

VR Group Business Review for January–March 2024: Challenging operating environment had a significant negative impact on operational result

The first quarter of 2024 was challenging for VR's business operations. Our profitability was affected by long-lasting strikes, fleet issues as well as increased costs caused by an unusually long period of freezing temperatures and significant track damage. Despite these challenges, we steadfastly continue to implement our strategy and accelerate the company's turnaround with improved competitiveness.

January-March 2024 (Q1) in brief:

- Group net sales decreased by -4.0% to EUR 290.9 (302.9) million
- Comparable operating result (EBIT) was EUR -17.1 (-0.2) million or -5.9% (-0.1%) of net sales.
- Operating result (EBIT) was EUR -15.0 (2.8) million, or -5.2% (0.9%) of net sales.
- Cash flow from operating activities was EUR 35.1 (28.2) million.
- The number of journeys on long-distance trains increased by 2.0% to 3.5 (3.4) million journeys.
- The railway transport volumes of VR Transpoint decreased by -19.6% and amounted to 4.7 (5.9) million tonnes.

Key figures	1-3/2024	1-3/2023	1-12/2023
Net sales, M€	290.9	302.9	1,224.1
Operating result (EBIT), MEUR	-15.0	2.8	81.5
<i>% of net sales</i>	-5.2	0.9	6.7
Comparable operating result (EBIT), MEUR*	-17.1	-0.2	59.9
<i>% of net sales</i>	-5.9	-0.1	4.9
Net profit/loss for the period, MEUR	-14.6	0.6	52.4
Cash flow from operating activities, MEUR	35.1	28.2	203.8
Investments, MEUR	53.7	36.6	186.9
Capital invested at the end of the period, MEUR	1,803.3	1,826.1	1,823.6
Return on capital employed (ROCE), %	-2.8	1.1	5.2
Comparable return on capital employed, %	-3.3	0.4	4.0
Return on equity (ROE), %	-4.6	0.2	4.2
Net interest-bearing debt at the end of the period, MEUR	350.7	391.5	330.8
Gearing, %	27.9	32.1	26.1
Headcount at end of period	9,183	8,926	9,110
Employees on average, FTE	8,175	7,858	7,765

30 April 2024

Public

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

The calculation formulas for the figures are disclosed in VR Group's Annual Report for 2023.

The figures are unaudited.

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

Elisa Markula, CEO:

“VR's comparable operating result remained negative in the first quarter, amounting to -17.1 million euros. The political strikes had a significant negative impact to the operating result, well over EUR 10 million. Additionally, significant costs were incurred due to fleet breakdowns caused by exceptional track damage and especially challenging winter conditions.

During the first quarter, political strikes halted VR's passenger traffic for two days and our logistics transport for 23 days. In February, we had to suspend long-distance train services due to safety concerns arising from rail damage. Delayed detection and repair of the rail damage resulted in approximately 40% of our long-distance fleet being affected. VR faced substantial costs for fleet repairs, reduced traffic due to fleet shortages, and the need to reorganize the traffic. Moreover, an extended period of severe cold in the early months of the year posed significant challenges to operations, leading to the week-long cancellation of 10-15% of train services to facilitate intensified thawing and the maintenance of equipment.

Despite these challenges, long-distance traffic revenue increased by 5%, with 3.5 (3.4) million journeys made. This growth in passenger numbers drove increased revenue, supporting by the Easter holiday falling in the first quarter this year. However, due to temporary speed restrictions and fleet challenges our punctuality in long-distance traffic fell to an exceptionally low level of 69% (86%). This directly impacted customer satisfaction, measured by NPS, which stood at 32 (53) in the first quarter. Customer satisfaction quickly rebounded towards the end of the quarter, approaching the level of the previous year.

Freight volumes and results in freight transport were significantly affected by political strikes and harsh winter conditions. Railway transport volumes decreased by -15.6% to 6.2 (7.4) million tonnes.

Revenue in city traffic increased compared to the previous year. Exceptional weather conditions slowed revenue growth and significantly increased costs during the first quarter. Poor profitability of long-term contracts in the current conditions also weakened the result.

Our strategy focuses on profitability, growth and creating a work culture based on our values. We seek growth in other market areas outside of our traditional market as well. By acquiring the long-distance traffic operations of MTR Express (Sweden) AB (MTRX) on the Gothenburg-Stockholm route, we are strengthening our competitiveness. With this acquisition, our operations in Sweden expand from regional contract traffic to market-based long-distance traffic.

Increasing the share of emission-free rail transport requires continuous improvement in customer satisfaction. Approximately half of train delays are due to poor rail infrastructure, so targeted and sufficient state investments in rail infrastructure are essential for improving train punctuality. Functional internet connectivity is a significant part of the customer experience. New Wi-Fi networks that are up to five times faster have already been installed on 60% of our long-distance trains. However, improving connectivity aboard trains also requires investments by telecommunication operators in trackside network infrastructure.

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VR supports the implementation of the government program's rail transport provisions aimed at increasing competition. According to the government program's stipulations, no public support is provided for routes operated on a market basis. VR supports the development of the rail market in Finland based on customer choice and market forces. Publicly supported, competitively tendered procurement traffic complements free competition. In several regions, there is a desire to develop regional procurement traffic in the coming years. It is possible to rapidly establish a procurement-traffic equipment company. This would support the emergence of competition in both procurement and market-based transport by lowering the market-entry threshold. To create a competition-neutral environment, VR will divest station properties, depots, and the remaining rail infrastructure owned by the company. We have also put diesel locomotives and passenger-train carriages up for sale.

In line with our revised strategy, we aim to achieve 250 million euros in profit improvement measures by the end of 2027, enabling financing of one billion euros in rolling-stock investments and ensuring our competitiveness in the future. We continuously invest in improving the customer experience while enhancing operational efficiency and critically examining fixed costs.

I want to thank all our employees for their excellent work and commitment in the challenging operating environment during the early part of the year. Together we are building a sustainable future for VR. We care, we work together, we drive improvement – with our values guiding us forward on this shared journey.”

Outlook for the current year

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

The popularity of train travel increased to record levels during 2023. The popularity of weekday business travel and overall leisure travel both increased. The popularity of train travel is expected to continue strongly, with travel volumes growing in 2024.

The weakened economic conditions in Finland's heavy industry have led to a reduction in the volume of freight-rail transport since the second quarter of 2023. This trend is unfortunately expected to continue, resulting in lower-than-normal freight transportation volumes. VR estimates that the volumes of rail transport will rise compared to 2023, especially during the second half of 2024. The price level of rail transport is expected to increase in 2024 compared to the previous year.

In city traffic, the negative impact on the profitability of long-term contracts signed before the pandemic is expected to persist. Through efficiency measures and the renewal of contract portfolios, efforts are being made to improve the profitability of city traffic. However, profitability is expected to remain challenging.

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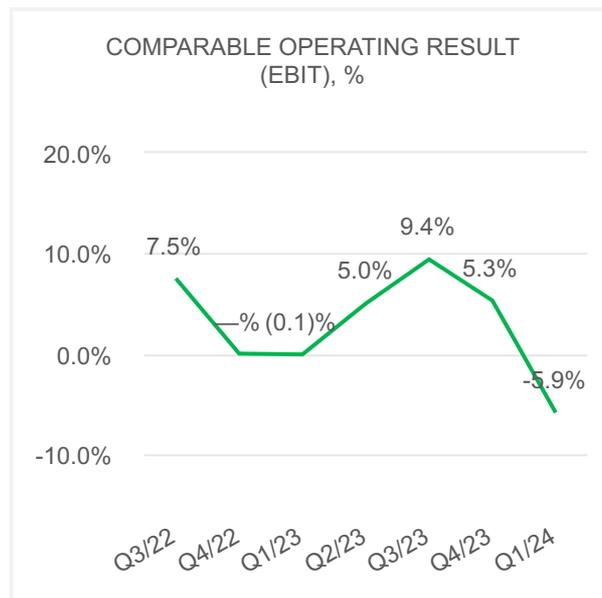
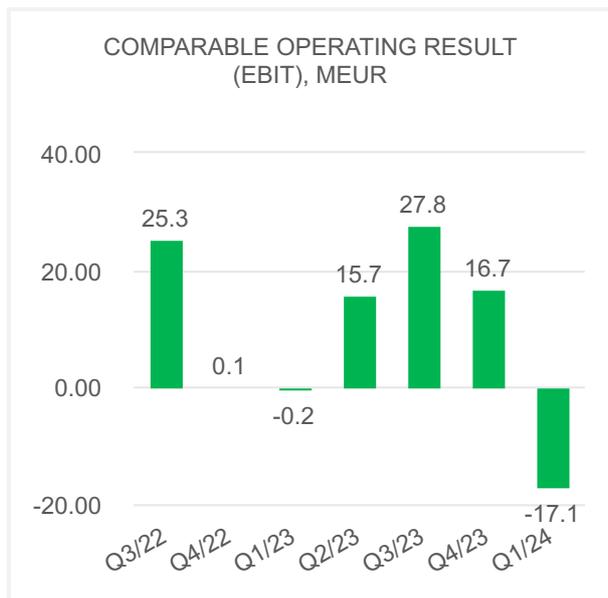
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The Group's financial development

Net sales and result development by operation

SEGMENTS

Net sales, EUR million	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	96.6	92.0	405.6
VR City Traffic	124.7	118.5	465.7
VR Transpoint	65.8	89.2	339.9
Other	3.8	3.2	12.8
Total	290.9	302.9	1,224.1
Comparable EBITDA, EUR million	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	26.5	27.8	154.2
VR City Traffic	2.5	7.8	31.4
VR Transpoint	-2.6	7.0	46.4
Other and eliminations	3.0	3.3	19.0
Total	29.6	45.9	251.0
Comparable operating result, EUR million	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	10.7	12.3	89.9
VR City Traffic	-13.3	-7.9	-29.9
VR Transpoint	-14.3	-4.3	-6.4
Other and eliminations	-0.3	-0.3	6.2
Total	-17.1	-0.2	59.9
Operating result, EUR million	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	10.7	15.3	83.2
VR City Traffic	-13.3	-7.9	-33.2
VR Transpoint	-12.2	-4.3	-9.6
Other and eliminations	-0.3	-0.3	41.1
Total	-15.0	2.8	81.5



January-March 2024 (Q1)

VR's net sales decreased by -4.0% compared to January–March 2023, amounting to EUR 290.9 (302.9) million. The decrease in net sales was impacted by political strikes, the challenging weather conditions at the beginning of the year, and cancellations of train services due to track damage. Growth in the number of journeys in long-distance traffic and city traffic contributed positively to net sales.

Net sales of VR Long-distance Traffic for the first quarter increased by 5.0%, as the demand remained strong. During the quarter VR transported 3.5 (3.4) million passengers in long-distance traffic, with net sales of VR Long-distance Traffic amounting to EUR 96.6 (92.0) million. Challenging winter conditions, political strikes, and cancellations of trains due to the strikes had a negative impact on net sales in the first quarter. The timing of Easter in the current year contributed to the growth in revenue.

Net sales of VR City Traffic increased quarter-on-quarter due to growth in the number of passengers and changes in contracts, and amounted to EUR 124.7 (118.5) million. Challenging winter conditions and political strikes had a negative impact on net sales.

VR Transpoint's net sales decreased by -26.2% quarter-on-quarter, as the political strikes stopped freight transportation at ports and by rail. This had a significant impact on transport volumes. VR Transpoint's net sales in the first quarter amounted to EUR 65.8 (89.2) million. The total volume of freight transported by rail and road was 5.8 (7.0) million tonnes, representing a quarter-on-quarter decrease of -17.9%.

VR's comparable operating result (EBIT) for the first quarter of 2024 was EUR -17.1 (-0.2) million. Items affecting profitability were political strikes, challenging weather conditions at the beginning of the year and cancellations of train services due to track damage that increased costs. The increase in the number of journeys and changes in contracts had a positive impact on the result. Measures to adjust costs have mitigated the impact of decreased transport volumes.

VR's operating result (EBIT) in the first quarter came to EUR -15.0 (2.8) million. Items affecting comparability amounted to EUR 2.1 (3.0) million. These items include sales of real estate of EUR 2.1 million.

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Cash flow, investments and financing

In January–March 2024, VR's cash flow from operating activities before investments and financing was EUR 35.1 (28.2) million. Net interest-bearing debt at the end of the period under review amounted to EUR 350.7 (391.5) million and net gearing was 27.9% (32.1%). The ratio of net debt to comparable EBITDA based on the last 12-months' comparable EBITDA was 1.5 (1.9).

VR's liquid assets at the end of the period amounted to EUR 194.2 (214.4) 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 seven 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. This rating is issued by the international credit rating agency Standard & Poor's.

VR's total investments in January–March 2024 amounted to EUR 53.7 (36.6) million. The Group's balance sheet total at the end of March 2024 was EUR 2,292.8 (2,270.9) million.

Investments, EUR million	1-3/2024	1-3/2023	1-12/2023
Rolling stock	29.1	31.4	136.7
Transportation equipment (cars)	14.1	0.3	16.3
Real estate	3.4	0.9	7.0
ICT-investments	2.9	2.1	13.7
Other and eliminations	4.2	2.0	13.2
Total	53.7	36.6	186.9

Rolling-stock investments progressed as planned during the period and the production of the new commuter trains and night-trains has started as planned. The new night-trains will be in use by the end of 2025 and the commuter trains in the beginning of 2026. The deliveries of diesel locomotives and electric locomotives will continue until 2026-2027.

Personnel

Employees on average, FTE	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	1,616	1,583	1,545
VR City Traffic	4,554	4,125	4,185
VR Transpoint	1,633	1,835	1,637
Other	373	316	398
Total	8,175	7,858	7,765

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Headcount at end of period	1-3/2024	1-3/2023	1-12/2023
VR Long-distance Traffic	1,779	1,748	1,757
VR City Traffic	5,324	4,984	5,235
VR Transpoint	1,698	1,862	1,805
Other	382	332	313
Total	9,183	8,926	9,110

Business and segment overview

VR's core businesses are passenger services in Finland and Sweden, as well as freight traffic in Finland. The Group's reported business units are VR Long-distance Traffic, VR City Traffic, VR Transpoint, 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	1-3/2024	1-3/2023	1-12/2023
Net sales, M€	96.6	92.0	405.6
Comparable (EBITDA), M€	26.5	27.8	154.2
% of net sales	27.5	30.2	38.0
Comparable operating result (EBIT), M€	10.7	12.3	89.9
% of net sales	11.1	13.4	22.2
Operating result (EBIT), M€	10.7	15.3	83.2
% of net sales	11.1	16.7	20.5
Capital employed at end of the period, M€	886.8	752.8	855.1
Comparable return on capital employed, (ROCE) %	4.9	6.6	11.2
Investments, M€	9.9	20.5	43.8
Employees on average, FTE	1,616	1,583	1,545
Long distance journeys (million)	3.5	3.4	15.1
Punctuality, %	68.6	85.9	85.9

January-March 2024 (Q1)

During the first quarter of 2024, net sales of VR Long-distance Traffic increased by 5.0% quarter-on-quarter to EUR 96.6 (92.0) million. The number of journeys in long-distance traffic increased by 2.0% in January–March, as demand remained strong. The main reasons for this increase is the growth in commuting and business travel compared to the previous year. Seasonal travel around Easter was earlier this year in March compared to last year when it was in April. Items affecting negatively on the volumes were difficult winter conditions, traffic cuts due to strikes and cancellations of trains due to track damages. VR transported 3.5 (3.4) million

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passengers during the first quarter 2024. The comparable operating result (EBIT) of VR Long-distance Traffic increased to EUR 10.7 (12.3) million. Higher energy prices and difficult weather conditions weakened profitability. Track damage lead to difficulties in operations because transportation had to be replaced with busses and costumers had to be compensated and this also lead to higher maintenance and personnel costs. The operating result (EBIT) was EUR 10.7 (15.3) million.

In the first quarter of 2024 customer satisfaction in VR Long-distance Traffic – as measured by the Net Promoter Score – decreased year-on-year to 32 (53). The score improved at the end of the quarter when traffic was normalized and punctuality improved. The passenger load factor on long-distance trains was 45% in January-March (46% in 2023).

VR announced that they were going to acquire long-distance operation of MTR Express (Sweden) AB (MTRX). With this acquisition, our operations expand from regional to long-distance passenger transport in Sweden.

VR City Traffic

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

VR City Traffic	1-3/2024	1-3/2023	1-12/2023
Net sales, M€	124.7	118.5	465.7
Comparable (EBITDA), M€	2.5	7.8	31.4
% of net sales	2.0	6.6	6.7
Comparable operating result (EBIT), M€	-13.3	-7.9	-29.9
% of net sales	-10.6	-6.7	-6.4
Operating result (EBIT), M€	-13.3	-7.9	-33.2
% of net sales	-10.6	-6.7	-7.1
Capital employed at end of the period, M€	364.5	381.7	399.9
Comparable return on capital employed, (ROCE) %	-13.9	-8.7	-8.0
Investments, M€	18.8	2.2	29.0
Employees on average, FTE	4,554	4,125	4,185

January-March 2024 (Q1)

In the first quarter 2024, net sales of VR City Traffic increased by 5.2% to EUR 124.7 (118.5) million. The increase in net sales was due to growth in the number of passengers and changes in contracts. Difficult weather conditions and political strikes in Finland had a negative impact on net sales.

The comparable operating result (EBIT) for the first quarter declined to EUR -13.3 (-7.9) million. Challenging weather conditions during the first quarter increased operating expenses significantly. In addition, the low profitability of long-term agreements in the current operating environment weakened VR City Traffic's result. The operating result (EBIT) was EUR -13.3 (-7.9) million. Items affecting comparability were EUR 0,0 (0,0) million.

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VR Transpoint

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

VR Transpoint	1-3/2024	1-3/2023	1-12/2023
Net sales, M€	65.8	89.2	339.9
Comparable (EBITDA), M€	-2.6	7.0	46.4
% of net sales	-3.9%	7.9	13.6
Comparable operating result (EBIT), M€	-14.3	-4.3	-6.4
% of net sales	-21.7	-4.8	-1.9
Operating result (EBIT), M€	-12.2	-4.3	-9.6
% of net sales	-18.5	-4.8	-2.8
Capital employed at end of the period, M€	481.6	516.3	472.8
Comparable return on capital employed, (ROCE) %	-12.0	-3.4	-1.3
Investments, M€	19.5	10.5	22.8
Employees on average, FTE	1,633	1,835	1,637
Total transport volumes, million tonnes	5.8	7.0	27.4
railway transports	4.7	5.9	23.4
road transports	1.0	1.1	4.0

January-March 2024 (Q1)

VR Transpoint's net sales in the first quarter of 2024 decreased by -26.2% to EUR 65.8 (89.2) million. Railway transport volumes decreased by -19.6%, and was 4.7 (5.9) million tonnes. Political strikes and difficult weather conditions in the beginning of the year had a significant negative impact on volumes which lead to decrease in VR Transpoint's net sales.

VR Transpoint's comparable operating result (EBIT) was EUR -14.3 (-4.3) million. The operating result (EBIT) was EUR -12.2 (-4.3) million. Items affecting comparability amounted to EUR 2.1 (0.0) million, which included sales of 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.

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Other operations	1-3/2024	1-3/2023	1-12/2023
Net sales, M€	3.8	3.2	12.8
Comparable (EBITDA), M€	3.0	3.3	19.0
Comparable operating result (EBIT), M€	-0.3	-0.3	6.2
Operating result (EBIT), M€	-0.3	-0.3	41.1
Investments, M€	5.5	3.3	91.3

The operating result (EBIT) of other operations in January–March 2024 was EUR -0.3 (-0.3) million. Items affecting comparability amounted to EUR 0.0 (0.0) million.

Corporate responsibility

VR Group's sustainability efforts are guided by the United Nations Sustainable Development Goals, and the company is committed to Finland's carbon neutrality target by 2035. Our areas of focus in sustainability work include safety, customer orientation, employee experience, environmental responsibility, and social responsibility. We aim to accelerate the shift towards more responsible transportation, and our sustainability program is updated accordingly.

At the core of VR's updated safety strategy are safety management and culture, common practices, proactive risk management, and compliance with requirements. The safety culture program based on the safety strategy was launched in 2023 with a current state assessment. Through the program, we are establishing a model for monitoring and continuous improvement of safety culture at VR.

We utilize several customer experience metrics related to brand perception, additional services, disruptions, and purchasing experience. In developing customer experience, we focus on the most meaningful and impactful areas for customers. As a measure of customer-centricity, we use the Net Promoter Score (NPS) in passenger and freight transport. Customer experience is measured through continuous surveys in both long-distance and commuter train services. The long-distance customer experience was at a low level in the first quarter but returned to a good level towards the end of the quarter. NPS was particularly affected by decreased punctuality and travel comfort due to operational challenges.

Developing a values-based work culture is at the core of our strategy. According to the employee survey conducted at the end of 2023, 82% of our staff are familiar with our updated values. One aspect of implementing a values-based culture is updating our shared Code of Conduct and providing related training for staff and managers. We began the update process in the fall of 2023, which was completed in the first quarter of 2024 and will be rolled out in the second quarter.

Responsibility and environmental care are key factors in our success. 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 commit to the goals of the United Nations Sustainable Development and the Paris Agreement. We are committed to setting science-based climate targets and reporting on their implementation. We submitted our commitment to the Science Based Targets initiative in December 2023. We aim to obtain SBTi confirmation for short-term targets and long-term net-zero targets during 2024. Reducing greenhouse gas emissions and improving energy and material efficiency are integrated into the company's management and key personnel incentive systems.

Our energy efficiency program launched in 2022 aims to significantly improve energy use and save costs and the environment. We have improved energy efficiency by increasing electric traction, making locomotives

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more energy-efficient, and increasing train sizes. Key methods also include optimizing traffic planning and training drivers in fuel-efficient driving, as well as various renovations for properties.

VR actively advocates for the expansion of the rail transport market, especially regarding promoting competition and infrastructure investments. VR has proposed solutions to the government program on how to expand the rail market. VR has also provided its comments on the preparation of the national transport system plan and regarding transportation issues in the state's 2024 budget proposal.

Promoting sustainable change through societal influence is an important part of the social responsibility incumbent upon a state-owned company. Through active societal dialogue and providing expert opinions to stakeholders and decision-makers, efforts are made to ensure that decisions are in the interest of VR and are sustainable for society and the environment. VR aims to promote Finland's accessibility, security of supply, and competitiveness in addition to climate goals.

Risks and uncertainties

In addition to its exposure to external factors such as general economic situation, VR's operations are affected by a variety of strategic, operational and damage risks. Risks are being identified, prepared for and monitored in order to limit potential negative impacts on VR's business operations, although in some cases VR's capability to control risks is limited. Risk management aims to ensure effective and successful delivery of VR's strategy. Risk management and associated responsibilities are guided by risk management policy approved by VR-Group Plc's Board of Directors, as well as by other sector-specific guidelines for risks.

More information on VR's risks and risk management can be found in the Annual Report's section Corporate Governance Statement, which is also available in the company's website.

Most significant risks and uncertainties in the near future

The risks and uncertainties described below may, if realised, have a significant impact on VR's business operations and profitability. The list is not to be considered exhaustive.

The general economic situation has significant knock-on effects on VR's operations. Russia's war of aggression against Ukraine has significantly increased consumer prices, and consumer purchasing power and economic growth, among other things, have weakened. 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, the uncertainty associated with energy prices continues, which may have a negative 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 fluctuation can be managed through derivative contracts.

Due to Russia's war of aggression, VR completely discontinued Eastern freight traffic and passenger services by the end of 2022. In this regard, the lost volumes remained 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 executed an action plan to develop IT continuity, and has drawn up a preparedness and contingency plan that is regularly monitored and maintained by an internal working group.

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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. VR seeks to manage this risk by reacting quickly with regards to resource allocation and prioritisation. New measures 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 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 traffic system and infrastructure investments. This is done together with, for example, the Finnish Transport Infrastructure Agency, which manages the state's railway 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, and 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 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.

A major accident, especially on railways, is a significant safety risk related to VR's business operations, which could result in serious personal injuries and damage to material or environment. The risk of railway accidents and incidents is managed with a railway safety management system that covers all rail traffic business operations and serves as the foundation for VR's safety management and operational safety. Risk management measures also include preventive safety cooperation with different stakeholders, for example emergency exercises for major accidents.

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.

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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 that amount 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.

Significant events after the period

Decisions of VR-Group Plc's Annual General Meeting 2024

The Annual General Meeting of VR-Group Plc was held on April 16, 2024, in Helsinki. The meeting approved the financial statements for the year 2023. The Meeting granted discharge from liability to the members of the Board of Directors, the Supervisory Board, and the CEO for the financial year 2023. In addition, the Meeting made the following decisions:

The AGM confirmed the number of Board members to be six (6). Esa Rautalinko continues as the Chairman of the Board of Directors of VR Group Plc, and Sari Pohjonen as the Vice Chairman. Markus Holm, Nermin Haireidin, and Pekka Hurtola continue as members of the Board. Torborg Chetkovich was elected as a new member of the Board. Virve Laitinen and Jaakko Kiander stepped down from the Board.

Markku Eestilä continues as the Chairman of the Supervisory Board, and Vilhelm Junnila as the Vice Chairman. Kaisa Garedeu, Hanna Holopainen, Tuomas Kettunen, Teemu Kinnari, Arto Luukkanen, Lauri Lyly, Niina Malm, Anna Mäkipää, Aura Salla, and Juha Viitala continue as members of the Supervisory Board.

The Chairman of the Board receives an annual remuneration of €54,750, the Vice Chairman €25,800, and members €22,800. If a Board member who is not the Chairman or Vice Chairman serves as the Chairman of the Audit Committee, they receive an annual remuneration of €25,800 per year. In addition, the Chairman and members of the Board receive a meeting fee of €600 per meeting. For a Board member residing outside Finland, the meeting fee is doubled when they travel to attend the meeting. The Chairman of the Supervisory Board receives a fee of €800 per meeting, the Vice Chairman €600, and members €500 per meeting. There were no changes to the remuneration of the Supervisory Board from the previous year. Travel expenses are reimbursed according to the company's travel policy.

The Meeting decided, in accordance with the proposal of the Board, that VR Group Plc will distribute a capital return of €57,002,000, which is €25.91 per share.

KPMG Oy Ab was appointed as the auditor, with KHT Ari Eskelinen designated as the responsible auditor. The auditor's fee will be paid based on a reasonable invoice.

The Meeting authorized the company's executive management to establish a foundation named the Railway Museum Support Foundation during the year 2024. The purpose of the foundation is to support the Finnish Railway Museum instead of VR in the future.

The Meeting decided to donate €5,000,000 to the newly established Railway Museum Support Foundation, provided that the Finnish Railway Museum accepts the donation of VR's museum rolling stock and artifact collection by the end of 2024.

The Meeting also authorized the Board of Directors to decide on donations of up to €200,000 for charitable or similar purposes.

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Decisions of the constitutive meeting of VR-Group Plc Board of Directors 16 April 2024

Sari Pohjonen was elected as the Chair of the Audit Committee, and Markus Holm and Torborg Chetkovich were elected as other members of the Audit Committee.

Esa Rautalinko was elected as the Chair of the P&C Committee, and Nermin Hairedin and Pekka Hurtola were elected as other members of the P&C Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - unaudited

EUR million	1-3/2024	1-3/2023	1-12/2023
Net sales	290.9	302.9	1,224.1
Other operating income	16.6	12.3	107.5
Materials and services	-91.2	-91.0	-347.8
Production for own use	10.5	12.8	50.0
Personnel expenses	-136.9	-129.5	-520.9
Depreciation and amortisation	-46.6	-46.1	-203.8
Other operating expenses	-58.4	-58.5	-227.5
Operating result (EBIT)	-15.0	2.8	81.5
Net financial items	-2.9	-2.8	-11.3
Share of result of associated companies	0.0	0.0	-0.2
Profit before tax	-17.9	-0.1	70.0
Income taxes	3.4	0.7	-17.6
Profit for the period	-14.6	0.6	52.4
Attributable to			
Equity holders of the parent	-14.6	0.6	52.4
Non-controlling interests	0.0	0.0	0.0

OTHER COMPREHENSIVE INCOME - unaudited

EUR million	1-3/2024	1-3/2023	1-12/2023
Net profit for the period	-14.6	0.6	52.4
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	-0.6	-0.3	-0.4
Cash flow hedges	-6.2	-31.1	-39.3
Taxes on items that may be reclassified subsequently to profit or loss	1.2	8.0	9.4
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	11.3	1.9	7.4
Financial assets at fair value through other comprehensive income	0.9	-4.7	-5.6
Taxes on items that will not be reclassified subsequently to profit or loss	-2.3	-0.4	-1.5
Total other comprehensive income for the period net of taxes	4.3	-26.6	-29.9
Total comprehensive income for the period	-10.3	-26.0	22.4
Total comprehensive income for the period attributable to			
Equity holders of the parent company	-10.3	-26.0	22.4
Non-controlling interests	0.0	0.0	0.0

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION unaudited

EUR million	31.3.2024	31.3.2023	31.12.2023
ASSETS			
Non-current assets			
Intangible assets	51.2	54.3	46.6
Goodwill	8.1	10.8	8.3
Property, plant and equipment	1,341.1	1,308.6	1,328.3
Right-of-use assets	254.4	287.6	264.9
Investment properties	9.0	11.9	9.1
Investments	14.8	15.7	13.9
Other receivables	164.1	143.0	150.9
Non-current assets, total	1,842.7	1,831.9	1,822.0
Current assets			
Inventories	101.8	80.9	99.4
Accounts receivable and other receivables	77.6	100.9	97.1
Prepaid expenses and accrued income	76.4	42.9	62.8
Cash and cash equivalents	194.2	214.4	224.2
Current assets, total	450.1	439.0	483.5
Assets, total	2,292.8	2,270.9	2,305.5
EUR million			
EQUITY AND LIABILITIES			
Equity			
Equity attributable to holders of the parent company, total	1,258.4	1,220.2	1,268.6
Non-controlling interest	0.0	0.0	0.0
Equity, total	1,258.4	1,220.2	1,268.6
Non-current liabilities			
Provisions	83.4	78.8	83.3
Financial liabilities	300.8	325.3	300.7
Lease liabilities	210.7	232.9	217.3
Accounts payable and other liabilities	6.3	6.7	6.8
Deferred tax liabilities	122.5	109.1	125.0
Non-current liabilities, total	723.7	752.8	733.1
Current liabilities			
Lease liabilities	33.4	44.8	36.9
Advances received	24.6	23.0	25.9
Accounts payable and other liabilities	105.6	77.8	98.4
Accrued expenses and prepaid income	146.5	151.6	142.0
Current liabilities, total	310.7	298.0	303.8
Liabilities, total	1,034.4	1,050.7	1,036.9
Equity and liabilities, total	2,292.8	2,270.9	2,305.5

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CONSOLIDATED STATEMENT OF CASH FLOWS - unaudited

EUR million	1-3/2024	1-3/2023	1-12/2023
Cash flow from operating activities			
Profit before taxes	-17.9	-0.1	70.0
Depreciation and amortisation	46.6	46.1	203.8
Profit and loss from sale of tangible and intangible assets and other adjustments	-0.5	-0.1	-20.0
Cash flow from operating activities before change in working capital	28.2	46.0	253.7
Change in working capital	10.8	-21.2	-33.5
Net financial expenses	-0.9	0.2	-9.0
Income taxes paid	-3.1	3.2	-7.4
Cash flow from operating activities (A), total	35.1	28.2	203.8
Cash flow from investing activities			
Tangible and intangible assets purchases	-53.7	-78.9	-229.2
Tangible and intangible assets sales	2.5	0.3	60.2
Shares and holdings sold			0.7
Change in investment receivables	-1.8	49.7	46.0
Cash flow from investing activities (B), total	-53.0	-28.8	-122.2
Cash flow before financing (A)+(B)	-17.9	-0.6	81.6
Cash flow from financing activities			
Change in non-current liabilities	0.1	0.2	-24.4
Change in lease liabilities	-12.2	-9.6	-54.5
Change in current interest-bearing liabilities		—	-2.9
Cash flow from financing activities (C), total	-12.0	-9.4	-81.8
Change in cash flows (A)+(B)+(C)	-30.0	-10.0	-0.2
Cash and cash equivalents beginning of period	224.2	224.4	224.4
Cash and cash equivalents end of period	194.2	214.4	224.2