The total transport volume decreased during the latter half of the year compared

to the previous year but the full-year's figure was nonetheless clearly higher due to the growth in the first six months. The impact of economic trends on passenger services is less direct than on freight transport. Competition on prices among airlines led to a significant change in the availability of flights and their prices in Finland, which affected passenger transport from the beginning of the year. This was reflected in a clear decrease in rail passenger volumes on routes between Helsinki and the north of Finland. Taken as a whole, however, rail is estimated to have increased its share of public transport.

Growth in passenger volumes continues to be affected by the fact that the rail network upgrading programme has not progressed sufficiently to allow trains to travel at their designed speeds. Both domestic and foreign analyses and experience demonstrate that fast timetables are the most important means of raising demand for long-distance train services.

Consolidated turnover, result and liquidity

The Group's net turnover totalled EUR 1,160.5 million, having been EUR 1,139.9 million in the previous year. Turnover grew in both passenger and freight services, whereas turnover from track construction and maintenance contracts for the government declined. The Group's personnel expenses were lower than in the previous year but material costs, depreciation and other operating expenses increased. Total operating expenses were below the previous year's level.

The operating profit was EUR 53.0 (26.8) million and the net profit for the period was EUR 41.3 (21.7) million. VR Ltd posted an operating profit of EUR 21.3 (-1.7) million and VR-Track Ltd EUR 12.8 (12.5) million. The operating profits

of the Group's other major subsidiaries are shown in Note 6 of the notes to the financial statements.

The Group's liquidity remained good throughout the period. Net interest income amounted to EUR 8.3 (10.6) 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 increased 4.4% to 43.5 million tonnes. Of this total, 25 million tonnes came from domestic traffic and 18.5 million tonnes from international traffic. Domestic traffic increased 1.2% and international traffic 9.1%. 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 almost 2%, while metal industry carryings were down by nearly 1%. Chemical industry carryings remained at the previous year's level. The latter two segments are the largest freight categories after the forest industry.

Traffic between Finland and Russia rose 13.8% to 14.4 million tonnes. More than half of this total consisted of raw timber imports into Finland, over one quarter comprised chemical industry products, and the rest was made up almost entirely of metal industry products. Chemical and metal industry carryings showed the greatest increase. Forest industry carryings rose by over 3%. Traffic between Finland and Russia also includes traffic

between Finland and East Asia (principally Korea, Japan and China), most of which is container traffic. This segment grew 93% and totalled 100,324 TEU (1 TEU, twenty-foot equivalent unit, is the nominal capacity of one 20-ft long container).

Transit traffic via Finland to third countries totalled 3.2 million tonnes. Most of this was composed of Russian exports of raw materials to western Europe, which decreased by almost 8%. Chemical carryings, principally petroleum products and fertilizers from Russia to western Europe, accounted for 84% of total transit traffic. This freight category decreased by 12% whereas metal industry products, which represent 12% of total transit traffic, increased 40%.

Direct rail traffic between Finland and western Europe increased by some 7% to one million tonnes. Almost 59% of this freight was carried by ferry from Finland to Germany and Sweden, and almost all the remainder was transported via Tornio in northern Finland. Rail-ferry traffic declined by 20% whereas traffic moving through the Tornio border station doubled in volume.

VR-Cargo's non-consolidated net turnover totalled EUR 353.6 (332.2) million. The average transport distance decreased from 232 kilometres to 231 kilometres.

In passenger services 59.9 million journeys were made during the year, an increase of 3.8%. Most of this growth came from commuter traffic in the Greater Helsinki area, where the number of passenger journeys rose 4.2% to 48 million. In the zone administered by the Helsinki Metropolitan Area Council (Helsinki, Vantaa, Espoo, Kauniainen), the volume of commuter traffic rose by 5.5%.

Long-distance traffic showed an increase of 2.3% to 11.9 million passenger

journeys. The average long-distance journey became shorter by four kilometres to 222 kilometres. Long-distance traffic comprises all journeys other than those made in the Greater Helsinki area regardless of journey length. A total of 256,000 passenger journeys were made between Finland and Russia, down 3.8%. The decrease was caused by the high value of the euro against the dollar.

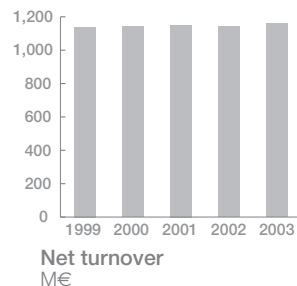
Non-consolidated net turnover from passenger services amounted to EUR 297.5 (288.7) million.

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 and its subsidiaries carry liquid fuels. The Pohjolan Liikenne companies carried a total of 8.6 million tonnes of freight. This represented an increase of 4.7% on the previous year, the bulk of which came from general cargo and tanker traffic. Pohjolan Liikenne companies owned 258 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 13.7 million passengers, down roughly 6% on the previous year. There were 298 coaches in service at the year end.

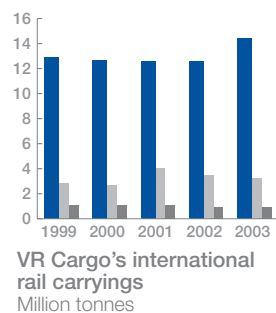
Net turnover of the Pohjolan Liikenne companies was EUR 202.5 (196.7) million, 83% of which was derived from freight



Net turnover
M€



Operating profit
M€



VR Cargo's international rail carryings
Million tonnes

- Eastern traffic
- Transit traffic
- Western traffic





traffic and 17% from passenger traffic.

At the end of 2003 Transpoint Oy Ab, part of the Pohjolan Liikenne group, submitted a compulsory redemption obligation to Paroc Oy Ab to acquire its 10% holding in Combitrans Oy. The acquisition date is 31 March 2004.

Track construction and maintenance

VR-Track Ltd is the VR Group company responsible for providing track design, 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 in 2003 was EUR 216.0 (239.8) million, over 90% of which was commissioned by the Finnish Rail Administration. VR-Track Ltd handles 50% of all contracts awarded by the Finnish Rail Administration, most of which involve work requiring specialist rail track expertise. The order book at the close of the review year totalled roughly EUR 150 (120) million.

The company's largest track projects during the year were continued upgrading of the Savo line between Kouvola and Pieksämäki, and superstructure renewal on the Parikkala-Joensuu, Rovaniemi-Kemi, Seinäjoki-Oulu, and Ylivieska-Iisalmi lines.

The largest engineering contract completed during the year was the design of a new marshalling yard on the border of south-east Estonia and Russia, where VR-Track was the lead contractor in the consortium responsible for the project.

The company won the contract to build the superstructure on the direct

Kerava-Lahti line. This work begins in 2004 for completion in 2006. VR-Track's share of the contracts awarded on this line covers all the superstructure works and electrification, as well as the installation of safety equipment.

VR-Track also began work on cleaning the sub-base ballast on the Tampere-Orivesi line at the end of the year.

The ballast cleaning project in Estonia continued now for the fourth year.

VR-Track made further progress on completing the Finnish Rail Administration's order for installation of ATP systems for trains. The following line sections under the third stage of this project were taken into service during the year: Karjaa-Hanko, Joensuu-Pieksämäki/Siilinjärvi and Tornio-Kolari.

Within VR-Track's maintenance operations, the volume of snow clearing work during the winter months was below average last year. On the other hand heavy ground frost affected the entire track network during the spring and consequently speed restrictions had to be imposed especially on the main lines in southern Finland.

Capacity utilization at VR-Track's own production units – the rail welding shop, the track points production works and the wood impregnation plant – remained good.

Investments

The Group's capital expenditure amounted to EUR 151.5 (143.9) million, which included EUR 104.2 (109.3) million covering rolling stock for VR Ltd.

The principal items were EUR 25.3 million spent on Pendolino trains and EUR 22.6 million on Sr2 locomotives. The final eight out of the total series of 46 Sr2 locomotives were received during the year.

VR-Track Ltd's investments amounted

to EUR 12.1 (8.2) million, most of which comprised replacements of track machinery and maintenance wagons retired from use.

The Pohjolan Liikenne group's investments totalled EUR 11.7 (9.2) million and principally covered spending on new vehicles.

The most important new investment decision was the order for 20 new-generation sleeper cars placed with Talgo Oy in October. These cars will be manufactured at Talgo's Otanmäki works. The value of the order is approximately EUR 59 million. The cars will be brought into service between Helsinki and Rovaniemi in 2006. The cars are double-decker, aluminium-framed coaches like the Inter-City coaches previously manufactured by Talgo. In conjunction with this decision VR Ltd also signed a letter of intent with the Ministry of Transport and Communications assuring the continuity of night-time train services to Lapland.

An order was placed with Talgo Oy in March for 15 vehicle carriers. These double-decker closed wagons will replace the oldest wagons currently in service when delivered in 2004–2005. This order, with a value of EUR 8.3 million, carries an option for a further 15 such wagons.

Eight 4-axle deep-load wagons were ordered in October for the transportation of large paper reels. This is a new type of wagon with a payload of 57 tonnes. Twenty 4-axle sawn timber wagons were ordered in November. These wagons, also a new design, have a payload of 55 tonnes. The freight wagons will be supplied by VR's Pieksämäki engineering works during 2004.

The largest upgrading investments during the year were the conversion of 150 old woodchip wagons for carrying timber, the reconditioning of 114 sawn

timber wagons, the overhaul of 68 Dv12 series diesel locomotives between 2004 and 2008, and the upgrading of 49 Sm2 electric trains between 2004 and 2010.

Development of services

Completion of the renovation and upgrading of the Helsinki–Tampere line during the year made it possible to raise train speeds between Kerava and Tampere, which shortened the travel time of Pendolino trains on this route to just under one and a half hours. This also meant faster travel to other destinations including Jyväskylä and Oulu.

Ticket sales on the Internet were started in March. Travellers can now buy tickets for all main long-distance train services online, picking them up at the station either from an automatic ticket dispenser or the ticket sales office, or else ordering them to their home address. Internet sales represented almost 2% of total ticket sales during the year. Online sales were most popular before national holidays.

A special programme aimed at improving punctuality was launched in the spring. In long-distance services, lateness is defined as all delays of over 5 minutes in arriving at the destination; in commuter services the limit is 3 minutes. The punctuality rate for long-distance services for the full year was 89% and for commuter services in the Helsinki metropolitan area 98%, both of which represent a good level by international standards.

In freight services, a high development priority was lifting maximum permitted axle weights to 25 tonnes, making it possible to increase loads carried by 4-axle wagons by 10 tonnes. All new freight wagons are fitted with the new axles. For the time being, however, the weight-bearing capacity of the rail network does not permit the use of heavy

axle weights except on the Kirkiemi–Hanko and Harjavalta–Pori lines.

An automatic loading and unloading system able to handle half a wagonload at a time was introduced for paper industry transports between Kajaani and Rauma. The system was developed in co-operation with the customer.

Online services for freight customers were centralized in the Internet-based Railnet system, which also allows smaller companies to enjoy the benefits of doing business electronically. The target is to have 90% of customers' consignment notes in electronic format.

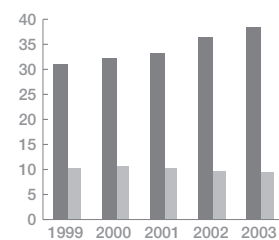
The complete refurbishment of the west wing of Helsinki railway station and its conversion from administrative offices to retail premises was completed at the year end. The new premises are now leased to entrepreneurs outside the Group. The street-level shopping arcade has 11 stores and there is a fitness centre on the first floor.

Rolling stock company for Helsinki metropolitan area

VR together with the city councils of Helsinki, Espoo, Vantaa and Kauniainen, which make up the Helsinki Metropolitan Area Council (YTV), set up a rolling stock company, Junakalusto Oy, in November to finance, purchase and administer the new trains required for commuter services in the area.

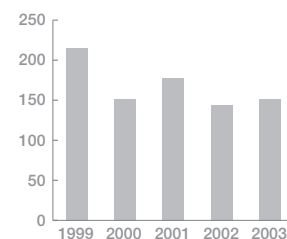
The new company is owned 65% by the municipalities in the Helsinki metropolitan area and 35% by VR.

Approximately 100 new commuter train sets will be needed over the following 20 years in the Helsinki metropolitan area due to growth in commuter volumes, the construction of new lines and the need to replace old rolling stock. The aim is also to enhance the level of service available in these trains.



Journeys in commuter traffic
Millions

● Helsinki metropolitan area
● Other



Investments
M€





Contracts covering the management of commuter traffic in the Helsinki metropolitan area will be renewed so that operation, rolling stock, maintenance, and support services will all be subject to separate contracts in future.

The rolling stock company and the new contract structure will give the parties the opportunity to have a say in the procurement of the rolling stock and how it is financed. It will also meet the requirement for cost transparency.

Junakalusto Oy started operating at the beginning of 2004.

Corporate agreements

In May VR-Group Ltd sold its 60% holding in the subsidiary IT Solicom Ltd to Novo Group Oyj, which took over the company at the beginning of June. This divestment has no impact on the services provided by VR to its customers.

In December VR-Track Ltd acquired Vuorenpeikot Oy, a civil engineering company based in Riihimäki. The company's turnover totals roughly EUR 8 million.

On 5 February 2004, after the close of the financial year, VR-Group Ltd and YIT Rakennus Oy signed an agreement under which YIT will acquire the land owned by VR in the Vallila district of Helsinki. The area, designated for residential development, is known locally as the Pasila Workshops. The transaction will take place in stages as building progresses, once the rezoning plan takes legal effect. Construction on the site is due to start in 2005.

Safety and the environment

One of VR's fundamental corporate values is safety. VR's Rail Safety Programme defines the goals and main development projects for VR's safety activities. The principles, organization and responsi-

bilities for safety are stated in VR's Safety Policy, which covers all aspects of safety in the Group. Enhancement of safety and punctuality is a continuous process.

VR achieved the main goal of its safety activities during the review year: the avoidance of serious accidents. There were no train collisions or other rail traffic accidents that resulted in the loss of life or serious injury to passengers or personnel.

The most serious damage to rolling stock occurred in July in Karjaa when a Pendolino jumped the rails at low speed due to a fault in the points. No injuries were sustained in the incident. Other derailments took place in freight traffic.

The number of accidents at level crossings increased during the year. The total was 52 (42), which included 6 (4) fatalities and 23 (9) injuries.

The Finnish Rail Administration granted the safety certificates stipulated by the Railways Act to both VR Ltd and VR-Track Ltd after these companies had submitted the assessments required by law concerning their safety management systems and other safety activities.

The ATP (Automatic Train Protection) system was extended to include the Piek-sämäki-Joensuu and Tornio-Kolari lines. The ATP system covers approximately 3,200 kilometres, or 55%, of the entire rail network although this figure represents more than 80% of all rail traffic. The ATP system monitors train speeds and, if required, will stop a train if the driver for some reason fails to do so.

VR's environmental priorities are reducing energy consumption, emissions, the risks associated with the handling of hazardous substances and fuels, and the disposal of municipal and hazardous waste.

Electric trains have higher energy efficiency and considerably lower emission levels than diesel trains. In 2003 electric trains represented 77.6% of all train kilometres compared with 76.6% one year earlier. Consumption of diesel fuel in rail traffic was 50.5 million litres, a decrease of more than one per cent on the previous year.

There were 16 incidents of leaks during the transportation of hazardous substances compared to 12 one year earlier. All except one of these were so minor that no soil decontamination or other protective measures were necessary.

Soil surveys and soil decontamination were carried out under a plan drawn up earlier. The most important sites were the marshalling yards at Seinäjoki and Riihimäki, and the workshop areas in Pasila (Helsinki) and Turku. Soil surveys and soil decontamination are performed continuously on an annual basis and VR is not aware of any major environmental damage. Altogether EUR 1.5 million was spent on this work.

VR-Track Ltd's South Finland and North Finland track centres and electricity maintenance centres were granted ISO 14001 environmental certificates. VR Group has environmental certificates at 13 business units. These cover, among others, VR Ltd's passenger and freight operations and maintenance services, VR-Track Ltd's track centres and production units, and the Pohjolan Liikenne companies. Roughly 65% of VR employees work in environmentally certified units.

Personnel and administration

The number of employees in VR Group has declined continuously for many years as a result of rationalization, the use of new technology and the concentration of

traffic flows. Most reductions have taken place through natural depletion. Personnel decreased 4.8% during the review year. The Group had 13,716 employees on average during the year. The largest personnel reductions took place in VR Ltd and VR-Track Ltd.

VR's personnel survey, carried out every three years, was completed in the autumn. The aim of the survey is to get feedback from employees and act as a tool for developing the working community. Compared to the previous survey, the results showed an overall improvement in all areas addressed by the survey.

The tough policy applied in personnel recruitment during earlier years was continued. New employees from outside the company were recruited mostly for training as locomotive drivers and conductors. Training was given in VR's Training Centre, which celebrated its 90th anniversary during the year. The Group, in line with its personnel strategy, has begun preparations in anticipation of rising personnel depletion and the resulting need for controlled recruitment.

The Group continued during the year to systematically embed its corporate values into the daily activities of its employees. The results of the personnel survey showed that these values have been well understood and accepted.

The parent company's Annual General Meeting on 26 March 2003 elected the following to the Board of Directors: Vesa Puttonen (chairman), Kalevi Alestalo, Kari Kallio, Kirsti Lehtovaara-Kolu, Jorma Mäntynen, Hannele Ranta-Lassila and Jukka Ruuska. The Board elected Kirsti Lehtovaara-Kolu as its deputy chairman. An Extraordinary General Meeting held on 3 July 2003 changed the composition of the Board of Directors and elected Martin

Granhölm (chairman), Kalevi Alestalo, Kari Kallio, Eija Malmivirta, Kirsti Lehtovaara-Kolu, Antti Remes, Veli-Matti Ropponen and Jukka Ruuska. The new Board elected Antti Remes as its deputy chairman.

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

Henri Kuitunen is VR's Chief Executive Officer and President of VR-Group Ltd. Veikko Vaikkinen, Chief Financial Officer of VR-Group Ltd, and Tapio Simos, President of VR Ltd, were appointed Executive Vice Presidents of VR-Group during the spring.

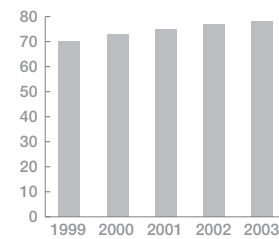
The company's auditors are Erkki Mäki-Ranta, Approved Accountant, Chartered Public Finance Auditor, and the firm of authorized public accountants KPMG Wideri Oy Ab under the supervision of principal auditor Pentti Savolainen, Authorized Public Accountant.

Prospects in 2004

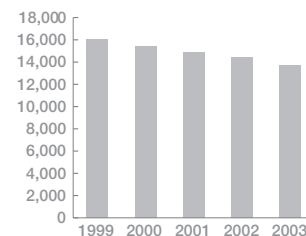
The volume of freight tonnage carried by VR is forecast to remain at the previous year's level. Growth of about one per cent is expected in domestic carryings but the level of volume seen in Russian traffic at the start of the previous year is not expected to be repeated.

The number of passenger journeys is forecast to rise slightly but the average journey length will shorten. Ticket prices were raised from the beginning of February in line with inflation.

The volume of track construction and maintenance work will depend on how state funds are allocated and on VR-Track Ltd's competitive efficiency when bidding for new contracts.



Electric traction, share of total train-km %



Personnel on average

Consolidated Profit and Loss Account

(1,000 €)	Note	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net turnover	1	1,160,494	1,139,936
Change in stocks of finished goods and work in progress		213	-2,016
Production for own use		26,777	33,084
Profits from associated companies		115	184
Other operating income	2	11,638	8,814
Materials and services	3	313,491	310,481
Personnel expenses	4	558,336	581,801
Depreciation	5	115,896	114,419
Other operating expenses		158,479	146,520
Expenses, total		1,146,202	1,153,221
Operating profit	6	53,035	26,781
Financial income and expenses	7	8,309	10,602
Profit before extraordinary items and taxes		61,344	37,383
Extraordinary expenses	8	0	-2,510
Income taxes	10	-17,600	-10,994
Minority interest		-2,433	-2,223
Profit for the year		41,310	21,656

Consolidated Balance Sheet

(1,000 €)	Note	31 Dec. 2003	31 Dec. 2002
Assets			
Fixed assets			
Intangible assets	11	9,901	10,234
Goodwill on consolidation		7,475	8,674
Tangible assets	11	1,031,504	997,999
Investments	12		
Holdings in Group companies		60	60
Holdings in associated companies		5,181	5,914
Other investments		84,161	77,974
Fixed assets, total		1,138,283	1,100,855
Current assets			
Stocks	13	51,474	52,458
Long-term receivables	14	2,030	516
Current receivables	14	120,348	97,899
Securities	15	144,312	182,998
Cash at bank and in hand		10,034	15,128
Current assets, total		328,198	348,999
Assets, total		1,466,482	1,449,855
Capital and liabilities			
Shareholders' equity			
Share capital	16	370,013	370,013
Share premium account		525,761	525,758
Other reserves		339	339
Retained earnings		263,475	272,729
Profit for the year		41,310	21,656
Shareholders' equity, total		1,200,899	1,190,496
Minority interest		9,706	9,655
Provisions	18	1,331	1,338
Liabilities			
Deferred tax liability	19	48,084	47,992
Long-term liabilities		3,401	3,613
Current liabilities		203,060	196,761
Liabilities, total		254,545	248,366
Capital and liabilities, total		1,466,482	1,449,855

Consolidated Cash Flow Statement

(1,000 €)	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Cash flow from operating activities		
Operating profit	53,035	26,781
Adjustments to operating profit ¹⁾	110,073	111,007
Change in net working capital	-8,018	8,329
Interest received	8,716	11,240
Interest paid and other payments	-444	-1,372
Dividends received	26	521
Taxes paid	-24,405	-20,964
Net cash from operating activities	138,983	135,542
Cash flow from investing activities		
Subsidiaries acquired	-2,416	0
Capital expenditure on fixed assets	-146,415	-143,920
Subsidiaries sold	700	18,072
Other fixed assets disposals	4,068	4,638
Change in other long-term investments	-6,413	-2,380
Net cash from investing activities, total	-150,476	-123,590
Cash flow before financing activities	-11,493	11,952
Cash flow from financing activities		
Long-term loans, proceeds	0	58
Long-term loans, repayments	-224	-2,905
Change in long-term receivables	-249	-130
Short-term loans, proceeds/repayments	-17	-895
Dividends paid	-31,797	-18,616
Net cash used in financing activities, total	-32,287	-22,488
Change in cash reserves	-43,780	-10,536
Cash reserves on 1 Jan.	198,126	208,662
Cash reserves on 31 Dec.	154,346	198,126

¹⁾ Depreciation according to plan, other non-monetary items, and items shown elsewhere in cash flow.

Parent Company Profit and Loss Account

(1,000 €)	Note	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net turnover	1	47,206	47,818
Other operating income	2	4,853	2,495
Materials and services	3	12,934	12,187
Personnel expenses	4	12,594	12,816
Depreciation	5	10,857	10,848
Other operating expenses		9,821	9,859
Expenses, total		46,205	45,710
Operating profit		5,855	4,603
Financial income and expenses	7	22,605	24,651
Profit before extraordinary items		28,459	29,254
Extraordinary items	8	20,000	16,000
Profit before taxes		48,459	45,254
Change in depreciation difference	9	-1,258	36
Income taxes	10	-13,452	-12,964
Profit for the year		33,750	32,326

Parent Company Balance Sheet

(1,000 €)	Note	31 Dec. 2003	31 Dec. 2002
Assets			
Fixed assets			
Intangible assets	11	945	1,122
Tangible assets	11	225,337	216,584
Investments	12		
Holdings in, and receivables from, Group companies		521,703	537,374
Other investments		85,536	79,123
Fixed assets, total		833,521	834,203
Current assets			
Current receivables	14	87,938	79,893
Securities	15	144,312	182,998
Cash at bank and in hand		7,707	11,820
Current assets, total		239,957	274,712
Assets, total		1,073,478	1,108,915
Capital and liabilities			
Shareholders' equity			
Share capital	16	370,013	370,013
Share premium account		525,754	525,754
Retained earnings		67,053	64,727
Profit for the year		33,750	32,326
Shareholders' equity, total		996,569	992,820
Accumulated appropriations	17	2,119	861
Liabilities			
Long-term liabilities	19	169	160
Current liabilities		74,620	115,074
Liabilities, total		74,790	115,234
Capital and liabilities, total		1,073,478	1,108,915

Parent Company Cash Flow Statement

(1,000 €)	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Cash flow from operating activities		
Operating profit	5,855	4,603
Depreciation according to plan	10,857	10,848
Other non-payment-related income and expenses	-4,769	-2,227
Cash flow before change in net working capital	11,943	13,224
Change in current receivables	3,941	5,090
Change in current liabilities	876	643
Change in net working capital	4,817	5,733
Interest paid	-3,150	-3,102
Dividends received	1,953	2,365
Interest received from operating activities	23,003	24,421
Taxes paid	-16,610	-14,234
Cash flow from financial items and taxes	5,197	9,451
Net cash from operating activities	21,956	28,408
Cash flow from investing activities		
Capital expenditure on fixed assets	-19,751	-13,559
Subsidiaries sold	758	18,072
Sale of other fixed assets	2,218	2,349
Change in other long-term investments	-6,413	-2,380
Net cash from investing activities, total	-23,188	4,483
Cash flow before financing activities	-1,232	32,890
Cash flow from financing activities		
Long-term receivables, increase	-40,000	-142,084
Long-term receivables, decrease	52,339	54,804
Group contributions received	16,000	26,910
Dividends paid	-30,000	-16,820
Change in funds transferred to Group accounts	-39,907	35,470
Net cash used in financing activities, total	-41,567	-41,719
Change in cash reserves	-42,800	-8,829
Cash reserves on 1 Jan.	194,818	203,647
Cash reserves on 31 Dec.	152,018	194,818

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 a period of five years.

Intragroup transactions and margins

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

Minority interest

Minority interest is shown as a separate item.

Associated companies

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

Comparability of accounts

No significant changes compared to 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 M€ 26.8 (33.1) were produced by the company itself and include M€ 2.4 (3.0) 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. VR's pension commitments are fully covered.

Notes to the Profit and Loss Account

1 Net turnover by operating sector (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Rail services				
Freight services	351,818	330,079		
Passenger services	296,947	287,962		
Road services				
Freight services	166,875	160,378		
Passenger services	34,732	35,345		
Track construction and maintenance	208,852	231,786		
Catering and restaurant services	26,421	27,687		
Other services	74,850	66,699	47,206	47,818
Total	1,160,494	1,139,936	47,206	47,818

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 M€ 53 (69.6).

2 Other operating income (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Profits on sale of fixed assets	6,184	3,345	4,771	2,297
Other	5,455	5,469	83	198
Total	11,638	8,814	4,853	2,495

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

3 Materials and services (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Materials and supplies (goods)				
Purchases during the year	145,268	136,882	6,648	5,406
Change in stocks	1,022	1,017	0	0
External services purchased	167,201	172,581	6,286	6,781
Total	313,491	310,481	12,934	12,187

4 Personnel and personnel expenses (1,000 €)	2003	2002
The Group's average number of personnel during the year was distributed as follows		
VR-Group Ltd	280	288
VR Ltd	8,376	8,758
VR-Track Ltd	2,459	2,665
Pohjolan Liikenne companies	1,955	1,943
Avecra Oy	376	433
Corenet Ltd	206	200
Others	64	114
Total	13,716	14,401

	Group		Parent Company	
Personnel expenses (1,000 €)	2003	2002	2003	2002
Wages and salaries	429,309	434,206	10,111	9,915
Pension expenses	91,143	106,419	1,599	1,929
Other social expenses	37,885	41,176	884	972
Personnel expenses in the P&L account	558,336	581,801	12,594	12,816
Management remuneration (1,000 €)				
Presidents	1,486	1,280		
Members of Boards of Directors	224	164		
Supervisory Board	106	93		
Total	1,815	1,537		

Including M€ 0.52 (0.43) 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.

	Group		Parent Company	
5 Depreciation (1,000 €)	2003	2002	2003	2002
Planned depreciation				
Intangible assets	4,570	4,760	195	192
Buildings and structures	10,697	10,212	8,095	8,033
Tractive and rolling stock	70,527	68,321	0	0
Other machinery and equipment	27,899	28,697	2,123	2,255
Other tangible assets	2,094	2,327	445	367
Amortization of goodwill on consolidation	107	101		
Total	115,896	114,419	10,857	10,848

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)	20–25 years	planned
Rolling stock	15 years	planned
Other machinery and equipment (parent company, VR Ltd, VR-Track Ltd)	20–30%	declining
Other machinery and equipment (other companies)	5–15 years	planned
Other tangible assets	5–30 years	planned

6 Operating profits of the Group's principal companies (1 000 €)			2003	2002
VR-Group Ltd			5,855	4,603
VR Ltd			21,307	-1,714
VR-Track Ltd			12,790	12,471
Pohjolan Liikenne group			4,659	3,274
Avecra Oy			1,682	1,943
Corenet Ltd			5,461	4,007

7 Financial income and expenses (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Dividend income				
From Group companies	0	0	2,732	3,322
From associated companies	11	710	0	0
From others	25	24	19	9
Dividend income, total	36	734	2,751	3,331
Interest income from long-term investments				
From Group companies	0	0	14,372	13,614
From others	4	4	0	0
Other interest and financial income				
From Group companies	0	0	1	4
From associated companies	139	188	139	188
From others	8,573	11,058	8,491	10,616
Interest expenses and other financial expenses				
To Group companies	0	0	3,101	3,062
To others	444	1,382	49	40
Financial income and expenses, total	8,309	10,602	22,605	24,651

8 Extraordinary items

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

9 Appropriations (1,000 €)	Parent Company	
	2003	2002
Difference between planned depreciation and depreciation booked for tax purposes		
Change in depreciation difference (increase +, decrease -)		
Intangible assets	2	-1
Buildings and structures	780	45
Tractive and rolling stock	196	128
Other tangible assets	280	-136
Total	1,258	36

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

10 Income tax (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Income tax on extraordinary items	0	-728	5,800	4,640
Income tax on operating activities	17,508	17,604	7,652	8,324
Change in deferred tax liability	92	-5,882	0	0
Total	17,600	10,994	13,452	12,964

Notes to the Balance Sheet

11 Fixed assets (1,000€)

Group 2003	Intangible assets				Tangible assets						Assets, total
	Intangible rights	Goodwill	Con-solidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 2003	14,332	10,615	18,433	43,379	62,572	251,271	1,282,143	23,923	44,226	1,664,134	1,707,513
Increases	2,873	250	431	3,554	89	22,582	91,058	2,987	132,772	249,488	253,042
Decreases	-698	0	0	-698	-49	-1,001	-14,840	-194	-101,962	-118,046	-118,744
Transfers between items	-489	0	0	-489	0	-141	141	0	0	0	-489
Acquisition cost 31 Dec. 2003	16,018	10,865	18,864	45,746	62,612	272,711	1,358,505	26,716	75,036	1,795,578	1,841,325
Accumulated depreciation 1 Jan. 2003	4,098	8,879	11,495	24,472	0	89,881	562,330	14,591	0	666,802	691,274
Accumulated depreciation in decreases	780	0	0	780	0	722	12,815	-260	0	13,277	14,057
Depreciation during year	2,799	667	1,212	4,678	0	10,697	98,426	2,094	0	111,217	115,895
Accumulated depreciation 31 Dec. 2003	6,117	9,546	12,707	28,370	0	99,856	647,941	16,945	0	764,742	793,113
Revaluations	0	0	0	0	8	659	0	0	0	667	667
Book value 31 Dec. 2003	9,901	1,319	6,156	17,376	62,620	173,512	710,565	9,771	75,036	1,031,504	1,048,880

Group 2002	Intangible assets				Tangible assets						Assets, total
	Intangible rights	Goodwill	Con-solidation difference	Total	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	Total	
Acquisition cost 1 Jan. 2002	9,978	10,615	18,433	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	10,615	18,433	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	8,208	9,320	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	671	2,175	4,860	0	10,213	97,019	2,328	0	109,560	114,420
Accumulated depreciation 31 Dec. 2002	4,098	8,879	11,495	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	1,737	6,938	18,907	62,581	162,044	719,815	9,333	44,226	997,998	1,016,906

Parent Company 2003	Intangible assets		Tangible assets					Assets, total
	Intangible rights	Goodwill	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	
Acquisition cost 1 Jan. 2003	1,479		61,616	210,065	35,850	7,775	5,779	322,564
Increases	34		0	20,086	2,897	1,548	19,829	44,394
Decreases	-16		-49	-573	-18	0	-24,643	-25,299
Acquisition cost 31 Dec. 2003	1,497		61,567	229,579	38,729	9,323	965	341,659
Accumulated depreciation 1 Jan. 2003	357		0	75,787	26,890	1,824	0	104,858
Accumulated depreciation in decreases	0		0	322	16	0	0	338
Depreciation during year	195		0	8,095	2,123	445	0	10,857
Accumulated depreciation 31 Dec. 2003	552		0	83,560	28,997	2,269	0	115,377
Book value 31 Dec. 2003	945		61,567	146,019	9,732	7,054	965	226,282

Parent Company 2002	Intangible assets		Tangible assets					Assets, total
	Intangible rights	Goodwill	Land	Buildings	Machinery and equipment	Other tangible	Work in progress	
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	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

12 Investments (1,000 €)	Shares			Receivables			Total
	Group companies	Associated companies	Other companies	Group companies	Associated companies	Other companies	
Group 2003							
Acquisition cost 1 Jan. 2003	60	5,914	1,476	0	2,932	73,567	83,949
Increases	0	70	2	0	0	11,876	11,948
Decreases	0	0	-228	0	0	-5,463	-5,691
Intragroup item	0	-803	0	0	0	0	-803
Acquisition cost 31 Dec. 2003	60	5,181	1,250	0	2,932	79,980	89,403
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
Parent company 2003							
Acquisition cost 1 Jan. 2003	288,526	1,600	1,024	248,848	2,932	73,567	616,497
Increases	0	0	0	40,000	0	18,996	58,996
Decreases	-505	0	0	-55,166	0	-12,583	-68,254
Acquisition cost 31 Dec. 2003	288,021	1,600	1,024	233,682	2,932	79,980	607,240
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	2,932	73,567	616,496

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 2003	2002	Parent company 2003	2002
Repurchase cost	82,906	77,013	82,906	77,013
Book value	79,980	73,567	79,980	73,567
Difference	2,926	3,446	2,926	3,446

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
Vuorenpaikot Oy, Riihimäki	100	0
AS VR-Track, Estonia	100	0
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	0
Oy Railcarriers Ab, Helsinki	33.8	0
Searail EEIG, Turku	33.3	0
Junakalusto Oy, Helsinki	35.0	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
Kiinteistö Oy Kupittaa Kolmio, Turku	32.5	32.5
KT Oy Oulun Terminaalivarasto, Oulu	39.1	0

13 Stocks (1,000 €)	Group		Parent company	
	2003	2002	2003	2002
Materials and supplies	48,524	49,715	0	0
Work in progress	2,906	2,608	0	0
Advance payments	44	135	0	0
Total	51,474	52,458	0	0

14 Receivables (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Receivables from other companies				
Other long-term receivables	2,030	516	0	0
Current receivables				
Receivables from Group companies				
Accounts receivable	0	0	238	3,229
Loans receivable	0	0	55,167	52,339
Prepaid expenses and accrued income	0	0	20,026	16,040
Receivables from associated companies				
Accounts receivable	824	749	0	0
Receivables from other companies				
Accounts receivable	75,106	74,611	371	1,102
Loans receivable	8	38	0	0
Other receivables	16,350	4,529	5,563	2,901
Prepaid expenses and accrued income	28,061	17,972	6,573	4,282
Current receivables, total	120,348	97,899	87,938	79,893

Main items in prepaid expenses and accrued income

The main items under Group prepaid expenses and accrued income are interest receivables (M€ 3.5), deferred tax assets (M€ 4) and prepaid expenses (M€ 8). Parent company prepaid expenses and accrued income includes Group contribution receivables totalling M€ 20.0 (M€ 16.0).

A Group subsidiary's accounts receivable include a M€ 0.9 receivable from Componenta CPC Oy related to the delivery of a wheel set subsequently found to be defective. In a decision dated 31 December 2003 the Helsinki District Court ordered Componenta CPC Oy to pay VR Ltd damages amounting to M€ 0.9 with interest. Both parties have appealed the decision.

15 Securities (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Repurchase cost	144,371	183,078	144,371	183,078
Book value	144,312	182,998	144,312	182,998
Difference	59	80	59	80

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

16 Shareholders' equity (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
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				
Revaluation reserve 1 Jan.	339	339	0	0
Change in revaluation reserve	0	0	0	0
Revaluation reserve 31 Dec.	339	339	0	0
Share premium account				
Share premium account 1 Jan.	525,758	525,755	525,754	525,754
Increase during the year	3	3	0	0
Share premium account 31 Dec.	525,761	525,758	525,754	525,754
Retained earnings				
Retained earnings 1 Jan.	294,385	290,811	97,053	81,547
Dividend distribution	-30,000	-16,820	-30,000	-16,820
Changes in Group structure	-910	-1,262		
Retained earnings 31 Dec.	263,475	272,729	67,053	64,727
Profit for the year	41,310	21,656	33,750	32,326
Shareholders' equity, total	1,200,899	1,190,496	996,569	992,820

Calculation of distributable funds (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Retained earnings	263,475	272,729	67,053	64,727
Profit for the year	41,310	21,656	33,750	32,326
Total	304,785	294,385	100,803	97,053
Accumulated depreciation difference and voluntary provisions in shareholders' equity	-117,320	-117,122		
Distributable funds, total	187,465	177,263	100,803	97,053

17 Accumulated appropriations

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

18 Provisions (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002

Voluntary provisions

Housing provision	604	324	-	-
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Voluntary provisions are divided in the consolidated financial statements into the profit for the year and the deferred tax liability.

Obligatory provisions

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

Impact of voluntary provisions and depreciation difference on the balance sheet	Group	
	2003	2002
Voluntary provisions	604	324
Depreciation difference	165,202	165,165
	165,806	165,489

Transfer to shareholders' equity	117,320	117,122
Deferred tax liability	48,084	47,992
Minority interest	402	375
	165,806	165,489

Impact of voluntary provisions and depreciation difference on the profit and loss account	Group	
	2003	2002
Change in voluntary provisions	280	0
Change in depreciation difference	38	-20,283
	318	-20,283
Change affecting profit for the year	198	-14,319
Change in deferred tax liability	92	-5,882
Change affecting minority interest	28	-82
	318	-20,283

19 Liabilities (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Long-term liabilities				
Loans from financial institutions	2,430	2,523	0	0
Other long-term loans	177	0	0	0
Advances received	795	1,089	169	160
Long-term liabilities, total	3,401	3,613	169	160
Liabilities due after five years				
Loans from financial institutions	959	1,326	0	0
Current liabilities				
Loans to other companies				
Loans from financial institutions	383	90	0	0
Advances received	9,274	1,735	283	308
Accounts payable	48,056	45,593	4,650	2,800
Other liabilities	39,897	41,258	253	242
Accrued expenses and prepaid income	104,967	107,775	2,296	3,669
Debt payable to Group companies				
Advances received	435	257	5	5
Accounts payable	0	0	2,471	3,643
Other liabilities	23	0	64,501	104,407
Accrued expenses and prepaid income	0	0	162	0
Debt payable to associated companies				
Accrued expenses and prepaid income	25	54	0	0
Current liabilities, total	203,060	196,761	74,620	115,074

The major items in accrued expenses and prepaid income are holiday pay (M€ 83) and the timing of pension costs (M€ 4.3).

20 Contingent liabilities (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Debt covered by mortgages				
Pension loans	0	0	0	0
Loans from financial institutions	3,115	2,595	0	0
Mortgages	5,950	5,774	0	0
Debt covered by shares				
Loans from financial institutions	0	0	0	0
Pledges	0	0	0	0
Other contingent liabilities	62,750	101,752	62,750	101,752
Contingent liabilities, total	68,700	107,525	62,750	101,752
Commitments given on behalf of				
VR Group	68,700	68,825	0	0
VR subsidiaries	–	–	62,750	63,052
Others	0	38,700	0	38,700
	68,700	107,525	62,750	101,752

The Group has made commitments related to fixed assets acquisitions totalling M€ 354 in the years 2004–2008.

21 Derivative financial instruments (1,000 €)	Group		Parent Company	
	2003	2002	2003	2002
Foreign exchange forward contracts				
Value of underlying instruments	0	18,936	0	0

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

The fair value is the difference in contract prices between the balance sheet date and the purchase date discounted to the balance sheet date.

22 Group key indicators 2003 2002 2001 2000 1999

Scope of operations

Net turnover	M€	1,160	1,140	1,151	1,143	1,139
Balance sheet total	M€	1,466	1,450	1,515	1,499	1,460
Gross capital expenditure	M€	151	144	178	152	215
– as % of net turnover	%	13.1	12.6	15.4	13.3	18.9
Average number of employees		13,716	14,401	14,913	15,405	16,075

Profitability

Operating profit	M€	53	27	49	65	72
– as % of net turnover	%	4.6	2.3	4.3	5.7	6.3
Net profit	M€	41	22	42	52	67
Return on investment (ROI)	%	5.1	3.2	5.2	6.5	7.2
Return on shareholders' equity (ROE)	%	3.6	2.2	3.7	4.5	5.3

Solvency

Solvency Ratio	%	83.1	82.9	79.1	78.5	79.0
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Liquidity

Quick Ratio		1.4	1.5	1.5	1.7	1.6
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Calculation of key indicators

Capital investments	=	Balance sheet total – interest-free debt
Return on investment (ROI)	=	$\frac{\text{Profit before extraordinary items} + \text{interest costs and other financial costs}}{\text{Capital investments (average over period)}} \times 100$
Return on shareholders' equity (ROE)	=	$\frac{\text{Profit before extraordinary items} - \text{taxes and change in deferred tax liability}}{\text{Shareholders' equity} + \text{minority interest (average over period)}} \times 100$
Solvency Ratio	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance short-term and long-term payments received}} \times 100$
Quick Ratio	=	$\frac{\text{Financial assets (excl. long-term receivables)}}{\text{Current liabilities} - \text{advance payments received}}$

Board's Proposal on the Disposal of Profit

The Group's distributable funds were	EUR 187.4 million.
The parent company's distributable funds were	EUR 100.8 million,
which included a net profit for the year totalling	EUR 33.7 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 40,000,000,
and to be retained under shareholders' equity	EUR 60,802,516.

Helsinki, 9 March 2004

Martin Granholm	Kalevi Alestalo
Kari Kallio	Eija Malmivirta
Kirsti Lehtovaara-Kolu	Antti Remes
Veli-Matti Ropponen	Jukka Ruuska
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 2003. 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the 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, 9 March 2004

Erkki Mäki-Ranta, AA, Chartered Public Finance Auditor	KPMG Wideri Oy Ab Authorized Public Accountants Pentti Savolainen, APA
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Statement by the Supervisory Board

The Supervisory Board of VR-Group Ltd has today reviewed the parent company's and the consolidated financial statements for the period 1 January to 31 December 2003 and the auditors' report.

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

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

The following are in turn for retirement from the Supervisory Board: Alf Jakas, Ulla Juurola, Tapio Karjalainen, Osku Pajamäki, Lauri Oinonen, Jouko Oittinen and Marjatta Vehkaoja.

Helsinki, 10 March 2004

Tapio Karjalainen	Raija Vahasalo	Eero Akaan-Penttilä
Marcus Henricson	Anne Huotari	Arto Isomäki
Alf Jakas	Ulla Juurola	Jaakko Lehtonen
Alpo Mäkinen	Olli Männikkö	Pekka Nousiainen
Lauri Oinonen	Jouko Oittinen	Osku Pajamäki
Katariina Poskiparta	Erkki Rantala	Timo Rautajoki
Harri Rumpunen	Erkki Taatila	Marjatta Vehkaoja

Administration and



Board of Directors

1. Martin Granholm, Chairman

Born 1946, MSc (Eng.), DSc (hc)

- Senior Advisor to Corporate Management in strategy related matters, UPM-Kymmene Corporation
- Chairman of the Board, VR-Group Ltd, 1 July 1995–25 March 2003 and 3 July 2003–
- Chairman or Deputy Chairman of the Board: The Foundation for the Finnish Institute of Management, German-Finnish Chamber of Commerce, Finnish-American Chamber of Commerce (deputy chairman), ICC Finland (deputy chairman) and Åbo Akademi University Foundation (deputy chairman)
- Member of the Board: Ilmarinen Mutual Pension Insurance Co., 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 9 September 1997–25 March 2003 and 3 July 2003–
- Chairman or Deputy Chairman of the Board: Ketjuetu Oy T & E, Palvelu-etu Oy T & E, Restel Oy, Tradeka Oy, Inex Partners Oy and the Finnish Food

Marketing Association

- Member of the Board: The Federation of Finnish Commerce and Trade, The Employers' Confederation of Service Industries in Finland and Tradeka Group Oy
- Member of the Supervisory Board: Luottokunta (the Finnish Credit Card Institution) and Varma 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 28 December 1998

4. Kari Kallio

Born 1955

- Chairman, Rautatievirkamiesliitto r.y. (Union for Management and Clerical Railway Staff)
- Member of the Board of VR-Group Ltd since 26 March 2003

5. Kirsti Lehtovaara-Kolu

Born 1957, MSc (Econ.)

- President, Hansel Ltd
- Member of the Board of VR-Group Ltd since 26 March 2003

6. Eija Malmivirta

Born 1941, MSc (Eng.)

- Director
- Member of the Board of VR-Group Ltd 1 July 1995–25 March 2003 and 3 July 2003–

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

7. Veli-Matti Ropponen

Born 1949, MSc (Econ. and Bus. Admin.)

- Consultant, Fortum Corporation
- Member of the Board of VR-Group Ltd 11 April 2000–25 March 2003 and 3 July 2003–
- Chairman or Deputy Chairman of the Board: Finnish Oil and Gas Federation, Finnish Chemical Industry (deputy chairman), 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

8. Jukka Ruuska

Born 1961, LLM, MBA

- Deputy CEO, OMHEX AB
- President, HEX Integrated Markets Ltd
- Member of the Board of VR-Group Ltd since 26 March 2003
- Chairman of the Board: Helsinki Exchanges, Finnish Central Securities Depository Ltd, Tallinn Stock Exchange Supervisory Council
- Member of the Board: Suomen Pörsisäätiö (Finnish Foundation for Share Promotion), Stockholmsbörsen, Federation of European Securities Exchanges

management



Board of Management

1. Henri Kuitunen, Chairman

Born 1958, LLM

- President and CEO, VR-Group Ltd
- Member of the Board of Management since 1 July 1995

2. Mirja Mutikainen

Born 1958, MSc (Eng.), MBA

- Director, Development, VR-Group Ltd
- Member of the Board of Management since 15 December 1999

3. Martti Mäkinen

Born 1948, MSc

- Director, Corporate Communications & PR, VR-Group Ltd
- Member of the Board of Management since 1 March 2003

4. Pertti Saarela

Born 1957, LLM

- Director, Administration, VR-Group Ltd
- Member of the Board of Management since 12 April 1999

5. Tapio Simos

Born 1950, MSc (Econ.)

- President, VR Ltd
- Member of the Board of Management since 1 May 2002

6. Teuvo Sivunen

Born 1946, MSc (Eng.)

- President, VR-Track Ltd
- Member of the Board of Management since 1 July 1995

7. Veikko Vaikkinen

Born 1945, MSc (Soc. Sc.)

- CFO, VR-Group Ltd
- Member of the Board of Management since 1 July 1995

Supervisory Board

Tapio Karjalainen, Chairman
Raija Vahasalo, MP, Depury Chairman
Eero Akaan-Penttilä, MP
Marcus Henricson
Anne Huotari, MP
Arto Isomäki
Alf Jakas
Ulla Juurola
Jaakko Lehtonen
Alpo Mäkinen
Olli Männikkö
Pekka Nousiainen, MP
Lauri Oinonen, MP
Jouko Oittinen
Osku Pajamäki
Katariina Poskiparta
Erkki Rantala
Timo Rautajoki
Harri Rumpunen
Erkki Taatila
Marjatta Vehkaoja

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 cur-

rently has 21 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 eight 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 eight members, including the chairman. One of the members is a VR personnel representative; the others are not employees 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 the president.

The Board of Directors convened 16 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, VR-Group Ltd's Chief Financial Officer (CFO), the Director, Administration, the Director, Development and Director, Corporate Communications & PR 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.

Statistical information

Freight services	2003	2002	% change ¹⁾	2001	2000	1999
Carryings, 1,000 tonnes						
By rail	43,503	41,679	4.4	41,678	40,501	39,979
Finland	24,980	24,695	1.2	23,993	24,072	23,212
International	18,523	16,984	9.1	17,685	16,429	16,767
East	14,374	12,632	13.8	12,631	12,703	12,912
Transit	3,196	3,461	-7.7	4,006	2,671	2,809
West	953	891	7.0	1,048	1,055	1,046
By road	8,554	8,169	4.7	8,168	8,399	7,993
Total	52,057	49,848	4.4	49,846	48,900	47,972
Tonne-kilometres by rail, million						
Finland	6,760	6,695	1.0	6,588	6,802	6,380
International	3,287	2,969	10.7	3,269	3,305	3,373
East	2,585	2,173	19.0	2,170	2,473	2,525
Transit	462	516	-10.5	772	473	485
West	240	280	-14.3	327	359	363
Total	10,047	9,664	4.0	9,857	10,107	9,753
Passenger services						
Journeys, 1,000						
By rail	59,909	57,695	3.8	54,987	54,783	53,209
Long-distance	11,915	11,643	2.3	11,561	11,783	11,851
Finland	11,659	11,377	2.5	11,321	11,577	11,674
International	256	266	-3.8	240	206	177
Commuter	47,994	46,052	4.2	43,426	43,000	41,358
Helsinki metropolitan area	38,443	36,443	5.5	33,166	32,300	31,000
Other	9,551	9,609	-0.6	10,260	10,700	10,358
By road	13,748	14,653	-6.2	15,248	14,456	10,747
Total	73,657	72,348	1.8	70,235	69,239	63,956
Passenger-kilometres by rail, million						
Long-distance	2,642	2,636	0.2	2,596	2,707	2,748
Finland	2,570	2,555	0.6	2,531	2,648	2,697
International	72	81	-11.1	65	60	51
Commuter	696	682	2.1	686	697	666
Helsinki metropolitan area	365	346	5.5	316	308	295
Other	331	336	-1.5	370	390	371
Total	3,338	3,318	0.6	3,282	3,405	3,414
VR-Group personnel	13,716	14,401	-4.8	14,913	15,405	16,075
Energy consumption in rail traffic, %						
Electric traction	77.6	76.6	-	75.4	72.9	69.9
Diesel traction	22.4	23.4	-	24.6	27.1	30.1
Tractive stock, number						
Electric locomotives	156	148	5.4	140	130	130
Diesel locomotives	273	279	-2.2	285	299	312
Electric trains	119	119	0.0	112	112	102
Rolling stock, number						
Wagons in freight traffic	11,324	11,528	-1.8	11,933	12,292	12,647
Coaches in passenger traffic	1,038	1,075	-3.4	1,056	1,047	1,029
The book value of freight rolling stock at the end of 2003 totalled M€ 76.8.						
The Finnish rail network²⁾						
Length of rail network, line-km	5,851	5,850	0.0	5,850	5,854	5,836
Length of electrified lines, line-km	2,400	2,400	0.0	2,400	2,372	2,234
Length of track, track-km	8,707	8,736	-0.3	8,734	8,705	8,680

¹⁾ % change refers to the change from 2002 to 2003

²⁾ Owned by the Finnish Rail Administration

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