

ANNUAL REPORT 2005



OY POHJOLAN LIIKENNE AB

Company Structure and Key Indicators

OY POHJOLAN LIIKENNE AB

Administration and Information Technology services: TO 2,0 M€, 19 SV

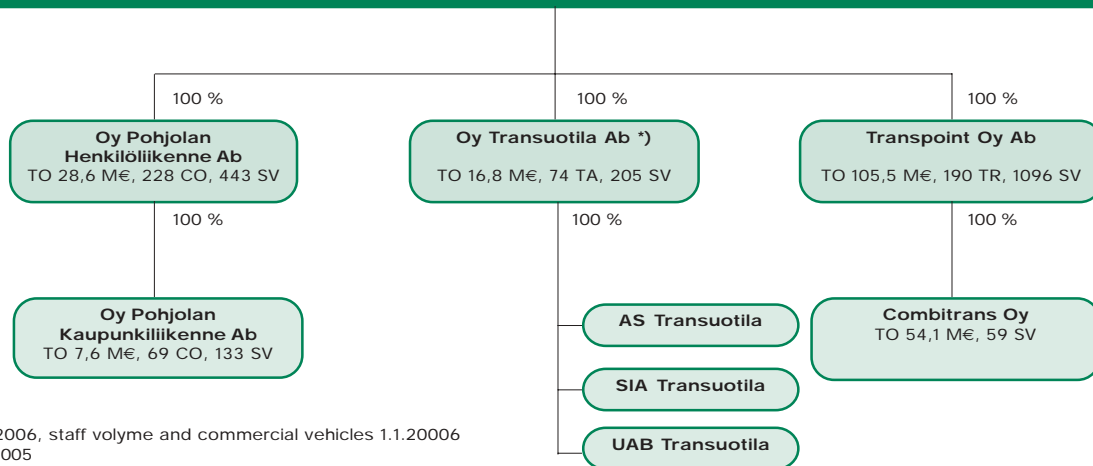


Chart 1.1.2006, staff volume and commercial vehicles 1.1.2006
Turnover 2005

TO = Turnover
CO = Coaches
TR = Trucks
TA = Tankers
SV = Staff volume

Group Key Indicators, 2001-2005

to % = turnover %

	2001	to %	2002	to %	2003	to %	2004	to %	2005	to %
Turnover M€	196,4	100,0	196,7	100,0	202,5	100,0	199,3	100,0	211,2	100,0
External services M€	82,8	42,2	80,3	40,8	84,4	41,7	83,6	42,0	88,3	41,8
Personal expenses M€	58,7	29,9	62,7	31,9	63,1	31,2	62,2	31,2	66,4	31,4
Sales margin M€	48,5	24,7	48,1	24,4	48,9	24,1	47,3	23,7	49,0	23,2
Operating margin M€	15,1	7,7	16,4	8,3	16,4	8,1	15,0	7,5	15,3	7,2
Depreciation M€	13,4	6,8	13,1	6,6	11,7	5,8	11,4	5,7	11,3	5,3
Operating profit M€	1,8	0,9	3,3	1,7	4,7	2,3	3,6	1,8	4,0	1,9
Net cash inflow M€	13,8	7,0	15,0	7,6	14,7	7,3	13,8	6,9	13,6	6,4
Net investments M€	6,9	3,5	7,8	4,0	10,4	5,1	10,9	5,5	9,7	4,6
Return on investment (ROI) %	3,2		6,3		8,6		6,9		7,5	
Return on shareholders' equity (ROE) %	1,2		3,7		6,6		5,2		4,9	
Liquidity (current ratio)	1,1		1,1		1,2		1,0		1,1	
Self-financing rate of investments %	199,0		192,3		142,0		126,7		139,8	
Solvency Ratio %	49,2		50,4		50,9		52,4		51,9	
Total liabilities M€	42,7		45,9		41,0		42,8		44,9	

- **Return on investment (ROI) %:**
Return before extraordinary items + interest costs and other financial costs / total assets / zero-interest liabilities x 100
- **Return on shareholders' equity (ROE) %:**
Profit before extraordinary items / taxes for the financial year / shareholder's equity + minority interest x 100
- **Liquidity (current ratio):** Current assets and financial assets / Current liabilities
- **Self-financing rate of investments:** Net cash inflow as specified in financial calculation / net investments x 100
- **Solvecy Ratio:** Shareholders' equity + minority interest / total assets x 100

Managing Director's Review

In 2005 the net turnover of the Pohjolan Liikenne Companies totalled EURO 211.2 million. The growth from the previous year was 6.0%. The Group operating profit grew from EURO 3.6 million in 2004 to EURO 4.0 million in 2005. In terms of the turnover, the share of the operating profit was 1.9%. The return on investment amounted to 7.5% and the return on shareholders' equity, to 4.9%.

Freight Services

The turnover of the Group freight services, that is the Transpoint Affiliated Group, attained EURO 158.3 million, displaying a growth of 4.9% from the previous year.

The turnover of Transpoint Oy Ab specializing in bulk carryings grew by 2.0%. Its operating profit clearly increased from the 2004 EURO 1.3 million to EURO 2.4 million in 2005. With consideration of the circumstances, the operating result may be assessed as satisfactory. The growth in the result was backed up by a successful integration in an international transport system and a continuous promotion of the production efficiency. Moreover particular attention was paid to transport reliability as well as to customer satisfaction. Nevertheless the steep increase in costs, specially in fuel prices, had a negative impact on the profitability of the business operations.

The turnover of Combitrans Oy, responsible for part-load and full-load carryings, grew by 10.3%. Its operating profit increased from EURO 0.6 million in 2004 to EURO 0.8 million in 2005. With consideration of the industrial action in the paper industry sector, the operating result may be assessed as satisfactory. The enhancement essentially resulted from new logistic solutions adopted for the construction industries and certain storage services introduced.

Passenger Services

The net turnover of the Pohjolan Henkilöliikenne Affiliated Group amounted to EURO 36.2 million, corresponding to a 14.0% increase from the previous year.

The growth was essentially generated by an intensive boost of the city transport services.

Despite the growth in terms of passenger volumes, the operating result of the passenger services displayed a decrease that was primarily caused by the steep increase in fuel prices. Moreover the passenger volumes diminished specially in Imatra, Savonlinna and Kotka. Fortunately the opening of the Helsinki Kamppi terminal in June 2005 interrupted the stagnation in the long-distance passenger volumes, at least for the time being. A new state-of-the-art marketing communication line was designed for express coach services within the ExpressBus system so as to attract new passengers to use coaches and buses.

Tank Services

The turnover of the Transuotila Affiliated Group that operates the tank services of the Group, attained EURO 16.8 million. The turnover figure thus displayed more or less the same level as in 2004. The stagnation in the growth resulted from a decrease in energy consumption and the high liquid fuel prices. The profitability of the tank services clearly continued to diminish as a consequence of the steep cost increases.

Environment and Safety

As over the previous years, environmental issues and the improvement of safety were particularly focussed. Environmental and safety measures are closely linked with the maintenance of a high safety standard and a good working capability and the diminishing of harmful emissions, fuel consumption, transport incidents, damage during transportation and occupational accidents.

VR-Group Ltd publishes a separate annual environment report that discusses the different environmental questions of the Group.



Future Trends

The expectations concerning the freight sector of the Group are quite positive, as due to the favourable overall economic situation of the country. The growing transport volumes in international services and the added value services integrated in the transport performances are anticipated to significantly contribute to a growth of the freight services turnover. Our competitiveness will moreover be enhanced by a customer-centered approach in the supply of our services.

Thanks

On behalf of our Group of Companies, I wish to extend my thanks to our customers, our partners, our subcontractors and our personnel for an excellent cooperation in 2005.

Helsinki, on March 14, 2006

Erik Söderholm

Annual Report 2005

Group Net Turnover

In 2005 the net turnover generated by the Pohjolan Liikenne Group amounted to EUR 211,182,689.78, while in 2004 it was EUR 199,253,689.78.

The share of the freight services operating companies totalled EUR 158.3 million, that is, 75.0%; the share of the tank services companies displayed EUR 16.7 million, that is, 7.9%, and the share of the passenger services companies attained EUR 36.2 million, that is, 17.1%.

Freight services

The net turnover generated by the Group in the freight services sector showed a growth of 4.9% from the previous year. The turnover of Transpoint Oy Ab increased by 2.0%. The profitability improved from 2004. The turnover of Combitrans Oy grew by 10.3% from the previous year in spite of the six weeks lockout in the forest industry. Also the profitability of Combitrans Oy improved.

Tank services

The net turnover of the tank services generated by the Group displayed the same level as the previous year as due to a cut in energy consumption and the high price of liquid fuels. The profitability of tank services clearly continued to deteriorate.

Passenger services

The net turnover generated by the Group passenger services increased by 14% from the previous year essentially as a result of the boost in the turnover of Oy Pohjolan Kaupunkiliikenne Ab. The turnover of Oy Pohjolan Henkilöliikenne Ab grew by 0.9%.

Resulting from the increase in fuel prices and the growth in the indirect employee costs, the profitability of Oy Pohjolan Henkilöliikenne Ab diminished, while the profitability of Oy Pohjolan Kaupunkiliikenne improved.

The Group key indicators are specified in the notes to the balance sheet.

Environment and Safety

As over the previous years, particular attention was paid to environmental issues and the enhancement of safety. Environmental and safety measures are closely linked with the maintenance of safety and working capability and the reduction of harmful emissions, fuel consumption, traffic incidents, damage during transportation and occupational accidents.

VR-Group Ltd publishes a separate annual environment report that discusses the different environmental questions of the Group.

In connection with the soil exploration of the Kemi real estate, the Company was confirmed responsible for a soil decontamination operation amounting to about EUR 270,000.

The legal proceedings pertaining to the Konginkangas traffic accident in 2004 are pending and hence any damages possibly to be awarded yet remain unknown. (Court proceedings starting as of April 25, 2006.)

Personnel and Administration

In 2005 the Group employed 1,936 persons, on average. In 2004 the corresponding figure was 1906. The share of female employees was 12.8% and that of male employees 87.2%. The average age of female employees was 41.5 years and that of male employees, 41.1 years.

The Board of Directors of the Group was chaired by Henri Kuitunen, with Veikko Vaikkinen as Deputy Chairman and Rolf Saxberg, Tapio Simos and Minna Isoaho as its membership. Over the financial year the Board held eleven meetings.

Until April 1, 2005 Matti Krannila occupied the post of Managing Director of the Company and was then succeeded by Erik Söderholm.

A Chartered Public Finance Auditor KPMG Oy Ab served as the Company auditor, with Markku Pajunen, Authorized Public Accountant, as having the principal responsibility.

Near-Future Trends

In 2006, the freight services are expected to display a continuation of the general economic situation in 2005 or a slight improvement. A modest growth is also anticipated for the turnover and profitability of the freight services.

As for the tank operation sector, bidding competitions were arranged in Finland and the Baltic countries and the contracts were revised. As a result, a slight improvement is expected in the profitability of the tank services.

The recession in the bus and coach services in Finland is anticipated to slow down in 2006. The new contracts concluded will have a positive impact on the turnover of the Group Company that operates the contractual services. The profitability of passenger services is expected to grow.

The Board of Directors' Proposal for Use of Result

The Group assets available for profit sharing totalled EURO 30,157,543.08 and the parent Company assets available for profit sharing amounted to EURO 19,287,016.19 of which the profit for the year is responsible for EURO 219,469.34. The Board of Directors proposes that the assets available for profit sharing be used as follows:

- EURO 1,500,000.00 to be paid as dividends
- EURO 17,787,016.19 to be included in shareholders' equity.



Oy Pohjolan Liikenne Ab's Board of Directors in 2005. Back row from left, Veikko Vaikkinen, Vice President, Rolf Saxberg, Director, and Tapio Simos, President. In front, Minna Isoaho, Chairperson and Corporate Development Director, and Henri Kuitunen, Chief Executive.

Profit and Loss Account €

COMPANY			CONSOLIDATED COMPANY	
1.1.-31.12.2005	1.1.-31.12.2004		1.1.-31.12.2005	1.1.-31.12.2004
1 970 910,44	1 920 347,34	NET TURNOVER	211 182 689,78	199 253 689,78
1 917 029,36	1 724 235,02	OTHER OPERATING INCOME	1 869 568,97	2 076 967,40
		Materials and services		
		Materials, supplies and goods		
236,63		Purchases during the year	22 679 892,69	20 202 957,44
150,00		External services	88 326 972,34	83 618 024,66
-386,63		Materials and services, total	-111 006 865,03	-103 820 982,10
		Personnel expenses		
1 191 183,03	932 253,93	Wages and salaries	51 494 949,77	48 784 79,42
		Social expenses		
204 524,23	148 173,95	Pension expenses	9 560 025,64	7 564 888,85
91 715,94	66 199,37	Other social expenses	5 320 002,70	5 834 679,77
-1 487 423,20	-1 146 627,25	Personnel expenses, total	-66 374 978,11	-62 184 361,04
		Depreciation		
-643 274,27	-594 730,33	Depreciation as planned	-11 295 075,33	-11 406 909,23
-921 020,20	-1 067 537,64	Other operating expenses	-20 409 460,61	-20 362 140,12
835 835,50	835 687,14	OPERATING PROFIT	3 965 879,67	3 556 264,69
		Financial income and expenses		
		Deividend income		
200 000,00	1 700 000,00	From Group companies		
8 722,40	9 241,40	From other companies	10 644,42	14 718,34
	698 140,85	Inputation of company tax		
		Other interest and financial income		
109 794,56	134 309,50	From Group companies	312 317,74	293 865,93
	2,74	From other companies	49 316,96	124 150,85
		Interest and other financial expenses		
-354 434,65	-336 921,26	From Group companies	-472 263,14	-476 176,84
-8,73	-21,24	From other companies	-68 784,92	-50 174,25
-35 926,42	2 204 751,99	Financial income and expenses, total	-168 768,94	-93 615,97
799 909,08	3 040 439,13	PROFIT BEFORE EXTRAORDINARY ITEMS	3 797 110,73	3 462 648,72
		Extraordinary items		
	1 500 000,00	Extraordinary income/Group contribution		
-520 000,00		Extraordinary expenses/Group contribution		
279 909,08	4 540 439,13	PROFIT before appropriations and taxes	3 797 110,73	3 462 648,72
		Appropriations		
-50 649,82	37 199,48	Change in depreciation difference		
-9 789,92	-1 330 590,36	Income tax on operating activities	-1 679 146,87	-1 666 249,79
		Inputation of company tax		-4 257,90
		Change in deferred tax liability	173 592,99	602 345,87
-9 789,92	-1 330 590,36	Taxes, total	-1 505 553,88	-1 068 161,82
219 469,34	3 247 048,25	Minority interest	-1 731,57	-1 832,24
		PROFIT FOR THE YEAR	2 289 825,28	2 392 654,66

Operating locations of Group of Companies

POHJOLAN LIIKENNE GROUP HEAD OFFICE

Postintaival 3
00240 Helsinki
Tel. +358 307 15
Fax +358 307 23 760

FREIGHT SERVICES

TRANSPORT OY AB
Business Identity Code:
0678129-0
www.transpoint.fi

Head office:

Veturitie 19 A
00240 HELSINKI
Tel. +358 307 16
Fax +358 307 23 339

South Finland:

Veturitie 19 C
00240 HELSINKI
Tel. +358 307 23 300
Fax +358 307 23 322

Tammisaarentie 57
10300 KARJAA
Tel. +358 307 26 615
Fax +358 307 26 668

Sotkankatu 6
15150 LAHTI
Tel. +358 307 29 202
Fax +358 307 29 307

South-West Finland:

Artukaistentie 9
20240 TURKU
Tel. +358 307 27 035
Fax +358 307 27 016

Lounainen linjakatu 11
28130 PORI
Tel. +358 307 28 310
Fax +358 307 28 269

West Finland:

Lempääläntie 2
33100 TAMPERE
Tel. +358 307 30 498
Fax +358 3 212 7508

Tehtaantie 22
60100 Seinäjoki
Tel. +358 307 32 252
Fax +358 307 32 450

Terminaalikatku 6
67700 KOKKOLA
Tel. +358 307 33 217
Fax +358 307 33 240

Haisiontie 145
30100 FORSSA
Tel. +358 307 29 651
Fax +358 307 29 654

North Finland:

Tyrnäväntie 16
90400 OULU
Tel. +358 307 45 621
Fax +358 307 45 614

Tavara-asema
96100 ROVANIEMI
Tel. +358 307 47 553
Fax +358 307 47 518

East Finland:

Porontaival
50100 MIKKELI
Tel. +358 307 38 230
Fax +358 307 38 216

Tehontie 3
45100 KOUVOLA
Tel. +358 307 34 235
Fax +358 307 34 234

Sepelikatu 1
53810 LAPPEENRANTA
Tel. +358 307 36 264
Fax +358 307 36 275

Ankkuritie 3
70460 KUOPIO
Tel. +358 307 39 697
Fax +358 307 39 236

Rahtikatu 3
80100 JOENSUU
Tel. +358 307 40 002
Fax +358 307 40 407

Asema-alue
87100 KAJAANI
Tel. +358 307 46 544
Fax +358 307 46 620

Central Finland:

Ahjokatu 3-5
40320 JYVÄSKYLÄ
Tel. +358 307 31 434
Fax +358 307 31 449

International Services:

Veturitie 19 C
00240 HELSINKI
Tel. +358 307 23 276
Fax +358 307 23 274

COMBITRANS OY
Business Identity Code:
0467521-6
www.combitrans.fi

Postintaival 3
00240 HELSINKI
Tel. +358 307 15
Fax +358 307 23 760

Sotkankatu 6
15150 LAHTI
Tel. +358 307 34 101
Fax +358 307 29 408

Sepelikatu 1
53810 LAPPEENRANTA
Tel. +358 307 34 101
Fax +358 307 36 324

Mestarintie 1
45200 KOUVOLA
Tel. +358 307 34 101
Fax +358 307 34 860

Cargo East Terminal
Tehontie 3
45200 KOUVOLA
Tel. +358 307 34 859
Fax +358 307 34 881

Lempääläntie 2
33100 TAMPERE
Tel. +358 307 34 101
Fax +358 307 31 026

Tyrnäväntie 16
90400 OULU
Tel. +358 307 34 101
Fax +358 307 45 641

PASSENGER SERVICES

www.pohjolanliikenne.fi

**OY POHJOLAN
HENKILÖLIIKENNE AB**
Business Identity Code:
0678125-8

Postintaival 3
00240 HELSINKI
Tel. +358 307 15
Fax +358 307 23 760

Ahtonkaari 3
21420 Lieto
Tel. +358 40 8663 278
Fax +358 307 27 825

Pappilantie 15
31400 SOMERO
Tel. and fax +358 307 27 821

Hemmolankatu 7
08150 LOHJA
Tel. +358 307 26 561
Fax +358 307 26 565

Tehdaskatu 18
70620 KUOPIO
Tel. +358 307 39 691
Fax +358 307 39 695

Koskikatu 1
55120 IMATRA
Tel. +358 307 36 561
Fax +358 307 36 567

Ahertajantie 2
57230 SAVONLINNA
Tel. +358 307 38 505
Fax +358 307 38 525

Puistotie 22
48100 KOTKA
Tel. +358 307 35 370
Fax +358 307 35 371

**OY POHJOLAN
KAUPUNKILIIKENNE AB**
Business Identity Code:
0692482-9

Hyljekuja 6
02270 ESPOO
Tel. +358 307 23 782
Fax +358 307 23 786

Postintaival 3
00240 HELSINKI
Tel. +358 307 15
Fax +358 307 23 760

TANK SERVICES

OY TRANSUOTILA AB
Business Identity Code:
0166672-8

Ahtonkaari 3
21420 Lieto
Tel. +358 307 27 830
Fax +358 307 27 825

Porontaival
50100 MIKKELI
Tel. +358 307 38 335
Fax +358 15 258 593

AS TRANSUOTILA

Viida 7
EE 76506 Saue
ESTONIA
Tel. +372 6 319 349
Fax +372 6 319 348

UAB TRANSUOTILA

Vytenio 50-815
2006 Vilnius
LITHUANIA
Tel. +370 5 233 45 33
Fax +370 5 233 45 32

SIA TRANSUOTILA

Laiviniekū 5
LV-1015 Riga
LATVIA
Tel. +371 7 353 783
Fax +371 7 353 763