



VR GROUP

Annual Report **2013**

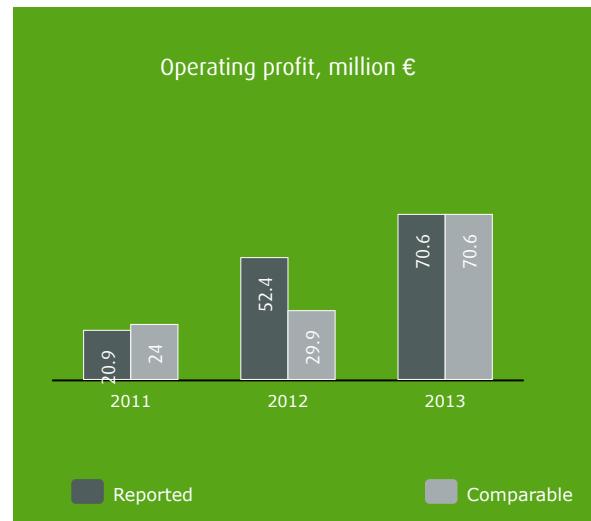
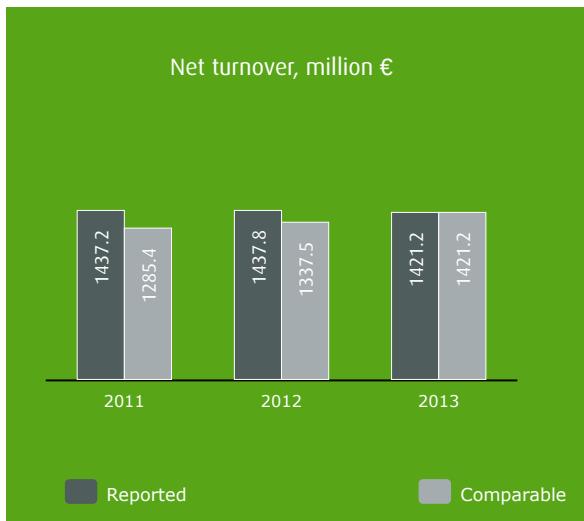
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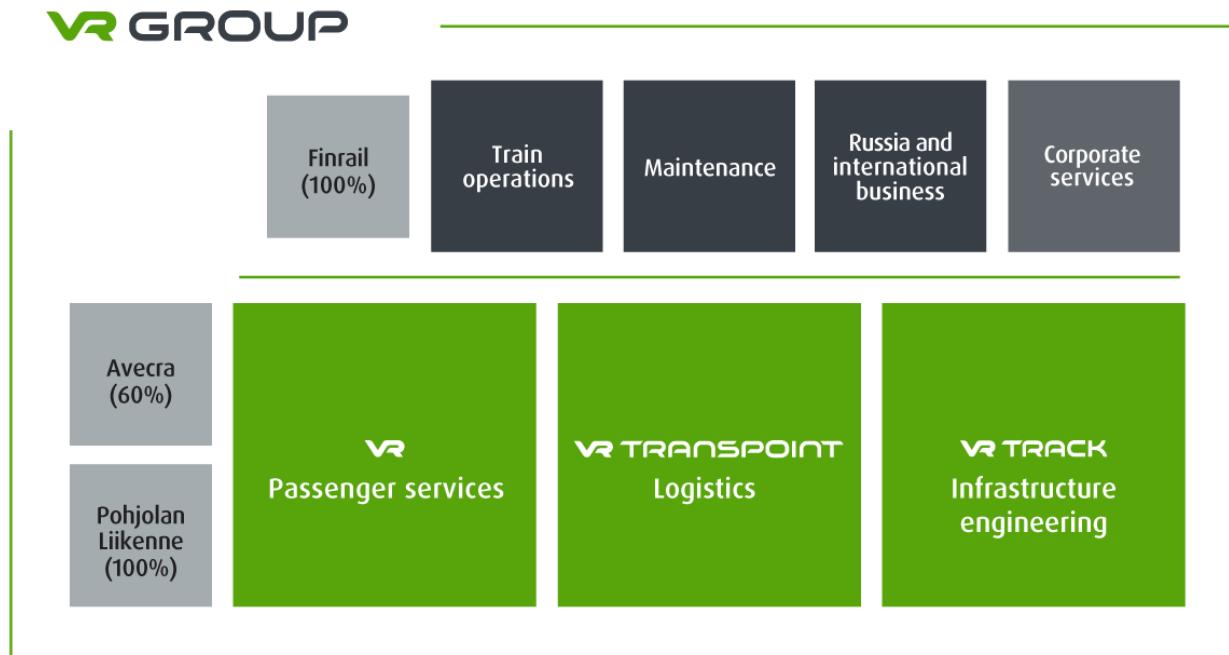
A modern service company

VR Group is an ecofriendly, versatile company with responsible operations offering transport, logistics and infrastructure engineering services.



VR Group is wholly owned by the Finnish State. VR Group operates mainly in Finland, but it also operates abroad, especially in Russia and Sweden. The Group employs over 10.000 professionals, and its turnover was 1 421,1 million euros in year 2013.

VR Group's mission is to provide our customers with high-quality and environmentally friendly travel and logistics services. We meet customer needs by providing infrastructure engineering services that cover the full life cycle of projects.





Successful year 2013

In financial terms, the year 2013 was successful for the VR Group. The Group's operating profit was significantly better than in the previous year. In particular, the improved operational result shows that the extensive reforms and efficiency improvements carried out in the Group have had an effect.

All business units were profitable. It is equally important that customer satisfaction has been restored after it declined a couple of years ago. More and more Finns like VR, and customer trust is a prerequisite for developing the company.

VR Group is making unprecedented investments in new rolling stock. In 2013, VR presented its new steering cars and its plans to order 80 new electric locomotives. A new double-deck restaurant car was introduced in January 2014. Through these purchases, VR is able to provide customers in Finland with faster, more punctual and more enjoyable rail services.

Rail passenger services are opened to competition when Helsinki Region Transport launches a tendering process for a new commuter service contract. The contract period begins 1 January 2018. VR has already begun preparing for the tendering process which will require the Group to make changes to its operating methods and organisation. The State decided to continue VR's exclusive right to operate long-distance passenger services until the end of 2024. On one hand, the extension allows the State to prepare for opening up competition on the rail network and, on the other hand, it challenges VR to prove its ability to serve customers.

Industrial restructuring and the international economic situation affect logistics in particular. Thanks to growth in eastbound services and transit services to Russia, the total volume of rail logistics increased even though the volume of domestic transports decreased. Rail transport increased its share in the overall freight transport market for a second consecutive year.

The turnover of passenger services increased. The growth was driven by special offer pricing. VR's customer loyalty programme Veturi already includes half a million Finns and has received a very positive response from its members in several studies. That is an excellent achievement considering that the programme is only two years old.

An exceptionally larger number of staff will retire in the near future. Over the next three years, a sixth of the Group's employees, 1,700 people, will retire. The change of generation is also a great opportunity. Our aim is to change and modernise our working methods so that we can replace the retiring staff by recruiting 1,000 new employees.

VR Group has made systematic efforts to improve occupational safety and job satisfaction. The number of accidents at work has decreased by more than a third, and our aim is to ensure that the positive trend continues. According to our personnel survey, satisfaction with the work of supervisors has improved.

We will continue to reform the VR Group. Implementing our major investment programme and being prepared for competition require us to further improve our profitability and efficiency.

I would like to thank all our customers for their trust in 2013.

Mikael Aro
President and CEO



Highlights in 2013

A year of new and renovated rolling stock

The year 2013 was marked by the design and introduction of new rolling stock. With the steering cars, which were presented in April, it is no longer necessary to change the locomotive to the other end when the train changes direction. While the double deck restaurant cars were under construction at the Transtech plant in Kajaani, VR was working on the concept for them. The first of the new cars entered service in January 2014. The service life of the existing commuter trains was extended through renovations.



Some of the tractor units and temperature-controlled semi-trailers used for international road haulage were replaced with more environmentally friendly vehicles. In domestic road transport, the VR Group started purchasing new stock as a result of the changes in the weights and dimensions of the vehicles. A total of 80 new four-axle wagons for transporting timber raw material were supplied for rail logistics during 2013. A total of 290 new wagons were built during the year. The new raw timber wagons are part of a major rolling stock modernisation programme by VR Transpoint, which also includes renovation of existing wagons.

VR Group decided to order 80 electric locomotives from Siemens

The locomotives make faster train services possible and improve their environmental friendliness and reliability. They also make the functioning of the industry's transport system more efficient. The value of VR Group's biggest single procurement of all time is more than 300 million euros. The transaction is the second largest purchase of locomotives in Europe in year 2013.

The locomotive procurement is part of VR Group's major investments in rolling stock.



New depot to Oulu

VR's new Oulu depot was introduced to public. The depot will operate as a support base for rail services in Northern Finland. The modern depot will improve the quality and speed of maintenance services and the punctuality of trains in the region. Construction of the new depot was started in Oulu in June 2012. The complex includes train, service and maintenance halls, covering an area of about 17 500 square meters. The new premises have been designed for a total of 300 employees. The construction costs were approximately EUR 50 million.



Debate on competition in passenger services

VR and Helsinki Region Transport (HSL) are updating their agreement on commuter services. VR is preparing for competition in passenger services in the HSL region.

The first competitive tendering will most likely take place in 2015 and the tendered services will begin in 2018.



A new organisational structure for VR Track was adopted at the start of 2013

The new structure aims to improve support for the life cycle of individual infrastructure projects, and it groups the services provided by VR Track under the engineering, construction and maintenance businesses, equipment and materials services, and international operations. The engineering business had a full order book throughout the year. The most important projects included the construction design for the Lielahти-Kokemäki alliance project, construction design for the Kokkola-Riippa and Eskola-Ylivieska double-tracking projects, and the track maintenance register and service agreement for 2013-2014 concluded with the Finnish Transport Agency.

Strong year for logistics

Logistics had a strong year and their operational efficiency improved. Higher transport volumes and the acquisition of new customers also helped to improve performance. The construction of VR Transpoint's Cargo East Terminal (CET) in Kouvola continued. The new terminal will combine road and rail traffic into a smoothly functioning system and eastbound transport will be the biggest beneficiary of the new facility.

More alternatives in train fares

VR introduced a more demand-based pricing system, which gave customers more choice when buying tickets. The year also saw the launching of VR Mobile, which is steadily increasing its



popularity. A growing percentage of all ticket sales were through self-service outlets. The popularity of the Veturi customer loyalty programme grew rapidly, and at the end of the year the membership totalled almost 500,000.

Punctuality at a good level

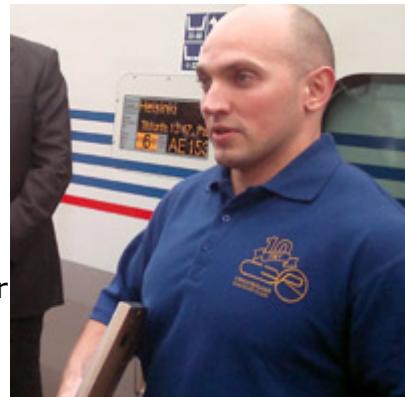
The punctuality of commuter trains improved in 2013. The amount of trackwork was above average, which was also reflected in the punctuality of long-distance services. Service disruptions were managed better than in previous years. A total of 84.7 per cent of all long-distance trains arrived at their destination on time in 2013. For commuter services and freight services, the figures were 95.8 and 90.9 per cent, respectively.

Training for the railway sector moved to Kouvola

Under an agreement concluded with the City of Kouvola, vocational training was made part of the Kouvola Region Vocational College from the start of 2014. Most of the staff at the VR Training Centre will become employees of the college

Already one million passengers on Allegro

The one-millionth passenger boarded the Allegro train in September. Eight fast Allegro services operate between Helsinki and St. Petersburg daily. In 2011, VR set a target of 500,000 trips for Allegro per year by 2015. About 90 per cent of this target has already been achieved. Most of Allegro's passengers are from Russia, but the share of Finnish passengers is continuing to grow. Allegro is a joint project of VR and RZD, i.e. Russian Railways.



VR Group is aiming at savings of EUR 40 million in personnel costs

VR Group prepared measures for improving profitability. In addition to growth, the group will also pay close attention costs. Personnel costs constitute approximately half of the total costs of the company.

Through more efficient organisation of work and by generating savings based on the large number of staff to retire in the next few years, VR Group will be able to reduce our personnel costs by EUR 40 million per year, which will amount to 8 per cent by 2016. In the next new years, a total of 1,700 employees are expected to retire from the group, and approximately 700 new employees will be hired to replace them.

The Stone Men took a bath

The 'Lantern Bearer' statues, which have been guarding the Helsinki Central Station for almost one hundred years, were dismantled, cleaned and reassembled. The statues, designed by Emil Wikström, will probably stand for another one hundred years after the operation.



Higher job satisfaction

Satisfaction with the work of supervisors improved during the year. This was demonstrated by a rise in the work condition barometer, from 3.42 to 3.57. The improvement was higher than targeted. The increase was a result of the long-term efforts to improve the work of supervisors during the past few years. The reforms in supervisory structures and recruitment of supervisors started in 2012 were completed during the year, while coaching and workshops continued.

Values and strategy of VR Group

Vision

We are the leading travel, logistics and infrastructure engineering service company in Finland. Our services are customer-oriented and produced in a responsible way.

Strategy

Our strategy consists of four areas:

- Effective foundation
- Customer focus
- Competitiveness
- Growth

The following videos (in Finnish) give more details about our strategy and how we are carrying it out.

See where our strategy begins with (in finnish):

Halfway through the restructuring process - this is how our strategy is implemented (in finnish):

Mission

- We provide our customers with high-quality and environmentally friendly travel and logistics services.
- We meet customer needs by providing infrastructure engineering services that cover the full life cycle of the projects.
- Our domestic markets are in Finland and Russia.

Values

SELF-RENEWAL

Our business environment is constantly changing. We do not merely adjust to new situations but aim to anticipate them and influence issues. To ensure growth and improve our service, we develop new approaches and grasp new opportunities.

SAFETY AND RESPONSIBILITY

Our level of traffic safety is among the highest in Europe. Ecofriendliness is another strength that unifies the Group. The work to ensure safety and responsibility in operations is ongoing. Sustainable development and personnel satisfaction go hand in hand in the Group.

CUSTOMER-ORIENTATION

We work with customers to continually improve the quality and availability of our services. In passenger services we are improving customer service, renewing pricing and putting great efforts into improving punctuality. In logistics we offer one-stop services by rail and road. In infrastructure engineering our knowhow covers the full life cycle of a project and the requirements of an increasing number of sectors.

SUCCESSFUL TOGETHER

The entire Group is successful when we work together. Resources are shared between the divisions and business units. This ensures the effective use of resources, develops operations with the help of the leading experts in the field, and creates financial stability. Discussion across business unit borders creates new business for us and supports common growth.

GOAL-ORIENTED

The importance of clear targets is highlighted in an uncertain economic situation. At Group level the targets are an operating profit of about five per cent and annual growth in net turnover of five per cent. In international business particular attention is paid to profitability. Each VR employee also has their own responsibilities and targets.

Three core business sectors

VR Group has three core business sectors. These are VR, providing passenger services; VR Transpoint, providing logistics services; and VR Track, specialising in infrastructure engineering. The train operations and maintenance units and the Russia and International Business division support the business divisions.

Passenger Services

VR Group's passenger services include rail passenger services operated by VR and the bus and coach services provided by Pohjolan Liikenne. Some 98 million journeys are made on the Group's trains and buses each year. Avecra provides additional services for passengers on trains and at railway stations with its restaurant and catering services. Avecra is a subsidiary of VR Group, and the international Rail Gourmet Group has a minority holding in Avecra.

The largest customer segments for VR and Pohjolan Liikenne are commuters and business travellers, students, families and other leisure travellers.

HSL (Helsinki Region Transport) is a major customer for rail and road passenger services. HSL purchases commuter rail services from VR and bus services from Pohjolan Liikenne in the Helsinki metropolitan area.

Read more: , and

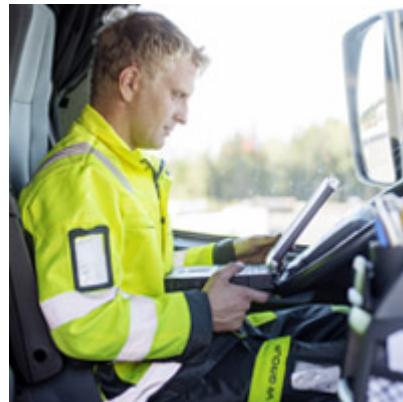


Logistics

VR Transpoint is the leading logistics business in Finland and in traffic between Finland and Russia. It provides railway logistics services, and mass goods and international logistics services by road.

VR Transpoint's customers are Finnish and international companies in the forest, metal and chemical industries and large and medium-sized companies that need logistics solutions for mass goods carryings. Forwarding companies and other logistics businesses are also important customer sectors.

Read more:



Infrastructure Engineering

VR Track Oy is a construction company that specialises in infrastructure engineering and is one of the biggest companies in its field in Finland. The company has extensive experience in the design, construction and maintenance of railway networks. VR Track has also expanded its operations to infrastructure engineering and maintenance projects outside the railway sector. International growth focuses on engineering, construction and maintenance work for the railway network and in these areas Sweden is the most important market.

VR Track's customers include the Government, municipalities, ports and companies using railway services and other infrastructure engineering services.

Read more:



Maintenance

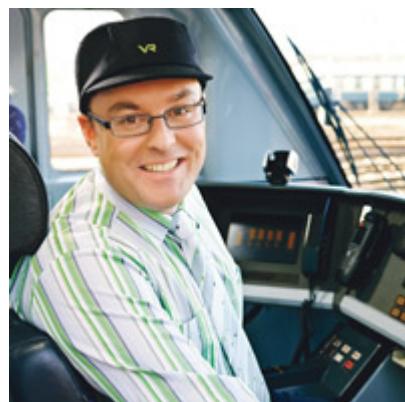
The maintenance unit provides maintenance services for rail rolling stock mainly to VR Group's divisions and support units. It also has the associated companies Pääkaupunkiseudun Junakalusto Oy and Karelian Trains Ltd as its customers. The maintenance unit is responsible for maintaining railway rolling stock at six depots and two workshops. VR Technology, which is part of the maintenance unit, provides expert services for railway rolling stock and systems.



Train Operations

The train operations unit provides internal services for VR Group's business operations. The unit is responsible for locomotive and train driver services and for some of the Group's common planning duties. It also has an operations centre, which is responsible for managing rail traffic during service disruptions.

The main customers for train operations are VR Group's logistics and passenger services divisions and rolling stock maintenance services.



Russia and International Business

The Russia and International Business division promotes and develops VR Group's international business in cooperation with the business divisions. The Group has international business in passenger services, logistics and infrastructure engineering, mainly in Russia and Sweden. Russia and International Business also looks after the Group's interests on the international front, including EU lobbying and relations with Russia, and it is responsible for VR Group's representative office in Moscow. VR Group

has altogether some 750 people working in international duties in the different business divisions.



Corenet acquired by Governia Ltd

VR Group and TDC Oy Finland, which provides telecommunications services for corporations, sold the entire share capital of Corenet Ltd to Governia Ltd on 4 November 2013. Corenet provides telecommunications network solutions and telecommunications services for companies and organisations.



Changes in operating environment

VR Group is wholly owned by the Finnish State. The Government Ownership Steering Department of the Prime Minister's Office wields the ownership power in the Group. The ownership policy is in accordance with the Government Programme.

Rail traffic is comprehensively regulated. In early 2013, the European Commission presented its proposal for the fourth railway package, which includes the following: obligatory competitive tendering for outsourced passenger services, opening of domestic passenger services to competition, changes in the division of labour between the European Railway Agency and the agencies responsible for rail safety in the Member States, and the separation of train operations and infrastructure ownership in all Member States. The proposals were discussed in the European Parliament and the Council in 2013 and the process will continue in 2014.

VR Group is operating in a competitive environment

In the infrastructure engineering business, every contract is either won or lost through competitive tendering. In logistics, the VR Group has a large number of competitors in road haulage. In rail transport, too, the first competitors have started operations. VR is preparing for competition in passenger services. The transfer of railway sector training from the VR Group to an independent operator is part of this development process. Even though VR still has the exclusive right to operate rail passenger services, trains are in continuous competition with other modes of transport, particularly private motoring.

The exclusive right of VR to operate rail passenger services is based on an agreement concluded with the Ministry of Transport and Communications in 2009. The agreement was made for ten years and it contains an option for a further five years. In July, the Government decided to execute the option and extended VR's exclusive right until the end of 2024.

In the same connection, the obligation of VR to provide services along a number of unprofitable routes was extended. Under the agreement, executing the option is only possible if VR commits itself to major rolling stock investments. Services purchased by Helsinki Region Transport (HSL) account for about half of all commuter traffic. The agreement between VR and HSL will remain in force until the end of 2017. HSL has announced that the next agreement will be on the basis of competitive tendering, so the tendered services would start at the beginning of 2018. The details of the tendering arrangements have not yet been finalised.

The outlook for VR Transpoint is closely connected with the growth prospects of Finnish industries and thus also the demand for rail services. Economic growth outside Finland (especially in Russia) is also an important factor.

The rail network and its state determine the operating environment for rail services

Finland's rail network is the responsibility of its owner, the Finnish Transport Agency, which receives its funding from the state budget. During the past two years, there has been an increase in the appropriations for track construction and maintenance, which is more than welcome from VR's perspective. Higher volumes of track and improvements in speeds and punctuality are only possible if the rail network is in good shape.

The Finnish Transport Agency is also the biggest customer of VR Track. The appropriations of the Finnish Transport Agency determine the volume of track construction and maintenance and the volume of the engineering markets.

Interaction in many directions

VR Group has a wide range of diverse stakeholders, since many different parties are interested in the Group's operations because of the important role it plays in society.

Regular interaction with various stakeholders is important so that VR Group can respond to the expectations of different stakeholders and, on the other hand, can improve the conditions for its own business operations.

VR Group's stakeholders can be divided roughly into three groups: government bodies, those with a business relationship, and organisations and others interested in VR's business operations. The Group has Finnish and international stakeholders.

Strictly regulated

VR Group's government stakeholders are the Finnish State as owner, national and international decision-makers, the Ministry of Transport and Communications, and various authorities, with the Finnish Transport Agency and the Finnish Transport Safety Agency being the most important of these for the Group's operations.

The entire railway sector – and through this a significant part of the operations of VR Group – is strictly regulated at EU and national level. Regulation is dynamic and is continuously changing the business environment in which VR Group operates.

The European Union's fourth railway package was discussed extensively in 2013. The discussions in EU institutions on the railway package are still continuing. Implementing the directive amending the EU's first railway package will result in changes in national legislation by extending the powers of the regulatory body monitoring the railway market, specifying the service obligations of railway undertakings and reforming track access charges.

Stakeholders in VR Group's business operations are personnel, customers and business partners, such as subcontractors. VR Group also has personnel, customers and partners outside Finland.

Many of the parties involved in VR's business environment have more than one role. For example the Finnish Transport Agency is a government authority but is also a customer of VR Track with its infrastructure engineering operations.

Organisations

VR Group participates in the activities of many organisations that play an important role in its business environment. It works most closely with personnel organisations. VR personnel belong to the Finnish Locomotivemen's Union, Rautatievirkamiesliitto (Union of Railway Officials), Akava, the Trade Union for the Public and Welfare Sectors JHL, and Rautatiealan Teknisten liitto (Union of Railway Technical Personnel).

In Finland, VR Group is a member of the Confederation of Finnish Industries EK, the Association of Service Sector Employers Palta, the Association for Finnish Work, and the Finnish Association of Purchasing and Logistics (LOGY). The Group also belongs to the Finnish Business & Society's (FiBS) network for responsible business.

VR Track is a business member of Infra ry. It also belongs to the Electrical Contractors' Association of Finland STUL, the Finnish Geotechnical Society, the Advisory Committee for the Civil Engineering Sector MANK, Talonrakennusteollisuus (Finnish Building Construction Association), and Promaint (Finnish Maintenance Association).

Pohjolan Liikenne is a member of the Finnish Bus and Coach Association and VR Transpoint of Finnish Transport and Logistics (SKAL). Avecra is a member of The Finnish Tourism and Restaurant Industries Federation (MaRa), while Corenet is a member of the Finnish Federation for Communications and Teleinformatics, FiCom.

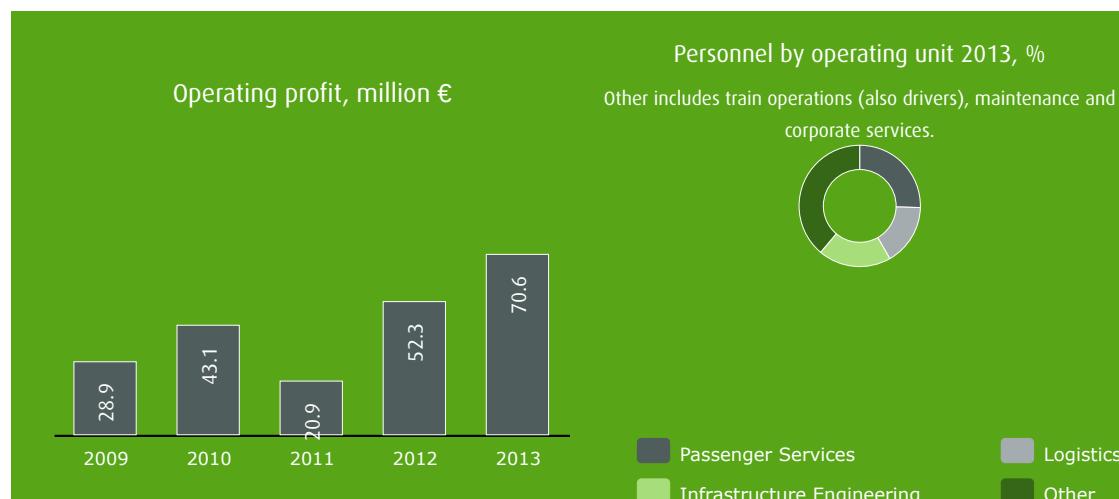
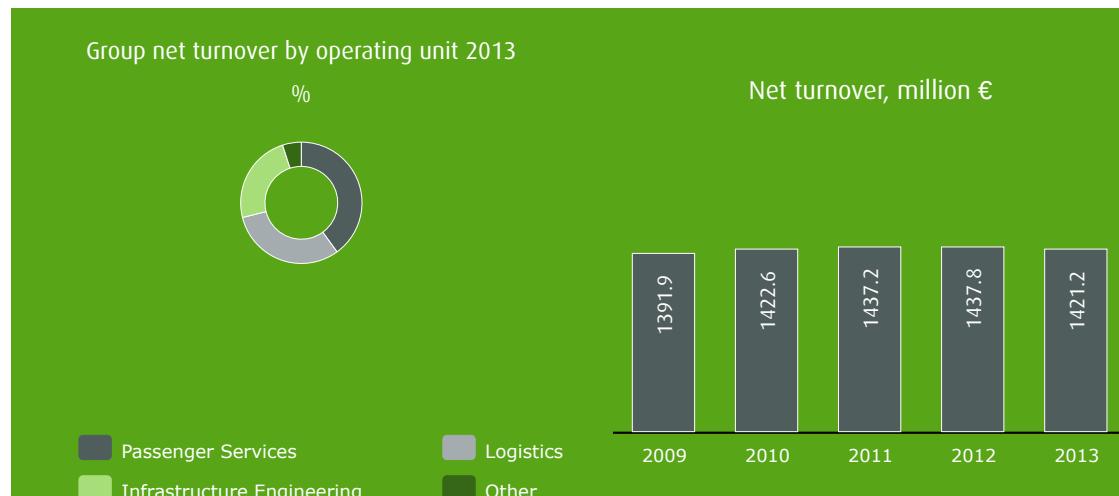
Key international organisations in the rail sector are the Community of European Railway and Infrastructure Companies (CER) and the International Union of Railways (UIC). CER represents the interests of the railway sector within the EU while UIC acts globally as the sector's cooperation organization and at a European level as the

cooperation forum on technical issues. The International Rail Transport Committee CIT helps in the practical implementation of the COTIF agreement in international rail services.

VR Group is an observer in the Organisation for Railway Cooperation (OSJD), which promotes cooperation between railways in Eastern European countries, CIS countries, China and some other Asian countries. The Group is an affiliated member in the Council for Rail Transport of the CIS States, which coordinates rail services and cooperation between Russia, other CIS countries and the Baltic countries.

VR Group is also a member of the Coordinating Council for Trans-Siberian Transportation, which develops and coordinates transportation on the Trans-Siberian railway. VR Group is involved in the International Association of Public Transport (UITP), a global advocate for public transport and sustainable mobility and the promoter of innovations and cooperation in the public transport sector.

Key figures 2013



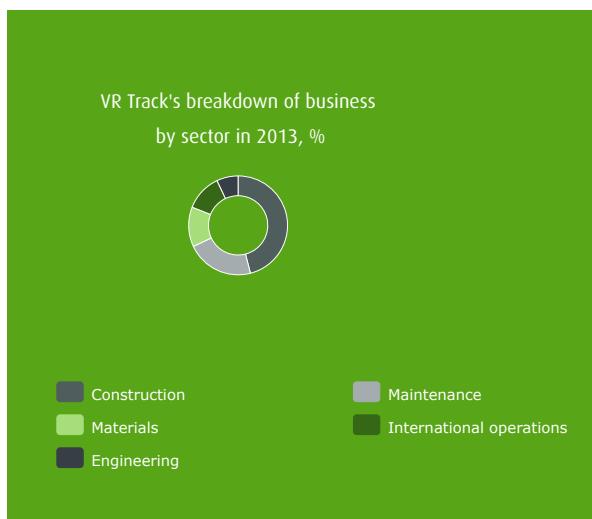
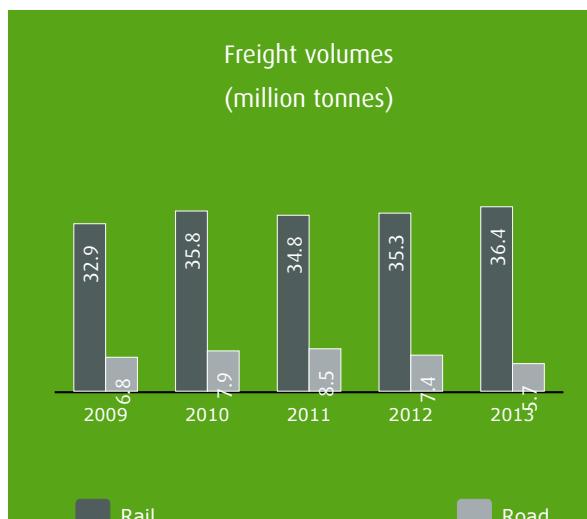
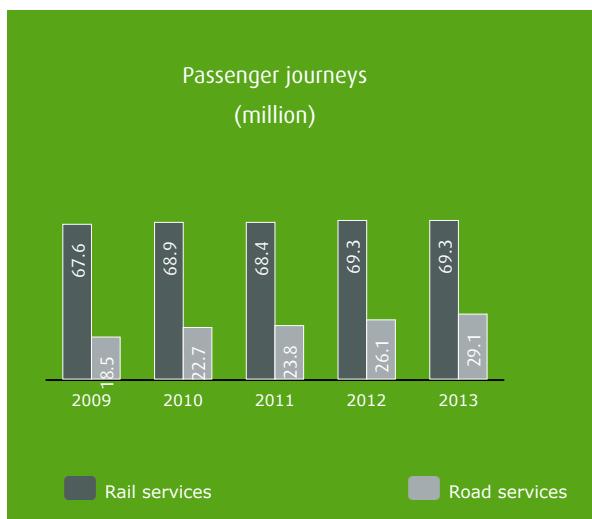


Key figures of VR Group	2013	2012	2011	2010	2009
Train punctuality in long-distance services, %	84.7	86.2	79.7	75.8	89.4
Train punctuality in commuter services, %	95.8	93.7	92.1	88.5	95.5
Train punctuality in rail freight services, %	92.3	87.8	87.9	91.6	90.9
Group net turnover, M€	1421.2	1437.8	1437.2	1422.6	1399.4
Gross capital expenditure, M€	170.1	106.5	152.3	152.4	134.5
Percentage of renewable energy in rail services, %	65	64	64	64	65
Carbon dioxide emissions from rail services, 1000 tonnes	96	101	100	101	93
Rail passengers killed or seriously injured, per billion kilometres	0	0	0	0	0
Frequency of accidents requiring more than one day of sick leave *	19.1	-	-	-	-
Average no. of personnel	10234	11080	11391	11950	12376
New employment relationships	718	928	796	664	587

* Reporting was changed in 2013, so the figure is not comparable with previous years.

Financially a good year

VR Group's comparable turnover grew and operating profit improved significantly. Passenger services, logistics and infrastructure all saw improvements in their comparable profit.

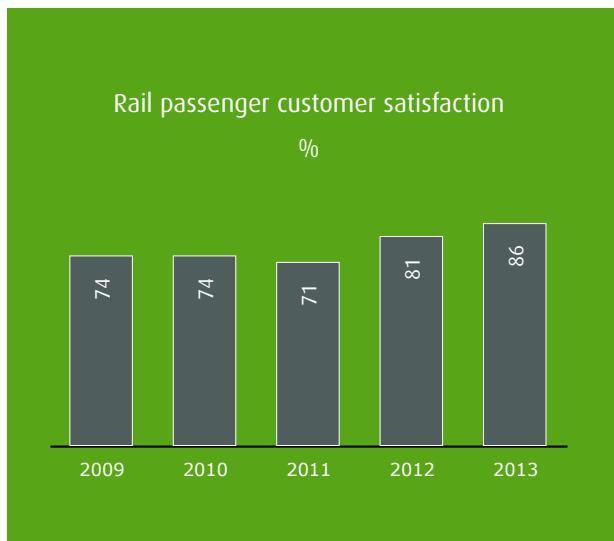
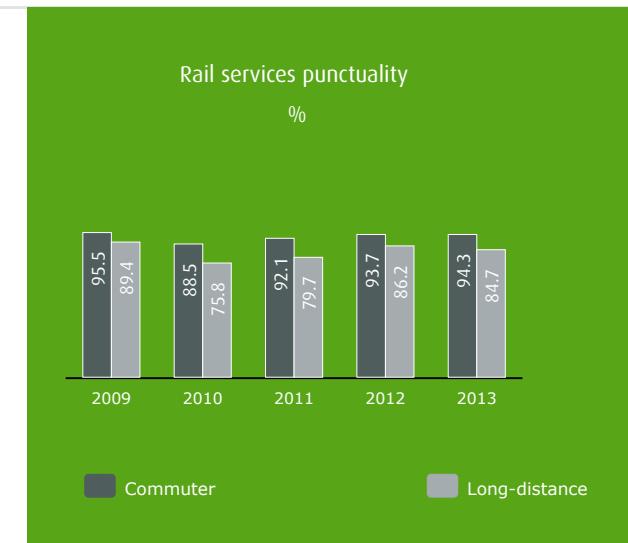
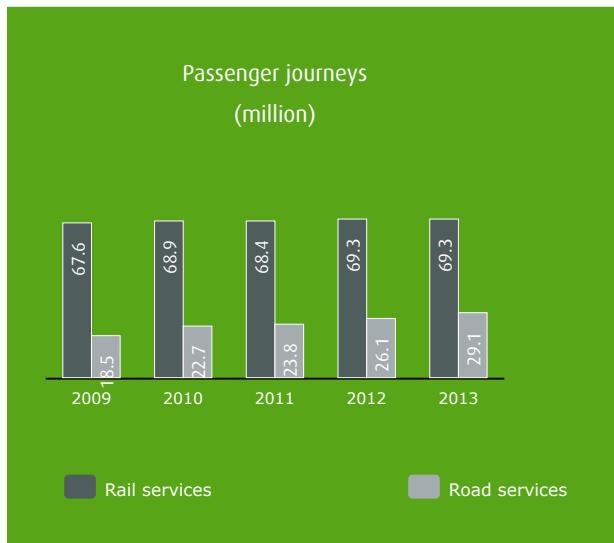


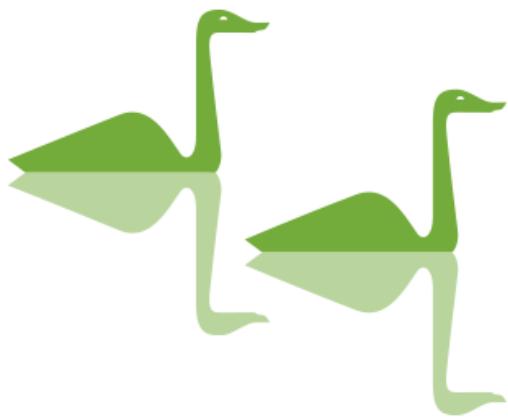


In passenger services, the year was marked by major rolling stock investments

The new steering cars were presented in April. The first of the new restaurant cars entered service in January 2014.

The online shop of Pohjolan Liikenne established itself as a popular sales outlet and the company won a number of major contracts. Avecra updated its cash funds system and worked on the service concept for the new restaurant cars.





- The website vr.fi will be updated and made easier to use. Veturi customers will be offered personalised services: savings on favourite tickets, tailored services and easy changing of tickets. VR will make offers and tips a more prominent part of Veturi by increasing the number of partners' offers and by introducing a hotel booking service.
- The new restaurant cars entered service in 2014. The last of the 25 cars will become operational in January 2015. Modernisation of the rolling stock will continue, and in 2014 VR will start planning the replacement of all blue cars with double deck cars. After that, all IC-trains will have a unified service concept. The aim is to withdraw all blue cars from service by 2019.
- The Travel Centre Dixi at Tikkurila will be opened in late 2014. The opening of the travel centre will substantially improve the services available to airline passengers. The opening of the Ring Rail Line in 2015 will mark the completion of the service upgrading process.

The year 2013 was marked by significant investments in rolling stock

In April, VR presented the first of its new steering cars, which entered service in August. A total of 12 steering cars were put into service by the end of 2013.

With steering cars, trains can be steered from both ends without changing locomotives, which makes rail operations easier, particularly at the congested rail yards of Helsinki and Tampere.

VR has ordered a total of 26 DuettoPlus restaurant cars. The design was finalised in 2013, and representatives of a range of passenger groups, the VR Group's train and restaurant staff and other experts participated in the design process and the testing of the new vehicle. The first of the new restaurant cars entered service between Helsinki and Oulu in January 2014.

A new pricing system for train tickets was introduced at the start of June

Pricing is now more demand-based than before, and VR has also increased the number of special offers and campaigns throughout the year. The ticket prices now vary between train services and days of the week, depending on the demand and irrespective of the rolling stock used. The revamping of fares applies to domestic long-distance services. On services to Russia and on Allegro, demand-based pricing was already introduced in December 2011. [Read more >>](#)

In May 2013, VR opened VR Mobile, a new ticket shop, at m.vr.fi. In addition to the mobile shop, train tickets can also be purchased from the VR Online Shop (at www.vr.fi), from ticket machines, from VR's ticket offices and telephone service, on trains and by making the reservation by phone and picking up the tickets from R-kiosks. Most travel agencies also sell train tickets.

By making all long-distance services non-smoking, VR aims to improve the comfort level and safety of its passengers

All long-distance trains became non-smoking in June. The smoking booths will be converted into luggage and bicycle storage space. The smoking booths in the restaurant cars of the Pendolino trains will be made part of the restaurant space available to customers.

Already one million passengers on Allegro

The one-millionth passenger boarded the Allegro train in September. Eight fast Allegro services operate between Helsinki and St. Petersburg daily. In 2011, VR set a target of 500,000 trips for Allegro per year by 2015. About 90 per cent of this target has already been achieved. Most of Allegro's passengers are from Russia, but the share of Finnish passengers is continuing to grow. Allegro is a joint project of VR and RZD, i.e. Russian Railways.



Pohjolan Liikenne's online shop established itself as a major sales outlet for express coach tickets

The range of products available in the shop was expanded by introducing a flexible ticket, which allows the customer to freely choose the day of travel.

Pohjolan Liikenne introduced a new passenger information system on its express coaches. The system, which is the first of its kind in Finland, keeps passengers up to date with the progress of the journey, provides details about connecting services, and displays news and weather information.

In competitive tendering organised by Helsinki Region Transport (HSL), Pohjolan Liikenne was awarded the contract to operate the number 55 bus service from the start of 2014.

Pohjolan Liikenne succeeded in tenders for local and regional bus services in Kirkkonummi, Sipoo and Kuopio.

VR was not successful in the competitive tendering process for local services in Savonlinna, and as a result, it will have to close down all operations in the area.

Current issues

Changes will take place in the organisation of local and regional bus services in many areas of importance to Pohjolan Liikenne in the summer and autumn of 2014. Overall responsibility for the services will be transferred from the transport companies to the public authorities (municipalities and ELY Centres), and in future transport companies will only act as service providers.

Competition is expected to intensify in express coach services as the transitional service contracts gradually come to an end.



New cash funds, inventories control and reporting system was developed in Avecra

The most important investment in 2013 concerned the new cash funds, inventory control and reporting system. Piloting of the system, which started in December, is the last stage in the specification and testing process and the system will be introduced in early 2014.

The most significant changes resulting from the system will concern logistics operating models and it will also bring significant improvements in reporting at individual units. The system will replace the outdated cash funds system currently used by Avecra. It will make operations more efficient and will improve customer satisfaction by speeding up the service processes.

In 2013, the focus at Avecra has been on planning the catering services that will be provided on the 26 new double-deck restaurant cars that VR has ordered. The cars have a 'Duetto' restaurant on the lower deck and a kiosk on the intermediate deck, with a comfortable passenger compartment with conference services on the upper

deck. The new cars will be taken into service in late January/early February 2014 and their state-of-the-art kitchens will allow the preparation of more attractive meals and warm snacks.

Changes took place in the service offerings at Helsinki Central Station during 2013. Eliel, the venerable station restaurant, was closed down on 28 December 2013 as Avecra discontinued its operations and gave up the premises. In connection with this, Avecra leased the premises where VR used to have its night ticket sales and, after a facelift Baguette & co. moved in during December.

At the start of 2013, Avecra introduced its new Booster bonus system. As the name suggests, the purpose of the system is to provide an incentive to personnel in their sales efforts. The system also aims to support workplace well-being by rewarding staff members for looking after their health, for providing good customer service and for helping the company achieve its performance targets.

Current issues

The new cash funds, inventories control and reporting system will be introduced in February.

The first Erd double-deck restaurant cars were taken into service on 27 January 2014 and the last car will become operational in January 2015.

Avecra concluded a cooperation agreement with Burger-In Oy in November 2013. Under the agreement, a Hesburger restaurant will open in the former premises of Baguette & co at Helsinki Central Station in late January/early February.

The Travel Centre Dixi at Tikkurila will be opened in October 2014. Avecra has leased three premises at Dixi and these outlets will open in connection with the inauguration of the travel centre. The new outlets at Dixi will add two kiosks and a cafe (Robert's Coffee) to Avecra's offerings at railway stations.



Strong year for logistics

VR Transpoint's comparable net turnover remained unchanged from 2012, which can be considered a good achievement in the prevailing economic conditions.

VR's logistics carryings consist almost entirely of raw materials and products for the mechanical and chemical wood processing industries, and for the metal and mechanical engineering and chemical industries.

Russia plays an important role in rail freight traffic. More than a third of the carryings comprise Russian cross-border import, export and transit traffic.





- The outlook for VR Transpoint in 2014 is closely connected with the growth prospects of Finnish industries. The outlook will be strongly influenced by domestic economic developments and developments in the areas adjacent to Finland, especially Russia and the Baltic countries.
- Efficiency improvements will continue, and at the same time, VR Transpoint will actively seek new growth opportunities with existing and new customers.

The year in review was strong for rail logistics

There were further improvements in operational efficiency.

The average size of a freight train increased by almost eight per cent from 2012 and amounted to 406 tonnes. The proportion of electric traction increased by two per cent and now accounts for nearly 67 per cent of all traffic.

The time spent on shunting at rail yards decreased, a result of more detailed transport planning, improved operating models and the introduction of new technology. More efficient trunk transports and shunting operations helped to improve productivity.

VR Transpoint invested in production, sales and customer care processes in 2013. Customer satisfaction remained at a good level.

Construction of CET terminal in Kouvola continued

The construction of VR Transpoint's Cargo East Terminal (CET) in Kouvola continued in 2013. The terminal, which is located in Kouvola, will help rationalise the transport of mass goods from Finland to the east and will guarantee efficient and environmentally friendly operations well into the future. The new terminal will combine road and rail traffic into a smoothly functioning system. The use of intermediate storage facilities will make it possible to assemble consignments arriving by road and rail and to efficiently deliver the goods to the growing markets in the east in sufficiently large shipments.

The reorganisation of rail logistics production, which began in 2012, was completed in 2013. It resulted in a nationwide production organisation, which replaced regional operations. The changes involved the elimination of a number of upper supervisory tasks at the regional level and the appointment of additional supervisors working with shop floor employees.

Accident frequency rate at rail yards declined

The new organisational model proved successful by making operations more efficient and also by improving occupational and train safety. The accident frequency rate at rail yards decreased by approximately 25 per cent compared with 2012, while the

frequency deviations in shunting dropped by approximately 20 per cent during the same period. At the same time, the efficiency of rail yard operations improved by more than three per cent compared with 2012. The use of radio control in traditional rail yard work expanded. The most important new locations introducing the system were Joensuu and Siilinjärvi.

Eastbound transports increased

Total volumes in rail logistics rose by 3.3 per cent from the previous year to 36.4 million tonnes. Domestic traffic remained more or less at the previous year's levels, while traffic over Finland's eastern border increased by approximately 20 per cent. The increase in domestic and eastern traffic was the result of higher transport volumes and new customers.

The divestment of a number of international companies at the beginning of 2013 and the divestment of the groupage business in 2012 will have a negative impact on the overall figures. There was a slight increase in the volume of the continuing business compared with 2012.

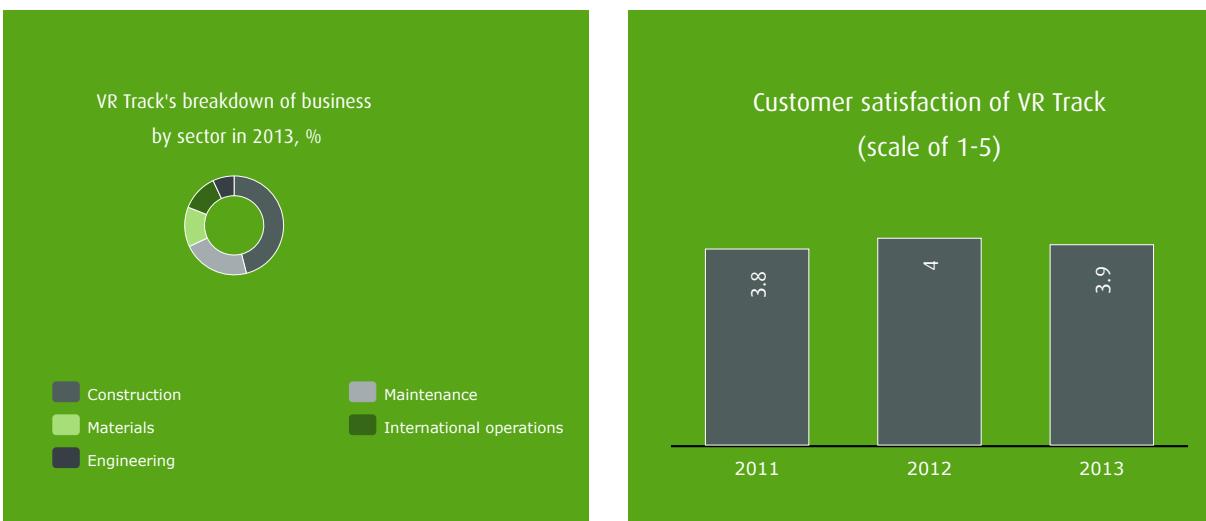


VR Track was profitable

A new organisational structure for VR Track was adopted at the start of 2013. The new structure aims to improve support for the life cycle of individual infrastructure projects, and it groups the services provided by VR Track under the engineering, construction and maintenance businesses, equipment and materials services, and international operations.

The engineering business had a full order book throughout the year. The most important projects included the construction design for the Lielahdi-Kokemäki alliance project, construction design for the Kokkola-Riippa and Eskola-Ylivieska double-tracking projects, and the track maintenance register and service agreement for 2013-2014 concluded with the Finnish Transport Agency.

In April, VR Track began maintenance of the tracks and safety equipment in the Uusimaa region under a new five-year contract.



- Even though the Finnish track maintenance market is expected to remain at a reasonable level, competition will probably intensify as a result of the slowdown in the construction business and the overall state of the infrastructure engineering sector.
- In the light of the work situation at the start of 2014 and the known contract tendering during the year, the outlook for VR Track is promising. Especially the business development programme started in 2013 is expected to bring substantial improvements in profitability already during 2014. The development programme covers the period 2013-2015.
- The outlook for the Swedish track maintenance market is good, and growth is expected to continue in the coming years. VR Track Sweden AB has a strong order book. The company's profitability is expected to improve substantially during 2014.

Key events in 2013

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A number of new projects

In construction, VR Track started work on a number of new projects in early summer, such as the superstructure work on the Ring Rail Line in Havukoski, superstructure work between Ylivieska and Kilpua and the alterations at the Vihanti traffic operating point. Work on projects started before the year in review also continued during 2013, including the renovation of the Lielahdi-Kokemäki section and the double tracking of the section between Kokkola and Riippa.

VR Track is a Nordic pioneer in using the method of building a bridge alongside the track and then moving it into place. During the year in review, the company moved a total of 15 bridges in different parts of the Finnish rail network. For example, during a break in rail services in late June, two rail bridges (at Siuronkoski and Putajanjoki) were moved into place. In both projects, the steel bridge decks were replaced. Moving the Siuronkoski bridge also involved substantial catenary work.

VR Track makes extensive use of 3D models developed by its engineers in operating the construction machinery. Railways and the machinery used on them form a demanding environment and for this reason the company has developed new technology for its track maintenance equipment. VR Track's machine-controlled screens and its soil-replacement machine are probably the first of their kind in the world.

A five-year contract in maintenance in Uusimaa region

In April, VR Track began maintenance of the tracks and safety equipment in the Uusimaa region under a new five-year contract. The region is the most important in Finland in terms of rail traffic. It has about 285 kilometres of lines (mostly multi-track), a large number of busy commuter lines, the tunnel section to the Vuosaari Harbour, the Ring Rail Line (to open in 2015), high-speed lines (such as the Kerava-Lahti direct line) and the two most critical points in the Finnish rail network: the Helsinki-Pasila section and the Ilmala rail yard.

Success in Sweden

In international operations, VR Track Sweden AB strengthened its position in the Swedish track maintenance market. The company's order book grew substantially during the year, and it won a large number of new track construction contracts. The most important of these was the project for the Mälarbanan railway, which will raise the rail capacity in the Stockholm region by expanding the section between Kallhäll and Barkarby into a four-track line. The upgrading will be completed during 2016. VR Track Sweden AB is responsible for construction of the tracks in the project.

In spring 2013, the name of VR Track's Estonian subsidiary was changed to VR Track Estonia AS. Leasing machine capacity to local operators was the company's main business during the year in review. In December, VR Track Estonia AS began a flash-butt welding project in Lithuania, which will last about one year.

There were further improvements in occupational safety during 2013. Pre-emptive measures and improvements in initial training and communications resulted in a substantial decrease in accidents. The work put into safety improvement was successful: the accident frequency rate dropped to 13.8.

VR Track conducted a survey of customer satisfaction in September 2013. The respondents assessed the company's performance on a scale of 1 to 5. The overall score was 3.9, or one tenth lower than a year before. According to the survey, VR Track met the expectations of its customers 92% of the time.

Five essential areas of responsibility

VR Group plays an important social role in Finland. The Group carries responsibility both for its economic viability and for the impacts of its operations on the environment and on society more generally.

Corporate responsibility encompasses a broad spectrum. At VR Group, corporate responsibility means looking after finance, customers, personnel, safety and the environment. These five areas of responsibility were identified after a review of the issues relevant for reporting.

- For customers, the vital issues are safety, the punctuality of rail services and up-to-date information.
- The most important areas in financial responsibility are maintaining reliable finances and profitability and the appropriate use of the Group's funds.
- For personnel, some of the main issues are being a good employer and developing management and the work of supervisory staff.
- Key matters in safety activities are the work of supervisors and developing the safety culture.
- A key issue in environmental responsibility is the impact on the environment of transport services, through energy consumption and air emissions for example.

The most relevant points to be reported by VR Group arise from what major stakeholders expect of the company's operations. When defining which items are relevant, high priority has been given for example to customer feedback, issues raised by the media and wishes expressed at various interactive events, as they are indicative of the general public's interest in VR.

One important viewpoint used to define relevance comprised and the matters that help the Group achieve its strategic objectives or have a significant financial impact.

Management of responsibility – every day

Corporate responsibility at VR Group is part of normal, every day operations. So the Group does not have a separate strategy for corporate responsibility but has integrated this into the overall Group strategy. VR Group takes into account its corporate responsibility when making strategic decisions.

VR Group's management model also does not address responsibility as a separate entity, but instead the plans and actions relating to it are the responsibility of each Group division and business unit and an integral part of the company's objective-oriented operations. Corporate responsibility is also emphasized through various campaigns, projects and training as well as through other ways of exerting influence.

Annual reporting plays an important role in the way VR Group manages its responsibilities. The aim is to embed the management of corporate responsibility and monitoring of results as an established element of the Group's day-to-day operations.

Scope of Annual Report and sources

Objective

The purpose of this annual report is to give the reader a balanced view of VR Group's business operations in 2012. It aims to report on major events affecting VR Group's business operations and on its financial results, and to describe the Group's commitment, policies and the results achieved in the area of corporate responsibility. The annual report examines key themes relating to VR Group's business operations and corporate responsibility.

Previous reports

VR Group has previously published four combined annual and corporate responsibility reports for 2009, 2010, 2011 and 2012 and three corporate responsibility reports for 2005, 2007 and 2008. Before this the Group published an environmental report every second year from 1998 onwards. The annual report has been published each year.

Target groups

VR Group's annual report is intended for all who are interested in the Group and its business. The different sections of the online report contain information that may interest different stakeholders. Many sections of the report are meant primarily for policy makers, the public authorities and the Group's corporate customers.

Scope

The information in this annual report is for the 2013 financial year. The annual report includes all the business operations of VR Group. The data reported for Pohjolan Liikenne and Avecra in the Passenger Services division, for road logistics in the Logistics division and for Infrastructure Engineering is the information that can be collected with the systems currently in use. This does not have a significant impact on the data for the Group or subsidiaries or on the comparability of the figures.

The annual report of VR Group does not include information about the operations of subcontractors and only reports briefly on the activities of associated companies. The report does not cover the rail network or its development or any other operations for which the Finnish Transport Agency or the Finnish Transport Safety Agency is responsible.

Sources

A large number of people from VR Group's various businesses participates in compiling the figures in the annual report. A coordination team, comprised of experts in the various fields of corporate responsibility, oversees the work and defines which aspects are relevant and in accordance with the strategy. The annual report is submitted to VR Group's Board of Directors and Supervisory Board.

The data for this report has been collected from numerous sources.

- Information about financial responsibility is derived from the Group's audited accounts and adopted financial statements.
- Figures for personnel are based on the Group's staff statistics.
- The safety indicators are based on the Group's safety statistics.
- The environmental figures for energy consumption, the use of materials and chemicals, and waste are based partly on monitoring data compiled by the business units and partly on supplier reports and invoicing. Data on traffic emissions is obtained using the LIPASTO system of calculations applied by the Technical Research Centre of Finland (VTT). The origin of the electricity and the energy sources used in electricity production are based on data provided by electricity suppliers.

The different management systems are defined in the ERP systems of the different Group companies, and in the environmental management system, the rail safety management system, the occupational safety management system, the financial security administration and management system, and the data security management system. More detailed information about management systems is given in separate tables under each of the five themes of this report.

The Global Reporting Initiative (GRI) G3 guidelines have been used as the reference framework for this report. In VR Group's own assessment, the Group has applied the B reporting guidelines. GRI calculation models are not yet fully applied for all indicators. VR Group also reports the GRI supplementary indicators for the transportation sector where applicable.

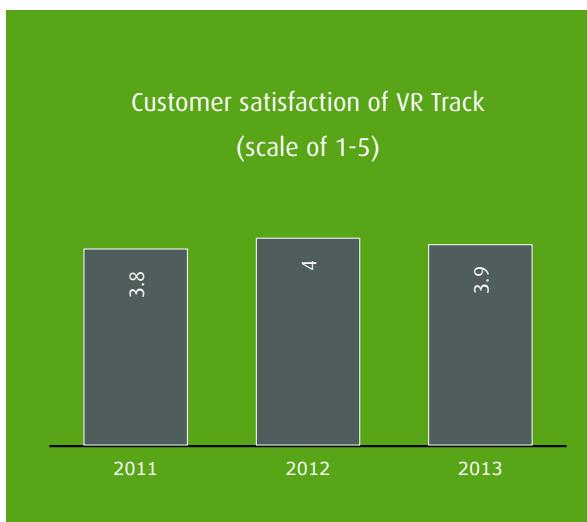
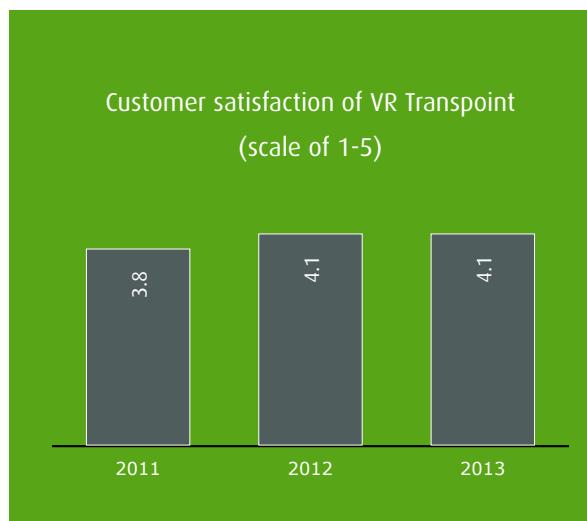
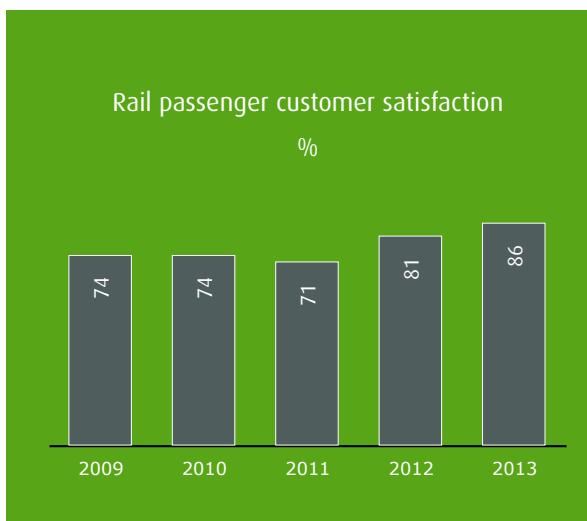
In its 2011 reporting VR Group switched from the A+ to the B+ standard, since the standard previously applied contained many indicators that are not an integral part of VR Group's business operations and therefore do not offer the reader any essential extra information about the Group. In its 2012 reporting the Group switched to the B standard, which means that the report has no external verifier.



Getting there together

Customers form the basis for VR Group's activities and customer focus is the most important value for VR Group. Taking care of the customers is a solid part of VR Group's corporate responsibility.

VR Group's all three business sectors work to improve their functions in order to serve their customers better. Group aims to produce high-quality and environmental friendly services to all of its customers. Customers are tightly involved in the development processes of the services.



Customer relationship management

VR's values in customer relationship management

VR Group's values state that the customer is the focus for its business. The other values – safety and responsibility, objective-oriented operations, self renewal and being successful – also play a key role in customer relationship management. VR offers high-quality, safe and easily accessible services that it develops together with customers.

The customer in the strategies of the business areas

The customer is a key focus in the strategies of all the business areas. Customer service models have been created based on the needs of different customer groups. Products and services are being targeted so that they better meet and anticipate the needs of the customer groups. VR Group's business operations aim to be customer-oriented, high quality and self-renewing.

Customer service goals

- Improving the customer experience
- Increasing customer satisfaction
- Continuous development of services in cooperation with customers
- Dynamic, high quality operations
- Generating added value for the customer
- Implementing internal quality criteria
- Developing customer service skills of personnel

Successes and setbacks in customer service

- + Improvements in service quality
- + Positive feedback from customers about friendliness and service-minded attitude of customer service personnel
- + Professionalism and expertise
- + Service attitude
- + Cooperation with customers
- + New ticket options and pricing give customers greater choice
- + Managing exceptional circumstances and customer communications in connection with these
- + Fluency of border traffic has maintained high
- + Right timing of invoicing increased
- Further improvement needed in quality of customer service

Opportunities and risks in customer service

- + Ability to serve internationally
- + New services and modern rolling stock enable growth
- + Dynamic, self renewing customer service
- + Strong expertise and easy cooperation
- + Better management of disruptions and producing passenger information
- + diversity in business and in product and process development
- Heavy regulation compared to other modes of transport
- Economic recession

Changes in systems or structures during the review period that improve customer service

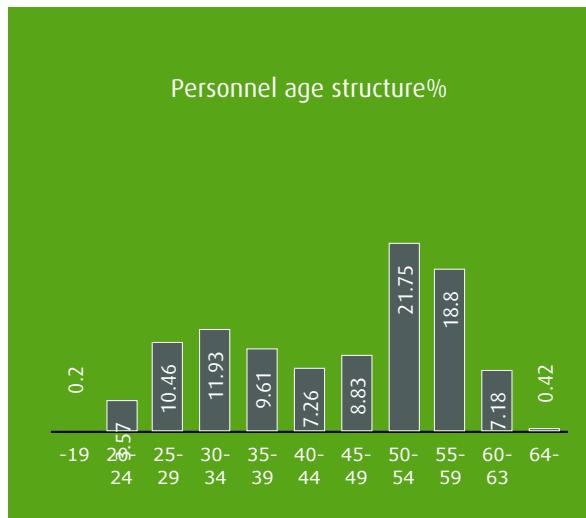
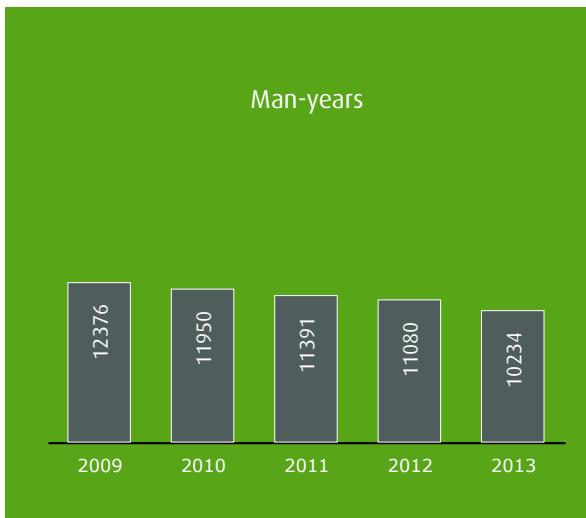
- Changes in channels for ticket sales
- New special offer rail tickets
- Veturi customer loyalty scheme
- Actions to improve quality and condition of rolling stock
- Actions to improve quality of day-to-day customer service
- Actions to improve punctuality
- Improved customer reporting
- phased introduction of RFID



Personnel

During the year in review, the focus was on developing the work of supervisors, promoting working ability and workplace wellbeing. Also new collective agreements were negotiated. Vocational training for the railway sector moved to Kouvola.

During the year in review, the work condition barometer stood at 3.57 (compared with 3.42 in 2012). A total of 70 per cent of all employees responded to the personnel survey (compared with 64 per cent in 2012). The higher response rate shows that staff members want to influence and participate in the development of their workplace.

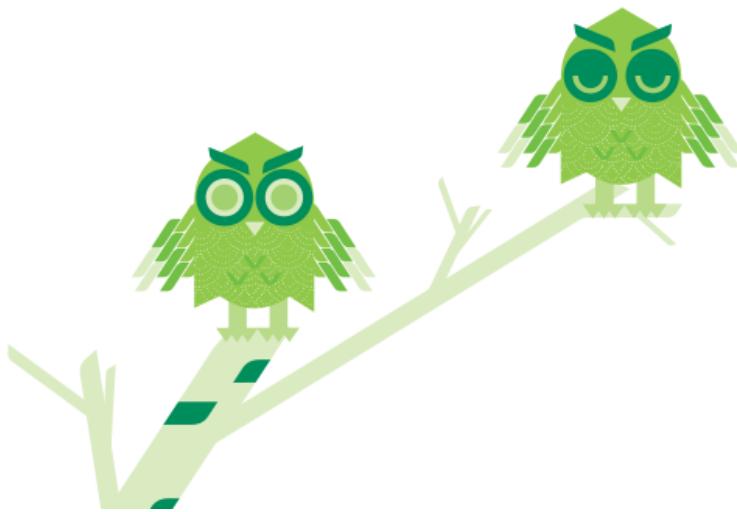
**Personnel (31.12.2013)**

	2013	2012	2011	2010	2009
Employment relationships started ¹⁾	718	928	796	664	587
Employment relationships ended ^{1) 3)}	1 166	1 840	1 200	997	963
Total turnover ¹⁾ , %	8.5	12.57	8.9	6.8	6.1
Permanent employees ²⁾	10 274	10 623	11 693	12 059	12 285
Fixed-term employees ²⁾	204	171	95	159	286
Personnel working outside Finland	531	498	517	452	275
Average length of employment ¹⁾ , years	19	20	20	21	21
Personnel by gender ¹⁾					
men, %	82	83	83	83	84
women, %	18	17	17	17	16
Retirements ¹⁾					
old age	445	432	501	441	431
disability	62	59	88	101	104
Sick leave absence ¹⁾ , %	5.3	5.5	6.3	5.8	5.6
Average retirement age ¹⁾	58.9	57.5	57.9	57.7 ¹⁾	57.8 ¹⁾

1) The figures do not include the foreign operations of VR Track and VR Transpoint.

2) The employment relationships of the personnel in VR Transpoint's foreign operations are given as employment relationships valid until further notice. This is because no information on fixed-term employment relationships has been collected.

3) The figure includes the transfer of the Coronet Oy personnel to outside the Group.



- Expertise and a culture that generates success will be the main themes in human resources development. VR Group will draw up an operating plan for identifying and developing strategic expertise at the organisational level. The focus in the development of supervisory work will be on change management skills. A group-wide personnel survey will be carried out at the end of the year. A three-year strategy aimed at improving the image of the VR Group as an employer will also be prepared.
- Development of the bonus schemes will continue. The aim is to find models that are more in accordance with the nature of different tasks in such areas as sales work. A new operating model for vocational training will be introduced as the VR Training Centre is no longer a part of the VR Group.

[More information >> \(/en/annual-report-2013/responsibility/personnel/outlook/\)](/en/annual-report-2013/responsibility/personnel/outlook/)

Changes in the work of supervisors

During the year in review, the focus was on developing the work of supervisors.

The reforms in supervisory structures and the recruitment of supervisors that began in 2012 were completed during the year, while coaching and workshops continued. Management work was extensively assessed with 360 degree feedback and a personnel survey focusing on the quality of supervisory work. Satisfaction with the work of the supervisors has improved and the target for the work condition barometer for 2013 was exceeded. During the year in review, the managerial index stood at 3.57 (compared with 3.42 in 2012). A total of 70 per cent of all employees responded to the personnel survey (compared with 64 per cent in 2012). The higher response rate shows that staff members want to influence and participate in the development of their workplace.

Promoting working ability and workplace wellbeing

The working ability and wellbeing of the personnel was improved as part of the "Virtaa" project. One of the aims of the project was to reduce sick leave absences, and the targeted level was already reached halfway through the project. There were improvements in other working ability indicators as well. The project also helps to prevent disability and reduce health-care costs. As part of the project, the VR Group started testing a practice in which a sick leave absence only requires a supervisor's approval and in which partially disabled employees are provided with less demanding work. The fact that the development of workplace wellbeing has been made a responsibility of the development and training unit shows that the VR Group sees the work as part of other ways of developing human resources.

Better HR systems

VR Group introduced a new personnel and employment information management system during the year. The system helps to put the processes for managing the life cycles of employment relationships on an electronic and efficient basis and gives supervisors better access to personnel data. The introduction went smoothly and positive feedback was received on the system.

The development of payroll management continued with an external partner. During the year in review, the focus was on improving the quality of payroll calculation, reducing manual work and increasing payroll reporting.

Training for the railway sector moved to Kouvola

The VR Training Centre, provider of railway training, celebrated its 100th anniversary in 2013. Under an agreement concluded with the City of Kouvola, vocational training was made part of the Kouvola Region Vocational College from the start of 2014. Most of the staff at the VR Training Centre will become employees of the college. In addition to the transfer project, a new operating model for the administration of vocational training that will remain a part of the VR Group and cooperation with the new partner was drawn up.

Personnel structure

There were no major changes in VR's personnel structure during 2013. Average of 10 234 employers worked in VR Group during the year. The number of person years was reduced by 316, of which the sale of Coronet accounted for approximately 170 employees. Traffic control was made into a separate subsidiary (Finrail Oy); approximately 450 employees were transferred there on 1 January 2013. The outplacement centre, which had been established to support the change programme, ceased operations during the year. VR continues to adhere to the change security model in accordance with the principles observed in the Group. A total of 514 persons retired during the year.

New collective agreements

New collective agreements were negotiated with trade unions in 2013. The collective agreements are based on the employment and growth agreement concluded by central labour market organisations in August. The current agreements for VR employees will remain in force until the end of the agreement period and the new collective agreements will enter into force in the summer of 2014.

Solid themes in development of human resources

Expertise and a culture that generates success will be the main themes in human resources development. VR Group will draw up an operating plan for identifying and developing strategic expertise at the organisational level. The focus in the development of supervisory work will be on change management skills. A group-wide personnel survey will be carried out at the end of the year. A three-year strategy aimed at improving the image of the VR Group as an employer will also be prepared.

Development of the bonus schemes will continue. The aim is to find models that are more in accordance with the nature of different tasks in such areas as sales work. A new operating model for vocational training will be introduced as the VR Training Centre is no longer a part of the VR Group.

The aim of the activities to promote working ability is to ensure a continuous reduction in sick leave absences and employment pension costs. Workplace wellbeing activities will be analysed during the year and the aim is to introduce wellbeing projects that will produce measurable improvements in personnel wellbeing.

Development of HR systems will continue. The aim is to introduce HR portal reporting in 2014. The reporting will allow the VR Group to prepare for changes in its personnel structure and provide the management and supervisors with analytical information as management support.

The employment relationship unit will focus on developing collective agreements, on offering support for the divisions as they prepare for competitive tendering and on providing high-quality labour law advice for Group units.

Human resources management

VR Group's values in human resources management

VR Group's values are safety and responsibility, self-renewal, achieving success together and an objective-oriented and customer-focused approach.

VR Group is implementing these values through good human resources management, which is supplemented by successful and active interaction with the personnel. The management framework and values are continuously discussed and assessed at supervisory training events and workshops.

Human resources strategy

VR Group has assessed its human resources strategy in connection with business strategy updates, and the measures supporting the strategy have been derived from the requirements of business operations. The Group has listed the following issues as the joint themes in its human resources strategy:

- developing the work of supervisors, supporting change,
- measures that promote productivity as well as workplace wellbeing and expertise and that generate culture
- success

Objectives of human resources management (2013)

- Developing the work of supervisors
- Promoting working ability and workplace wellbeing
- Developing bonus schemes that support business operations
- Reorganising the training activities of the VR Group
- Reducing personnel costs
- Introducing the HR Master system

Successes and setbacks in HR activities

Successes

- + Focusing on the development of supervisory work is bringing results, and satisfaction with the work of the supervisors has improved significantly.
- + Staff members are becoming more interested in developing the organisation and its activities.
- + Activities to promote working ability are taking place on a more effective basis and there has been a substantial reduction in the costs resulting from disability. At the same time, there has also been a drop in sick leave absences.
- + The Board of Directors has prepared and approved a bonus strategy and bonus manual.
- + The transfer of the training activities of the VR Training Centre went as planned.
- + New collective agreements were negotiated with trade unions representing VR personnel in accordance with the employment and growth agreement.

Setbacks

- Communication and interaction between the management, employees and employee representatives in change situations has not always been successful.
- Drivers' union called a strike in 1.11.2013.

Changes in systems and structures during the review period that improved HR activities and results

- A group-wide HR information system was introduced. The system has facilitated the work of supervisors and the management of employment relationship life cycles.
- The service model of the HR unit has been put on a clearer basis.
- An HR steering group has been established to support the business-oriented nature of HR operations. It comprises the management of different business operations.
- Recruitment partners have been selected by means of competitive tendering, new framework agreements have been concluded and reform of the recruitment operating model has been initiated.

Opportunities and risks in human resources matters

- + Broad range of personnel skills and competence reforms
- + Development of human resources management practices and management systems
- + Better ability to introduce changes
- + Reputation as an employer, more positive image
- + Successful working ability and workplace wellbeing activities
- + Cooperation within the group
- Ensuring future competence is essential
- Communication and interaction on changes are essential



Financial results improved despite economic challenges

VR Group's performance improved substantially from 2012

Comparable operating profit for 2013 increased significantly from the previous year. The improvements were a result of stronger turnover and higher cost-effectiveness.

In passenger services, the growth on the longer routes of long-distance services and in Allegro services to Russia are particularly positive details. Successful special offer campaigns helped to boost growth in long-distance services.

The demand for logistics services is highly dependent on domestic industrial production, which is why the domestic transport volumes were smaller than in 2012. Demand can be expected to pick up only in 2014. In international traffic, the tonnage conveyed increased substantially from the reference period and growth is expected to continue.

A strong order book helped infrastructure engineering to significantly boost its turnover. Cumulative operating profit turned positive in August, i.e. much earlier than in 2012.

The Group's financial position remained in good shape thanks to the strong cash funds.

Competitive tendering for a large purchase of electric locomotives was completed in December. The tendering process involved 80 locomotives and the purchase includes

an option for 97 additional locomotives. The first electric locomotives will begin operational services in 2017, and the entire fleet will be delivered to Finland by 2026. These locomotives will gradually replace the Soviet-made first electric locomotives acquired in the 1970s.

Responsible business also includes responsible financial management and operations

Responsibility is a VR Group value that provides a sound basis for financial management. Goal orientation is behind the Group's efforts to operate competitively and profitably in order to finance the capital expenditure that serves customers.

The strategy for financial management at VR Group is to operate at a high standard and to work with the business divisions towards creating profitable growth. A strong balance sheet and cash flow financing obtained through growth create a firm foundation for extensive investments.

The goals, operating principles and risk management for financial management and security are defined in the financial management guidelines. Financial assets are managed in a productive and liquid manner with a low amount of risk.

Exceptionally large capital expenditure ahead

VR Group's strategic goal is profitable growth. Growth and controlling costs and working capital will play a key role in the next few years in financing the largest single rolling stock purchases in the history of the VR Group.

Much of the VR Group's rolling stock, including locomotives, is extremely old and has reached the end of its roughly 40-year working life. The need for capital expenditure has increased over the years and the rolling stock purchases worth several hundred million euros are essential if the Group is to continue transport services for both passenger and logistics services. For passengers, these purchases will mean improved punctuality and greater travel comfort. The new rolling stock will also support the goals of environmental friendliness thanks to their higher energy efficiency.

The locomotive purchase of December 2013 is part of the VR Group's major investments in rolling stock. VR Group is in the process of purchasing double-deck passenger cars suitable for fast services. In the near future, the VR Group will also prepare for the acquisition of new diesel locomotives.

To finance these investments, the VR Group must achieve better profitability and a higher cash flow from its operations. Fixed costs account for a large proportion of the VR Group's cost structure, which means that adjusting costs quickly is difficult. The retirement of a large number of staff members in the next few years and a more efficient organisation of work will allow the VR Group to reduce its costs. Loan financing will probably be required for the capital expenditure programme. Planning the use of long- and short-term financial instruments and a review of the equity structure will play an important role in the coming years.

Financial indicators	2013	2012	2011	2010	2009
Balance sheet total, M€	1808.7	1773.7	1753	1716.3	1 629,7
Track usage fee*, M€	61.2	61.4	61.2	62.1	55.3
Income taxes, M€	4.6	13.5	3.7	11.7	9.9
Wages and salaries, M€	460.9	476.4	469.2	486.9	483.6
Materials and services, M€	461.7	470.9	515	500.2	470.6
Return on equity, %	3.9	2.9	1.6	2.3	1.5
Return on investment, %	4.4	3.9	1.7	3.3	2.4
Solvency ratio, %	83.6	82.2	81	80.9	83

*) Sisältää rataveron ja investointimaksun

Financial management

VR Group's values in financial management

Responsibility is the VR Group value that provides a sound footing for financial management, and an objective-oriented approach directs its activities. This can be seen in its efforts to operate competitively and profitably, which in turn makes it possible to finance investments that serve customers.

Strategy for financial management

VR Group's strategy for financial management is to work to the highest standards, and with the business operations to seek to create profitable growth. A strong balance sheet and cash flow financing obtained through growth create a firm foundation for the exceptionally extensive investments being made in the future and for developing business operations.

Financial management policies and their implementation

The goals, operating principles and risk management for financial management and security are defined in the financial management guidelines. Financial assets are managed in a productive and liquid manner with a low risk.

Results-based objectives for financial management

Each year VR Group's Board of Directors sets financial targets for the Group in line with the Group's short- and long-term strategy. Business plans for each business unit are drawn up on the basis of the strategy. Ownership policy of the state is followed in financial targets.

Successes and setbacks in financial affairs

- + Net result in profit, improved from previous year
- + Strong balance sheet and liquidity
- + VR Group has performed well in international comparisons
- Managing costs arising from challenging weather conditions and ageing rolling stock
- Weakening in demand in some business areas resulting from economic uncertainty

Opportunities and risks in financial management

- + Strong balance sheet: much of the financing for the exceptionally extensive investments in the next few years from the cash flow from operations, with borrowed capital available at a competitive price
- + Favouring eco-friendly forms of transport: a springboard for growth for logistics and passenger services
- + Opportunities for enhanced efficiency in business processes
- The effect of future and current competition on result
- Impact of global economic situation on demand
- Maintenance costs for ageing rolling stock
- Rising payroll expenses and prices for energy and materials
- Impact of poor condition of track in places on business operations related to rail services

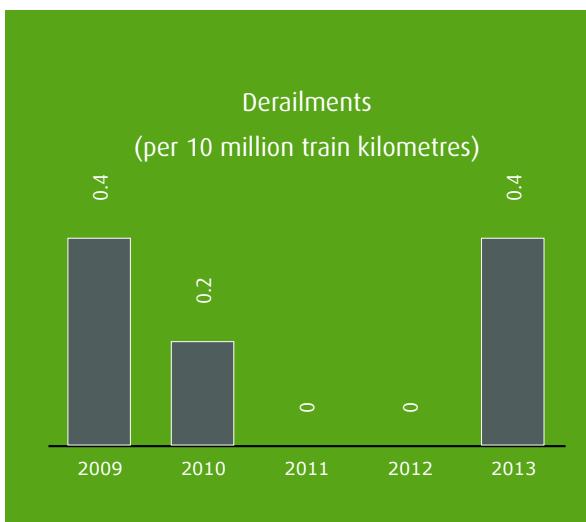
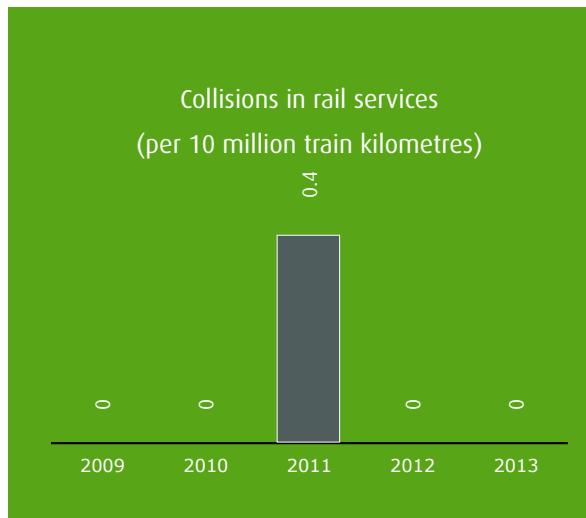
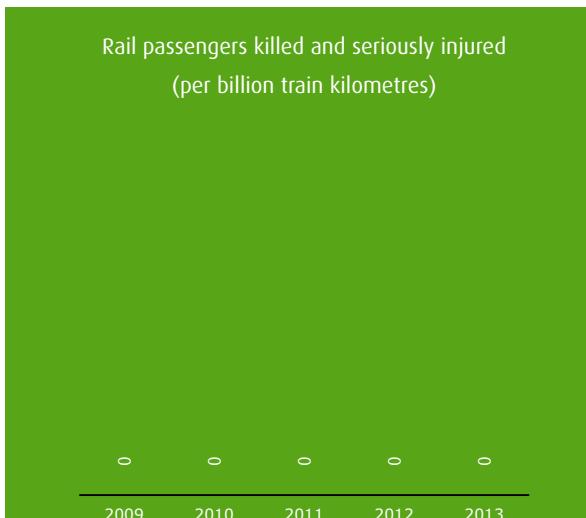
Changes in systems or structures to improve financial management and financial results during the reporting period

- Enhancing cash management and finance planning
- Integrating treasury and financing functions more closely into business operations
- Developing content of monthly reporting
- Continuing project to update reporting system
- Continuing project to replace accounting system
- Developing payments processing



Safety

There were no serious rail accidents in Finland in 2013. There were no accidents in train traffic or shunting operations resulting in deaths or serious injuries among passengers or personnel.



Safety goals

- Safety is a common issue and requires action by everyone
- Making risk management part of all decision-making
- Work accident frequency 18, serious work accidents 0, occupational safety observations 3,500, safety briefings 1,800
- Thorough examination of deviations
- Better safety observations



- The introduction of radio control between traffic operating points is a major safety project. VR and the Finnish Transport Agency conducted a joint risk assessment in 2013, and radio control will be introduced in 2014. Radio control has already been used in shunting operations at rail yards for many years.
- Basic training in traffic safety was transferred from the VR Training Centre to the Kouvola Region Vocational College on 1 January 2014. The training provided in Kouvola will remain tailored to the customer's needs and will consist of courses that are in accordance with official regulations and the customers' own training provided in the agreed upon manner. Refresher training will remain the responsibility of the VR Group.
- The regulatory changes concerning rail services required as a part of harmonising rail traffic in the EU will be introduced in Finland in 2014–2015. Moving from the official regulations steering the operations to the guidelines laid out by the railway operators themselves is the main content of the changes. The changes will require cooperation between the VR Group and the Finnish Transport Agency in many areas.

No serious rail accidents in Finland

There were no accidents in train traffic or shunting operations resulting in deaths or serious injuries among passengers or personnel.

Internationally, however, the year was bleak in terms of rail safety. Within a short period of time, between May and July, there were two serious accidents in Belgium and Canada involving the transport of hazardous substances. During the latter half of the year, there were also serious accidents in France, Spain, Switzerland and the United States.

Determined measures were taken to improve the safety of shunting operations by the VR Group in spring 2013.

Even though the number of safety deviations in shunting have decreased over the years, they are still far too common. In order to reduce the number of safety deviations, the VR Group agreed to introduce operational changes in the use of air brakes and stoppers in shunting. Even though progress has been achieved, there is still room for improvement.

The contract on guarding VR facilities, an important component of customer safety, was subjected to competitive tendering at the end of 2012, and the new contract came into effect in spring 2013. An arrangement with a large number of operators was replaced by a contract with a single nationwide service provider. Contracts at individual locations have been gradually updated and most of the new contracts were concluded in 2013.

VR took part in major accident exercises

In 2013, VR took part in major accident exercises at rail yards in Kouvola, Tampere, Kokkola, Oulu and Vainikkala. Regional rescue services, cooperating closely with VR, have overall responsibility for carrying out the exercises. All exercises went without problems and the cooperation between railway operators in accident situations was found to be smooth.

The Finnish Transport Safety Agency audited the rail safety management system of the VR Group at the end of October. The focus of the audit was on risk management in terms of disruptions, changes and subcontracting. The conclusion was that in overall terms, risk management was at a good level. However, a small number of deviations and recommendations were registered.

New protective clothing

One of VR's biggest internal projects in 2013 was the introduction of new protective clothing. Under order of the Finnish Transport Agency, the orange colour had to be removed from the protective clothing, and in the future this colour may only be used in railway areas in the clothing of the security personnel. There were problems with the measurements of the protective clothing and with the heat properties of the winter clothing, which means that the end result was not entirely successful. The errors were corrected and they have formed the basis for corrective specifications for future projects of similar size.

Key figures

There were three derailments in rail services and a freight train to Kokkola collided with an excavator used in track work in July. In November a passenger train collided in Ylistaro at a level crossing with a lorry carrying corn.

A collision in Tampere during shunting involving several locomotives resulted in considerable damage to property.

There were 34 (48) level crossing accidents involving VR equipment. There were 2 (6) fatalities and 11 (12) persons were injured. One of the accidents resulted in serious injury as a boy on a bicycle was run over by a track work machine in Tornio.

The number of road accidents (230) fell from the previous year (303). The number of injuries (49) fell (51) and there were no fatalities.

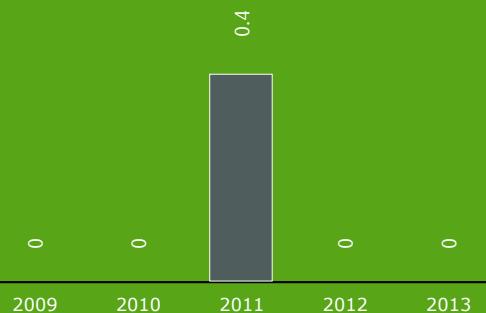
**Accident frequency rate
2013 stood at
19.1**

**Frequency of accidents requiring
more than one day of sick leave.**

Rail passengers killed and seriously injured
(per billion train kilometres)

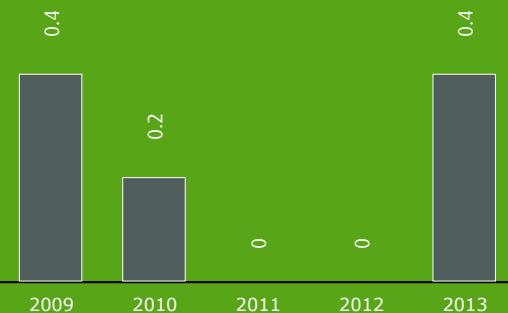
0	0	0	0	0
2009	2010	2011	2012	2013

**Collisions in rail services
(per 10 million train kilometres)**



Derailments

(per 10 million train kilometres)



Safety management

VR Group's values in safety management

Safety is one of the VR Group's key values.

Safety policy

VR has a safety policy that defines the importance and meaning of safety within the company. The safety policy provides the basis for the safety programme and long-term safety work. Occupational safety is part of the human resources strategy.

Rail Safety Programme and its implementation

The Rail Safety Programme is approved for four-year periods. It lays out the safety goals for the programme period, the achievement of which is ensured through the safety management system. The occupational safety programme is approved separately for each business unit. The programme sets out the occupational safety objectives and measures. Implementation of the programme is verified through the occupational health and work safety management system. The current safety programme covers the years 2011–2014.

Safety goals

- Safety is a common issue and requires action by everyone
- Making risk management part of all decision-making
- Work accident frequency 18, serious work accidents 0, occupational safety observations 3,500, safety briefings 1,800
- Thorough examination of deviations
- Better safety observations

Successes and setbacks in safety management

- + No deaths or serious injuries among passengers
- + Less damage during shunting
- + Increasing overall safety awareness
- + Supervisors are actively involved in safety work

Safety risks

The most probable and dangerous risks in rail traffic are connected with the coordination of rail traffic and trackwork and level crossings.

Changes in systems and structures during the review period that lead to improvements in safety activities and better results

- Updating the risk management policy
- Changes in shunting practices
- Better safety management
- Increasing overall safety awareness



Environment

Rail is the most eco-friendly mode of transport because trains generate fewer emissions and consume less energy than other forms of transport. VR Group is committed to further reducing the environmental impact of its operations.

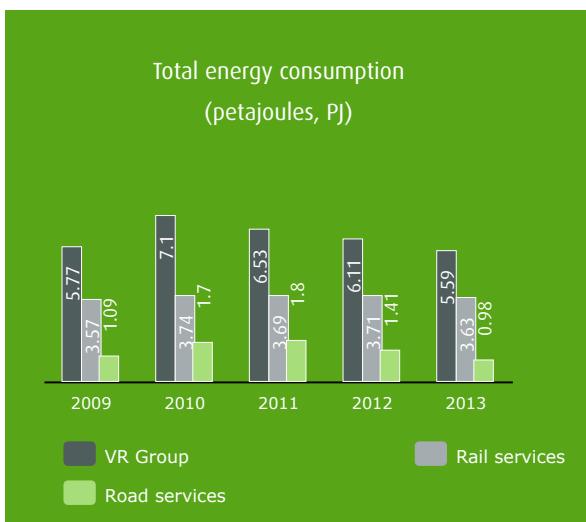
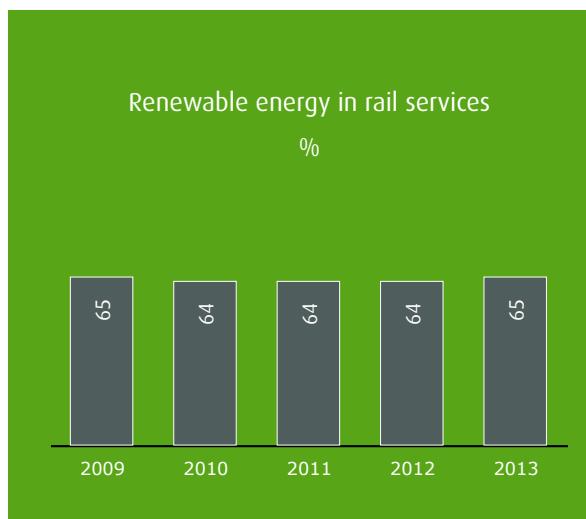
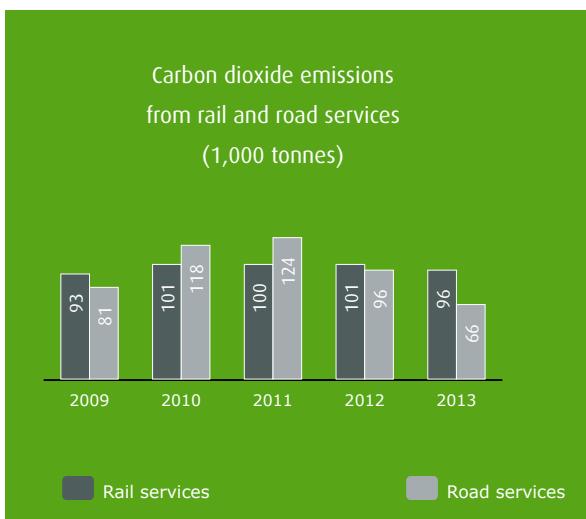
The environmental promises are the basis of the VR Group's environmental activities. They have provided an effective tool for managing its environmental work. The first promise was already made in 2007, and the five current promises cover the years 2013–2020. To fulfil its promises, the VR Group has drawn up an environmental programme in which each unit sets out its own measures for meeting the goals.

In accordance with its current environmental promises, the VR Group aims to operate in a more energy and material-efficient manner and to increase the use of renewable energy. The company will ensure that there are no chemical leaks polluting the environment during transport or other operations. Customers value cleanliness at stations and on trains.

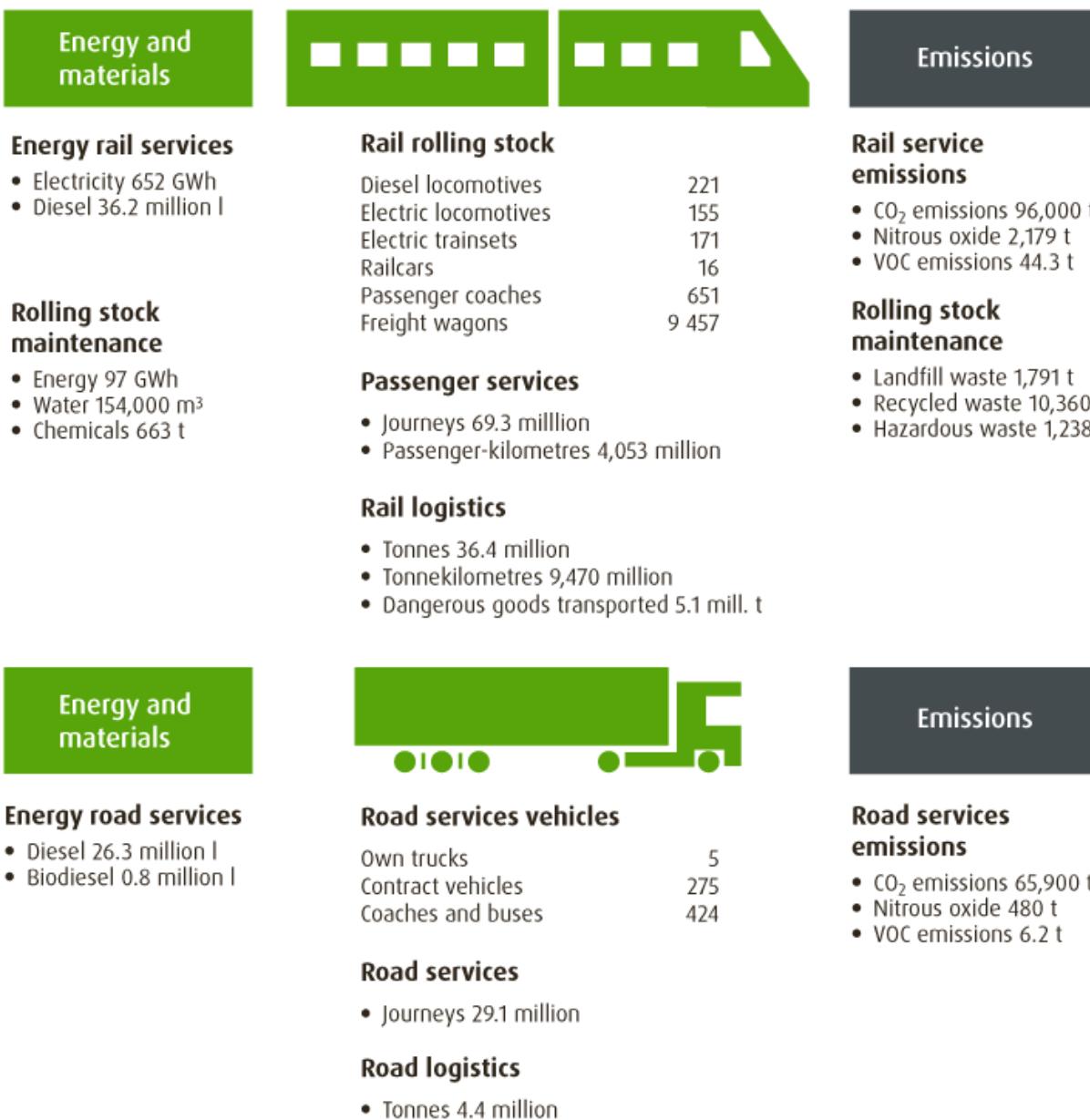
Environmental promises 2013–2020:

- Forward while saving energy
- More renewable energy
- Towards cleaner soil and a cleaner landscape

- Less consumption, more recycling
- The greenest choice



Environmental balance



Energy efficiency helps to slow down climate change

Climate change is continuing. Among the most important factors helping to slow down climate change are better energy efficiency and the use of renewable energy.

By 2020, the aim of the VR Group is to improve the energy efficiency of train traffic by 20 per cent and to increase the proportion of renewable energy to more than 60 per cent of the Group's overall energy consumption.

The environmental awareness generated by climate change offers growth potential for public transport, and especially for environmentally friendly rail services. At the same time, extreme weather phenomena associated with climate change will become more frequent and will cause disruptions in traffic. Emissions trading and higher energy taxes will lead to higher energy prices.

The electricity purchased by the VR Group is generated by means of hydropower

The origin of the electricity is safeguarded with guarantees of origin. As the electricity purchased under the previous contract was also generated by hydropower, there has not been any change in the amount of indirect greenhouse gases.

The groupage logistics business of VR Transpoint was sold in autumn 2012. As a result, the consumption of fossil fuels decreased, which led to a reduction in the direct greenhouse gas emissions generated by road traffic.

The additional buses and coaches of Pohjolan Liikenne were converted into vehicles that use biodiesel. Annual consumption was approximately 800,000 litres, or 7.4 per cent of the total volume.

The percentage of electric traction of the overall train traffic remained unchanged. The electrification work on the section between Rovaniemi and Kemijärvi was completed in March 2014.

The new maintenance depot in Oulu relies on ground heat for heating. Lighting is based on energy efficient LED technology. The melting water of the trains is also recycled and its heat recovered.

Continuous improvements in energy efficiency

The aim of the VR Group is to improve the energy efficiency of train traffic by 20 per cent. The energy efficiency of other operations will also be improved.

The proportion of electric traction, capacity utilisation and filling rates, shunting, empty trains and economic driving as well as the properties of the rolling stock are the factors influencing the energy efficiency of the train traffic.

The performance of the rail passenger services increased by 0.4 per cent, which led to a slight improvement in energy efficiency. A number of the diesel aggregates on restaurant cars were removed and replaced with inverters fed by the trains' power supply.

The average size of a freight train increased by 3.4 per cent to 1,363 tonnes. Shunting work was at the previous year's levels, but there was a slight increase in the proportion of electric traction.

Economic driving training for train and road vehicle drivers continued. Pohjolan Liikenne purchased 57 new Euro VI buses for the Helsinki region and eight Euro V coaches for other services. A total of seven motor cars were purchased for change of drivers. Three of them were electric cars and four were hybrid vehicles.

Direct energy consumption amounted to 2.42 PJ, and the main sources were light fuel oil, diesel oil and natural gas. Consumption of indirect energy (electricity and heat) totalled 3.17 PJ. Total energy consumption decreased by 8.5 per cent, which was mainly due to a drop in the fuel consumption in road logistics.

VR Group has joined the Finnish energy efficiency agreements for public transport and freight transport, in which the target is to reduce energy consumption by nine per cent by 2016. VR Transpoint's rail logistics has achieved this target well ahead of the deadline.

Heating and lighting of properties as part of energy efficiency

Rail and road services account for about four-fifths of the VR Group's total energy consumption. The remaining one-fifth is mainly consumed in the heating and lighting of buildings and by track maintenance equipment.

Tests with light fittings have been carried out at a number of locations, and the property technology will be updated on a long-term basis so that consideration is given to the life cycles of the equipment and machinery. When selecting and purchasing new equipment, the focus is on life cycle costs and energy efficiency.

Metering and remote reading at properties has been increased and building automation has been upgraded so that the monitoring and steering can be done in real time and any deviations can be dealt with more quickly.

Opportunities to use renewable energy will be examined in connection with renovations and new investments. Oil-heated facilities will be systematically converted into facilities that use other systems. The aim is to give up oil heating by 2020.

The aim is to reduce the amount of energy used to heat properties by 20 per cent and the amount of electricity by 30 per cent from 2012 levels by the year 2020. In 2013, the amount of energy used to heat properties totalled 147 GWh, which was 3.3 per cent less than in 2012. In 2013, the amount of electricity consumed by properties totalled 41.4 GWh, which was 1.4 per cent less than in 2012.

Outlook

Important factors to consider when increasing the proportion of electric rail services are the purchase of new electric locomotives and track electrification. Competitive tendering for the purchase of electric locomotives was completed in December. The first of the new electric locomotives will enter service in 2017. The Finnish Transport Agency is responsible for track electrification. Electric trains will start running between Rovaniemi and Kemijärvi in March 2014. The decision to electrify the line between Ylivieska and Iisalmi has been made and the work will begin in 2015.

In the next few years, the VR Group will put more focus on energy efficient driving in rail traffic. In addition to the driving of trains, consideration will also be given to traffic planning and steering. Locomotives will also be fitted with technology supporting economic driving, and drivers will be better placed to drive economically since they can take more account of traffic conditions.

Properties will be made more energy efficient by replacing oil heating with other forms of energy, by increasing the number of LED and other energy efficient lighting systems, and by increasing the proportion of remote control and monitoring devices in property technology.

Soil and landscape

VR Group is committed to ensuring that its operations do not pollute the soil or the groundwater. The aim is that no major leaks contaminate the soil during the transport of hazardous substances or when using chemicals.

The Group has a long history and it owns a large number of properties where soil contamination that occurred decades ago requires risk management. For many years, VR has been cleaning up soil contaminated in the past by rolling stock maintenance and refuelling.

In 2013 the Group spent EUR 1.0 million (EUR 0.7 million) on soil surveys and cleanup. Major property development projects at the sites of old workshops, depots and locomotive sheds account for most of the costs. In 2013, soil decontamination work was carried out in Helsinki, Hämeenlinna, Pori and Oulu as a part of construction projects.

The groundwater monitoring required by authorities is carried out at the Hyvinkää workshop, at the Helsinki depot in Ilmala, at the Kaipainen rail welding workshop, at the Kokkola and Mikkeli locomotive sheds, at the Kouvola depot, at the site of the former Pasila workshop, at the Riihimäki depot and at the Turku depot.

Groundwater remediation is taking place at the Hyvinkää workshop and the Riihimäki depot. Oils are removed from the groundwater by pumping.

The examination of responsibilities concerning the polluted sediments at Pajuluoma, in Seinäjoki, is continuing. There have been a large number of operators in the area over the years and the pollution occurred decades ago. The pollution is partially a result of activities that occurred during the period when Finnish State Railways operated at the rail yard. VR Group has cleaned up the soil of the site in its possession and surveys show that contaminants are no longer discharged from the area into Pajuluoma.

The holding sidings used by diesel-powered rolling stock have been surveyed and guidelines for protecting them will be introduced in 2014. The oil dripping from the diesel locomotives onto the sidings is gradually blackening the surface of the crushed stone between the tracks. For many years, protective mats have been used to cover the cleaned tracks.

No major leaks occurred during the transport of hazardous substances in 2013.

In April, a number of wagons derailed at Vammala in the municipality of Sastamala, and as a result, approximately 5,000 kg of crude tall oil leaked into the environment. The soil was cleaned up. The substance in question was not classified as an ADR product.

Heritage biotopes for endangered species

VR Group and the Finnish Association for Nature Conservation have been cooperating in the management of heritage biotopes since 2008. The project 'Matkalla maisemaan - luonnollisesti' (Scenic travelling - naturally) lasted three years, and since its completion, the VR Group has supported management work in a total of five adopted projects in the years 2011–2013. The sites adopted by the VR Group included the meadow near the Haapamäki railway station, Kirjolanmäki in Salo, a trackside meadow near the Viinijärvi railway station in Liperi, the area around the churches in Keminmaa, and Vähäkangas in Ylivieska.

One of the five environmental promises of the VR Group ('Towards cleaner soil and a cleaner landscape') is also connected with heritage biotopes. The aim is to ensure that biodiversity and biotopes will also be protected in the future. A number of species have spread to tracksides and rail yards specifically because the conditions at these sites are suitable for them. Many of the trackside species, such as the moth Athetis Gluteosa, are endangered. The species has been found at the Tampere rail yard, and work is under way to determine how it can be protected in its area of occurrence.

Outlook

Guidelines and clarification of responsibilities help to minimise the environmental risks arising from current operations.

Soil cleanup will continue as part of changes in land use and construction activities and on the basis of reviews and surveys. Most of the VR-owned areas are located in city and town centres. They are sought-after sites for office and housing construction. Changes in urban structures and the trend towards more compact cities will also increase the need for decontamination of the sites.

Cleanliness and a pleasant atmosphere are part of the travel experience

Making trains and stations cleaner and more pleasant is one of the VR Group's environmental promises. The aim is that at least 85 per cent of customers are satisfied with the level of cleanliness on trains and at stations. In 2013, the figure was 81 per cent.

New and refurbished rolling stock and reducing the number of cars with hopper toilets are part of the process of making trains cleaner. All blue cars will be withdrawn from service by the year 2019.

VR receives a great deal of feedback on train toilets in customer satisfaction surveys. A great deal of effort has gone into keeping them clean. The cleaning of trains is continuously monitored so that travelling comfort would remain at a high level.

The decision to make all passenger trains smoke-free has also made trains cleaner and helped to improve the quality of indoor air. The smoking booths on long-distance cars were removed in 2013.

VR is now washing the inside and outside of the commuter trains more frequently. Cleaning during the journey and at intermediate stations has also been increased during the past few years. VR cleans trains at 26 locations around Finland each day.

The Magic Garden was displayed at the Helsinki Central Station in May–August. The garden consisted of dozens of household plants of different shapes and colours.

Cleanliness and tidiness are particularly important from the perspective of occupational safety at the VR Group's workshops, depots, work sites and terminals. In a clean and tidy working environment, the work can be carried out efficiently and in a safe manner. Cleanliness is also a theme in the work aimed at improving and maintaining quality, such as the 'Sujuva' (smooth) quality improvement programme of VR maintenance.

Recycling rate higher than in 2012

In 2013, the VR Group generated 19,204 tonnes of waste, and 3,799 tonnes (20 per cent) of this total ended up in landfills. A total of 66 per cent of all waste was recycled. Most of the recycled waste was scrap steel.

According to its environmental promises, VR aims to reduce the amount of waste ending up in landfills so that its proportion of all waste will be less than 15 per cent by the year 2020.

VR constantly aims to reduce the amount of waste and increase opportunities for waste sorting and recycling. However, the main aim is to prevent wastage and the generation of waste. Developing procurement procedures, selecting the right materials and making changes in working practices will help to achieve this aim.

Waste sorting and recycling practices have been improved, particularly at depots and workshops. For example, a total of 85 per cent of all municipal waste is already recovered during rolling stock maintenance.

Measures aimed at reducing the amount of waste

In train toilets, efforts have been made to reduce the amount of paper waste by introducing electric hand dryers. In addition to making trains cleaner, the decision will help to improve the functioning of the onboard toilets because paper towels can block them.

Separate collection of biowaste was started on restaurant cars on a trial basis.

A study on organising waste management at the Helsinki Central Station was completed in 2013. The indoor litter bins at the station will be replaced and the sorting of waste on the premises will be improved in 2014 so that the waste recovery rate can be increased.

Old disused freight wagons and their parts are used in the building of new wagons, and wagons that have been withdrawn from service are sent for recycling as scrap steel.

A nationwide campaign to collect electric and electronic waste at all VR Group sites was organised in 2013. During the campaign, all unnecessary electric equipment was collected for recycling.

Machine control is being used in track construction and maintenance. With machine control, an instrument is installed in a construction machine that either helps the operator work in a more precise manner or makes it possible to automatically operate the machine. Machine control allows for the use of materials on a more efficient basis.

The environmental criteria for procurement also take into account material efficiency and recycling.

Future prospects

Collection of waste that can be used as energy will be increased at a number of sites in 2014. The waste sorting rate will be increased, particularly on trains and at stations. The changes in waste management planned for the Helsinki Central Station will be implemented in 2014.

Sorting of waste on restaurant cars will be done on a more efficient basis in 2014. Customer facilities on the new double deck DuettoPlus restaurant cars, which will enter into service in 2014, will have separate containers for three different types of waste (energy waste, mixed waste and biowaste). In the old restaurant cars, there will be containers for mixed waste and biowaste.

Environmental management

VR's values in environmental management

Responsibility and safety are the VR values that in particular create a solid framework for environmental management. The environment is a central theme in VR Group's current strategy.

Environmental strategy and vision

VR Group is the safest and most environmentally friendly partner for customers and society. VR Group is a pioneer and is active in developing its operations. VR Group will play its part in preventing climate change and will focus on using renewable energy. Reducing and preventing harm to the environment are an integral element in environmental activities.

Environmental policies and their implementation

The environmental programmes of VR Group companies and divisions are based on a common environmental policy and apply the principles of sustainable development. Implementation of the Group's environmental policy and environmental promises is an element in VR Group's management system.

Environmental goals

- Environmental efficiency in train traffic will improve by 20 per cent
- Renewable energy will account for more than 60 per cent of the VR Group's energy consumption
- No major leaks will contaminate the soil during the transport of hazardous substances or when using chemicals
- At least 85 per cent of our customers will be satisfied with the level of cleanliness on trains and at stations
- Waste ending up in landfills will account for less than 15 per cent of all waste (excl. scrapping)
- The number of people who consider VR environmentally friendly will increase by two percentage points

Successes and setbacks in environmental affairs

- + Customers value VR's ecofriendliness and environmental communications
- + Achieved target of halving carbon dioxide emissions
- + Renewable energy accounts for high proportion of energy used in rail services
- + Safety in transportation of hazardous substances is at high level
- + Health and environmental risks in land areas are under control
- Energy consumption per passenger in rail services has not declined according to plan
- Volume of combined transport has declined

Environmental opportunities and risks

- + Rail transport mitigates climate change
- + Improving energy efficiency and using renewable energy both reduce emissions
- + Good environmental performance increases customers and cuts costs
- Restrictions/requirements in rail services due to disturbance from noise and vibration
- Accidents may cause contamination of soil and groundwater and other environmental damage
- Extreme weather conditions more frequent, causing disruption of services

Changes in systems or structures during the review period that improve environmental activities and results

- New environmental promises for period 2013–2020
- Environmental programmes for business units
- ISO 14001 environmental certification for main businesses
- Continued to introduce green corporate image
- Introduction of the CSM information system in the collection, analysis and reporting of environmental indicators

GRI content index

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1.2 Key impacts, risks and opportunities	<u>Operating environment</u> <u>Climate change and energy efficiency</u> <u>VR Group key figures -table</u>	
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2.2 Primary brands, products and services	<u>Business operations in brief</u>	
2.3 Operational structure	<u>Business operations in brief</u>	
2.4-2.5 Location of organisation's headquarters and operations	<u>VR Group</u> <u>Operating environment</u>	
2.6 Nature of ownership and legal form	<u>Corporate Governance</u>	
2.7-2.8 Markets served and scale of the reporting organisation	<u>VR Group</u> <u>VR Group key figures</u> <u>Business operations in brief</u>	
2.9 Significant changes regarding size, structure or ownership during the reporting period	<u>Changes in corporate structure</u>	
2.10 Awards received during the reporting period		No awards or acknowledgements will be issued as a part of the Global Reporting Initiative (GRI) during the reporting period

3. Report Parameters	Location	Comment
3.1- Reporting period and cycle, previous report	<u>Scope of Annual Report and sources</u>	
3.4 Contact information	<u>VR Group</u>	
3.5 Defining the content of the report	<u>Scope of Annual Report and sources</u>	
3.6- Report's boundaries and limitations as well as the reporting principles	<u>Scope of Annual Report and sources</u>	
3.8		
3.9- Data measurement, re-statements and significant changes to the report	<u>Scope of Annual Report and sources</u>	
3.11		
3.12 GRI content index	<u>GRI content index</u>	
3.13 Assurance policy and practice		No external verification

4. Governance, Commitments and Engagement	Location	Comment
4.1 Governance structure of the organisation	<u>Corporate Governance</u>	
4.2 Position of the Chairman of the Board	<u>Board of Directors</u>	
4.3 Independence of the Board members	<u>Board of Directors</u>	
4.4 Mechanism for shareholder and employee consultation	<u>Supervisory Board</u>	
4.5 Executive compensation and links to the organisation's performance	<u>Incentive schemes</u>	
4.6 Processes for avoiding conflicts of interest	<u>Board of Directors</u>	
4.7 Processes for determining expertise	<u>Board of Directors</u>	
4.8 Mission and values statements, code of conduct and other principles	<u>Values and strategy</u>	

4.9	Procedures of the Board for overseeing the management of the organisation's sustainability performance	<u>Management of responsibility and scope of Annual Report</u>
4.10	Processes for evaluating the Board's performance	<u>Board of Directors</u>
4.11	Taking a precautionary approach	<u>Environment</u>
4.12	Voluntary charters and other initiatives	<u>Climate change</u> Energy efficiency agreements
4.13	Memberships in associations	<u>Stakeholders</u>
4.14	Key stakeholder groups	<u>Stakeholders</u>
4.15- 4.16	Identification and selection of stakeholders, approaches to stakeholder engagement	<u>Stakeholders</u> Stakeholders identified through stakeholder analysis
4.16	Key topics raised through stakeholder engagement	<u>Operating environment</u>

5. Management Approach to Responsibility (Principles, goals, achievements, responsibilities, training, surveillance)

		Location	Comment
	Managing customer relations	<u>Customer relationship management</u>	
	Financial management	<u>Financial management</u>	
	Environmental management	<u>Environmental management</u>	
	Safety management	<u>Safety management</u>	
	Human resources management	<u>Human resources management</u>	

Economic Performance Indicators

	Location

EC1	Direct economic value generated and distributed to stakeholders	<u>Key figures</u> <u>Market conditions and operating environment</u>
EC2	Risks and opportunities due to climate change	<u>Climate change and energy efficiency</u> Described in words
EC3	Coverage of defined benefit plan obligations	Pension liability is fully covered
EC4	Significant subsidies received from government	Rail services purchased by state
EC6	Spending on local suppliers	Major purchases through public tendering for individual purchases, other purchases by competitive tendering on a leasing basis
EC7	Local hiring	Almost all of VR's operations are located in Finland. Local staff is recruited for operations in other countries, but they account for a very small proportion of VR's total operations.
EC8	Infrastructure investments provided for public benefit	<u>Capital expenditure and rolling stock purchases</u>

Environmental Performance Indicators		Location	Comment
EN1	Materials used	<u>Environmental balance</u>	The chemicals used for rolling stock maintenance have been reported
EN2	Recycled materials used	<u>Waste management</u>	Described in words
EN3	Direct energy consumption	<u>Environmental balance</u>	Energy consumed for rail and road services
EN4	Indirect energy consumption	<u>Environmental balance</u>	Energy consumed for rail and road services
EN5	Energy saved due to conservation and efficiency improvements	<u>Climate change and energy efficiency</u> <u>Total energy consumption - graph</u>	Described in words

EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	<u>Climate change and energy efficiency</u> <u>Renewable energy in rail services - graph</u>
EN7	Indirect energy consumption	<u>Environmental balance</u> Part of energy consumed by road services
EN8-EN10	Water consumption	<u>Environmental balance</u> Water consumption with respect to rolling stock maintenance
EN11	Location and size of land owned, leased and managed in areas with high biodiversity value	VR does not own this land. The Finnish Transport Agency manages the rail network
EN12	Significant impact of activities, products and services on biodiversity in protected areas	VR does not own the land. The Finnish Transport Agency manages the rail network
EN13	Protected or restored habitats	<u>Soil and landscape</u> Described in words
EN16	Greenhouse gas emissions	<u>Climate change and energy efficiency</u> <u>Carbon dioxide emissions from rail and road services</u> <u>Environmental balance</u>
EN17	Other relevant indirect greenhouse gas emissions	Indirect emissions are immaterial in relation to EN16 emissions
EN18	Initiatives to reduce greenhouse gas emissions	<u>Climate change and energy efficiency</u>
EN19	Emissions of ozone-depleting substances	Immaterial, ozone-depleting substances have been replaced
EN20	Other significant air emissions	<u>Environmental balance</u> Emissions from rail and road services

EN21	Water discharge	VR does not discharge water into the water system; wastewater is processed at municipal wastewater treatment plants
EN22	Waste	<u>Waste management</u> <u>Environmental balance</u>
EN23	Significant spills	<u>Soil and landscape</u> <u>Soil and landscape</u>
EN26	Environmental impacts of products and servicesn	<u>Noise and vibrations</u>
EN27	Reclaimable products and their reuse	Immaterial with respect to the VR Group's operations
EN28	Non-compliance with environmental regulations	No incidents of non-compliance during the reporting period

Social Performance Indicators	Location	Comment
LA1 Total workforce by employment type, employment contract and region	<u>Personnel</u>	
LA2 Employee turnover	<u>Personnel data -table</u>	
LA3 Employee benefits	<u>Personnel</u>	
LA4 Coverage of collective bargaining agreements		96.8% of personnel are covered by collective bargaining agreements (TES)
LA5 Minimum notice period with respect to operational changes		Minimum period of notice is 14 days to 6 months, depending on the length of employment
LA6 Safety committees		Safety committees cover all personnel groups
LA7 Injuries, occupational diseases, lost days, fatalities and absenteeism	<u>Safety</u>	
LA8 Prevention programmes with respect to serious diseases		Immaterial with respect to the VR Group's operations
LA10 Employee training	<u>Personnel</u>	Still unable to calculate average amount of training per person
LA11 Skills management and lifelong learning	<u>Corporate Governance</u>	

LA12	Performance and career development reviews	<u>Personnel data -table</u> <u>Personnel data -table</u>
LA13	Diversity of governing bodies and employees	
LA14	Ratio of basic salary, men to women	Equal rights plan
HR1-HR2	Human rights in investment agreements and procurement practices	Ethics included in terms of contracts with partners
HR4	Prevention of discrimination	Equal rights plan
HR5-HR7	Freedom of association, forced labour and child labour	Ethics included in terms of contracts with partners
SO1	Managing the impacts of operations on communities	VR does not have a separate programme for managing community impacts
SO2-4	Corruption	The approval procedure in accordance with the Group's policy aims will ensure that improper use of funds does not occur.
There were no lawsuits relating to bribery		
SO5	Participation in public policy development	<u>Stakeholders</u>
SO6	Donations to political parties and politicians	VR Group does not make donations in support of parties or politicians
SO7	Infringement of regulations on competition and misuse of dominant market position	No incidents of non-compliance during the reporting period
SO8	Fines and sanctions for not complying with laws and regulations	No incidents of non-compliance during the reporting period
PR1	Assessment of health and safety impacts of products	Immaterial with respect to the VR Group's operations
PR2	Non-compliance with health and safety requirements with respect to products	Immaterial with respect to the VR Group's operations
PR3	Product and service information required by procedures	Immaterial with respect to the VR Group's operations

PR5	Customer satisfaction	<u>Business operations / Passenger services</u> <u>Business operations / Logistics</u> <u>Business operations / Infrastructure engineering</u>
PR6	Voluntary principles of marketing communication	The VR Group complies with the marketing regulations and guidelines issued by the Association of Finnish Advertisers. It is committed to the principles of the Helsinki Declaration published by the Association of Finnish Travel Agents.
PR9	Non-compliance concerning products and services	No incidents of non-compliance during the reporting period
LT2	Breakdown of fleet composition	<u>Environmental balance</u>
LT4	Initiatives for using renewable energy sources and for increasing energy efficiency	<u>Climate change and energy efficiency</u> <u>Carbon dioxide emissions from rail and road services</u>
LT5	Initiatives to control air emissions (e.g. biofuels, economic driving)	<u>Climate change and energy efficiency</u> <u>Carbon dioxide emissions from rail and road services</u>

LT7	Procedures for noise abatement	<u>Noise and vibrations</u>
LT11	Policies and programmes regarding substance abuse	VR has a zero-tolerance policy when it comes to intoxicating substances
LT12	Road accidents	<u>Safety</u>

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.

Duties relating to state ownership steering are handled in the Ownership Steering Department of the Prime Minister's Office. VR-Group Ltd's field of business is providing railway and road transport and other related or supporting services, either directly or through subsidiaries or associated companies.

The Finnish Transport Agency, a civil service department subordinate to the Ministry of Transport and Communications, directly owns and manages the rail network. The Finnish Transport Safety Agency (Trafli), a government department subordinate to the Ministry of Transport and Communications, monitors and develops railway safety and inter-operability.

VR Group's largest subsidiary is VR Track Ltd, which specializes in track construction and maintenance. VR Group also includes the Pohjolan Liikenne companies, which offer bus and coach services. VR Group also includes other companies, as listed in the appendix to the Report by the Board of Directors.

Composition and functions of Supervisory Board

VR-Group Ltd's Supervisory Board comprises at least six (6) and at most twelve (12) members. The chairman and members of the Supervisory Board are elected by the Annual General Meeting. A person aged 68 years or older may not be elected as chairman or member of the Supervisory Board. The Supervisory Board elects a deputy chairman from among its members. The term of office for members of the Supervisory Board is one year. The Annual General Meeting decides on the fees paid to members of the Supervisory Board.

Representatives of employee organizations also belong to the Supervisory Board of VR-Group Ltd. The Finnish Railwaymen's Union, the Finnish Locomotivemen's Union, Rautatiealan Teknisten Liitto (Union of Railway Technical Personnel), Rautatievirkamiesliitto (Union of Railway Officials) and VR Akava are represented on the Supervisory Board. The personnel organization representatives have the right to be present and to speak at meetings, but are not full members of the Supervisory Board.

The functions of the Supervisory Board are to:

- supervise the management of the company that is under the responsibility of the Board of Directors and the President and CEO, and ensure that the company's affairs are managed in compliance with sound business principles, with good profitability as the aim, and in accordance with legislation, the articles of association and the decisions of the Annual General Meeting;
- give the Board of Directors instructions on matters of wide-ranging or fundamental significance;
- submit an opinion on the financial statements and the auditors' report to the Annual General Meeting, and
- review the financial and annual plans that include proposals for substantial changes to the main service offering, and monitor the implementation of these plans.

Supervisory Board of VR-Group Ltd 2013

Chairman:

Kari Rajamäki (b. 1948), Member of Parliament

Members:

Christina Gestrin (b. 1967), Member of Parliament
Pertti Hemmilä (b. 1955), Member of Parliament
James Hirvisaari (b. 1960), Member of Parliament
Inkeri Kerola (b. 1957), Member of Parliament
Timo V. Korhonen (b. 1959), Member of Parliament
Merja Kuusisto (b. 1954), Member of Parliament
Asmo Maanselkä (b. 1981), Party Secretary
Aino-Kaisa Pekonen (b. 1979), Member of Parliament
Oras Tynkkynen (b. 1977), Member of Parliament
Raija Vahasalo (b. 1961), Member of Parliament
Raimo Vistbacka (b. 1945), former Member of Parliament

Representatives of personnel organisations:

Risto Elonen, Chairman of the Finnish Locomotivemen's Union
Vesa Mauriala, Chairman of the Finnish Railwaymen's Union
Esko Salomaa, Chairman of Rautatiealan Teknisten liitto
Veijo Sundqvist, Chairman of VR Akava (Until 21 March 2013: Teppo Sotavalta)
Tarja Turtiainen, Rautatievirkamiesliitto

The personnel organisation representatives have the right to be present and to speak at meetings, but are not full members of the Supervisory Board.

Samps Kataja also served as a member of the Supervisory Board until 20 March 2013.

During 2013 the Supervisory Board met seven times and the average attendance rate of the members was 80%.

The fees paid to the Supervisory Board under the decision of the Annual General Meeting of 20 March 2013 are as follows:

Chairman EUR 800 /meeting

Vice chairman EUR 600 /meeting

Member EUR 500 /meeting. In 2013 the members of the Supervisory Board were paid fees totalling EUR 54,300. This total comprises the fees paid to the chairman, vice chairman, members and the representatives of the personnel organisations.

Supervisory Board members also receive a free VR rail pass.

Board of Directors

The Board of Directors is responsible for the administration of the company and for the proper arrangement of its business activities. The Board of Directors is responsible for ensuring that the supervision of the company's accounting and financial management has been arranged appropriately.

As part of its duties, the Board of Directors takes major decisions concerning business principles, strategy, investments, organisation and financing. In addition, the Board decides on the selling or purchasing of business operations, on company acquisitions and on major property transactions.

In addition the Board of Directors:

- approves the annual business plan and budget;
- signs the annual and interim financial statements;
- approves the annual report and interim reports;
- approves the company's organisational structure and incentive schemes;
- appoints and dismisses the President and CEO;
- appoints the members of the Group's Board of Management;
- approves the terms of employment for the President and CEO, members of the Group's Board of Management, and other main key personnel in the Group;
- appoints the members of committees set up by the Board and confirms the working procedures for the committees;
- directs and oversees senior management;
- monitors operations to ensure that they comply with legislation, rules and regulations;
- approves long-term goals;
- approves the Group's values and the principles and policies concerning the control and risk management system;
- prepares matters with the President and CEO that are to be considered in the Supervisory Board and
- convenes the general meeting of shareholders.

The Board of Directors has approved rules of procedure for itself that contain the main duties of the Board and the principles for assessing the work of the Board. The Board confirms changes and updates to the rules of procedure.

The Annual General Meeting of VR-Group Ltd elects the chairman and other members of the Board of Directors annually. The Board elects a vice chairman from among its members. The Board of Directors comprises the chairman and at least four (4) and at most eight (8) ordinary members. A person aged 68 years or more may not be elected

chairman or member of the Board of Directors. If the chairman or a member of the Board reaches the age of 68 during their term of office, their term of office will end at the end of the first annual general meeting following their 68th birthday.

The Board of Directors evaluates its work each year mainly by self-assessment and where necessary utilising an external assessor, to ensure the effectiveness of its work and work procedures and to further develop these.

VR-Group Ltd Board of Directors 2013

Board chairman:

Hannu Syrjänen (b. 1951), LL.M., M.Sc. (Econ.). Previously employed as President and CEO of Sanoma Corporation. Board chairman at: Orion Corporation and the Management Institute of Finland MIF Oy. Board member at: Realia Group Oy, the Finnish Fair Cooperative and the John Nurminen Foundation. Chairman of VR-Group Ltd's Board since 19 April 2011.

Vice chairman of the Board of Directors:

Christer Granskog (b. 1947), M.Sc. (Eng.), Managing Director, Oy Piceum Ab. Previously employed as President, Kalmar Industries Group; Senior Vice President, Partek Oy; and CEO of Partek Cargotek AB, Sisu Group and Valmet Automation Oy. Board chairman at: Patria Oyj and Lännen MCE Oy. Board member at: Cavotec SA and Sarlin Group Oy Ab. Member of VR-Group Ltd's Board since 4 April 2008.

Ordinary members:

Riku Aalto (b. 1965), Chairman of the Finnish Metalworkers' Union. Previously employed as financial manager, Finnish Metalworkers' Union. Board chairman at: VVO Group plc and the Council of Finnish Industrial Unions. Board member at: Central Organisation of Finnish Trade Unions (SAK) and Varma Mutual Pension Insurance Company. Supervisory Board member at: Unemployment Insurance Fund. Member of VR-Group Ltd's Board since 19 April 2011.

Maaret Heiskari (b. 1966), B.Sc. Linguistics, JOKO 57 Executive education, Executive Vice President, Russia, Lemminkäinen Oyj. Previously employed as Russian regional director at Kone Corporation; Executive Programme Director, Sitra – the Finnish Innovation Fund; Head of Moscow Office of Finnish-Russian Chamber of Commerce; and Managing Director of ZAO Unertek. Member of VR-Group Ltd's Board since 30 March 2006.

Antti Mäkelä (b. 1952), M.Sc. (Econ.). Previously employed as President and CEO of Sanomapaino Oy, Sanoma Lehtimedia Oy and Kymen Sanomalehti Oy. Board chairman at: St Michel Print Oy, Länsi-Savo Oy, Etelä-Savon Viestintä Oy and Finex Oy. Member of VR-Group Ltd's Board since 4 April 2008.

Tuija Soanjärvi (b. 1955), M.Sc. (Econ.). Previously employed as CFO at Itella Corporation, Elisa Corporation and TietoEnator Corporation. Board member at: Affecto Plc, Basware plc, Tecnotree Corporation, DNA Ltd, Metsähallitus, Silta Group Oy and Silta Oy. Also holds the position of vice chairman of the governing body of the Finnish Orienteering Federation. Member of VR-Group Ltd's Board since 28 March 2012.

Liisa Rohweder (b. 1960), D.Sc. (Econ.), Secretary General of WWF Finland. Previously employed as Senior Teacher at HAAGA-HELIA University of Applied Sciences, energy economy researcher and head of petrochemicals logistics department at Neste. Board member at: Lappeenranta University of Technology. Also serves as Board chairman on WWF's Living Himalayas conservation programme and chairman of WWF's Communications and Marketing Committee. Member of VR-Group Ltd's Board since 20 March 2013.

Jarmo Kilpelä (b. 1957), M.Sc. (Econ.), Senior Financial Counsellor, Ownership Steering Department at the Prime Minister's Office. Has previously worked as financial counsellor in the Ministry of Finance, as the official responsible for administrative and financial matters in the Government Guarantee Fund, as a researcher in the Bank of Finland and as head of department, deputy head of department and corporate researcher at Säästöpankkien Keskus-Osake-Pankki. Board chairman at: Governia Ltd. Board member at: Altia Plc. Member of VR-Group Ltd's Board since 20 March 2013.

In addition, Soili Suonoja and Markku Tapio served as ordinary Board members until 20 March 2013.

The Board members are independent of the company and of the shareholder, apart from Jarmo Kilpelä who represents the Ownership Steering Department at the Prime Minister's Office.

As a rule the Board of Directors meets once a month. During 2013, the Board met 11 times and the average attendance rate of the Board members was 93%.

Fees and other benefits paid to Board members

Members of the Board of Directors were paid the following fees in 2013, as decided by the Annual General Meeting on 20 March 2013:

Chairman of the Board of Directors EUR 54,750/year

Vice chairman of the Board of Directors EUR 25,800/year

Member of the Board of Directors EUR 22,800/year

Each Board member is also paid an attendance fee of EUR 600 per meeting for Board and Board committee meetings. In 2013 the Board of Directors was paid fees totalling EUR 287,090.

Each Board member also received a free VR rail pass.

Committees of the Board of Directors

The Board of Directors has formed two committees from among its members: the audit committee and the human resources committee. The term of office of these committees is one year. The term of office starts at the appointment of the committee after VR-Group Ltd's Annual General Meeting and lasts until the following Annual General Meeting.

The committees convene 4–7 times a year. The rules of procedure for the committees have been confirmed by the Board and the committees report to the Board of Directors.

Audit committee

The committee focuses on preparing matters concerning financial reporting and supervision for the Board to consider. The committee also looks after contacts with the auditors and the internal audit.

The duties of the audit committee include:

- reviewing the annual budget;
- monitoring the financial statement reporting process;
- monitoring the effectiveness of the company's internal control, internal audit and risk management systems;
- reviewing the description, that is included in the statement on corporate governance issued by the company, of the main features of the internal control and risk management systems relating to the financial reporting process;
- monitoring the statutory audit of the parent company and consolidated financial statements;
- assessing the independence of the auditor or audit firm prescribed by law and in particular the offering of non-audit services to the company being audited;

- monitoring the financial situation of the company and the Group (interim financial statements);
- supervising financial reporting such as interim and annual reports, financial statement releases and other similar press releases concerning communications;
- reviewing auditors' reports and the audit plan, and contact with the auditor;
- reviewing internal audit reports and audit plans and contact with the internal audit;
- monitoring information security risks concerning the company's information systems and other important information security issues; and
- preparing the resolution on the election of the auditor.

On 26 March 2013 the Board of Directors elected the following persons as members of the audit committee: Antti Mäkelä (chair), Riku Aalto, Liisa Rohweder and Tuija Soanjärvi. During 2013 the audit committee met five times and the average attendance rate of the committee members was 100%.

Human resources committee

The human resources committee focuses on preparing matters relating to developing incentive schemes for the President and CEO, other management and personnel, and on preparing key appointments, for the Board of Directors to consider.

The duties of the committee include:

- preparing matters relating to the salary and other benefits of the company's President and CEO;
- preparing matters relating to the remuneration of persons belonging to the Group's Board of Management and other senior management;
- preparing matters relating to the appointment of the President and CEO, members of the Group's Board of Management and where necessary of other key personnel;
- preparing matters concerning the company's incentive schemes; and
- carrying out other duties specifically allocated to it by the Board of Directors and to the extent decided by the committee considering other issues affecting personnel such as personnel development, development of the work of supervisors, successor plans and developing safety at work.

On 26 March 2013 the Board of Directors elected the following as members of the human resources committee: Hannu Syrjänen (chair), Christer Granskog, Maaret Heiskari and Jarmo Kilpelä.

During 2013 the human resources committee met five times and the average attendance rate of the committee members was 85%.

President and CEO and Board of Management

The President and CEO is responsible for managing the Group's day-to-day administration in accordance with the instructions and regulations given by the Board of Directors.

The Board selects and dismisses the President and CEO and determines his remuneration.

The company's President and CEO since 1 July 2009 has been Mikael Aro (b. 1965), eMBA. Before this he served as Senior Vice President, Northern Europe, Carlsberg and CEO of Sinebrychoff, part of Carlsberg.

VR Group has a Board of Management comprising the President and CEO (chair); the Senior Vice Presidents of the Passenger Services and Logistics divisions; the Managing Director of VR Track Oy; the Senior Vice President of the Russia and International Business division; the CFO; and the Group's Senior Vice Presidents for Human Resources, Corporate Relations and the Environment, Train Operations, and Maintenance.

The Board of Management addresses matters of strategic importance and other matters that are of importance to VR's business operations, drafts plans and monitors their implementation. It also considers major day-to-day activities and operational issues. The Board of Management generally convenes once a week.

Members of Management team

In 2013 the Board of Management of VR-Group Ltd comprised President and CEO Mikael Aro and the following:

Mikael Aro



- b. 1965, eMBA
- President and CEO, VR-Group Ltd
- Previously employed as Senior Vice President, Northern Europe, Carlsberg and CEO of Sinebrychoff, part of Carlsberg
- Member of Management Team since 1 July 2009

Petri Auno



- b. 1973, M.Phil.
- Senior Vice President, Train Operations, VR-Group Ltd
- Previously served as Transport Manager responsible for train driver operations and as Regional Manager at VR-Group and as project manager at the University of Oulu.
- Member of the Board of Management since 20 November 2012

Jari Hankala



- b. 1962, M.Sc. (Eng.)
- Senior Vice President, Maintenance, VR-Group Ltd
- Previously served as maintenance director and director of the Varkaus unit at Foster Wheeler Energia Oy.
- Member of the Board of Management since 20 November 2012

Outi Henriksson



- b. 1969, M.Sc. (Econ.)
- Senior Vice President, CFO, VR-Group Ltd
- Previously served in financial management at Sonera, Cultor and Sulake.
- Member of the Board of Management since 13 August 2012

Rolf Jansson



- b. 1969, M.Sc. (Eng.), M.Sc. (Econ.)
- Senior Vice President, Logistics division, VR-Group Ltd
- Previously served as Director, Nordea Corporate Finance, and Management Consultant at Booz Allen Hamilton.
- Member of the Board of Management since 27 July 2009

Timo Koskinen



- b. 1968, LL.M. - Senior Vice President, Human Resources, VR-Group Ltd
- Previously served as Vice President, Human Resources, VR Ltd and VR-Group and as Legal Advisor at Elisa.
- Member of the Board of Management since 20 August 2009

Otto Lehtipuu



- b. 1968, M.Sc. (Eng.)
- Senior Vice President, Corporate Relations and Environment, VR-Group Ltd
- Previously served as Head of Environmental Affairs, VR Group.
- Member of the Board of Management since 1 December 2010

Päivi Minkkinen



- b. 1959, B.Sc. (Linguistics)
- Senior Vice President, Russia and International Business, VR-Group Ltd
- Previously served as Head of International Affairs, VR Group.
- Member of the Board of Management since 20 August 2009

Ville Saksi



- b. 1971, B. Eng
- Managing Director, VR Track Oy
- Previously served as Managing Director, Skanska Infra Oy.
- Member of the Board of Management since 1 January 2010

Antti Tiitola



- b. 1967
- Senior Vice President, Passenger Services, VR-Group Ltd
- Previously served as Managing Director at Lidl Suomi Ky and Director, Marketing at Örum Oy Ab.
- Member of the Board of Management since 1 January 2012

Financial reporting

According to the Limited Liabilities Companies Act, the Board of Directors is responsible for ensuring that the supervision of the company's accounting and financial management has been arranged appropriately. The President and CEO is responsible for ensuring that the company's accounting complies with legislation and that financial management is arranged reliably. The Group's management is responsible for ensuring that the Group's business operations comply with applicable legislation and with the decisions of the company's Board of Directors, and that risk management has been appropriately arranged in the Group.

Internal and external reports are made of the financial situation. Senior management monitors the achievement of financial targets in the Group's Board of Management at least on a monthly basis, and through internal reporting at Group level and for the individual business sectors. The reports monitor the net result, investments and their implementation, the financial situation, the number of personnel and volume of traffic. The Group's financial situation is reported to the Board of Directors once a month.

External reporting involves preparing the quarterly interim reports and the annual report. The Board of Directors reviews all interim and annual reports before they are published.

The Group's finance unit is responsible for the accuracy of the Group's financial reporting. Financial reporting complies with legislation and other regulations and with generally approved accounting principles and other rules governing companies. The aim is to ensure that the Group's financial reporting produces the essential and correct information for internal reports and the reports that are released for publication.

VR Group has an independent internal audit unit that reports to the President and CEO and to the audit committee of the Board of Directors. The internal audit complies with the international professional standards for internal audit and operates in cooperation with the auditors. The Board of Directors has confirmed operating procedures for the internal audit, and confirms the plan of operations for the internal audit each year. The internal audit unit monitors the Group to ensure that its internal controls are effective and have been appropriately arranged. The internal audit reports on its observations to the audit committee at every meeting of the committee.

Principles for incentive scheme for President and CEO and other company management

The Board of Directors of VR-Group Ltd has confirmed the incentive scheme for Group management. In 2013, the incentive scheme only comprised a short-term incentive scheme. The Group did not start a three-year monitoring period in the long-term incentive scheme during the year. The Group's Board of Directors confirms the overall criteria for the scheme and the persons included in the scheme, as well as the more detailed criteria for the incentive schemes, the threshold values, and entry, exit and other governing rules.

The rules and principles in force in the scheme at any particular time are described in the Group's remuneration handbook, which has been reviewed by the human resources committee of the Board of Directors and is maintained by the HR unit.

The incentive scheme complies with the resolution issued by the Government on the matter. Under the terms of the scheme the Board of Directors may in exceptional circumstances amend the terms of the scheme and postpone payment of the bonus.

Short-term incentive scheme

The review period for the short-term incentive scheme is one (1) year. The scheme is divided into four organisational levels (L1-L4). In 2013 about 170 people belonged to the scheme. The President and CEO belongs to level L1, other members of the Board of Management and the immediate subordinates of the President and CEO in relation to head office functions to level L2 (13 persons), and other senior management to L3 (90 people).

The other people selected for the bonus scheme are in positions as supervisors or experts that have a significant impact on business operations, and they belong to level L4 (altogether 64 people).

The Group's Board of Directors confirms each year the people to be included in the scheme.

The objectives, indexes and threshold values for the short-term incentive scheme are set each year so that there are a maximum of six indexes. The Group/unit operating profit is one index with a weighting of 60–15 % depending on the job content, and the other indexes supporting the strategy and unit targets have a weighting of 40–85 %.

The maximum potential bonuses paid for achieving targets in the short-term incentive scheme are for levels L1-L3 30 % and for level L4 25 % of the annual salary (including benefits in kind and holiday pay). The bonus for exceptionally good performance at levels L1-L3 is 50%.

VR Group has no share-based incentive schemes.

Any incentive scheme bonuses are paid in the spring of the year after the earnings year, on the basis of how annual targets have been met once the financial statement figures have been confirmed.

Long-term incentive scheme

The company does not have a long-term bonus scheme and the old systems do not have unpaid bonuses.

Information about the terms of employment of the President and CEO

The salary paid to the President and CEO in 2013 totalled EUR 528,600 and the bonus paid to him for 2012 was EUR 41,000. The President and CEO was not given a bonus of shares or share-based rights during the year.

The retirement age (63 years) and pension for the President and CEO are in accordance with the Employees' Pensions Act. The President and CEO has a personal supplementary pension insurance paid by the employer (annual payment in 2013 was EUR 9,604.50), that includes life insurance in case of death.

The period of notice for the President and CEO is six months, and the normal salary is paid for this period. In addition, the President and CEO is paid a redundancy bonus corresponding to 12 months' salary if the President and CEO is dismissed by the employer.

Audit

According to its Articles of Association, VR-Group Ltd shall have one (1) auditor, which must be a firm of Authorised Public Accountants certified by the Central Chamber of Commerce. The term of office of an auditor ends at the close of the Annual General Meeting following the auditor's election. The auditor is elected by the AGM.

The AGM elected Ernst & Young Oy, Authorised Public Accountants, as auditor for 2013, with Tiina Lind, APA, as principal auditor. Fees paid to the auditor during the 2013 fiscal period totalled 94,567 EUR.

Risk management

The management of VR Group is committed to risk management and to the development of risk management. The risk management of VR Group is guided by the risk management policy approved by the Board of Directors of VR-Group Ltd. The policy sets out the principles and objectives for risk management, the responsibilities, and the operating practices to be observed in risk management.

The purpose of risk management is to provide an up-to-date, accurate and comprehensive assessment of the risks to which VR Group is exposed. At VR Group, risk management is a continuous activity for identifying, assessing, managing and monitoring the Group's major risks in a comprehensive and appropriate way.

Risk management is an essential element of all processes in VR Group. The Chief Executive Officer is responsible for arranging risk management in the Group. In business and support units, risk management is the responsibility of senior management. VR Safety is responsible for ensuring an up-to-date risk policy, for supporting its implementation, and for monitoring and developing risk management practices and for reporting on them to the Board of Management and the Board of Directors. A separately appointed risk management development team guides and supports the persons who are responsible for individual types of risk in the implementation of risk management.

The aim of risk management in VR Group is to promote the achievement of the Group's strategic and operational objectives and to ensure that the Group's business operations are on a profitable and long-term basis. In VR Group's risk management, risks are divided into four categories: strategic, economic, operational and hazard risks. These four categories are further divided into different types of risk. The table below lists by category the most important types of risk examined here.

Strategic risks	Economic risks	Operational risks	Hazard risks
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<i>Factors relating to the operating environment, markets and stakeholder groups that adversely affect the conditions for business operations and their development</i>	<i>Events arising from inadequate information or events connected with business processes that may cause financial losses</i>	<i>Threats to operations or achievement of objectives arising from internal processes and systems or external factors</i>	<i>Accidents or other losses</i>
<ul style="list-style-type: none"> • Group-level strategic risks • Logistics • Passenger services • Infrastructure engineering • Reputation and communications • Political developments and regulation • Company acquisitions 	<ul style="list-style-type: none"> • Contracts and responsibilities • Compliance risks • Governance risks • Purchases • Credits • Interest payments, collateral and liquidity • Financial reporting 	<ul style="list-style-type: none"> • Organisation and management • Human resources • Train operations • Logistics operations • Passenger services operations • Infrastructure engineering production and maintenance • Rolling stock maintenance • Information technology • Management of traffic disruptions and crisis situations 	<ul style="list-style-type: none"> • Personnel • Customers and stakeholder groups • Environment • Group assets

A plan of action has been prepared to prevent major risks from occurring and a person has been appointed to be responsible for each risk. A risk management review is given to the Group's Board of Management twice a year in connection with strategy monitoring and operational planning and to the Board Directors once a year.



Board of Directors' Report

VR Group's 2013 result was good. All business units were profitable. The improved performance shows that the extensive reforms and efficiency improvements carried out within the Group are bringing results.

The year 2013 was marked by major investments in the VR Group. Paying for the investments requires sufficiently profitable business operations and higher overall efficiency within the Group.

VR Group started extensive measures to improve profitability during the year. Through the more efficient organisation of work and by generating savings based on the large number of staff members planning to retire in the next few years, the Group will be able to reduce its personnel costs by EUR 40 million per year, which will amount to about eight per cent by 2016. Within the next few years, a total of 1,700 people will retire from the VR Group and, to replace them, the Group will recruit about 1,000 new employees. During the year, an average of 10,234 persons worked for the VR Group.

- Comparable turnover grew by 6.3%
- Operating profit EUR 70.6 (52.4) million
- Marketing and price campaigns in Passenger Services helped to boost turnover
- VR Transpoint increased its operating profit and market share
- VR Track was profitable

Consolidated net turnover, result and liquidity

VR Group's 2013 result was good. Comparable turnover grew from 2012 and there was substantial improvement in the operating profit. Passenger Services, Logistics and Infrastructure Engineering all posted higher operating profits.

The Group's net turnover in 2013 totalled M€ 1,421.2 (M€ 1,437.8 in 2012). The figures are not directly comparable to 2012 due to the sale of the groupage business on 1 October 2012 and the sale of smaller foreign operations early in the year. Comparable net turnover increased by 6.3 per cent from 2012.

Net turnover for passenger services developed strongly. This is attributable to successful marketing and price campaigns that increased market share, especially on long routes. The full year net turnover was M€ 568.0 (M€ 548.2). Net turnover increased by 3.6% during the year, including growth of 3.3% in the turnover for rail services and 8.6% for bus and coach services. Success in competitive tendering for local services in the Helsinki metropolitan area was a major factor in the growth for bus services.

A total of 98.4 million journeys were made in 2013, an increase of 3.0% from 2012. The number of rail journeys remained at the same level as in the previous year (69.3 million journeys) while road services saw an increase of 11.1% in the number of journeys. The net turnover for Avecra, which provides restaurant services for trains and stations, fell by 1.9% to M€ 34 (M€ 34.6)

VR's logistics carryings consist almost entirely of raw materials and products for the mechanical and chemical wood processing industries, and for the metal and mechanical engineering and chemical industries.

The total transport volume amounted to 42.1 million tonnes. Total Rail Logistics volume amounted 3.3 per cent more than in the previous year.

Russia plays an important role in rail freight traffic. More than a third of the carryings comprise Russian cross-border import, export and transit traffic, which increased in 2013 by about 20 per cent.

Net turnover for logistics totalled M€ 441.9, down 8.8 % from 2012 (M€ 544.2). The decline was due to the sale of the groupage business. Comparable net turnover remained unchanged from 2012, which can be considered a good achievement in the prevailing economic conditions. Net turnover for rail logistics increased 1.0% but for road services fell 48.9% from the previous year due to the sale of the groupage business in 2012. The comparable net turnover for road services fell by 4.6% compared to the previous year.

The comparable net turnover for road services fell by 4.6% compared to the previous year. Logistics recorded a cost provision of EUR 2.8 million in its 2013 results because of the financial risks at Talvivaara.

Net turnover for infrastructure engineering grew very strongly, boosted by a strong order book. Net turnover totalled M€ 340.3, an increase of 24.2 % from 2012 (M€ 273.9). Developments in turnover were particularly positive in the construction business.

The consolidated operating profit was M€ 70.6 (M€ 52.4) and the net profit for the period was M€ 65.3 (M€ 38.8). The operating profit for the financial period includes capital gains on the sale of assets, which contributed M€19.0 (M€ 36.0) to the operating profit. The operating profit without the one-time items improved from 2012 mainly due to the efficiency measures.

The Group's liquidity remained good throughout the period. Liquid assets stood at M€ 265.3 (M€ 207.0) at the end of the year. The Group had no outstanding commercial papers at the closing date.

The Group did not pay a dividend for 2013.

The other financial indicators are given in Note 24.

Equity

The group has 2,200,000 shares, with a par value of € 168.00 per share. The Group's share capital is € 370,013,438.22.

Main events during the year

VR-Group completed the competitive bidding for the largest rolling stock procurement in its history in December. VR is purchasing 80 new electric locomotives to gradually replace the first electric locomotives, which were built in the Soviet Union in the 1970s. The agreement with Siemens was finalised in early 2014. The first batch of ten locomotives will arrive in Finland in 2017. Serial production will start in 2018. The purchase includes an option for a further 97 locomotives.

The locomotive procurement is part of a major investment in rolling stock. VR Group has acquired and is acquiring more double-deck passenger cars that are suitable for high speed services. In the near future VR Group will also start the procurement of new diesel locomotives.

In Finland railway logistics increased its tonne per kilometre performance to achieve a market share of 26.5 per cent. This is very high by European standards. The positive trend in rail logistics also continued. Higher train filling rates made it possible to reduce train kilometres even though at the same time the transportation performance measured in tonnes to kilometres increased. The number of shunting hours declined during the year. This was due to more precise transport planning in conjunction with the development of working methods and the broader introduction of work-enhancing technologies.

The most significant investments for passenger services in 2013 were in new rolling stock. In April, the new power cars were launched, and they entered commercial service in August. At the end of 2013, 12 power cars were in use. With the power cars, trains can be reversed without the need to move the locomotive to the other end of the train. This will help traffic in particular in Helsinki and Tampere, which have congested rail yards. VR has also ordered a total of 26 new DuettoPlus restaurant cars.

Long-distance punctuality deteriorated in 2013. Punctuality was significantly affected by the track work that continued for most of the year and the resulting temporary speed restrictions, as well as by worse frost conditions in the spring than in the previous year. The punctuality for long-distance services in 2013 was 84.7% (86.2%) and for commuter services 95.8% (93.6%). Logistics had a punctuality rate of 91.0% (91.5%).

VR Track increased its net turnover and improved its profitability significantly in 2013. VR Track's engineering business had a full order book throughout the year. The most important projects included the construction design for the Lielahdi-Kokemäki alliance project, construction design for the Kokkola-Riippa and Eskola-Ylivieska double-tracking projects, and the track maintenance register and service agreement for 2013-2014 concluded with the Finnish Transport Agency.

In the field of construction, work started on a number of new projects in the early summer, such as the superstructure work on the Ring Rail Line in Havukoski, superstructure work between Ylivieska and Kilpua, and the alterations at the Vihanti traffic operating point. Work also continued during 2013 on projects started previously. These included the renovation of the Lielahdi-Kokemäki section and the double tracking of the section between Kokkola and Riippa.

Market conditions and operating environment

Industrial restructuring, i.e. the flight of industry from Finland, and trends in key industries in Finland and the neighbouring areas had a particularly strong effect on the development of the logistics business.

For passenger transport, the economic impact was less severe, but it was however reflected in developments in passenger numbers and net turnover. Infrastructure company VR Track operates in a fully competitive environment and succeeded in winning a number of major contracts in 2013.

The opening up of passenger services to competition in the rail sector and the related EU legislation is having an effect on VR Group's activities. – Competition should also be seen in a broader context, for in passenger services rail already competes with other forms of transport, especially with private cars.

The Ministry of Transport and Communications extended VR's long distance service contract until 2024. The terms of the contract include a commitment by VR to large-scale investment in rolling stock.

Passenger traffic volumes are affected by factors such as consumer and travel habits, the regional distribution of the population, the development of infrastructure and services for different modes of transport, and the eco-friendliness of a form of transport. Pricing, punctual services and a smooth, simple overall travel process also affect demand for transport services.

The Finnish Transport Agency is responsible for the condition and development of the national rail network. The condition of the railway infrastructure for its part determines how rail services can be developed and their ability to compete with other forms of transport. Government spending on the construction and maintenance of the rail network has a major impact on the smooth operation of passenger and freight services and on their punctuality. It also affects the infrastructure engineering business.

A mainly single track rail network that is in poor condition in places increases the sensitivity of rail transport to disturbances, and affects the smooth running of rail travel and passenger comfort.

Capital expenditure and rolling stock purchases

The Group's capital expenditure in 2013 totalled M€ 185.2 (M€ 106.5). Leasing contracts accounted for M€ 63.3 of this. Expenditure on rail rolling stock totalled M€ 84.0 (M€ 50.0). IT investments came to M€ 14.3 (M€ 12.9) and expenditure on property was M€ 55.7 (M€ 22.8).

The largest investments were in the passenger service power cars, in rolling stock for logistics, the logistics terminal in Kouvola and the Oulu depot. Other capital expenditure included the replacement of fixed assets. A leasing contract for the power cars acquired at the start of the year was made in September.

Changes in corporate structure and property reorganization

Rail traffic control services were transferred to Finrail Oy, which was established on 1 January 2013. Finrail Oy is a wholly-owned subsidiary of the Group. About 450 people from traffic control transferred to the new company in connection with the divestment.

Speedyex Oy merged with VR-Group Ltd on 31 January 2013. Speedyex was acquired by VR Group in 2010 and specialises in recycling, construction and trade logistics services. Rautatieasunnot Oy and Oy Logis Ab also merged with VR-Group on 1 February 2013.

VR-Track's Latvian subsidiary SIA VR-Track was closed down on 3 December 2013.

VR Group Ltd and TDC Oy Finland, which provides telecommunications services for corporations, sold the entire share capital of Corenet Ltd to Governia Ltd on 4 November 2013. VR Group's holding in the company was 60 per cent and TDC's 40 per cent. Corenet's turnover was approximately M€ 37 million and the company employs about 170 people.

In 2013, the profit on the sale of real estate amounted to M€ 11.2 million, with the total income from the sales coming to M€ 16.6.

In February, two plots of land on Teollisuuskatu in Helsinki were sold to YIT Rakennus Oy at a price of M€ 8.2. In March, a plot of land and building were sold to NCC Property Development Oy in Pasila for M€ 2.7. In September, some areas of land and a building in Tikkurila were sold to YIT Rakkennus Oy for M€ 6.4.

In Kouvola an area of land was purchased from VR Pension Fund for M€ 4.0.

Assessment of business risks and uncertainties

The VR Group is carrying out the most ambitious investment programme in rolling stock in its entire history. This requires greater profitability and better cash flow than before from its business activities. VR Group's cost structure is largely fixed, which makes it difficult to implement rapid changes.

In 2013 VR Group announced a target of annual savings of about M€ 40 in personnel costs, or about 8 per cent, by 2016. The savings will be achieved by improving working efficiency and through wide-scale future retirement. Achieving this efficiency target is vital for the Group's finances and its future.

The most significant risks affecting logistics are the structural changes occurring in the forest industry and their impact on production volumes in Finland, as well as competition in Russian traffic after the contract for combined transport ends. In addition, any delays in implementing planned investments by the mining industry, or the cancellation of these, will affect future prospects.

Opening up commuter traffic to competition will change business models and require efficiency improvements. Preparing for competition is a key part of the strategy for passenger services.

The key risks in infrastructure engineering focus on increased competition in construction and maintenance, as well as dependence on one large customer. Tougher competition is reflected in contract pricing, and to maintain competitiveness, the pressure on the cost structure is considerable.

Safety is at the core of VR's operations. VR Group seeks to minimize the risk of accidents in cooperation with the Finnish Transport Agency and business customers, and by creating a proactive, preventive safety culture. There have been no major rail accidents since the end of the 1990s.

Finance risks are limited at the moment, apart from the securities market risks relating to VR's pension fund, which has major investment assets. The company has protected itself against normal accident risks with insurance cover.

Human resources

Developing supervisory work was the central theme for human resources management in the past year. During the year the supervisory structural reforms and supervisor recruitment that were started in the previous year were completed, and training sessions and workshops were continued. The index for year on year improvement in leadership was 3.57 (3.42 in 2012). 70 per cent of employees responded to the personnel survey (64 per cent in 2012). The increase in responses indicates that the employees want to influence and participate in developing the workplace.

Other central themes for the year included developing well-being and working capacity, and the renewal of HR systems. Vocational training for the railway sector was transferred to the Kouvola Region Vocational College in early 2014.

During 2013 the unions negotiated new collective employment agreements. The latest contracts are based on the pact for employment and growth made with the Central Organisation of Finnish Trade Unions in August. VR's current contracts are valid to the end of the current contract period. The new collective agreements will enter into force in summer 2014.

VR's personnel structure underwent major changes during 2013. The number of employees at the end of the year stood at 10,478 and there was a reduction of 316 man-years, with the sale of Corenet accounting for about 170 people. A new subsidiary (Finrail Oy) was created for rail traffic control and 450 employees were transferred to this company on 1 January 2013. The outplacement centre which was set up as part of the restructuring programme has now wound down its operations. Change security is still implemented in accordance with the Group's common policy. 514 personnel retired in 2013.

Personnel key indicators 2011–2013

	2011	2012	2013
Man work years – average	11,391	11,080	10,234

Change %	-4.70	-2.70	-7.64
Total salaries and wages M€	469.2	476.4	460.9
Permanent employees (average) % of Group work force	98.80	98.20	97.39
Fixed term employees (average) % of Group work force	1.10	1.80	2.61
Full time employees (average) % of Group work force	96.70	96.58	95.99
Part time employees (average) % of Group work force	3.30	3.42	4.01
Average age of work force	46.1	45.6	45.0
Average length of service in years of current employees	20	20	19
% of men in work force	83.10	82.61	82.35
% of women in work force	16.90	17.39	17.65
% of personnel that have development interviews	65	70	78
Absence due to sickness as % of regular working hours	6.30	5.50	5.30
Group's accident frequency rate*			
(total number of accidents at work per million hours worked)	35.4	31.6	19.1*
No. of new recruits with permanent employment	796	928	718

***Group's accident frequency rate**

The calculation method was changed in early 2013, when VR began monitoring accidents leading to more than one day of sick leave. This change helps comparability with other sectors. The figures for 2011 and 2012 show the number of accidents per one million hours worked.

Remuneration

During the financial year in accordance with the decision of the AGM held on 20/03/2013, the chairman of the Board of Directors of VR-Group Ltd was paid fees of € 54,750, the vice chairman € 25,800 and ordinary members of the board € 22,800 for the year. In addition, the Board chairman and members are paid a fee of EUR 600 for each meeting. During the financial year, in accordance with the decision of the AGM, the chairman of the Supervisory Board was paid a fee of € 800 per meeting, the vice chairman € 600 and ordinary members € 500.

The total salary paid to the President and CEO of VR-Group Ltd in 2012 was € 528,600 and the bonus paid for 2012 was € 41,000. The President and CEO has a personal supplementary pension insurance paid by the employer (with an annual payment of € 9,604.50 in 2013), that includes life insurance in case of death.

The bonus scheme of the VR Group covers all personnel.

VR Group complies with current contract of employment legislation and other regulations when paying salaries and wages to employees. The personnel were not paid a performance related bonus in 2013.

On account of the good performance in 2013, a performance bonus provision for the management, personnel and experts and a profit bonus provision for the personnel and experts were entered in the results. The provision totalled EUR 10.8 million. The bonus scheme covers a total of 780 experts, supervisors and managers. The personnel fund has a total of 9,940 members.

Management and audit

The Annual General Meeting held on 20 March 2013 confirmed that the Board of Directors of VR-Group Ltd would have eight members. **Hannu Syrjänen** was re-elected chairman of the Board. At its constitutive meeting after the AGM, the Board of Directors elected **Christer Granskog** to continue as vice chairman. **Riku Aalto, Maaret Heiskari, Antti Mäkelä** and **Tuija Soanjärvi** continue as ordinary members of the Board. **Jarmo Kilpelä** and **Liisa Rohweder** were chosen as new members of the Board. **Soili Suonoja** and **Markku Tapio** acted as members of the Board until 20 March 2013. The Board met 11 times, with an attendance rate of 93%.

The Board elected **Hannu Syrjänen** as chairman of the human resources committee and **Christer Granskog, Maaret Heiskari** and **Jarmo Kilpelä** as members. The Board elected **Antti Mäkelä** as chairman and **Riku Aalto, Tuija Soanjärvi** and **Liisa Rohweder** as members of the audit committee. **Maaret Heiskari** was a member of the audit committee until 20 March 2013. **Soili Suonoja** and **Markku Tapio** acted as members of the human resources committee until 20 March 2013. The human resources committee met five times, with an attendance rate of 85%. The audit committee met five times, with an attendance rate of 100%.

The Annual General Meeting confirmed that the Supervisory Board would have 12 members and elected **Kari Rajamäki** as chairman of the Supervisory Board. **Timo Korhonen** was elected vice-chairman at the Supervisory Board's meeting after the AGM. The members of the Supervisory Board were **Christina Gestrin, James Hirvisaari, Sampsa Kataja** (until 20 March 2013), **Pertti Hemmilä** from (21 March 2013) **Inkeri Kerola, Merja Kuusisto, Asmo Maanselkä, Aino-Kaisa Pekonen, Oras Tynkkynen, Raija Vahasalo** and **Raimo Vistbacka**. The Supervisory Board met seven times during the review year, with an attendance rate of 80%.

Representatives of employee organisations also attend VR's Supervisory Board meetings. The representatives from employee organisations have been: **Vesa Mauriala**, Chairman of the Finnish Railwaymen's Union; **Risto Elonen**, Chairman of the Finnish Locomotivemen's Union; **Esko Salomaa**, Chairman of the Rautatiealan Teknisten Liitto (Union of Railway Technical Personnel); **Tarja Turtiainen**, representative of the Rautatievirkamiesliitto (Union of Railway Officials); and **Teppo Sotavalta**, Chairman of VR Akava (from 21 March).

Ernst & Young Oy, Authorised Public Accountants, were elected as auditor. The principal

auditor was Tiina Lind, APA, JHTT.

No changes have occurred in the composition of VR Group's Board of Management.

Safety

In 2013, no serious rail traffic accidents occurred in Finland. During the year, there were no fatal accidents or serious injuries to passengers or VR Group personnel in connection with rail services or shunting.

The target accident frequency rate (20.0 per million hours worked) remained below the threshold.

Environment

VR-Group continued to implement its environmental promises over the past year. The promises for the years 2013 - 2020 can be seen in the annual report section on responsibility.

According to its environmental promises, VR Group is aiming at greater efficiency in the use of energy and materials, and to increase the proportion of renewable energy. The Group takes care to ensure that no leakages of chemicals that pollute the environment occur during transportation or in other activities. The Group also aims to make sure that customers are satisfied with the cleanliness of trains and stations.

In financial terms, soil surveys and decontamination form a significant part of the Group's environmental activities. The costs for action relating to the soil and groundwater came to a total of M€ 0.7.

Major events after the end of the fiscal year

There have been no major exceptional events after the end of the fiscal year.

Prospects in 2013

The unstable state of the economy in Europe is still creating uncertainty in the market. VR Group has also posted positive figures during the early months of 2014 and the trend is expected to continue even though the operating environment remains challenging. In Passenger Services the efforts put into customer service and the loyalty scheme, coupled with the successful price campaigns, aim at continuing the encouraging developments in sales. The outlook for logistics in 2014 is closely connected with the growth prospects of Finnish industries. The outlook will be strongly influenced by domestic economic developments and developments in the areas adjacent to Finland, especially Russia and the Baltic countries.

Systematic efficiency improvements will continue, and at the same time, VR Transpoint will actively seek new growth opportunities with existing and new customers. Even though the Finnish track maintenance market is expected to remain at reasonable levels, competition will probably become tougher as a result of the slowdown in the construction business and the overall state of the infrastructure engineering sector.

Infrastructure Engineering starts the year armed with a stronger order book than in the previous year. In particular, the business development programme started in 2013 is expected to improve the company's profitability.

The Group's liquidity remains strong, but the extremely large future capital expenditure means that it will weaken to some extent.

Board's proposal for the treatment of profit

The parent company's distributable profit totalled M€ 270.5, which included a net profit for the year of M€ 10.7.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid and that the distributable funds be retained under shareholders' equity.

No fundamental changes have taken place in the Group's financial position since the end of the fiscal year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (€)	Note	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Net turnover	1	1,421,153,740	1,437,766,165
Change in stocks of finished goods and work in progress		-101,465	-2,004,115
Production for own use		40,264,874	29,503,385
Profits from associated companies	2	1,323,505	2,128,101
		48,764,801	61,440,431
Materials and services	3	461,699,737	470,922,048
Personnel expenses	4	571,327,984	590,959,683
Depreciation	5	120,588,525	117,760,156
Other operating expenses	6	287,197,626	296,835,515
Expenses, total		1,440,813,871	1,476,477,401
Operating profit	7	70,591,584	52,356,567
Financial income and expenses	8	120,588	1,636,340
Profit before extraordinary items and taxes		70,712,173	53,992,907
Income taxes	11	-4,585,827	-13,462,021
Minority interest		-816,214	-1,763,234
Profit for the year		65,310,131	38,767,653

CONSOLIDATED BALANCE SHEET (€) Note **31 Dec. 2013** **31 Dec. 2012**
ASSETS**Fixed assets**

Intangible assets	12	91,267,725	96,002,445
Goodwill on consolidation		1,864,171	3,163,471
Tangible assets	12	1,112,424,611	1,151,385,663
Investments	13		
Holdings in associated companies		6,406,190	5,309,098
Other investments		28,237,923	7,226,382
Fixed assets, total		1,240,200,619	1,263,087,059

Current assets

Stocks	14	95,252,629	96,937,739
Deferred tax credit	15	2,253,430	6,237,746
Long-term receivables	15	465,089	6,739,040
Current receivables	15	205,189,019	193,711,347
Securities	16	243,806,938	161,065,405
Cash at bank and in hand		21,486,691	45,917,099
Current assets, total		568,453,795	510,608,375

ASSETS TOTAL**CAPITAL AND LIABILITIES**

Shareholders' equity	17		
Share capital		370,013,438	370,013,438
Share premium account		525,808,152	525,808,199
Retained earnings		528,102,045	490,018,548
Profit for the year		65,310,131	38,767,653
Shareholders' equity, total		1,489,233,766	1,424,607,837
Minority interest		5,166,120	15,058,232
Negative goodwill			
Provisions	18	8,539,994	8,219,439
Liabilities	19		
Deferred tax liability		70,036,861	71,007,132
Long-term liabilities		691,667	1,044,109

Current liabilities	234,986,006	253,758,684
Liabilities, total	305,714,534	325,809,925
CAPITAL AND LIABILITIES, TOTAL	1,808,654,414	1,773,695,434

CONSOLIDATED CASH FLOW STATEMENT (1,000 €)	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flow from operating activities		
Operating profit	70,595	52,357
Adjustments to operating profit 1)	90,885	94,780
Change in net working capital	-29,812	-66,335
Interest received	2,959	2,145
Interest paid and payments for other financial expenses	-3,121	-651
Dividends received	240	14
Taxes paid/received	-1,997	-1,688
Net cash from operating activities	129,748	80,622
Cash flow from investing activities		
Capital expenditure on fixed assets and shares	-157,222	-111,374
Other fixed assets disposals	85,973	20,980
Subsidiaries/business operations sold	15,944	40,881
Change in other long-term investments	-21,011	-1,302
Repayments of loan receivables	5,059	3,967
Net cash from investing activities, total	-71,257	-46,848
Cash flow before financing activities	58,492	33,774
Cash flow from financing activities		
Current loans - raised/repaid	-171	-1351
Dividends paid		
Net cash used in financing activities, total	-171	-1351
Change in cash reserves	58,321	32,423
Cash reserves on 1 Jan.	206,982	174,559
Cash reserves on 31 Dec.	265,303	206,982

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

PARENT COMPANY PROFIT AND LOSS ACCOUNT (€)	Note	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Net turnover	1	880,864,101.87	980,976,182.27
Other operating income	2	81,825,754.19	76,601,141.63
Production for own use		27,405,152.33	21,838,271.32
Materials and services	3	239,883,265.90	284,635,877.06
Personnel expenses	4	358,888,024.64	409,529,849.69
Depreciation	5	105,568,162.94	100,052,595.25
Other operating expenses	6	225,511,662.32	242,057,584.48
Expenses, total		929,851,115.80	1,036,275,906.48
 Operating profit		60,243,892.59	43,139,688.74
Financial income and expenses	8	5,120,859.22	3,715,954.23
Profit before extraordinary items		65,364,751.81	46,855,642.97
Extraordinary items	9	5,998,100.00	4,106,000.00
Profit before taxes		71,362,851.81	50,961,642.97
Change in depreciation difference	10	-60,581,706.42	-40,852,200.37
Income taxes	11	-81,681.16	0.00
Profit for the year		10,699,464.23	10,109,442.60

PARENT COMPANY BALANCE SHEET (€) Note **31 Dec. 2013** **31 Dec. 2012**

ASSETS**Fixed assets**

Intangible assets	12	90,833,664.45	95,363,297.26
Tangible assets	12	1,060,130,585.95	1,082,105,721.08
Investments	13		
Holdings in, and receivables from, Group companies		60,296,437.62	81,758,897.69
Other investments		29,678,759.46	8,644,842.13

Fixed assets, total **1,240,939,447.48** **1,267,872,758.16**

Current assets

Stocks	14	61,434,738.58	61,772,390.71
Long-term receivables	15	507,815.10	5,674,087.24
Current receivables	15	136,521,688.82	109,519,541.51
Securities	16	243,806,937.92	161,065,404.74
Cash at bank and in hand		15,365,742.05	40,660,175.77
Current assets, total		457,636,922.47	378,691,599.97

ASSETS, TOTAL **1,698,576,369.95** **1,646,564,358.13**

CAPITAL AND LIABILITIES

Shareholders' equity	17		
Share capital		370,013,438.22	370,013,438.22
Share premium account		525,753,544.21	525,753,544.21

Retained earnings		259,769,467.13	250,406,229.19
Profit for the year		10,699,464.23	10,109,442.60
Shareholders' equity, total		1,166,235,913.79	1,156,282,654.22
Accumulated appropriations	18	343,109,749.21	282,528,042.79
Other provisions	18	1,036,932.07	463,520.92
Liabilities	19		
Long-term liabilities		387,975.85	354,959.86
Current liabilities		187,805,799.03	206,935,180.34
Liabilities, total		188,193,774.88	207,290,140.20
CAPITAL AND LIABILITIES, TOTAL		1,698,576,369.95	1,646,564,358.13

PARENT COMPANY CASH FLOW STATEMENT (1,000 €)	1 Jan.–31 Dec. 2013	1 Jan.–31 Dec. 2012
Cash flow from operating activities		
Operating profit	60,243,892.59	43,139,688.74
Depreciation according to plan	105,568,162.94	100,052,595.25
Other non-payment-related income and expenses	-29,397,423.33	-42,079,418.46
Cash flow before change in net working capital	136,414,632.20	101,112,865.53
Change in stocks	-337,652.12	-7,448,419.80
Change in current receivables	-10,556,429.61	-19,315,033.76
Change in current liabilities	-28,139,004.77	-18,916,716.20
Change in net working capital	-39,033,086.51	-45,680,169.76
Interest paid	-2,659,523.35	-2,083,488.58
Dividends received	4,198,772.55	2,943,729.12
Interest received from operating activities	2,929,856.66	2,767,818.53
Taxes paid / received	-81,681.16	-469.50
Cash flow from financial items and taxes	4,387,424.70	3,627,589.57
Net cash from operating activities	101,768,970.39	59,060,285.34
Cash flow from investing activities		
Capital gains from tangible and intangible assets	-147,055,681.33	-91,410,060.06
Sale of other fixed assets	80,742,130.72	19,650,801.33
Subsidiaries/business operations sold	15,944,135.27	39,187,798.82
Change in other long-term investments	-21,011,298.31	3,205,499.71
Loans granted	0.00	-34,029.17
Repayment of loans receivable	10,397,503.55	3,967,459.84
Net cash from investing activities, total	-60,983,210.10	-25,432,529.53
Cash flow before financing activities	40,785,760.29	30,140,755.81
Cash flow from financing activities		
Change in long-term receivables	5,166,272.14	0.00
Group contributions received	4,106,000.00	4,785,000.00

Change in funds transferred to Group accounts	7,389,067.01	-2,859,201.55
Net cash used in financing activities, total	16,661,339.15	1,925,798.45
Change in cash reserves	57,447,099.44	35,553,554.26
Cash reserves on 1 Jan.	201,725,580.51	166,172,026.27
Cash reserves on 31 Dec.	259,172,679.97	201,725,580.51

Accounting principles

Scope of consolidation

The consolidated financial statements comprise all subsidiaries and associated companies.

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. Copies of the consolidated financial statements are available from the company's head office at Vilhonkatu 13, P.O. Box 488, 00101 Helsinki, Finland.

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 separated from shareholder equity and the net profit and shown as a separate item.

Associated companies

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

Comparability of accounts

The financial statements have been prepared in accordance with the accounting regulations in the Finnish Accounting Act of 30 December 1997 (1336). The figures for comparison are from the financial period 1 January - 31 December 2012, 12 months.

Recognition of long-term projects

Revenue from VR-Track Ltd's construction projects is recognized as a percentage of their completion. The percentage of completion is determined by monitoring the actual project costs to date and comparing them with the estimated total costs of the project. Net turnover is calculated as the aggregate recognized percentage as a proportion of the estimated total revenue accruing from the projects.

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€ 27.8 (M€ 24.2) were produced by the company itself and include M€ 0.1 (M€ 1.5) 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.

Production for own use included in stocks also includes a proportion of fixed costs. 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 statutory work pension insurance is arranged with an external company and the Group's supplementary pension benefits are insured by VR-Pension Fund s.r. Pension costs are allocated as booked. VR's pension commitments are fully covered.

Comparability of parent company accounts

The financial statements have been prepared in accordance with the accounting regulations in the Finnish Accounting Act of 30 December 1997 (1336). The figures for comparison are from the financial period 1 January - 31 December 2012, 12 months.

1 Net turnover by business sector and market area (1,000 €)

Breakdown by business sector	Group		Parent company	
	2013	2012	2013	2012
Passenger services				
Rail services	458,918	444,349	459,059	444,059
Road services	75,142	69,218		
Catering and restaurant operations	33,966	34,615		
Freight services				
Road services	331,636	328,309	332,842	329,144
Road services	110,298	215,879	69,719	153,457
Infrastructure Engineering	340,326	273,929		
Other services	70,868	71,467	19,244	54,316
Total	1,421,154	1,437,766	880,864	980,976
Breakdown by geographical area				
Finland	1,349,023	1,389,775	880,864	980,976
Rest of Europe	72,131	47,991		
Total	1,421,154	1,437,766	880,864	980,976

Revenue from long-term track 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€ 282,9 (187,2).

2 Other operating income (1,000 €)

	Group		Parent company	
	2013	2012	2013	2012
Rental income	17,660	15,181	25,105	21,569
Profits on sale of fixed assets	19,038	9,737	28,844	9,354
Other	12,067	36,522	27,877	45,678
Total	48,765	61,440	81,826	76,601

3 Materials and services (1,000 €)

	Group	Parent company
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	2013	2012	2013	2012
Materials and supplies (goods)				
Purchases during the year	245,895	236,788	133,118	146,667
Change in stocks	-1,192	-9,198	338	-7,448
External services purchased	216,997	243,331	106,427	145,417
Total	461,700	470,921	239,883	284,636

4 Personnel and personnel expenses (1,000 €)

The number of personnel employed by the Group during the year, on average by business sector, was as follows:

	2013	2012
Passenger Services	2,601	2,564
Logistics	1,670	2,340
Infrastructure Engineering	1,990	1,975
Telecom services	160	196
Other services	3,813	4,005
Total	10,234	11,080

Personnel expenses (1,000 €)	Group	Parent company		
	2013	2012	2013	2012
Wages and salaries				
Wages and salaries	460,870	476,443	290,037	330,945
Pension expenses	78,910	82,121	50,418	57,579
Other social expenses	31,548	32,396	18,432	21,006
Personnel expenses in the P&L account	571,328	590,960	358,888	409,530

Management remuneration (1,000 €)	Group	Parent company	
	2013	2012	2012

Presidents	1,820	1,288	807	455
Members of Boards of Directors	291	285	291	285
Supervisory Board	79	55	79	55
Total	2,190	1,628	1,177	795

The retirement age for the President and CEO of VR-Group Ltd is 63 years. The President and CEO has an additional personal pension insurance of € 9,604.50 paid by the employer that includes life insurance in case of death.

5 Depreciation and impairment (1,000 €)

	Group		Parent company	
	2013	2012	2013	2012
Planned depreciation				
Intangible assets	12,000	10,334	11,291	9,537
Buildings and structures	11,888	11,953	11,757	11,819
Tractive and rolling stock	74,821	63,933	74,821	68,706
Other machinery and equipment	15,171	28,614	2,368	9,142
Other tangible assets	923	1,135	781	849
Amortization of goodwill on consolidation	1,213	1,791		
Impairment resulting from long-term liability assets				
Tractive and rolling stock	4,550		4,550	
Other machinery and equipment		22		
Total	120,588	117,760	105,568	100,053

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.

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	30 years	planned
Electric trains	25 years	planned
Rolling stock	15–20 years	planned
Other machinery and equipment	5–15 years	planned
Other tangible assets	5–30 years	planned

6 Other operating expenses (1,000 €)

	Group		Parent company	
	2013	2012	2013	2012
Planned depreciation				
Intangible assets	12,000	10,334	11,291	9,537
Buildings and structures	11,888	11,953	11,757	11,819
Tractive and rolling stock	74,821	63,933	74,821	68,706
Other machinery and equipment	15,171	28,614	2,368	9,142
Other tangible assets	923	1,135	781	849
Amortization of goodwill on consolidation	1,213	1,791		
Total	120,588	117,760	105,568	100,053

Track usage fee and track tax	61,238	61,443	61,238	61,443
Rents and other property expenses	77,187	85,294	60,081	66,433
Travel expenses and other personnel expenses	37,421	39,716	20,327	19,905
Telecommunications and information management expenses	42,865	44,184	37,721	40,151
Other service expenses	19,824	22,211	18,099	21,063
Administration and other expenses	48,663	43,988	28,092	33,062
Total	287,198	296,836	225,558	242,058

Auditors' fees	Group		Parent company	
	2013	2012	2013	2012
Auditing fees	92	129	31	65
Taxation services	0	8	0	0
Other services	5	298	0	144

7 Operating profits of the Group's principal business sectors (1,000 €)

	2013	2012
Passenger Services	33,159	21,093
Logistics	12,977	29,295
Infrastructure Engineering	8,295	-5,672
Others	16,161	7,641

8 Financial income and expenses (1,000 €)

	Group		Parent company	
	2013	2012	2013	2012
Dividend income				
From Group companies	0	0	3,967	2,768
From others	18	14	232	176
Dividend income, total	18	14	4,199	2,944
Interest income from long-term investments				
From Group companies			436	275
From associated companies	129	174	129	174
From others	316	143	316	143
Other short-term interest and financial income				
From Group companies	0	0	256	412
From associated companies	-5	0	-5	5
From others	2,668	3,002	2,563	1,758
Interest expenses and other financial expenses				
To Group companies	0	0	300	977
Impairment resulting from long-term liability investments		-30		
To others	3,036	1,696	2,474	1,019
Financial income and expenses, total	121	1636	5,121	3,716

9 Extraordinary items (1,000 €)

Group contributions received	5,998	8,272
Group contributions given	0	-4,166
Total	5,998	4,106

10 Appropriations (1,000 €)

Difference between planned depreciation and depreciation booked for tax purposes

Parent
company
2013 2012

Change in depreciation difference (increase +, decrease -)	60,582	40852
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The depreciation difference is divided in the consolidated accounts between the net profit for the year, non-restricted shareholders' equity, the change in the deferred tax liability and the deferred tax liability.

11 Income tax (1,000 €)

Group
2013 2012 Parent
company
2013 2012

Income tax on extraordinary items	0	0		
Income tax on operating activities	1,626	1,986		
Income tax on previous years	-49		82	0
Deferred tax liability	3,009	11,476		
Total	4,586	13,462		

**12 Fixed assets
(1,000 €)**

Group 2013	Intangible assets				Tangible assets						
	Intangible rights	Goodwill	Consolidation difference	Total	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments & work in progress	Total	Assets, total
Acquisition cost 1 Jan.	126,885	470	22,199	149,553	52,578	327,071	1,706,970	14,899	95,852	2,197,370	2,346,923
Translation difference	-1			-1		-8	-583	-4		-595	-596
Company acquisitions								21		21	21
Increases	1,966	67	4,093	6,126	1,279	3,634	5,273	1,028	150,056	161,270	167,396
Company disposals	-2,538	-82		-2,620			-58,251		-3,521	-61,772	-64,392
Decreases	-37	-175	-4,093	-4,305	-5,262	-1,951	-8,963	-692	-63,192	-80,060	-84,365
Revaluation				0						0	0
Transfers between items	7,319			7,319	700	9,310	51,170	865	-69,364	-7,319	0
Transfer to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Acquisition cost 31 Dec.	133,593	280	22,199	156,072	49,294	338,056	1,695,616	16,117	109,831	2,208,915	2,364,987
Accumulated depreciation 1 Jan.	-30,987	-365	-19,035	-50,387	0	-148,911	-888,656	-8,418		-1,045,984	-1,096,371
Translation differences	1			1		4	181	3		189	190
Accumulated depreciation on company disposals	1,495	82		1,577			47,593			47,593	49,171
Accumulated depreciation in decreases and transfers	-931	100	-86	-917		1,037	7,952	97		9,086	8,168
										0	0
Depreciation during year	-11,970	-30	-1,213	-13,213		-11,888	-89,992	-923		-102,804	-116,018
Writtenowns				0		-4,572				-4,572	-4,572
Accumulated depreciation 31 Dec.	-42,393	-212	-20,335	-62,940	0	-159,759	-927,492	-9,240		-1,096,490	-1,159,430
Book value 31 Dec.	91,200	67	1,864	93,132	49,294	178,298	768,124	6,877	109,831	1,112,425	1,205,557
Intangible assets					Tangible assets						
Group 2012	Intangible rights	Goodwill	Consolidation difference	Total	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments & work in progress	Total	Assets, total
	114,958	815	19,188	134,960	62,760	318,306	2,034,982	16,670	82,143	2,514,862	2,649,822
Translation difference	19			19		15	185	-161	-1	37	56

Company acquisitions				0						0	0
Increases	284		2,590	2,875	1,500	148	13,438	184	99,845	115,116	117,990
Company disposals	-163	-10	-3,190	-3,363		-74	-361	-72		-507	-3,870
Decreases	-2,054	-122		-2,176	-11,683	-1,565	-54,684	-158	-626	-68,715	-70,891
Uudelleenarvostus				0						0	0
Transfers between items	13,841	-214	3,611	17,237		10,241	-286,590	-1,564	-85,509	-363,423	-346,185
Acquisition cost 31 Dec.	0	0	0	0	0	0	0	0	0	0	0
Hankintameno 31.12.	126,885	470	22,199	149,553	52,578	327,071	1,706,970	14,899	95,852	2,197,370	2,346,923
Accumulated depreciation 1 Jan.	-22,294	-589	-14,120	-37,003	0	-137,491	-1,179,704	-8,317	0	-1,325,512	-1,362,515
Translation differences	-10	-50	-0	-60		-6	159	-19	0	134	74
Accumulated depreciation on company disposals	109	7	581	697		18	180	51		249	946
Accumulated depreciation in decreases and transfers	1,474	336	-3,611	-1,801		521	383,256	1,003		384,779	382,979
				0					0	0	0
Depreciation during year	-10,266	-68	-1,886	-12,219		-11,953	-92,547	-1,135	0	-105,635	-117,854
Writtenowns				0					0	0	0
Accumulated depreciation 31 Dec.	-30,987	-365	-19,035	-50,387	0	-148,911	-888,656	-8,418	0	-1,045,984	-1,096,371
Book value 31 Dec.	95,898	105	3,163	99,166	52,578	178,160	818,314	6,481	95,852	1,151,386	1,250,552
Intangible assets					Tangible assets						
Parent company 2013	Intangible rights	Goodwill	Total		Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments & work in progress	Total	Assets, total
Acquisition cost 1 Jan.	119,219	131	119,350		51,998	320,478	1,454,751	12,275	85,701	1,925,204	2,044,554
Increases	487	67	554		1,279	3,630	1,364		142,160	148,433	148,987
Decreases	0		0		-5,262	-1,951	-2,911		-63,192	-73,315	-73,315
Transfers between items	6,207		6,207		685	9,310	42,465	742	-59,409	-6,207	-0
Acquisition cost 31 Dec.	125,913	198	126,111		48,699	331,468	1,495,670	13,018	105,260	1,994,114	2,120,226
Accumulated depreciation 1 Jan.	-23,856	-131	-23,987		0	-147,525	-688,951	-6,622	0	-843,098	-867,085
Accumulated depreciation in decreases and transfers	0	0	0		1,037	2,355				3,391	3,391

Depreciation during year	-11,266	-25	-11,291		-11,757	-77,189	-781		-89,727	-101,018	
Writedowns			0			-4,550			-4,550	-4,550	
Accumulated depreciation 31 Dec.	-35,122	-155	-35,278		0	-158,245	-768,336	-7,403	0	-933,984	-969,262
Book value 31 Dec.	90,791	43	90,833		48,699	173,223	727,334	5,614	105,260	1,060,131	1,150,964
Intangible assets				Tangible assets							
Parent company 2012	Intangible rights	Goodwill	Total	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments & work in progress	Total	Assets, total	
Acquisition cost 1 Jan.	109,127	253	109,380	62,176	311,061	1,797,806	12,359	78,134	2,261,536	2,370,915	
Increases	48		48	1,500	147	404		88,007	90,058	90,106	
Decreases	-1,762	-122	-1,884	-11,678	-676	-41,253	-114	-265	-53,986	-55,869	
Transfers between items	11,806		11,806		9,946	-302,206	30	-80,175	-372,405	-360,599	
Acquisition cost 31 Dec.	119,219	131	119,350	51,998	320,478	1,454,751	12,275	85,701	1,925,204	2,044,554	
Accumulated depreciation 1 Jan.	-15,853	-242	-16,095		0	-136,157	-999,850	-5,834	0	-1,141,841	-1,157,937
Accumulated depreciation in decreases and transfers	1,524	122	1,646		451	388,747	61		389,259	390,904	
Depreciation during year	-9,527	-10	-9,537		-11,819	-77,848	-849		-90,515	-100,053	
Accumulated depreciation 31 Dec.	-23,856	-131	-23,987		0	-147,525	-688,951	-6,622	0	-843,098	-867,085
Book value 31 Dec.	95,363	0	95,363	51,998	172,954	765,800	5,654	85,701	1,082,106	1,177,469	

13 Investments (1,000 €)

Group 2013	Shares Group companies	Receivables Group companies	Shares associated companies	Receivables associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost 1 Jan.	0	-0	2319	2204	1685	3338	9545
Increases	0	-0			23	38499	38522
Decreases	0	-0			-23	-17488	-17511
Acquisition cost 31 Dec.	0	-0	2319	2204	1685	24349	30557
Accumulated share of results 1 Jan.	0	0	2990				2990
Share of results	0	0	1097				1097
Accumulated share of results 31 Dec.	0	0	4087	0	0	0	4087
Book value 31 Dec.	0	-0	6406	2204	1685	24349	34644
Group 2012	Shares Group companies	Receivables Group companies	Shares associated companies	Receivables associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost 1 Jan.	0	0	2319	2204	1711	2036	8270
Increases	0	0			2	1302	1304
Decreases	0	0			-29		-29
Acquisition cost 31 Dec.	0	0	2319	2204	1685	3338	9545
Accumulated share of results 1 Jan.	0	0	459				459
Share of results	0	0	2531				2531
Accumulated share of results 31 Dec.	0	0	2990	0	0	0	2990
Book value 31 Dec.	0	0	5309	2204	1685	3338	12535
Parent company 2013	Shares Group companies	Receivables Group companies	Shares associated companies	Receivables associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost 1 Jan.	69,581	12,178	1,549	2,204	1,600	3,292	90,404

Increases	1	212		23	38,499	38,735
Decreases	-11,066	-10,609		0	-17,488	-39,163
Acquisition cost 31 Dec.	58,516	1,781	1,549	2,204	1,623	24,303 89,975
Book value 31 Dec.	58,516	1,781	1,549	2,204	1,623	24,303 89,975
Parent company 2012	Shares Group companies	Receivables Group companies	Shares associated companies	Receivables associated companies	Other shares and holdings	Other receivables
Acquisition cost 1 Jan.	71,102	4,496	1,549	2,204	1,627	1,990 82,968
Increases	2,597	10,888			2	1,302 14,788
Decreases	-4,118	-3,205			-29	-7,353
Acquisition cost 31 Dec.	69,581	12,178	1,549	2,204	1,600	3,292 90,404
Book value 31 Dec.	69,581	12,178	1,549	2,204	1,600	3,292 90,404

VR Group has granted Pääkaupunkiseudun Junakalusto Oy an equity loan of EUR 2.2 million.

Investments include corporate and state bonds.

	Group		Parent company	
	2013	2012	2013	2012
Repurchase cost	24,257	3,317	24,257	3,317
Book value	24,303	3,292	24,303	3,292
Difference	-46	25	-46	25

Group and parent company shares

GROUP COMPANIES	Group	Parent company
	holding %	holding %
AS VR-Track, Estonia	100	0
Finrail Oy, Helsinki	100	100
Napapiirin Turistiauto Oy, Helsinki	100	100
000 VR Transpoint, Russia	100	0
Oy Pohjolan Kaupunkiliikenne Ab, Helsinki	100	0

Oy Pohjolan Liikenne Ab, Helsinki	100	100
PL Fleet Oy, Kirkkonummi	100	0
Transpoint International (EST) AS, Estonia	100	0
Transpoint International (FI) Oy, Helsinki	100	100
Transpoint International (HU) Kft, Hungary	100	0
VR Track Oy, Helsinki	100	100
VR Track Sweden AB, Sweden	100	0
ZAO ATV, Russia	100	0
Avecra Oy, Helsinki	60	60
Insinööritoimisto Arcus Oy, Turku	70	0
Kokkolan Tavaraterminaali Oy, Kokkola	53.4	53.4
Oulun Keskusliikenneasemakiinteistö Oy, Oulu	57.3	57.3

ASSOCIATED COMPANIES

Freight One Scandinavia Oy, Helsinki	50	50
Oy ContainerTrans Scandinavia Ltd, Helsinki	50	50
Oy Karelian Trains Ltd, Helsinki	50	50
Pääkaupunkiseudun Junakalusto Oy, Helsinki	35	35
SeaRail Oy, Helsinki	50	50
Seinäjoen Linja-autoasemakiinteistö Oy, Seinäjoki	20.7	20.7
Vainikkalan Vesi Oy, Lappeenranta	42.5	42.5
Varkauden Keskusliikenneasemakiinteistö Oy, Varkaus	33.3	33.3

14 Stocks (1,000 €)	Group		Parent company	
	2013	2012	2013	2012
Materials and supplies	94,589	95,816	61,435	61,772
Work in progress	108	958	0	0
Advance payments	556	164	0	0
Total	95,253	96,938	61,772	61,772

15 Receivables (1,000 €)	Group		Parent company	
	2013	2012	2013	2012
Long-term receivables				
Long-term receivables from associated companies				
Long-term receivables	465	6,739	441	5,607
Deferred tax credit	2,253	6,238	67	67
Long-term receivables total	2,718	12,977	5,674	5,674
Current receivables				
Receivables from Group companies				
Accounts receivable			3,091	3,019
Loans receivable			939	5,124
Other receivables			26,465	9,489
Prepaid expenses and accrued income			217	878
Receivables from associated companies	1,186	990	1,186	989
Receivables from other companies				
Accounts receivable	103,561	131,779	47,228	60,469
Loans receivable	0	5		
Other receivables	1,164	1,212	114	2
Prepaid expenses and accrued income	99,279	59,725	57,281	29,549
Current receivables, total	205,189	193,711	136,522	109,520

Main items in prepaid expenses and accrued income

The main items under Group prepaid expenses and accrued income are sales and expenses allocated to the period totalling M€ 41.6, and percentage of completion receivables totalling M€ 31.4.

16 Securities (1,000 €)

The securities held as financial assets consist of certificates of deposit issued by banks, funds, commercial papers and the proportion of Government and corporate bonds maturing within a year.

	Group		Parent company	
	2013	2012	2013	2012
Repurchase cost	243,925	146,249	243,925	146,249
Book value	243,807	146,106	243,807	146,106
Difference	118	142	118	142

17 Shareholders' equity (1,000 €)	Group		Parent company	
	2013	2012	2013	2012
Restricted equity				
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
Share premium account				
1 Jan.	525,808	525,808	525,754	525,754
Change during the year	0	0	0	0
Share premium account	525,808	525,808	525,754	525,754
31 Dec.				
Restricted equity, total	895,822	895,822	895,767	895,767
Non-restricted shareholders' equity				
Retained earnings 1 Jan.	528,786	489,659	260,515	250,406
Dividend distribution				
Change in accounting principles for stocks				
and net result of depreciation difference	-746	327	-746	0
Translation differences	62	32		
Retained earnings 31 Dec.	528,102	490,018	259,769	250,406
Profit for the year	65,310	38,768	10,699	10,109
Non-restricted shareholders' equity, total	593,412	528,786	270,468	260,515
Shareholders' equity, total	1,489,234	1,424,607	1,166,235	1,156,283

Calculation of distributable funds (1,000 €)	Parent company	
	2013	2012
Retained earnings	0	250,406
Profit for the year	0	10,109

Distributable funds, total	0	260,516
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18 Provisions (1,000 €)	Group	
	2013	2012
Housing provision	0	0

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

Obligatory provisions

Obligatory provisions of M€ 8.5 (7.6) comprise expected warranty costs of M€ 0.0 (0.2) on long-term construction projects, provisions for loss-making orders/contracts of M€ 6.9 (6.9), future costs of M€ 0.0 (0.1) from dismantling a radio network, environmental provisions of M€ 1.0 (0.9) and costs of M€ 0.0 (0.7) arising from the changes in the Group and the reorganization.

The parent company's obligatory provisions consist of environmental provisions of M€ 1.0 (0.3) and costs of M€ 0.0 (0.2) arising from the structural changes in the Group and the reorganization.

Impact of voluntary provisions and depreciation difference on the balance sheet	Group	
	2013	2012
Voluntary provisions	0	0
Depreciation difference	349,547	289,243
	349,547	289,243

Transfer to shareholders' equity	279,667	214,292
Deferred tax liability	69,909	74,621
Minority interest	-29	329
Change in tax rate entered in result	0	0
	349,547	289,243

Deferred tax liability and receivables

Deferred tax receivables	2013	2012
From difference in accrual periods	2,484	6,238
Deferred tax liability		

From transfers in financian statements	69,909	71,007
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**Impact of voluntary provisions and depreciation
difference on the profit and loss account**

Group

2013 2012

Change in voluntary provisions	0	-933
Change in depreciation difference	60,304	39,710
	60,304	38,788
Change affecting profit for the year	48,265	29,582
Change in deferred tax liability	12,061	9,500
Change affecting minority interest	-21	-305
Change in tax rate entered in result	0	0
	60,304	38,778

19 Liabilities (1,000 €)

Long-term liabilities	Group		Parent company	
	2013	2012	2013	2012
Loans from financial institutions	33	75		
Other long-term loans	658	969	388	355
Advances received				
Long-term liabilities, total	691	1,044	388	355
Liabilities due after five years	Group		Parent company	
	2013	2012	2013	2012
Loans from financial institutions	0	0	0	0
Current liabilities	Group		Parent company	
	2013	2012	2013	2012
Debt to other companies				
Loans from financial institutions	52	85		
Accounts payable	60,429	71,958	38,099	50,317
Accrued expenses and prepaid income	130,068	132,125	86,187	93,864
Other liabilities	24,389	26,660	6,670	9,536
Advances received	20,016	22,902	9,003	9,739
Debt payable to Group companies				
Accounts payable	0	0	2,363	3,609
Accrued expenses and prepaid income	0	0	529	1,277
Other liabilities	0	0	44,924	38,565
Advances received	0	0		

Debt payable to associated companies				
Accounts payable	32	28	32	28
Current liabilities, total	234,986	253,759	187,806	206,935
The largest item in accrued expenses and prepaid income is salaries and wages of M€ 103.7 (92.3).				

20 Contingent liabilities (1,000 €)	Group		Parent company	
	2013	2012	2013	2012
Debt covered by mortgages				
Loans from financial institutions	0	0	0	0
Mortgages	1,500	1,500	0	0
Other contingent liabilities	155,661	161,068	141,414	161,848
Contingent liabilities, total	157,161	162,568	141,414	161,848
Commitments given on behalf of				
VR Group	76,508	76,976		
VR Group subsidiaries	0	0	60,761	69,889
Others	80,653	85,592	80,653	85,592
	157,161	162,568	141,414	154,481
Leasing commitments				
Due for payment in next financial year	20,602	21,371	12,279	9,972
Due for payment in later years	147,705	129,773	105,176	99,872
Total	168,307	151,144	117,455	109,844
Rental commitments				
Due for payment in next financial year	3,297	3,828	684	684
Due for payment in later years	2,987	5,054	0	684
Total	6,284	8,882	684	1,368

The parent company has concluded long-term leases on rolling stock purchases with a number of different financial institutions.

Train leases account for EUR 111.9 million of the leasing liabilities.

21 Derivative instruments (1,000 €)

	Group		Parent company	
	2013	2012	2013	2012
Interest rate swaps				
Value of underlying asset	296,111	301,675	296,111	301,675
Fair value	-14,035	-27,328	-14,035	-27,328

The principal of the payment instalments for the leasing agreements made for the rail coaches is hedged with interest rate swaps, the last of which mature in 2034.

The value of the underlying instrument is given as the combined total of the share of the capital for the leases and the capital invested in the future rolling stock purchases.

The interest rate swaps have a fair value on the closing date of EUR -14,035,000. The fair value is the difference between the interest cash flows on the interest rate swaps relating to the leasing agreements on the balance sheet date and on the transaction date, discounted to the closing date.

The fair value of the interest rate swaps is not recorded in the financial statements.

	Group		Parent company	
	2013	2012	2013	2012
Oil derivatives (29 360 Metric Tons)				
Put options				
Fair value	0	0	0	0
Value of underlying asset (MT)	0	15,804	0	9,504
Call options				
Fair value	0	79	0	39
Value of underlying asset (MT)	0	15,804	0	9,504
Swap				

Fair value	160	-406	188	-406
Value of underlying asset in both options (MT)	29,360	15,000	27,032	15000
<hr/>				
Total				
Fair value	160	-327	188	-367
Value of underlying asset in both options (MT)	29,360	30,804	27,032	24504

Oil derivatives are used to hedge the price risk for diesel fuel. The hedging period ends in 2014. The oil options had a fair value on the closing date of 160,000 €. The fair values of oil options are determined using commonly used valuation methods.

The fair values are based on market information on the closing date.

The fair value of the oil options is not recorded in the financial statements.

Electricity derivatives (2 075 milj. Mwh)	2013	2012	2013	2012
Fair value	-11,660	-12,647	-11,660	-12,647
Value of underlying asset	2,257	2,228	2,257	2,228

Electricity derivatives are used to hedge the price risk for electricity. The fair value of the electricity options is not recorded in the financial statements.

Foreign currency forwards	2013	2012	2013	2012
Foreign currency swap	10,025	0	10,025	0

VR Group has made a EUR/DKK deposit that had a value of EUR 10 million at the time of the conclusion of the agreement.

On the balance sheet date, the value of the exchange rate changes in the agreement totals EUR 3.3 million, which has not been entered in the financial statements.

22 Disputes

The Group has no major disputes.

23 Group key indicators

		2013	2012	2011	2010	2009
Scope of operations						
Net turnover	M€	1,421	1,438	1,437	1,423	1,399
Balance sheet total	M€	1,774	1,774	1,748	1,722	1,630
Gross capital expenditure	M€	157	122	163	159.2	134
- as % of net turnover	%	8.57	8.5	11.3	11.2	9.5
Average number of employees		10,234	11,080	11,391	11,909	12,376
Profitability						
Operating profit	M€	70.6	52.4	20.9	43.1	28.9
- as % of net turnover	%	5	3.6	1.5	3	2.1
Net profit	M€	52.7	38.8	15.3	30,019	18,4
Return on investment (ROI)	%	4.4	3.9	1.7	3.3	2.4
Return on equity (ROE)	%	3.9	2.9	1.6	2.3	1.5
Solvency						
Solvency ratio	%	83.6	82.2	81,0	80,9	83
Liquidity						
Quick ratio		0.81	1.65	1,28	1,3	1,5
Calculation of key indicators						
Capital investments	=	Balance sheet total – interest-free debt				
Return on investment (ROI)	=	$\frac{(\text{Profit before extraordinary items} + \text{interest costs and other financial costs}) * 100}{\text{Capital investments (average over period)}}$				

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

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

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

Auditors' report

To the shareholders of VR-Group Ltd

We have audited the accounting records, financial statements, report of the Board of Directors and administration of VR-Group Ltd for the fiscal period 1 January–31 December 2012. The financial statements comprise the consolidated and parent company balance sheets, profit and loss accounts, cash flow statements and notes to the financial statements.

Responsibility of the Board of Directors and President

The Board of Directors and President are responsible for the preparation of the financial statements and the report of the Board of Directors and for ensuring that they give a true and fair view in accordance with the laws and regulations in Finland governing the preparation of financial statements and the report of the Board of Directors. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances and the President shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Finnish Auditing Act requires that we comply with the requirements of professional ethics. We have conducted the audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance that the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Supervisory Board and the Board of Directors or the President of the parent company are guilty of any act or negligence that may result in liability for damages to the company or have violated the Limited Liability Companies Act or the articles of association of the company.

The auditing procedures should obtain audit evidence about the accuracy of the amounts and other disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment and assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In assessing these risks, the auditor takes into account the internal control relevant to the preparation of financial statements and the report of the Board of Directors that give a true and fair view, so as to be able to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting principles applied, the reasonableness of the accounting estimates made by management, and the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the operations of the Group and the parent company, in accordance with current laws and regulations in Finland governing the preparation of financial statements and the report of the Board of Directors. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In our opinion, the financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors for the disposal of the profit for the period as stated in the balance sheet is in compliance with the Limited Liability Companies Act.

Helsinki, 27 February 2014

Ernst & Young Oy
Authorised Public Accountants
Tiina Lind
APA, CPFA

Statement by the Supervisory Board of VR-Group Ltd

The Supervisory Board of VR-Group Ltd has today reviewed the parent company and consolidated financial statements for the period 1 January to 31 December 2012 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.

Helsinki, 5 March 2014

Kari Rajamäki, chairman
Timo Korhonen, deputy chairman
Christina Gestrin
Pertti Hemmilä
James Hirvisaari
Inkeri Kerola
Merja Kuusisto
Asmo Maanselkä
Aino-Kaisa Pekonen
Oras Tynkkynen
Raija Vahasalo
Raimo Vistbacka