

VR Group's Financial Statements Release 1 January to 31 December 2023 - Profitability improved significantly

VR's profitability improved significantly in 2023 as the number of domestic long-distance journeys rose to a record-high level. Measures to adjust costs in freight traffic have mitigated the impact of decreased transport volumes. Profit development was weakened by the weak profitability of long-term contracts in contract traffic. Strategy implementation and acceleration of our profit improvement will continue with steadfast commitment. By the end of 2027, the company is aiming for EUR 250 million in turnaround improvement measures to secure its competitiveness and ability to finance rolling-stock investments of almost EUR 1 billion.

October-December 2023 (Q4) in brief:

- The Group's net sales decreased by -4.4% to EUR 313.2 (327.6) million.
- Comparable operating result (EBIT) was EUR 16.7 (0.1) million or 5.3% (0.0%) of net sales.
- Operating result (EBIT) was EUR 21.9 (-19.9) million, or 7.0% (-6.1%) of net sales.
- Cash flow from operating activities was EUR 53.7 (76.2) million.
- The number of journeys on long-distance trains increased by 3.3% in October-December, to 3.9 (3.8) million journeys.
- Railway transport volumes in freight traffic decreased by -15.6% and amounted to 6.2 (7.4) million tonnes.

January-December 2023:

- The Group's net sales increased by 10.6% to EUR 1,224.1 (1,107.0) million.
- Comparable net sales without the effects of the business acquisition in Sweden completed on 1 July 2022 increased by 1.1% to EUR 966.6 million.
- Comparable operating result (EBIT) was EUR 59.9 (6.0) million or 4.9 % (0.5 %) of net sales.
- Operating result (EBIT) was EUR 81.5 (-58.4) million or 6.7 % (-5.3 %) of net sales.
- Cash flow from operating activities was EUR 203.8 (179.9) million.
- The number of journeys on long-distance trains increased by 14.2% to 15.1 (13.2) million journeys.
- The railway transport volumes of VR Transpoint decreased by -21.3% and amounted to 23.4 (29.7) million tonnes.
- VR invested into procuring new rolling stock from Škoda Transtech Oy for night-train traffic. The value of the equipment acquisition is approximately EUR 50 million.
- VR's revised business structure, effective as of 1 January 2023, now comprises three business segments: VR Long-distance Traffic, VR City Traffic, and VR Transpoint.
- The Board of Directors proposes to the Annual General Meeting that an equity repayment of 57.0 million euros, or 25.91 euros per share, be distributed from the distributable equity of the company.

Key figures	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, M€	313.2	327.6	1,224.1	1,107.0
Comparable EBITDA, MEUR*	64.0	45.1	251.0	169.2
% of net sales	20.4	13.8	20.5	15.3
Operating result (EBIT), MEUR	21.9	-19.9	81.5	-58.4
% of net sales	7.0	-6.1	6.7	-5.3

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Key figures	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Comparable operating result (EBIT), MEUR*	16.7	0.1	59.9	6.0
% of net sales	5.3	0.0	4.9	0.5
Net profit/loss for the period, MEUR	14.9	-23.8	52.4	-47.4
Cash flow from operating activities, MEUR	53.7	76.2	203.8	179.9
Investments, MEUR	65.8	95.7	186.9	219.8
Capital invested at the end of the period, MEUR	1,823.6	1,862.5	1,823.6	1,862.5
Return on capital employed (ROCE), %	5.8	-5.3	5.2	-1.6
Comparable return on capital employed, %	4.6	-0.9	4.0	2.0
Return on equity (ROE), %	4.8	-7.4	4.2	-3.7
Net interest-bearing debt at the end of the period, MEUR	330.8	341.9	330.8	341.9
Gearing, %	26.1	27.4	26.1	27.4
Headcount at end of period	9,110	9,113	9,110	9,113
Employees on average at end of period	7,765	7,821	7,765	7,821

* VR Group presents comparable EBITDA and comparable operating result (EBIT) as an alternative performance indicators. The aim of comparable performance indicators is to improve comparability between reporting periods.

Comparable EBITDA uses same definitions of items affecting comparability as comparable EBIT. The calculation formulas for the figures are disclosed in VR Group's Annual Report for 2022.

The figures are unaudited.

The comparative figures in brackets refer to the corresponding time period in the previous year, unless otherwise stated.

VR Group acquired the Swedish bus and rail operator Arriva Sverige. The transaction was completed on 1 July 2022 and the company's name was changed to VR Sverige AB.

The average number of personnel is the average number of personnel for the last month of the reporting period as FTE.

CEO Elisa Markula:

"VR's comparable operating result improved significantly in 2023 and amounted to EUR 59.9 million. Our profitability was improved by the growth in the number of long-distance journeys and the determined execution of our turnaround improvement programme, as well as the decrease in energy costs. At the same time, the profit development was slowed down by weak volumes of freight traffic and changes in city traffic contract portfolio. Comparable net sales remained at the previous year's level.

In early 2023, we updated our strategy to strengthen our competitiveness. In line with our strategy, we are seeking growth in other market areas as well. After a few loss-making years, we are now focusing on profitability, growth and the development of a work culture based on our values. The direction is right, but the journey to improve our competitiveness continues.

The popularity of trains as a means of transport continued to grow, and in 2023, a record number of more than 15 million train journeys were made in long-distance traffic in Finland. The increase in the number of journeys was influenced by the reform of dynamic pricing and, in particular, the addition of lower price points. We have also succeeded well in enhancing the customer experience, with the Net Promoter Score (NPS) being 49 (38). The NPS was particularly impacted by the ease of buying a ticket, as well as improved travel comfort and

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information provided during the trip. We also developed our offering of additional services. These were well received by our customers, accelerating the improvement of profitability.

In city traffic, profitability remained weak due to the current low profitability of the long-term contract-traffic agreements signed before the pandemic, an expired contract-traffic agreement in Sweden, and integration expenses associated with business operations in Sweden. In city traffic, we seek growth through the continued electrification of our bus services. We have won new contracts in regional rail and bus tenders in Finland and Sweden.

In freight traffic, the challenging environment for heavy industry further reduced freight volumes that have already weakened as a result of the termination of Eastern traffic. In 2023, the total volume of domestic freight traffic decreased by -2% from the previous year. However, as industrial volumes decreased, we were able to respond to the challenges of the operating environment by developing new custom service and pricing models for our customers. It was necessary to adjust railway freight operations and have temporary layoffs throughout the autumn.

In accordance with the updated strategy, we are seeking EUR 250 million of profit improvement measures by 2027 that will enable the financing of our billion-euro rolling-stock investments and ensure the company's continued competitiveness in the future. The goal is to identify profit improvement measures through additional sales, develop commercial models and achieve cost-effectiveness to cover the additional costs arising from inflation. Together these measures are aimed at improving the company's profitability. Meanwhile, we will continue our investments in the continuous improvement of the customer experience. We will also improve profitability by further developing our operational efficiency and conducting critical assessments of our fixed costs.

We continue to be actively involved in reforming our industry and contributing to the implementation of the Government Programme items relating to rail transport. We will focus on our core business as a service company in passenger traffic and logistics. In order to create a neutral competitive environment, we will divest station properties and other rail infrastructure still under VR ownership. In 2023, we created the prerequisites for market-based traffic competition by selling 11 Sm2 commuter trains to Suomen Lähijunat Oy and announcing that we will put approximately 10 railworthy diesel locomotives, 29 IC single deck cars and 22 "blue cars" up for sale. VR promotes the establishment of a rolling stock company for contract traffic, which would create a framework for completely new tendered commuter traffic. Our goal is to promote the growth of regional contract traffic subject to competitive tendering, and simultaneously to create the conditions for the growth of market-based traffic under the Open Access principle. Adequate and appropriately targeted infrastructure investments are the most important prerequisites for the growth of rail traffic, increased competition and the achievement of emission-reduction targets for the transport sector.

Sustainability is at the core of all of our operations. In terms of occupational safety, the year 2023 was the best on record. The overall number of accidents decreased, and the number of safety observations made by the personnel increased. We raised the level of our sustainability efforts and committed to the Science Based Targets initiative in December 2023. Together with our train drivers, we have also implemented an energy saving programme based on how drivers operate the trains. The programme improved the energy efficiency of train traffic by approximately 8% in 2023.

I want to thank our personnel for their commitment to our strategy and profit improvement targets. Together, we will build the sustainable VR of the future. Our values – we care, we work together, we drive improvement – guide us in moving together towards a better world."

Outlook for the current year

VR expects that comparable operating profit (EBIT) for 2024 will improve compared to 2023.

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The popularity of long-distance train travel increased to a record-high level in 2023. Business and work travel on weekdays and leisure travel grew in popularity. VR expects that the popularity of train travel will continue to be strong and that the number of journeys in 2024 will increase compared to the previous year.

The weakened business cycle in heavy industry in Finland has been reducing freight traffic railway transport volumes since the second quarter of 2023. Freight traffic railway transport volumes are expected to continue at a lower than normal level. VR expects transport volumes to increase in 2024 compared to the previous year, especially during the second half of the year. The price level of railway transport is expected to increase in 2024 compared to the previous year.

The negative impacts on profitability of long-term city-traffic contracts concluded before the pandemic are expected to continue. Through the measures to increase efficiency and the renewal of our contract portfolio, the profitability of city traffic is aimed to be improved, but profitability is expected to continue challenging.

The Group's financial development

Net sales and result development by operation

SEGMENTS

Net sales, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	103.3	98.1	405.6	352.4
VR City Traffic	121.8	127.2	465.7	358.5
VR Transport	84.0	100.0	339.9	386.2
Other	4.1	2.3	12.8	10.0
Total	313.2	327.6	1,224.1	1,107.0

Comparable EBITDA, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	38.2	32.8	154.2	111.1
VR City Traffic	9.3	5.6	31.4	17.7
VR Transport	9.9	10.3	46.4	42.0
Other and eliminations	6.7	-3.6	19.0	-1.6
Total	64.0	45.1	251.0	169.2

Comparable operating result, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	21.5	14.2	89.9	46.5
VR City Traffic	-5.2	-9.6	-29.9	-26.2
VR Transport	-3.0	-1.2	-6.4	-3.0
Other and eliminations	3.4	-3.4	6.2	-11.4
Total	16.7	0.1	59.9	6.0

Operating result, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	21.5	16.8	83.2	3.6
VR City Traffic	-5.2	-25.5	-33.2	-42.1
VR Transport	-3.0	-4.1	-9.6	-5.9
Other and eliminations	8.6	-7.1	41.1	-14.1
Total	21.9	-19.9	81.5	-58.4

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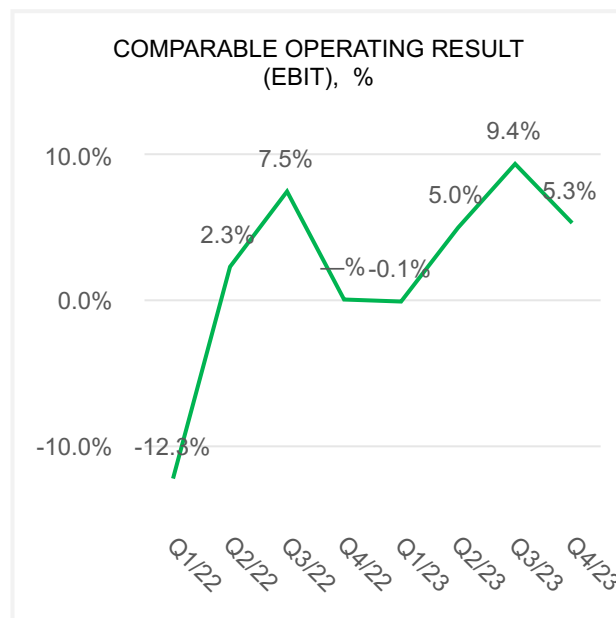
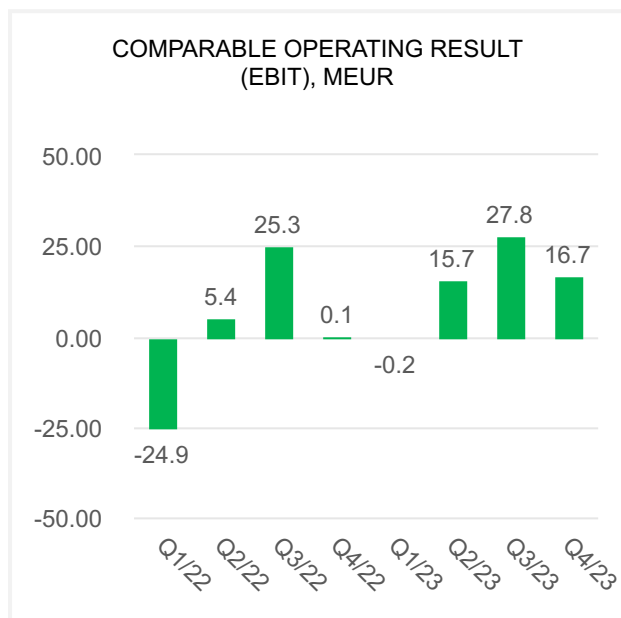
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October-December 2023 (Q4)

VR's net sales decreased by 4.4% compared to October–December 2022, amounting to EUR 313.2 (327.6) million. The decrease in net sales was attributable to the decrease in freight traffic volumes and the expired agreement in city traffic in Sweden. The growth in the number of journeys in long-distance traffic contributed positively to net sales.

The net sales of VR Long-distance Traffic for the fourth quarter increased by 4.7%, as demand remained strong. During the quarter VR transported 3.9 (3.8) million passengers in long-distance traffic, with net sales of VR Long-distance Traffic amounting to EUR 103.3 (98.1) million.

The net sales of VR City Traffic decreased year-on-year due to the expiry of an agreement in Sweden and amounted to EUR 121.8 (127.2) million.

VR Transport's net sales decreased by -15.9% year-on-year, because the discontinuation of Eastern freight traffic during 2022 and the weakening of the business cycle in the industrial sector has had a negative impact on transport volumes. Part of the lost volume in Eastern traffic has been compensated for by growth in domestic demand and changes in pricing. VR Transport's net sales in the fourth quarter were EUR 84.0 (100.0) million. The total volume of freight transported by rail and road was 7.1 (8.3) million tonnes, representing a year-on-year decrease of -14.5%.

VR's comparable operating result (EBIT) for the fourth quarter of 2023 was EUR 16.7 (0.1) million. The increase in the number of journeys in long-distance traffic and the decrease in the price of electricity from last year's peak prices had a positive effect on the result. Decreased freight traffic volumes and high inflation of costs had a negative impact on the result. Measures to adjust costs have mitigated the impact of decreased transport volumes.

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VR's operating result (EBIT) came to EUR 21.9 (-19.9) million. Items affecting comparability amounted to EUR 5.2 (-20.0) million. In the fourth quarter of 2023, items affecting comparability include sales of land areas of EUR 5.2 million. In 2022, items affecting comparability amounted to EUR -20.0 million.

January–December 2023

VR's net sales increased by 10.6% to EUR 1,224.1 (1,107.0) million. The increase was driven by strong growth in the number of passengers in long-distance traffic, as well as the acquisition in Sweden that was carried out last year. The Group's comparable net sales, excluding the impact of the acquisition in Sweden, increased by 1.1% to EUR 966.6 million. The decrease in freight traffic volumes and the expired agreement in city traffic in Sweden had a negative impact on net sales.

VR's comparable operating result (EBIT) for January–December 2023 amounted to EUR 59.9 (6.0) million. The improved result was mainly due to strong growth in the number of journeys in long-distance traffic and the determined execution of the turnaround improvement programme as well as lower energy costs. Declined transport volumes and high cost inflation had a negative impact on the result. Measures to adjust costs have mitigated the impact of decreased transport volumes.

VR is seeking EUR 250 million of turnaround improvement measures by 2027. By the end of 2023, 35% of the turnaround improvement measures had been implemented as planned.

VR's operating result (EBIT) came to EUR 81.5 (-58.4) million. Items affecting comparability amounted to EUR 21.6 (-64.4) million. The items affecting comparability in January–December 2023 include sales of land areas of EUR 35.1 million, write-downs of goodwill and fixed assets of EUR -12.6 million and a change in a provision related to a loss-making agreement of EUR -1.3 million. In January–December 2022, the items affecting comparability included costs relating to the end of traffic between Finland and Russia amounting to EUR -50.2 million.

Cash flow, investments and financing

In January–December 2023, VR's cash flow from operating activities before investments and financing was EUR 203.8 (179.9) million. Net interest-bearing debt at the end of the period under review amounted to EUR 330.8 (341.9) million and net gearing was 26.1% (27.4%). The ratio of net debt to comparable EBITDA based on the last 12 months' comparable EBITDA was 1.3% (2.0%).

VR's liquid assets at the end of the period amounted to EUR 224.2 (274.4) million. VR has strengthened the Group's liquidity by means of a revolving credit facility (RCF) totalling EUR 200 million, which will mature on 3 June 2026. No withdrawals have been made under the RCF agreement.

In May 2022, VR Group issued a fixed-rate green bond as part of the Group's Green Finance Framework. The bond has a nominal value of EUR 300 million and a maturity of 7 years. The loan will mature in May 2029 and bears a fixed interest rate of 2.375%.

VR-Group Plc has a credit rating of A+ with a stable outlook, issued by the international credit rating agency S&P Global.

VR's total investments amounted to EUR 186.9 (219.8) million. The Group's balance sheet total at the end of December 2023 was EUR 2,305.5 (2,365.3) million.

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Investments, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Rolling stock	47.9	69.4	136.7	145.3
Transportation equipment (cars)	1.7	14.8	16.3	44.1
Real estate	2.5	2.2	7.0	11.4
ICT-investments	5.2	6.1	13.7	11.9
Other and eliminations	8.6	3.2	13.2	7.1
Total	65.8	95.7	186.9	219.8

VR announced on 18 January 2023 that it will purchase nine sleeper cars and eight car-carrier wagons from Škoda Transtech Oy. The new rolling stock will be in use by the end of 2025. The value of the equipment acquisition is approximately EUR 50 million. Night train traffic is part of the contract traffic agreed between VR and the Ministry of Transport and Communications.

Rolling stock investments progressed as planned during the period under review. The first diesel locomotives delivered by Stadler were deployed in commercial traffic during the period. The deliveries of diesel locomotives and electric locomotives will continue until 2026. From 2026 onwards, 20 new Stadler Flirt commuter trains will be introduced.

Personnel

Employees on average	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	1,545	1,575	1,545	1,575
VR City Traffic	4,185	4,060	4,185	4,060
VR Transpoint	1,637	1,923	1,637	1,923
Other	398	264	398	264
Total	7,765	7,821	7,765	7,821

Headcount at end of period	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	1,757	1,754	1,757	1,754
VR City Traffic	5,235	5,101	5,235	5,101
VR Transpoint	1,805	1,968	1,805	1,968
Other	313	290	313	290
Total	9,110	9,113	9,110	9,113

The average number of personnel is the average number of personnel for the last month of the reporting period as FTE. The number of employees at the end of the period is the number of persons employed by the Group.

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Business and segment overview

VR's core businesses are passenger services in Finland and Sweden, and freight traffic in Finland. As of 1 January 2023, the Group's reported business units are VR Long-distance Traffic, VR City Traffic, VR Transport, and other operations.

VR Long-distance Traffic

VR Long-distance Traffic is responsible for long-distance train journeys in Finland. The business unit also includes Avekra, which provides restaurant and café services.

VR Long-distance Traffic	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, M€	103.3	98.1	405.6	352.4
Comparable (EBITDA), M€	38.2	32.8	154.2	111.1
<i>% of net sales</i>	37.0	33.4	38.0	31.5
Comparable operating result (EBIT), M€	21.5	14.2	89.9	46.5
<i>% of net sales</i>	20.8	14.5	22.2	13.2
Operating result (EBIT), M€	21.5	16.8	83.2	3.6
<i>% of net sales</i>	20.8	17.1	20.5	1.0
Capital employed at end of the period, M€	855.1	744.0	855.1	744.0
Comparable return on capital employed, (ROCE) %	12.0	9.2	12.5	7.5
Investments, M€	13.1	13.1	43.8	21.7
Employees on average	1,545	1,575	1,545	1,575
Long distance journeys (million)	3.9	3.8	15.1	13.2
Punctuality	81.1	82.4	85.9	82.6

October-December 2023 (Q4)

During the fourth quarter of 2023, net sales of VR Long-distance Traffic increased by 4.7% year-on-year to EUR 103.3 (98.1) million. The number of journeys in long-distance traffic increased by 3.3% in October–December, as demand remained strong. The main reason for this increase is the growth in work and business travel. VR transported 3.9 (3.8) million passengers during the period under review.

The comparable operating result (EBIT) of VR Long-distance Traffic increased to EUR 21.5 (14.2) million. The growth in the result was mainly due to growth in the number of passengers and lower energy costs. The operating result (EBIT) was EUR 21.5 (16.8) million. Items affecting comparability amounted to EUR 0.0 (-2.6) million.

In the fourth quarter, customer satisfaction in long-distance traffic – as measured by the Net Promoter Score – increased year-on-year to 46 (43).

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January-December 2023

During this period the net sales of VR Long-distance Traffic increased by 15.1% year-on-year to EUR 405.6 (352.4) million. Over the same period the number of journeys on long-distance trains increased by 14.2% to 15.1 (13.2) million journeys. Passing the VAT deduction directly to prices and the increase in the number of price points with the help of dynamic pricing, especially lower price points, contributed to the growth in the number of journeys. In the first half of 2022 the Covid-19 pandemic continued to have a negative impact on passenger numbers.

The comparable operating result (EBIT) of VR Long-distance Traffic increased to EUR 89.9 (46.5) million. The growth in the result was mainly due to growth in the number of passengers and the popularity of additional services. The operating result (EBIT) was EUR 83.2 (3.6) million. Items affecting comparability amounted to EUR 6.7 (42.9) million. In January–December 2023 the items affecting comparability included write-downs of fixed assets amounting to EUR 7.3 million. In January–December 2022 the items affecting comparability included write-downs of traffic between Finland and Russia amounting to EUR 47.3 million.

In January, VR announced investments in rolling stock used on night trains. Nine new sleeper cars and eight car-carrier wagons were ordered from Škoda Transtech Ltd to be deployed by the end of 2025. The value of the equipment acquisition is approximately EUR 50 million.

Customer satisfaction in long-distance traffic has improved significantly, with the NPS in January–December 2023 at 49 (38). NPS was at a record-high level of 53 at the end of the first quarter. Customer satisfaction is affected the most by punctuality, the train network, cleanliness and information during the journey.

VR City Traffic

VR City Traffic comprises commuter train, tram and bus services in Finland and Sweden.

VR City Traffic	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, M€	121.8	127.2	465.7	358.5
Comparable (EBITDA), M€	9.3	5.6	31.4	17.7
<i>% of net sales</i>	7.6	4.4	6.7	4.9
Comparable operating result (EBIT), M€	-5.2	-9.6	-29.9	-26.2
<i>% of net sales</i>	-4.2	-7.5	-6.4	-7.3
Operating result (EBIT), M€	-5.2	-25.5	-33.2	-42.1
<i>% of net sales</i>	-4.2	-20.0	-7.1	-11.7
Capital employed at end of the period, M€	399.9	343.9	399.9	343.9
Comparable return on capital employed, (ROCE) %	-4.9	-12.3	-7.1	-8.4
Investments, M€	10.9	60.0	29.0	95.7
Employees on average	4,185	4,060	4,185	4,060

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October-December 2023 (Q4)

In the fourth quarter 2023, net sales of VR City Traffic decreased by -4.2% to EUR 121.8 (127.2) million. The decrease in net sales was due to an expired agreement in Sweden. The new contract won did not start in Sweden until the end of 2023.

The comparable operating result (EBIT) for the fourth quarter of 2023 improved to EUR -5.2 (-9.6) million. The improvement in the result is due to the efficiency measures taken. The weak city traffic results were attributable to the low profitability in the current operating environment of some of the long-term agreements signed before the pandemic. The integration costs related to the acquisition of business operations in Sweden also had a negative impact on profitability. The operating result (EBIT) was EUR -5.2 (-25.5) million. Items affecting comparability amounted to EUR 0.0 (-15.9) million.

January–December 2023

In January–September 2023 net sales increased by 29.9% to EUR 465.7 (358.5) million. The growth in net sales was driven by the acquisition completed in Sweden at the beginning of July 2022. The acquisition had a positive effect of EUR 257.5 (150.9) million on net sales. The net sales of City Traffic excluding the impact of the acquisition increased by 0.3%.

The comparable operating result (EBIT) for the period under review decreased to EUR -29.9 (-26.2) million. The decrease was affected by the expired agreement in Sweden, high cost inflation, and integration expenses associated with the acquisition of business operations in Sweden. The weak result of city traffic was also attributable to the low profitability in the current operating environment of some of the long-term agreements signed before the pandemic. The operating result (EBIT) was EUR -33.2 (-42.1) million. Items affecting comparability amounted to EUR -3.3 (-15.9) million. In January–December 2023 items affecting comparability included write-downs of fixed assets of EUR -2.0 million, as well as a change in a provision recognised for a loss-making agreement that amounted to EUR -1.3 million.

VR Transpoint

VR Transpoint (freight transport) offers rail logistics and road logistics services. The services include railway and road transport and customised logistics chains with additional services.

VR Transpoint	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, M€	84.0	100.0	339.9	386.2
Comparable (EBITDA), M€	9.9	10.3	46.4	42.0
% of net sales	11.8	10.3	13.6	10.9
Comparable operating result (EBIT), M€	-3.0	-1.2	-6.4	-3.0
% of net sales	-3.6	-1.2	-1.9	-0.8
Operating result (EBIT), M€	-3.0	-4.1	-9.6	-5.9
% of net sales	-3.6	-4.1	-2.8	-1.5
Capital employed at end of the period, M€	472.8	502.6	472.8	502.6
Comparable return on capital employed, (ROCE) %	-1.7	-13.1	-1.0	0.1
Investments, M€	4.8	15.3	22.8	60.7

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VR Transpoint	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Employees on average	1,637	1,923	1,637	1,923
Total transport volumes, million tonnes	7.1	8.3	27.4	34.4
railway transports	6.2	7.4	23.4	29.7
road transports	0.9	1.0	4.0	4.7

October–December 2023 (Q4)

VR Transpoint's net sales in the fourth quarter of 2023 decreased by -16.0% to EUR 84.0 (100.0) million. Railway transport volumes decreased by -16.2% to 6.2 (7.4) million tonnes. The decline in volumes was affected by the discontinuation of Eastern freight traffic in 2022 and the weakened demand due to the downturn in the industrial sector. Part of the lost volume in Eastern traffic has been compensated for by growth in domestic demand and changes in pricing.

VR Transpoint's comparable operating result (EBIT) was EUR -3.0 (-1.2) million. Profitability was impaired by lower domestic volumes and high cost inflation. Profitability was positively affected by the measures taken to adjust costs, through price increases and by the decrease in energy costs. The operating result (EBIT) was EUR -3.0 (-4.1) million. Items affecting comparability amounted to EUR 0.0 (-2.9) million.

January–December 2023

In January–December 2023, VR Transpoint's net sales decreased by -12.0% to EUR 339.9 (386.2) million. Railway transport volumes decreased by -21.2% to 23.4 (29.7) million tonnes. The decline in net sales and volumes can be attributed to the downturn in the heavy industry sector and the discontinuation of Eastern freight traffic in 2022.

The comparable operating result (EBIT) was EUR -6.4 (-3.0) million. Profitability was impaired by lower volumes and high cost inflation. Profitability was positively affected by the measures taken to adjust costs, through price increases and by the decrease in energy costs. The operating result (EBIT) was EUR -9.6 (-5.9) million. Items affecting comparability amounted to EUR -3.3 (-2.9) million. In January–December 2023, items affecting comparability include write-downs of goodwill and fixed assets.

Other operations

Other operations include VR FleetCare's sales to external customers, property services that are not allocated to the business functions, and the Group's other common functions.

Other operations	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales, MEUR	4.1	2.3	12.8	10.0
Comparable EBITDA, MEUR	6.7	-3.6	19.0	-1.6
Comparable operating result (EBIT), MEUR	3.4	-3.4	6.2	-11.4
Operating result (EBIT), MEUR	8.6	-7.1	41.1	-14.1
Investments, MEUR	37.0	7.3	91.3	41.7

In April, VR FleetCare signed an agreement with the Swedish rail traffic operator SJ regarding a modernisation project for 27 electric trains. The aim is to extend the lifecycle of the fleet and improve travel

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comfort for customers. The total value of the agreement is more than EUR 35 million. The operating result (EBIT) of other operations was EUR 6.2 (-11.4) million. Items affecting comparability include sales of land areas of EUR 35.0 million.

Corporate responsibility

Corporate responsibility VR Group's sustainability efforts are guided by the UN Sustainable Development Goals, and the company is committed to Finland's objective of carbon neutrality by 2035. The areas of our corporate responsibility efforts include safety and security, customer orientation, employee experience, environmental responsibility and corporate social responsibility. We want to accelerate the transition to more sustainable transport and we will update our corporate sustainability programme accordingly.

Safety and security

At the core of VR's updated safety and security strategy are our culture towards and management of these areas, common operating practices, proactive risk management, and compliance. The safety and security culture programme, which is based on the safety and security strategy, began in the spring with an analysis of the current situation. The programme will be used to establish a safety and security culture monitoring and continuous improvement model for VR.

The year 2023 was the best in our history in terms of both occupational and railway safety. We encouraged employees to report their observations to develop safety and provided training to supervisors on the handling of reported observations. Measures taken on the basis of observations are an important part of instilling a safety culture and improving safety. We developed our Tuuma safety observation system in 2023. Everyone who reports a safety notification is now informed of the measures taken in response to the reported observation. In 2023, we also started to collect and analyse safety observations in Sweden.

Customer orientation

In long-distance traffic in 2023, we paid even more attention to comprehensively documenting the customer path and the more extensive measurement of customer touchpoints. We use a number of customer experience indicators relating to the brand image, additional services, disruptions, and the purchase experience to measure service quality. VR's rolling stock projects have been promoted in a customer-oriented manner. Both the night-train equipment project (2025) and the commuter rolling-stock project (2026) have organised several test events for different customer groups.

Our development of the customer experience is focused on the areas that are the most meaningful to customers and influence the customer experience the most. Development projects are managed and monitored. We revised the conductor service model in commuter services at the beginning of 2023. This has improved the visibility of conductors at stations and on board trains. Based on customer surveys, our passengers have positive perceptions of the change.

The indicator we use for customer orientation in passenger and freight traffic is the Net Promoter Score (NPS). The development of the customer experience in long-distance traffic was excellent in 2023. The NPS improved by 10 points, from 38 in 2022 to 49 in 2023. The good result was particularly due to the development of the service experience and the improved experience with regard to travel comfort and communication during the journey. The NPS for VR's commuter train services was at a good level (43). The factors behind the result included the good punctuality of commuter traffic, the renewal of the conductor service model and the change in NPS measurement from a quarterly survey to an ongoing customer survey conducted in the same manner as in long-distance traffic.

The NPS for VR Transpoint's clients improved to 16 from 12 in the previous year. Although changes in pricing were reflected in the measurement results, our customers gave us positive feedback on reliability and cooperation.

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Employee experience

Developing a values-based workplace culture is at the core of our strategy. We crystallised our values in 2022 through a process that extensively engaged our personnel. In 2023, our goal was to familiarise all of our personnel with our renewed values. According to the personnel survey conducted at the end of the year, 82% of our employees are familiar with our renewed values. In 2023, we engaged in active discussions on our values amongst our personnel and used practical examples to communicate how we act in accordance with the values in our work. One part of putting a values-based culture into practice is updating our Code of Conduct and organising related training for employees and supervisors. We began updating the Code of Conduct in autumn 2023 and the work will be completed in early 2024.

Environmental responsibility

Responsibility and looking after the environment are among our key success factors. We improve energy efficiency, increase the use of fossil-free energy and invest in low-emission technology. We reduce emissions towards a carbon-neutral future and are committed to the UN Sustainable Development Goals and the Paris Agreement.

In 2023, we conducted an ISO 14001-compliant assessment of the significance of environmental aspects and impacts on a business-specific basis. The assessment process was expanded from the previous one to correspond to the requirements of the Corporate Sustainability Reporting Directive (CSRD). In our assessments, we gave even more careful consideration to risks and opportunities and the impacts arising from our value chains.

We are committed to setting science-based climate targets and reporting on their achievement. We sent our commitment to the Science Based Targets initiative in December 2023. We aim to obtain SBTi approval for our short-term targets and long-term net zero targets in 2024. The reduction of greenhouse gas emissions and the improvement of energy and material efficiency have been integrated into the remuneration systems of senior management and key personnel.

Our energy efficiency programme, which began in 2022, aims to significantly enhance the efficiency of energy consumption and thereby save costs and conserve the environment. The programme has yielded positive results, and we improved the efficiency of electrically driven traffic by almost 8% compared to the previous year. We have improved energy efficiency particularly by increasing the use of electrically driven traffic, replacing locomotives with more energy-efficient ones, and increasing train sizes. Further key methods include enhancing traffic planning and training drivers on economical driving habits, as well as performing various renovations and upgrades to properties.

Electrically powered roundwood rail-transport operations began in April to support trial runs of Metsä Group's bioproduct mill in Kemi. VR and the client designed the highly efficient and environmentally friendly solution together to ensure the supply of wood by railway transport to the bioproduct mill. The solution will enable emission reductions of 20% per cubic metre.

Corporate social responsibility

VR has actively engaged in advocacy work to grow the rail transport market, especially with regard to promoting competition and infrastructure investments. Before the spring parliamentary elections and during the Government Programme negotiations, VR presented solutions to be included in the Government Programme on how the rail market could be grown. VR has also presented its statement on the preparation of the national transport system plan and the state budget proposal for 2024 related to transport issues.

Advocating for sustainable change is an important part of the corporate social responsibility of a state-owned company. Through active societal dialogue and by providing expert views for use for stakeholders and decision-makers, VR aims to ensure that decisions are aligned with the Group's interests as well as sustainable with regard to society and the environment. In addition to promoting climate goals, VR aims to promote Finland's reachability, the security of supply and the competitiveness of the business sector.

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Risks and uncertainties

In addition to its exposure to the general economic situation, VR's operations are affected by a variety of strategic, political, operational and damage risks, as well as associated reputational risks. Risk management is used to ensure that risks affecting the Group's operations are identified, prepared for, and monitored. Risk management and associated responsibilities are guided by the Group's risk management policy, as well as by other sector-specific guidelines for risks.

The company has a systematic method for identifying, evaluating and monitoring business risks. The most recent Group-wide risk survey was carried out in spring 2023, based on which an update was made in autumn 2023. A summary of the monitoring and impact of risks is regularly compiled for VR's Leadership Team and the Board of Directors. More information on VR's risks and risk management can be found in the Annual Report in the sections Annual Report and Financial Statements and Corporate Governance Statement.

Risks and uncertainties in the near future

The general economic situation has significant knock-on effects on VR's operations. Russia's war of aggression against Ukraine has significantly increased energy prices and consumer prices. Consumer purchasing power and economic growth, among other things, have weakened. The further deterioration of the economic situation may reduce the Finnish industrial sector's need for rail- and road-logistics services, as well as have a negative impact on customer volumes in passenger services. High inflation may have a negative impact on VR's investment and personnel expenses, and tightened monetary policy correspondingly on financing costs. VR's energy costs have increased due to the rise in energy prices. Although the situation has stabilised, uncertainty associated with energy prices continues, which may have an impact on VR's profitability. VR aims to minimise the impact of the materialisation of these risks through continuous monitoring of its own cost competitiveness and close customer cooperation. Cost increases due to inflation can be prepared for through index-linked customer contracts, for example, and the impact of energy price fluctuations can be managed through derivative contracts, for example.

Due to Russia's war of aggression, VR completely discontinued Eastern freight traffic and passenger services by the end of 2022. Some of the losses in volume may be permanent. The elevation of cyber threats due to the war, as well as the threat of potential acts of sabotage against Finland's rail and energy infrastructure, may have an impact on VR's business continuity. The continuation of the war has also increased geopolitical risks. Should these risks be realised they may lead to, for example, new economic sanctions and increased problems in production and supply chains. To manage the impacts of the potential realisation of the risks, VR maintains close contact with customers and the authorities. The company has launched an action plan to develop continuity of IT, and has drawn up a preparedness and contingency plan that is regularly monitored and maintained by an internal working group.

Profit improvement measures, which VR is seeking to implement in line with its strategy and with a target of EUR 250 million, are essential to cover the additional costs arising from inflation and to improve the company's profitability. There is a risk that the near-term profit improvement measures – including the targeted profitable growth in city traffic, in particular – may not be successfully implemented in time or at all. The Group seeks to manage this risk by reacting quickly with regards to resource allocation and prioritisation. New measure are continuously identified to ensure the Group's competitiveness.

Employee availability challenges or uncertainties in the labour market may impair VR's ability to carry out traffic operations. They may also lead to strikes or other industrial action that have a negative impact on VR's business. To manage this risk, VR continues to engage in close cooperation with personnel organisations and employer organisations.

The condition and maintenance of railway infrastructure has a significant impact on VR's business. Infrastructure degradation and inadequate maintenance work or failed maintenance projects can cause, for example, functional constraints and disruptions on the lines, or even accidents. Insufficient investments in

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railway infrastructure can become an obstacle to the growth and green transition of railway traffic and can, as a result, have a negative impact on the implementation of VR's investment and growth plans. VR aims to actively influence stakeholders in the development of the transport system and infrastructure investments. This is done together with, for example, the Finnish Transport Infrastructure Agency, which manages the state's fairway assets and is responsible for the care, development and maintenance of the railway network.

Changes in the traffic policy may have adverse impacts on VR's business operations.

Any decisions to change the current market-based operating environment, land uncertainty relating to politics in general, may have significant impacts on the functioning and predictability of VR's business environment. In addition to ensuring its own competitiveness – and monitoring and anticipating the political situation – VR actively seeks to highlight the effects of regulation on the operating environment of rail transport, with the aim of keeping the operating environment equal for all parties.

Compliance risks related to data protection, competition law, corruption, bribery and sanctions may, should they materialise, have adverse impacts on the VR's businesses and financial situation. In addition to compliance with regulatory guidelines and practices, VR also requires compliance with ethical guidelines from its employees, as well as from its suppliers. Any non-compliance is identified through regular inspections and auditing processes.

Legal proceedings and disputes

By its decision of 13 September 2023, the Court of Appeal overturned the district court's decision regarding the unpaid lunch break for locomotive drivers in commuter traffic and decided the matter in favour of locomotive drivers. VR was granted leave to appeal to the Supreme Court in February 2024.

On 15 December 2022, the Helsinki Court of Appeal handed down its decision in a matter concerning supplementary pensions paid by VR Pension Fund. The claimants demand VR to compensate for the amount by which the claimants' overall pension remains lower after the supplementary pension is adjusted for the reduction for early retirement. The Court of Appeal overturned the district court's decision and rejected the claim. The claimants have been granted leave to appeal to the Supreme Court.

VR Group's activities related to Russia

In response to Russia's invasion of Ukraine, which began on 24 February 2022, and the sanctions imposed by the West against Russia, VR Group discontinued the company's Eastern traffic by the end of 2022. VR Group has complied with the sanctions, the guidance issued by the authorities and any applicable legislation. For the time being, the sanctions do not prevent rail traffic between the EU and Russia.

VR Group discontinued Eastern freight traffic completely by the end of 2022. In Russia, VR Transport carried out small-scale logistics activities through the VR Group-owned local Group company OOO Finnlog LLC. Finnlog's business operations have been discontinued and the company has been placed in liquidation. VR Group's Finnish associated company, ContainerTrans Scandinavia, provided railway-container transport services, and the Finnish associated company Freight One Scandinavia provided wagon-load transport services. Freight One Scandinavia was dissolved through liquidation and delisted from the Trade Register on 16 August 2023. VR Group is also in the process of exiting its ownership in the associated company ContainerTrans Scandinavia.

VR Passenger Services and Russian Railways (RZD) operated jointly the Allegro train service between Helsinki and St. Petersburg. The trains known as Allegro have been owned by a joint venture between VR and Russian Railways. The Russian owner has repeatedly failed to meet its financial obligations regarding the joint venture. VR redeemed the joint venture's loans and through the right of pledge took possession of the trains on 14 December 2023. In 2023, VR Group has not had net sales related to Russia, and did not have assets related to Russia at the end of the review period.

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Share capital

VR Group Plc's shares are owned by the State of Finland. The company's share capital consists of 2,200,000 shares. The company's share capital amounts to EUR 370,013,438.19.

There were no changes in the number of shares or the share capital during the reporting period or the comparison period.

Governance

Shareholder's decision of VR-Group Plc on 17 August 2023 – composition of the Supervisory Board

The State of Finland, being the sole shareholder of VR-Group Plc, on 17 August 2023 appointed the Supervisory Board of VR-Group Plc. Markku Eestilä (National Coalition Party) was appointed as Chair and Juho Eerola (Finns Party) as Vice Chair. Aura Salla (National Coalition Party), Teemu Kinnari (National Coalition Party), Kaisa Garedeu (Finns Party), Arto Luukkanen (Finns Party), Niina Malm (Social Democratic Party), Lauri Lyly (Social Democratic Party), Juha Viitala (Social Democratic Party), Tuomas Kettunen (Centre Party), Hanna Holopainen (The Greens) and Anna Mäkipää (Left Alliance) were appointed as members of the Supervisory Board. The appointments of the Supervisory Board took effect as of 17 August 2023.

By shareholder decision, on 29 August 2023 Vilhelm Junnila (Finns Party) was appointed as a member and Vice Chair of the Supervisory Board, replacing Juho Eerola, who left the Supervisory Board. The change took effect immediately.

Decisions of the constitutive meeting of the Board of Directors on 31 March 2023

On 30 March 2023, the Annual General Meeting of VR-Group Plc appointed Esa Rautalinko as the Chair of the Board of Directors and Sari Pohjonen as the Vice Chair of the Board of Directors. Markus Holm, Jaakko Kiander, Turkka Kuusisto, Nermin Hairedin, Pekka Hurtola and Virve Laitinen were re-elected as members of the Board of Directors. Sari Pohjonen was re-elected as the Chair of the Audit Committee, and Markus Holm, Jaakko Kiander and Virve Laitinen were re-elected as its members. The Board of Directors elected Esa Rautalinko as the Chair of the Human Resources Committee and re-elected Nermin Hairedin, Pekka Hurtola and Turkka Kuusisto as its members.

Changes in the Leadership Team

Kia Haring took up the post of Senior Vice President, Communications, Public Relations and Sustainability and member of the Leadership Team on 1 August 2023.

Johan Oscarsson took up the post of Senior Vice President, City Traffic Sweden, on 7 August 2023. Janne Hattula was appointed as Senior Vice President, City Traffic Finland, effective from 1 August 2023. He was previously the CEO of Pohjolan Liikenne. Both Oscarsson and Hattula were appointed as members of VR's Leadership Team.

Melisa Bärholm was appointed as Senior Vice President, People and Culture and member of the VR Leadership Team. She took up her post on 11 September 2023.

At the end of the year, Markku Pirskanen was appointed as CFO and member of the Leadership Team. He took up his post on 1 January 2024.

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Proposal for distribution of profit by the Board of Directors

The distributable funds of the parent company in the financial statements amount to 370.8 million euros, of which the share of the annual result is -25.1 million euros. The Board of Directors proposes to the Annual General Meeting that an equity repayment of 57.0 million euros, or 25.91 euros per share, be distributed from the distributable equity of VR-Group Plc.

Major events after the review period

Turkka Kuusisto announced his resignation from the Board of Directors of VR-Group Plc on 11 January 2024. Kuusisto was a member of VR's Board of Directors since 2022.

Annual Report 2023, Corporate Governance Statement and Remuneration Report

On 19 March 2024, VR Group will publish, as a separate release, its Annual Report and Financial Statements, Corporate Responsibility Report, Remuneration Policy and Remuneration Report, and Corporate Governance Statement.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - unaudited

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales	313.2	327.6	1,224.1	1,107.0
Other operating income	24.5	18.7	107.5	58.6
Materials and services	-89.5	-109.8	-347.8	-385.6
Production for own use	14.7	15.2	50.0	64.1
Personnel expenses	-138.3	-141.9	-520.9	-470.5
Depreciation and amortisation	-47.4	-53.4	-203.8	-207.4
Other operating expenses	-55.4	-76.2	-227.5	-224.7
Operating result (EBIT)	21.9	-19.9	81.5	-58.4
Net financial items	-4.4	-6.5	-11.3	11.9
Share of result of associated companies	0.0	0.0	-0.2	0.1
Profit before tax	17.4	-26.4	70.0	-46.4
Income taxes	-2.5	2.6	-17.6	-1.0
Profit for the period	14.9	-23.8	52.4	-47.4
Attributable to				
Equity holders of the parent	14.9	-23.8	52.4	-47.4
Non-controlling interests	0.0	0.0	0.0	0.0

OTHER COMPREHENSIVE INCOME - unaudited

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net profit for the period	14.9	-23.8	52.4	-47.4
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	0.5	-1.4	-0.4	0.3
Cash flow hedges	3.9	-25.9	-39.3	37.1
Taxes on items that may be reclassified subsequently to profit or loss	-0.9	5.2	9.4	-7.4
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plans	-6.8	5.6	7.4	62.6
Financial assets at fair value through other comprehensive income	-1.0	-4.1	-5.6	-13.8
Taxes on items that will not be reclassified subsequently to profit or loss	1.4	-14.9	-1.5	-24.3
Total other comprehensive income for the period net of taxes	-2.8	-35.5	-29.9	54.4
Total comprehensive income for the period	12.0	-59.3	22.4	7.0
Total comprehensive income for the period attributable to				
Equity holders of the parent company	12.0	-59.3	22.4	7.0
Non-controlling interests	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION unaudited
EUR million
31.12.2023 31.12.2022

	31.12.2023	31.12.2022
ASSETS		
Non-current assets		
Intangible assets	46.6	59.1
Goodwill	8.3	10.9
Property, plant and equipment	1,328.3	1,302.5
Right-of-use assets	264.9	299.0
Investment properties	9.1	12.1
Investments	13.9	20.5
Other receivables	150.9	143.7
Non-current assets, total	1,822.0	1,847.6
Current assets		
Inventories	99.4	75.1
Accounts receivable and other receivables	97.1	117.0
Prepaid expenses and accrued income	62.8	51.1
Other financial assets		50.0
Cash and cash equivalents	224.2	224.4
Current assets, total	483.5	517.7
Assets, total	2,305.5	2,365.3
EQUITY AND LIABILITIES		
Equity		
Equity attributable to holders of the parent company, total	1,268.6	1,246.2
Non-controlling interest	0.0	0.0
Equity, total	1,268.6	1,246.2
Non-current liabilities		
Provisions	83.3	78.2
Financial liabilities	300.7	325.1
Lease liabilities	217.3	243.6
Accounts payable and other liabilities	6.8	3.4
Deferred tax liabilities	125.0	117.4
Non-current liabilities, total	733.1	767.7
Current liabilities		
Lease liabilities	36.9	44.7
Advances received	25.9	18.3
Accounts payable and other liabilities	95.1	97.5
Accrued expenses and prepaid income	142.0	190.1
Current liabilities, total	303.8	351.4
Liabilities, total	1,036.9	1,119.1
Equity and liabilities, total	2,305.5	2,365.3

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CONSOLIDATED STATEMENT OF CASH FLOWS - unaudited

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Cash flow from operating activities				
Profit before taxes	17.4	-26.4	70.0	-46.4
Depreciation and amortisation	47.4	53.4	203.8	207.4
Profit and loss from sale of tangible and intangible assets and other adjustments	-3.4	-0.3	-20.0	-2.9
Cash flow from operating activities before change in working capital	61.4	26.6	253.7	158.0
Change in working capital	4.8	35.8	-33.5	15.5
Net financial expenses	-1.8	4.4	-9.0	0.5
Income taxes paid	-10.7	9.5	-7.4	5.9
Cash flow from operating activities (A), total	53.7	76.2	203.8	179.9
Cash flow from investing activities				
Tangible and intangible assets purchases	-65.8	-52.4	-229.2	-167.2
Tangible and intangible assets sales	7.2	11.5	60.2	16.9
Shares and holdings acquired		-1.0		-69.7
Shares and holdings sold			0.7	
Change in investment receivables	5.2	8.4	46.0	-21.2
Cash flow from investing activities (B), total	-53.5	-33.5	-122.2	-241.3
Cash flow before financing (A)+(B)	0.2	42.7	81.6	-61.4
Cash flow from financing activities				
Dividends paid and returns of capital to owners of parent company				-40.0
Change in bond liability				298.5
Change in non-current liabilities	0.2	-0.5	-24.4	-3.1
Change in lease liabilities	-16.4	-10.1	-54.5	-34.1
Change in current interest-bearing liabilities	-0.1	-0.6	-2.9	-1.4
Cash flow from financing activities (C), total	-16.4	-11.2	-81.8	219.9
Change in cash flows (A)+(B)+(C)	-16.1	31.5	-0.2	158.6
Cash and cash equivalents beginning of period	240.3	192.9	224.4	65.8
Cash and cash equivalents end of period	224.2	224.4	224.2	224.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY -UNAUDITED

EUR million	Share capital	Fair value reserve	Invested non-restricted equity reserve	Translation differences	Retained earnings	Attributable to holders of parent company, total	Attributable to non-controlling interest	Equity total
Equity 1 Jan 2023	370.0	-34.0	336.2	0.5	573.5	1,246.2	0.0	1,246.2
Comprehensive income								
Net result for the financial year					52.4	52.4		52.4
Translation differences				-0.4		-0.4		-0.4
Cash flow hedges		-29.9				-29.9		-29.9
Remeasurements of defined benefit plans					5.9	5.9		5.9
Changes in fair value with effects on comprehensive income		-5.6				-5.6		-5.6
Other comprehensive income total	-	-35.5	-	-0.4	5.9	-29.9		-29.9
Total comprehensive income for the financial year	-	-35.5	-	-0.4	58.3	22.4	0.0	22.4
Equity 31 Dec 2023	370.0	-69.5	336.2	0.1	631.8	1,268.6	0.0	1,268.6

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY -UNAUDITED

EUR million	Share capital	Fair value reserve	Invested non-restricted equity reserve	Translation differences	Retained earnings	Attributable to holders of parent company, total	Attributable to non-controlling interest	Equity total
Equity 1 Jan 2022	370.0	-38.0	376.2	0.2	570.8	1,279.2	0.0	1,279.2
Comprehensive income								
Net result for the financial year					-47.4	-47.4	0.0	-47.4
Translation differences				0.3		0.3		0.3
Cash flow hedges		29.7				29.7		29.7
Remeasurements of defined benefit plans					50.1	50.1		50.1
Changes in fair value with effects on comprehensive income		-25.6				-25.6		-25.6
Other comprehensive income total	0.0	4.1	0.0	0.3	50.1	54.4	0.0	54.4
Total comprehensive income for the financial year	0.0	4.1	0.0	0.3	2.7	7.0	0.0	7.0
Dividends and returns of invested capital			-40.0			-40.0		-40.0
Transactions with owners, total			-40.0			-40.0		-40.0
Equity 31 Dec 2022	370.0	-34.0	336.2	0.5	573.5	1,246.2	0.0	1,246.2

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NOTES FOR FINANCIAL STATEMENTS
Accounting principles

The financial report is prepared in accordance with IAS 34 Interim Financial Reporting Standard and the accounting principles specified in the previous financial statements. The benchmarks in brackets refer to the corresponding time period in the previous year, unless otherwise stated.

The financial statement release is unaudited. The disclosed figures are rounded, and therefore the sum of individual items can differ from the total disclosed.

Key assessments and judgment-based solutions

Preparing IFRS financial statements requires management to make decisions based on judgment and to use estimates and assumptions. The estimates and assumptions in question are based on past experience and other justifiable factors, such as expectations regarding future events. The management's estimates are based on the best vision and knowledge of VR Group's management during the reporting period on the end date.

During the review period, the most significant decisions based on judgment were related to the valuation of the groups fixed assets, defined benefit pension plans and provisions on environmental responsibilities and loss making contracts.

Segments

From 1 January 2023 onwards, VR Group's reporting segments are VR Long-distance Traffic, VR City Traffic, VR Transpoint and Other operations.

VR Long-distance Traffic provides long-distance train journeys in Finland and offers restaurant and café services on trains and at railway stations.

VR City Traffic includes commuter train, tram and bus transport services in Finland and Sweden.

VR Transpoint offers rail and road logistics services. The services include railway and road transports and customized logistics chains with additional services.

Other operations include VR FleetCare's sales to external clients, property management and other group operations which are not allocated to business segments.

Revenue, EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	103.3	98.1	405.6	352.4
VR City Traffic	121.8	127.2	465.7	358.5
VR Transpoint	84.0	100.0	339.9	386.2
Other and eliminations	4.1	2.3	12.8	10.0
Total	313.2	327.6	1,224.1	1,107.0

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Public

**Net sales based on services,
EUR million**

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Rail services	217.9	219.9	848.7	762.9
VR Long-distance Traffic	93.6	88.4	365.5	317.2
VR City Traffic	57.8	54.4	220.2	151.8
VR Transpoint	66.5	77.0	263.0	294.0
Road services (car or bus)	81.6	95.7	322.4	299.0
VR City Traffic	64.0	72.8	245.5	206.8
VR Transpoint	17.5	23.0	76.9	92.2
Catering and restaurant services	9.6	9.7	40.1	35.2
VR Long-distance Traffic	9.6	9.7	40.1	35.2
Other and eliminations	4.1	2.3	12.8	9.9
Total	313.2	327.6	1,224.1	1,107.0

**Net sales by geographical area,
EUR million**

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Finland	246.6	255.9	966.6	954.3
Sweden	66.6	72.4	257.5	151.0
Rest of Europe	0.0	-0.7	0.0	1.7
Total	313.2	327.6	1,224.1	1,107.0

Comparable EBITDA, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	38.2	32.8	154.2	111.1
VR City Traffic	9.3	5.6	31.4	17.7
VR Transpoint	9.9	10.3	46.4	42.0
Other and eliminations	6.7	-3.6	19.0	-1.6
Total	64.0	45.1	251.0	169.2

EBITDA, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	38.2	31.7	154.8	100.3
VR City Traffic	9.3	-6.0	30.1	6.1
VR Transpoint	9.9	10.3	46.4	42.0
Other and eliminations	11.9	-2.5	54.0	0.6
Total	69.3	33.5	285.3	149.0

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Comparable operating result, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	21.5	14.2	89.9	46.5
VR City Traffic	-5.2	-9.6	-29.9	-26.2
VR Transpoint	-3.0	-1.2	-6.4	-3.0
Other and eliminations	3.4	-3.4	6.2	-11.4
Total	16.7	0.1	59.9	6.0

Operating result, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	21.5	16.8	83.2	3.6
VR City Traffic	-5.2	-25.5	-33.2	-42.1
VR Transpoint	-3.0	-4.1	-9.6	-5.9
Other and eliminations	8.6	-7.1	41.1	-14.1
Total	21.9	-19.9	81.5	-58.4

Depreciations and amortisations, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	-16.7	-14.9	-71.6	-96.7
VR City Traffic	-14.4	-19.5	-63.3	-48.1
VR Transpoint	-12.9	-14.4	-56.0	-48.0
Other and eliminations	-3.3	-4.6	-12.9	-14.6
Total	-47.4	-53.4	-203.8	-207.4

Investments, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
VR Long-distance Traffic	13.1	13.1	43.8	21.7
VR City Traffic	10.9	60.0	29.0	95.7
VR Transpoint	4.8	15.3	22.8	60.7
Other and eliminations	37.0	7.3	91.3	41.7
Total	65.8	95.7	186.9	219.8

Items affecting comparability, EUR million

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Operating result (EBIT)	21.9	-19.9	81.5	-58.4
Profits from the sale of assets and other one off profits	-5.2	-5.2	-38.1	-6.3
Exceptional amortisations		11.0	12.6	45.2
Losses from the sale of assets and other one off expenses		14.3	3.8	25.5
Items affecting comparability, total	-5.2	20.1	-21.6	64.4
Comparable operating result (EBIT)	16.7	0.1	59.9	6.0

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In the fourth quarter of 2023, the Group recorded items affecting comparability with a positive impact of EUR 5.2 million. Items affecting comparability include sales of land areas. In 2023, items affecting comparability amounted to EUR 21.6 million. The items affecting comparability in January–December 2023 include sales of land areas of EUR 35.1 million and write-downs of goodwill and fixed assets of EUR -12.6 million.

Property plant and equipment

Land and water areas

Acquisition cost	1-12/2023	1-12-2022
Opening balance 1 January	77.5	60.0
Increases	-5.7	18.0
Decreases	-11.3	-1.3
Reclassifications	-0.6	0.8
Closing balance	59.9	77.5
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	0.0	0.0
Closing balance	0.0	0.0
Carrying amount 1 January	77.5	60.0
Carrying amount 31 December	59.9	77.5

Buildings and structures

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	367.3	370.7
Translation differences	0.0	0.0
Increases	0.0	0.8
Decreases	-1.9	-3.4
Reclassifications	14.6	-0.9
Closing balance	379.9	367.3
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-187.3	-185.4
Accumulated depreciations for decreases and transfers	-17.3	1.5
Depreciation for the financial year	-11.3	-13.0
Amortisation for the financial year	0.0	-4.6
Reclassifications	0.5	14.9
Closing balance	-197.0	-187.3
Carrying amount 1 January	180.0	185.3
Carrying amount 31 December	183.0	180.0

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Machinery and equipment

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	2,357.2	2,125.5
Translation differences	-3.2	8.0
Increases	9.6	167.0
Decreases	-85.1	-66.7
Reclassifications	166.9	129.9
Closing balance	2,445.4	2,357.2
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-1,499.6	-1,292.0
Accumulated depreciations for increases	-0.4	-122.0
Accumulated depreciations for decreases and transfers	82.6	54.0
Depreciation for the financial year	-112.8	-103.0
Amortisation for the financial year	-8.0	-35.7
Reclassifications	-5.0	-1.7
Closing balance	-1,543.2	-1,499.6
Carrying amount 1 January	857.6	833.5
Carrying amount 31 December	902.2	857.6

Advance payments, incomplete acquisitions and other property, plant and equipment

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	214.4	135.1
Increases	188.8	218.9
Decreases	-0.4	-0.1
Reclassifications	-189.5	-139.6
Closing balance	213.2	214.4
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-26.9	-10.5
Accumulated depreciations for decreases and transfers	0.0	0.0
Depreciation for the financial year	-2.8	-1.4
Amortisation for the financial year	0.0	0.0
Reclassifications	0.0	-14.9
Closing balance	-30.1	-26.9
Carrying amount 1 January	187.4	124.6
Carrying amount 31 December	183.2	187.4
Property, plant and equipment total	1,328.3	1,302.5

Intangible assets

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	206.9	160.5
Translation differences	0.1	0.0
Increases	3.3	36.7
Decreases	-0.5	-8.4
Reclassifications	4.5	18.1
Closing balance	214.4	206.9
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-136.9	-112.7
Translation differences	-0.2	0.0
Accumulated depreciations for acquisitions	0.0	0.0
Accumulated depreciations for decreases and transfers	0.0	0.4
Depreciation for the financial year	-19.2	-17.2
Amortisation for the financial year	-2.6	0.0
Reclassifications	-0.5	0.0
Closing balance	-159.4	-136.9
Carrying amount 1 January	70.0	47.8
Carrying amount 31 December	54.9	70.0

Right of use assets

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	505.7	444.1
Translation differences	0.1	0.0
Increases	12.9	167.7
Decreases	-13.1	-104.0
Reclassifications	-5.5	-2.0
Closing balance	500.2	505.7
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-206.8	-162.9
Translation differences	-0.7	0.3
Accumulated depreciations for acquisitions	0.0	-71.1
Accumulated depreciations for decreases and transfers	2.2	63.2
Depreciation for the financial year	-27.0	-38.1
Amortisation for the financial year	-8.0	0.0
Reclassifications	5.0	1.7
Closing balance	-235.3	-206.8
Carrying amount 1 January	299.0	281.2
Carrying amount 31 December	264.9	299.0

Investment properties

Acquisition cost	1-12/2023	1-12/2022
Opening balance 1 January	49.2	50.5
Increases	0.0	0.5
Decreases	-10.1	-1.7
Closing balance	39.1	49.2
Accumulated depreciation, amortisation and impairment		
Opening balance 1 January	-37.1	-37.4
Accumulated depreciations for decreases and transfers	7.7	1.3
Depreciation for the financial year	-0.6	-1.0
Closing balance	-30.1	-37.1
Carrying amount 1 January	12.1	13.1
Carrying amount 31 December	9.1	12.1

Financial assets and liabilities

The table below describes the groups of financial assets and liabilities as well as the classification of items to be recognized at fair value in the fair value hierarchy. There were no transfers between levels 1 and 2 of the fair value hierarchy or to level 3 in the review period or in the comparative year 2022.

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31.12.2023 EUR million	At amortised cost	At fair value through profit or loss	At fair value through other comprehensiv e income	Derivatives in hedge accounting	Book value total	Fair value	Level 1	Level 2	Level 3
Financial assets									
Long-term financial assets									
Loan receivables	2.5				2.5	2.5			
Investments			12.7		12.7	12.7	12.7		
Derivatives				1.2	1.2	1.2		1.2	
Short-term Financial assets									
Accounts receivable and other receivables	92.1				92.1	92.1			
Derivatives		0.2		4.8	5.0	5.0		5.0	
Cash and cash equivalents	224.2				224.2	224.2			
Financial assets, total	318.8	0.2	12.7	6.0	337.6	337.6	12.7	6.2	—
Financial liabilities									
Long-term financial liabilities									
Bond	298.8				298.8	287.1	287.1		
Loans from financial institutions	0.5				0.5	0.5			
Lease liabilities	217.3				217.3	217.3			
Derivatives				4.2	4.2	4.2		4.2	
Accounts payable and other liabilities	4.0				4.0	4.0			
Short-term financial liabilities									
Lease liabilities	36.9				36.9	36.9			
Derivatives		2.9		0.4	3.3	3.3		3.3	
Accounts payable and other liabilities	120.9				120.9	120.9			
Financial liabilities, total	678.5	2.9	—	4.6	685.9	674.2	287.1	7.4	—

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31.12.2022 EUR million									
Financial assets	At amortised cost	At fair value through profit or loss	At fair value through other comprehensiv e income	Derivatives in hedge accounting	Book value total	Fair value	Level 1	Level 2	Level 3
Long-term financial assets									
Loan receivables					—				
Investments			18.3		18.3	18.3	18.3		
Derivatives				9.2	9.2	9.2		9.2	
Short-term Financial assets									
Loan receivables					—				
Accounts receivable and other receivables	86.4				86.4	86.4			
Derivatives		0.1		30.3	30.4	30.4		30.4	
Other financial assets	50.0				50.0	50.0			
Cash and cash equivalents	224.4				224.4	224.4			
Financial assets, total	360.8	0.1	18.3	39.5	418.6	418.6	18.3	39.6	—
Financial liabilities									
Long-term financial liabilities									
Bond	298.5				298.5	265.6	265.6		
Loans from financial institutions	25.1				25.1	25.1			
Lease liabilities	243.6				243.6	243.6			
Derivatives				0.8	0.8	0.8		0.8	
Accounts payable and other liabilities	4.0				4.0	4.0			
Short-term financial liabilities									
Loans from financial institutions	2.9				2.9	2.9			
Lease liabilities	44.7				44.7	44.7			
Derivatives					—				
Accounts payable and other liabilities	94.6				94.6	94.6			
Financial liabilities, total	713.5	—	—	0.8	714.3	681.4	265.6	0.8	—

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Derivatives

Nominal and fair values of derivatives EUR million

	31.12.2023		31.12.2022	
	Nominal value	Fair value, net	Nominal value	Fair value, net
Interest rate derivatives	—	—	22.4	-0.6
non-hedge accounted	—	—	22.4	-0.6
Electricity derivatives	29.7	1.9	24.8	39.4
subject to hedge accounting	29.7	1.9	24.8	39.4
Currency derivatives	52.1	-3.1	41.7	0.1
subject to hedge accounting	18.3	-0.5		
non-hedge accounted	33.8	-2.6	41.7	0.1
Total	81.8	-1.2	88.9	38.8

Changes in the fair value of derivatives subject to hedge accounting are recorded in equity in the fair value reserve. During the review period, EUR -38.0 million was recorded in the fair value reserve from the change in the value of electricity and currency derivatives. The reason behind the decrease in the fair values of derivatives is the decrease in electricity prices. Changes in the value of derivatives outside of hedge accounting are recorded in financial items in the result of the financial year. The increase in nominal values of derivatives in the review period is largely explained by currency derivatives purchased to hedge the SEK-denominated sales income of VR FleetCare Ltd.

Off balance sheet items

Commitments and other open liabilities

Contractual obligations for equipment procurement

VR-Group Plc has signed contracts for the supply of locomotives and electric motor trains as well as sleeping cars and car transporters with the consortium formed by Siemens Oy and Siemens AG, Stadler Rail Valencia S.A.U, Stadler Bussnang AG and Škoda Transtech. In addition to the procurement of locomotives, trains and wagons, the contract packages include documentation, spare parts, tools and training related to the new equipment. In addition to the amounts presented below, the contracts include options for additional purchases.

2023	Quantity pcs		Contractual obligation EUR million		Estimated realization time of the remaining liability		
	Ordered	Delivered	Obligation at signing date	remaining obligation 31.12.2023	under 12 months	1-5 years	Over 5 years
Siemens, electric locomotives	80	58	314.5	78.4	30.6	47.8	0
Stadler, diesel locomotives	60	14	208.0	149.1	55.2	93.9	0
Stadler, Flirt SmX electric motor trains	20	0	250.0	177.8	0.0	177,8	0
Škoda Transtech, train cars	17	0	50.6	41.3	17.1	24.2	0

2022	Quantity pcs		Contractual obligation EUR million		Estimated realization time of the remaining liability		
	Ordered	Delivered	Obligation at signing date	remaining obligation 31.12.2022	under 12 months	1-5 years	Over 5 years
Siemens, electric locomotives	80	55	314.5	108,2	29.2	79.0	0
Stadler, diesel locomotives	60	0	208.0	158,6	46.0	112.6	0
Stadler, Flirt SmX electric motor trains	20	0	250.0	207,8	0.0	207,8	0

**Contingent liabilities and commitments,
EUR million**

	31.12.2023	31.12.2022
Guarantees given on own behalf	153.0	146.2
Total	153.0	146.2

Legal proceedings and disputes

By its decision of 13 September 2023, the Court of Appeal overturned the district court's decision regarding the unpaid lunch break for locomotive drivers in commuter traffic and decided the matter in favour of locomotive drivers. VR was granted leave to appeal to the Supreme Court in February 2024.

On 15 December 2022, the Helsinki Court of Appeal handed down its decision in a matter concerning supplementary pensions paid by VR Pension Fund. The claimants demand VR to compensate for the amount by which the claimants' overall pension remains lower after the supplementary pension is adjusted for the reduction for early retirement. The Court of Appeal overturned the district court's decision and rejected the claim. The claimants have been granted leave to appeal to the Supreme Court.

Events after the review period

Turkka Kuusisto announced his resignation from the Board of Directors of VR-Group Plc on 11 January 2024. Kuusisto was a member of VR's Board of Directors since 2022.

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