ANNUAL REPORT 2023

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BUSINESS REVIEW

Our profitability improved significantly in 2023. We will continue to execute our strategy to improve our competitiveness and finance fleet investments amounting to EUR 1 billion.

VR in brief

Our core business includes passenger traffic in Finland and Sweden, as well as freight traffic in Finland. We continuously develop our operations to provide an excellent customer experience for both consumer and corporate clients.

We are increasing the popularity of electric rail and urban transportation towards a more sustainable future and working together with our stakeholders to reform the rail industry. The better we succeed, the more the entire society benefits.

Together towards
a better world.

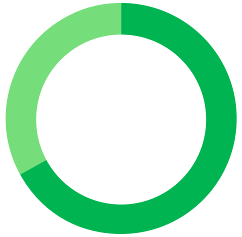
The year 2023 in figures

NET SALES
1,224 MEUR
(EUR 1,107 million in 2022)

COMPARABLE OPERATING RESULT
59.9 MEUR
(EUR 6.0 million in 2022)

INVESTMENTS
186.9 MEUR
(EUR 219.8 million in 2022)

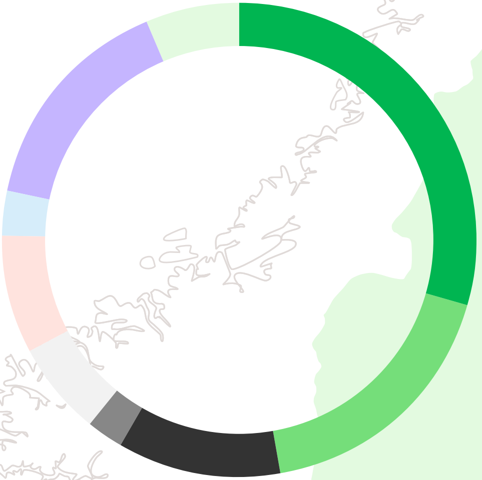
NUMBER OF PERSONNEL (Finland and Sweden)
9,110



- Finland 67%
- Sweden 33%

LARGEST PERSONNEL GROUPS (in Finland and Sweden)

- Bus drivers 30%
- Train drivers 18%
- Conductors 11%
- Tram drivers 3%
- Railway yard personnel 6%
- Mechanics 8%
- Restaurant personnel 3%
- Salaried employees 15%
- Other roles* 6%

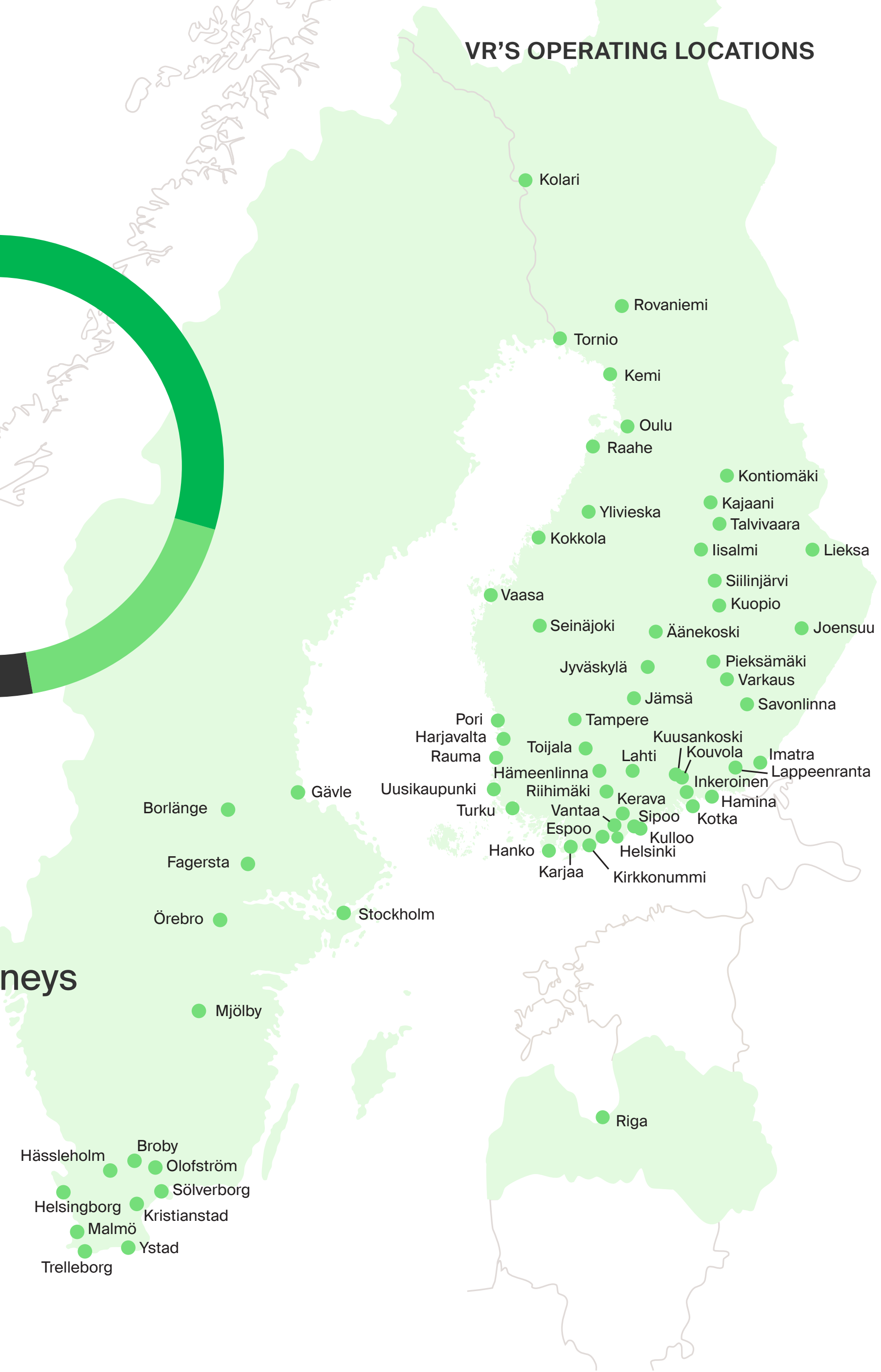


* supervisors, group supervisors, operational planning

NUMBER OF JOURNEYS (Finland and Sweden)
258.6 million journeys

FREIGHT ON THE RAILS
23.4 million tonnes

VR'S OPERATING LOCATIONS



Business operations in brief

*We changed our business structure at the beginning of 2023 to support the execution of our new strategy. VR now has three business units: **VR Long-distance Traffic, VR City Traffic** and **VR Transpoint**. Our businesses are supported by common functions and VR FleetCare, which is responsible for fleet maintenance.*

VR Long-distance Traffic

VR Long-Distance Traffic offers the most comfortable, safest, and environmentally friendly way to travel by train in Finland. The trains are comfortable and fast, with versatile train routes and services. The comfort of travel is complemented by Avecra's restaurant and catering services on trains and at stations. There are approximately 200 long-distance train services operating daily.

Improving the customer experience is one of our main goals. For our customers, it is important that the train journey is convenient. The train is the most environmentally friendly choice and a safe means of transport. We serve our customers in many different channels – both face-to-face and digitally. 93% of long-distance train tickets are purchased digitally. We continuously enhance our customer channels, with the primary ones being the vr.fi web service and the VR Matkalla application. Up to 1.3 million registered users monthly acquire tickets and additional services through our online platform. Our VR Matkalla app is recognized as one of the best apps in Finland, with nearly 0.5 million active users monthly.

VR LONG-DISTANCE TRAFFIC

NET SALES

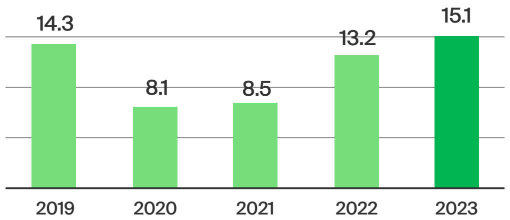
405.6 MEUR

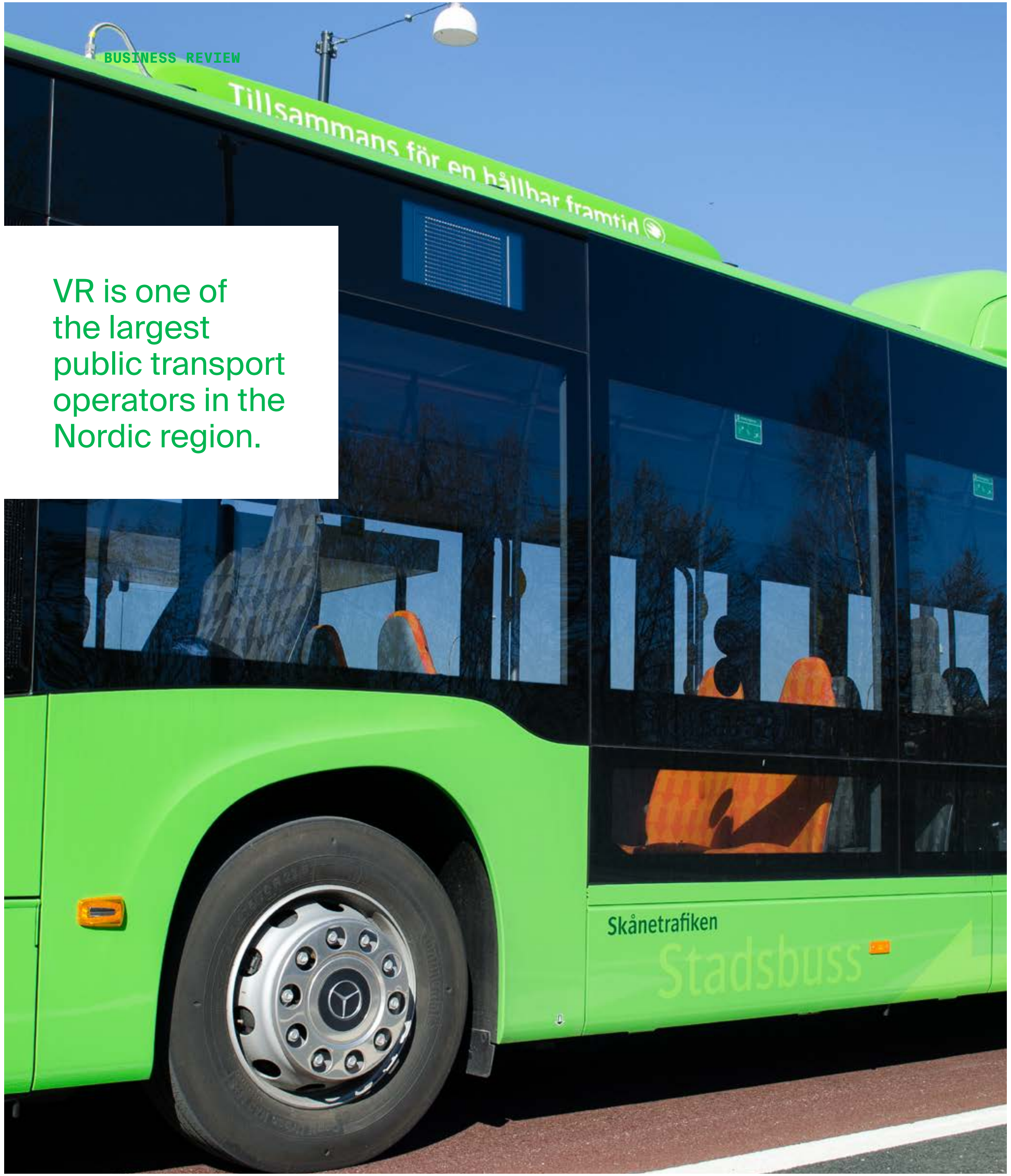
OPERATING RESULT

89.9 MEUR

Number of journeys in Finland

MILLION JOURNEYS





VR is one of the largest public transport operators in the Nordic region.

VR City Traffic

VR City Traffic operates commuter train, tram and bus services in Finland and Sweden. We actively participate in regional public transport tendering in both countries.

In Finland, we transport people on their everyday journeys on VR's own and the Helsinki Region Transport (HSL) area's commuter trains. We operate regional commuter train services in Finland, purchased by the Ministry of Transport and Communications, using our own rolling stock. More than 800 commuter-train services are operated every weekday in Finland. VR City Traffic also includes Finland's leader in electric bus transport, Pohjolan Liikenne. In addition, we operate trams on the Tampere Tramway as part of the Tramway Alliance.

We expanded our operations to Sweden by acquiring Arriva Sverige AB. Since July 2022, the company has operated under the legal name VR Sverige AB. It is also referred to as VR City Traffic Sweden. The acquisition made VR one of the largest public-transport operators in the Nordic region. We now operate in the Swedish contract-traffic market, making VR the third-largest train operator in Sweden and the country's fourth-largest bus operator.

VR CITY TRAFFIC

NET SALES

465.7 MEUR

OPERATING RESULT

-29.9 MEUR

NUMBER OF JOURNEYS

243.5 million journeys

VR Transpoint

VR Transpoint keeps the wheels of industry turning by providing comprehensive railway and road transportation, along with tailored logistics chains and additional services. In logistics, we actively invest in the green transition in three key growth areas: industrial investments, green transition investments, and combined transport. We develop new business-supporting services in collaboration with customers and partners. Additionally, we tailor holistic solutions covering the entire transport chain from the factory to the port. We serve a diverse range of industries from forestry to metal. Our customers include domestic and international companies in need of logistics solutions for raw material and product transportation.

VR FLEETCARE

Our business units are supported by our maintenance company, VR FleetCare, which provides fleet maintenance and life-cycle services. VR FleetCare's main task is the high-quality and cost-effective maintenance of VR's rail fleet. FleetCare plays an important role in improving our customer satisfaction.

Several other European rail operators also use Fleetcare's maintenance and life-cycle services. We create value through our industry-leading expertise in rolling stock and digitalisation, along with our expert network, depots, service workshops and continuous development approach. We help our clients to increase their competitiveness by combining innovative technology and our strong rail sector expertise into a single customer-oriented service.

VR TRANSPOINT

NET SALES	OPERATING RESULT
339.9 MEUR	-6.4 MEUR

Freight on the rails
MILLION TONNES

160 years of solid experience

Scheduled passenger services between Helsinki and Hämeenlinna started on 17 March 1862. The journey took 4 hours and 40 minutes. In the first year, 39,000 passengers travelled on the railway section.

Regular service begins

1862

1876 Sleeper car services begin.

1912 The first restaurant cars are introduced.

1919 The new Helsinki Central Railway Station, designed by Eliel Saarinen, is inaugurated.

1931 The Pieksämäki wagon workshop, the current machine shop, begins to operate.

1940 Oy Pohjolan Liikenne Ab is established.

1954

“Lättähattu” railcars start operating

The blue-grey railcars manufactured by Valmet in 1954–63 – which were also known by the name “lättähattu” (literally “flat cap”) – replaced steam locomotives in local transport. The last “lättähattu” railcars were phased out in 1988.

1964 The diesel engine train, also known as “Porkkana” (“carrot”), starts operating.

1969 Electric trains start running between Helsinki and Kirkkonummi.

1983 Express service begins between Helsinki and Seinäjoki.

1988 InterCity trains start running between Vaasa and Helsinki and between Imatra and Helsinki.

1991 The VR Cargo name is adopted in freight transport.

1992 The environmental working group is established and systematic environmental work begins.

Italian Pendolino trains, which attracted a great deal of interest, start operating between Helsinki and Turku.

Pendolino trains are introduced

1995

2000 The fully double-decker InterCity2 train service begins.

2003 Digital services are being actively developed to ensure an even better customer experience. Train tickets start to be sold online.

2007 VR publishes its first environmental pledges.

2010 The VR Transpoint brand is created as VR Cargo for rail transport and Transpoint for road transport merge.

2011 The entire VR Group switches to using electricity that is 100% produced by using hydropower.

2015 The Ring Rail Line opens for traffic.

The powerful and energy-efficient Vectron electric locomotive is suitable for both fast passenger services and heavy freight transport.

The Vectron electric locomotive starts in commercial transport

2017

2019

All passenger trains in Finland run carbon-neutrally

95% of VR’s passenger trains run on zero-emission energy. Emissions from the non-electrified sections of the railway network are offset.

2019 VR wins the contract for operating the Tampere tramway. Service started officially in August 2021.

Pohjolan Liikenne starts using the first e-bus fleet in Finland.

2020 VR wins the first ever tender for the HSL commuter train service.

2022 VR issues a Green Bond and becomes a public limited company.

VR expands its operations into contract traffic in Sweden through an acquisition.

The future is on the rails

2023

The first new diesel locomotives are introduced into commercial transport

The new diesel locomotives are used mainly for freight transport. The lower-emission locomotive increases operational reliability in freight transport.

“

In 2023 our comparable operating result increased tenfold. This is a significant improvement and a strong sign that our revised strategy is working.”

CEO ELISA MARKULA

CEO REVIEW

We are building the sustainable VR of the future

The year 2023 was a time of great reform for VR. After a few loss-making years, we responded to our challenges with a new strategy and values. We focused on profitability, growth and the development of a culture based on our values. As a result, our comparable operating result grew significantly in 2023 to EUR 59.9 million. Profitability was improved by growth in the number of long-distance journeys and the determined execution of our turnaround improvement programme. Lowered energy costs also positively impacted our profitability. On the other hand, the weak volumes of freight traffic and changes in city-traffic contracts slowed down our profit development. Comparable net sales remained at the same level as the previous year.

The popularity of the carbon-neutral train as a means of transport clearly grew during 2023, when a record number of more than 15 million train journeys were made on our long-distance trains. This increase in the number of journeys was influenced by the reform of dynamic pricing, especially by the addition of lower price points. The contribution of train transport to reducing greenhouse gas emissions is significant, with society as a whole benefitting from a higher share of transport taking place by rail. VR’s operations reduced the emissions of our customers and society by approximately 460,000 tCO_2e, which corresponds to the annual carbon footprint of about 45,000 citizens of Finland.

AN EXCELLENT CUSTOMER EXPERIENCE IS THE CORNERSTONE OF OUR OPERATIONS

In 2023, customer satisfaction in VR’s long-distance traffic – as measured by the Net Promoter Score (NPS) – increased considerably to 49 (38). The NPS was particularly impacted by the ease of buying a ticket, as well as by improved travel comfort and the information provided to customers during the trip. We also developed our offering of additional services, which were well received by our customers and helped to improve our profitability.

Increasing the modal share of zero-emission rail traffic requires the continuous improvement of customer satisfaction. Approximately half of train delays in Finland are caused by poor rail infrastructure, so properly targeted and sufficient government infrastructure investments are necessary to improve the punctuality of trains. Through its investments, VR is increasing the speed of in-train Wi-Fi up to five-fold by the summer of 2024. Improving the network connectivity of trains also requires telecom operators to invest in trackside access points.

In freight traffic, we succeeded in responding to the challenges of the operating environment by developing new customer-oriented service models. These include the electrically driven roundwood train transports to the Kemi bioproduct mill, a logistic service concept that we launched in April.

WE ARE DETERMINED TO CONTINUE OUR EFFORTS TO IMPROVE OUR COMPETITIVENESS

The execution of VR’s strategy and acceleration of our profit improvement will continue with steadfast commitment. Operating in a competitive and open market requires us to continuously develop our capabilities and seize opportunities. By 2027, VR is seeking EUR 250 million in turnaround improvement measures, which will enable EUR 1 billion of investments in rolling stock, electrification, technology and expertise in both Finland and Sweden. Through these investments we aim to meet the needs of future sustainable public transport and promote growth in the share of low-emission rail traffic among the different modes of transport. Rolling-stock investments amounting to almost EUR 1 billion will ensure the continuity of Finnish rail traffic for the coming decades.

WE CREATE A VALUE-BASED VR CULTURE AS ONE OF OUR KEY SUCCESS FACTORS

Motivated staff and effective cooperation with our extensive stakeholder network are key to the successful implementation of VR's strategy. We are building a culture based on our values, where we trust each other and work together. Safety, customer satisfaction and sustainability are at the core of everything we do. VR is an open, inclusive and collaborative community.

In our strategy we focus on developing a value-based work culture and leadership. During 2023 we introduced our shared values to our daily work: we care, we work together and we drive improvement. According to the personnel survey conducted at the end of the year, 82% of our employees recognise our new values. This is a good starting point for continuing to create a value-based VR culture as one of our key success factors.

When building the sustainable VR of the future, we also invest heavily in sustainability. Rail-traffic emissions account for only 1% of all traffic emissions of Finland, and 95% of our passenger trains are already electrically driven.

In 2023 we achieved good results in our energy-efficiency programme, among other things. We improved the efficiency of energy consumption in electric-train traffic by almost 8% compared to the previous year, which corresponds to the annual consumption of approximately 7,000 terraced homes in Finland. The energy-efficient and proactive driving style of locomotive drivers strongly contributed to the good result. We have also further raised the level of our sustainability efforts by committing to the Science Based Targets initiative. We now aim to set science-based short-term climate targets as well as long-term net-zero targets.

Safety is another key sustainability area, with 2023 our best ever year for occupational safety. The total number of accidents and the accident frequency – leading to lost time per million hours worked – both decreased from the previous year. The year 2023 was also the best ever in measured history with regard to railway-safety incident frequency. The number of safety observations made by our personnel increased significantly, verifying that our employees are actively involved in the development of safety.

WE ARE ACCELERATING THE POPULARITY OF THE ENVIRONMENTALLY-FRIENDLY TRAIN AS A MODE OF TRANSPORTATION

We are also actively involved in reforming our industry and supporting the implementation of the Government Programme items relating to rail transport. 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.

In order to create a neutral competitive environment, we aim to divest station properties and other rail infrastructure still under VR ownership. In 2023 we helped to create the conditions for competitive market-based traffic by putting some of our rolling stock up for sale. Our goal is to promote the growth of the regional contract traffic that is subject to competitive tendering, and to simultaneously create the conditions for the growth of market-based traffic under the Open Access principle.

I want to warmly thank our personnel for their ongoing commitment to executing our strategy, and I want to thank our stakeholders for their cooperation on VR's journey towards a carbon-neutral society. Developing responsible business is both an obligation and an opportunity for VR. Working closely together with our stakeholders means we can achieve results that have an even greater impact.

ELISA MARKULA
CEO, VR-Group Plc

> “We are guided by a clear common direction and we are determined to continue our efforts to improve the company's competitiveness. We also aim to increase the modal share of the train among all transport types.”

Operating environment

The past few years have been challenging for VR, with the pandemic, Russia's war of aggression, fluctuations in energy prices and accelerating inflation affecting our business to a significant extent.

VR's passenger services to Russia were suspended in spring 2022 and we discontinued Eastern freight traffic completely at the end of 2022. Part of the lost volume in Eastern freight traffic has been replaced by growth in the demand for domestic transport services. The challenging environment for heavy industry is further reducing goods' transport, which had already weakened as a result of the termination of Eastern traffic. VR has had to adjust its operations in freight traffic along with temporary layoffs.

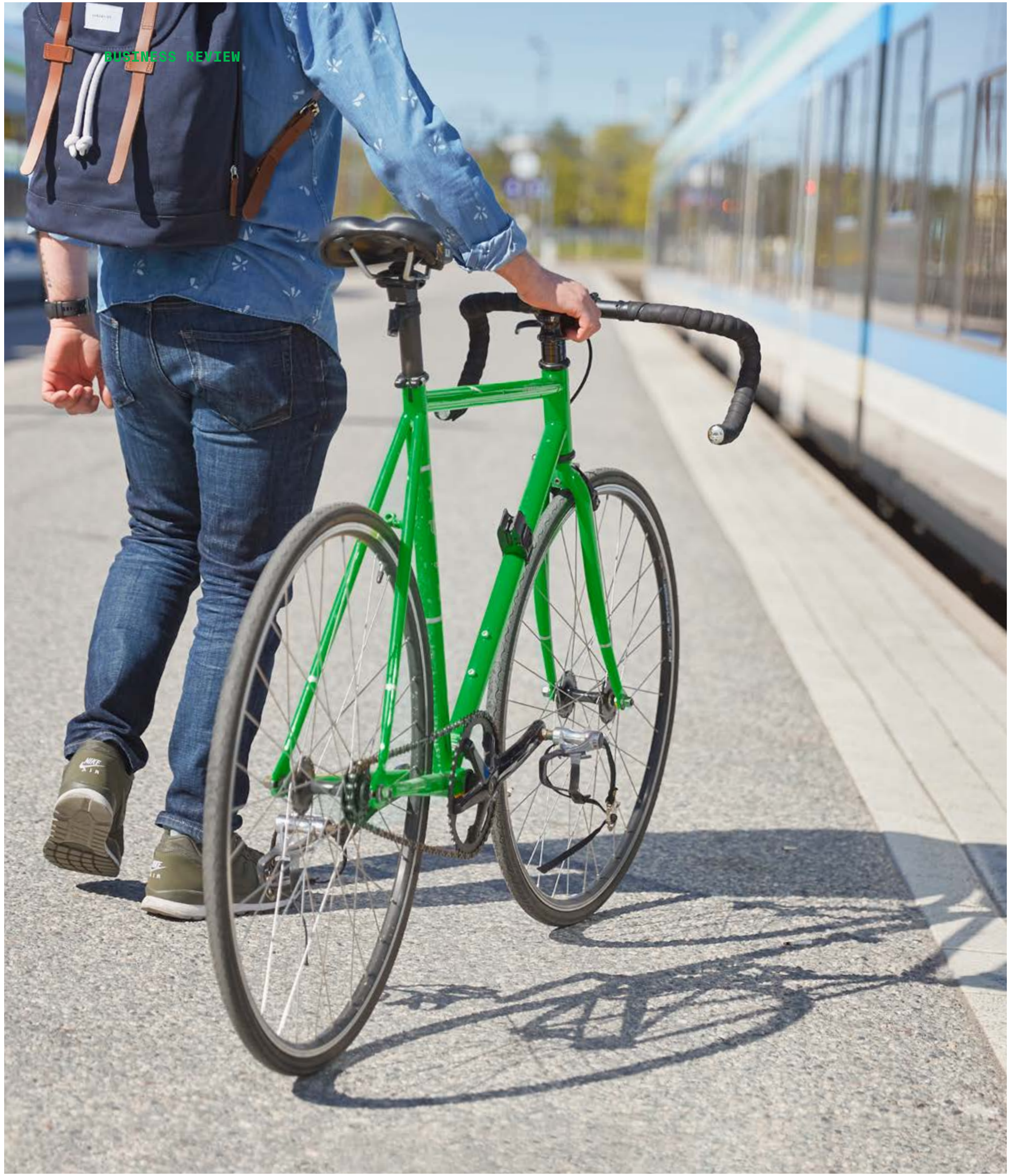
In long-distance traffic, the number of journeys has recovered after the pandemic and risen to a good level, with leisure travel in particular growing in popularity. Our expansion to Sweden provided VR with access to the Swedish contract-based public transport market, which is larger than in Finland. The growth of the Swedish market is driven by population growth, urbanisation and funding. Going forward, an increasingly significant share of VR's net sales will be generated by long-term contract traffic.

We support the Finnish Government in implementing the Government Programme. We are in favour of increasing competition in rail transport and we advocate for wide-ranging development of the public transport market as a whole. Adequate and appropriately targeted infrastructure investments, as well as the reduction of the maintenance backlog, are the most important prerequisites for the growth of rail traffic, increased competition and the achievement of emission reduction targets for the transport sector.

We promote the growth of the rail transport market and competition

Competition in long-distance and freight traffic in Finland is open under the Open Access model. The model is the most advantageous for customers and society, as each operator can compete on market terms with its own fleet on the routes it chooses. Long-distance and freight traffic must continue on market terms allowing competition to develop freely without the need for public funding, in accordance with the free competition model based on EU regulations.

A fast way to increase competition is to develop regional contract traffic in passenger train operations, by enabling municipalities and joint municipal authorities to organise this contract traffic. In 2023, we actively promoted the creation of a rolling stock company for contract traffic in accordance with the Government Programme. A public rolling stock company that would lease equipment for publicly funded rail transport would provide a framework for entirely new and competitively tendered commuter traffic.



Megatrends support our strategy and the growth of low-emission rail traffic

Long-term megatrends support the implementation of our strategy. By increasing the popularity of electric public transport, VR reduces the carbon emissions of society as a whole.

Climate change is one of the central megatrends of our time and combatting it requires rail traffic to grow. The electric train is an environmentally friendly mobility option, as it produces lower emissions and consumes less energy than most other modes of transport. Some 95% of our passenger trains and 80% of our freight trains run on electricity with zero emissions. Rail traffic accounts for just 1% of all transport emissions in Finland. We also take advantage of modern solutions and technologies in bus services to reduce our carbon footprint. VR is a pioneer in electric bus transportation in Finland: Already 46% of our bus services operate with electricity. Electric buses produce zero emissions during operation as they are charged with non-fossil fuel-based energy.

95% of our passenger trains

80% of our freight trains

run on electricity with zero emissions.

Rail traffic accounts for only 1% of all transport emissions in Finland.

Megatrends

Climate change

Climate change and the loss of biodiversity demand a rapid transition to sustainable ways of transportation. This shift can play a significant role in the reduction of greenhouse gas emissions. Finland's sustainable growth and the green transition require the transport of people and goods to be transferred to the railways. In this way the growth of rail traffic in Finland is key to achieving the country's goal of carbon neutrality by 2035.

Transport plays a significant role in the reduction of greenhouse gas emissions.

Urbanisation

With increasing urbanisation, the number of passengers in city traffic and travelling between large cities will continue to rise. Growing cities need sustainable and functional public transport. In Finland – a country of long distances between cities – the rail network is well connected and accessible.

Growing cities need sustainable and functional public transport.

Digitalisation

Digital applications play an increasingly strong role in everyday life and business. Digitalization brings new opportunities for customer service, operational efficiency, and business development. The journey of digital transformation requires a new attitude, approach, and skill set – a new way to develop things in an agile manner. Creating superior and cost-effective digital services enables excellent customer experiences and growth.

Growth and competitiveness are created based on data.

Our strategy

We renewed our strategy at the beginning of 2023. The preceding years had been challenging due to the unstable operating environment, with the pandemic, Russia's war of aggression, inflation and higher energy prices setting new requirements for our business operations.

We had become a public limited company in May 2022. At the same time we issued a Green Bond to finance new green investments in rolling stock. We also transitioned to compliance with the rules and requirements of the stock exchange.

We focus on increasing profit in our core business, as well as improving the profitability of our business operations with a long-term view. Our aim is to be a sustainable and modern service company that creates excellent customer experiences. Our operations are guided by the three goals of our strategy – growth, profitability and culture:

1 Happy customers bring growth
2 Efficiency enables a profitable future
4 Committed people create success.

Our culture is based on mutual respect and trust, cooperation, and continuous learning and improvement. Our excellent customer experience enables us to achieve success in each of our business areas – our customer relationships are built on openness and cooperation. Our goal is to improve every day!

An excellent customer experience is one of the cornerstones of our operations.

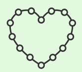
Our strategy is guided by three goals

HAPPY CUSTOMERS BRING GROWTH: We seek growth in city traffic in Sweden and Finland by actively participating in competitive tendering in regional contract traffic. In long-distance traffic, we increase the number of journeys by providing a high-quality and successful customer experience. We grow our maintenance business by providing our international customers with strong rail industry expertise, innovative technologies and individually customised services.

EFFICIENCY ENABLES A PROFITABLE FUTURE: We build commercial excellence and efficient operations based on strong expertise. We develop efficient operating models driven by customer insights and data. We create innovative logistics solutions that also enhance our customers' competitiveness. We seek to reduce fixed costs and make procurement more efficient. By the end of 2027, we are aiming for EUR 250 million in turnaround improvement measures, which will enable the financing of EUR 1 billion in rolling stock investments and ensure the company's competitiveness in the future.

COMMITTED PEOPLE CREATE SUCCESS: We build values-based leadership and a workplace culture that we can all contribute to through our actions. We establish clear roles and responsibilities. We continuously learn and improve. We create a common culture where everyone can feel valued and important.

OUR VALUES

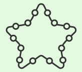


WE CARE

We care for and respect each other and our customers. We ensure safety and take care of the environment.

WE WORK TOGETHER

We work together, listen to and learn from each other. We engage co-workers, customers, partners and stakeholders in collaboration.



WE DRIVE IMPROVEMENT

With curiosity and courage, we continuously improve our work. As trusted professionals in sustainable transport, we drive a positive future for everyone.

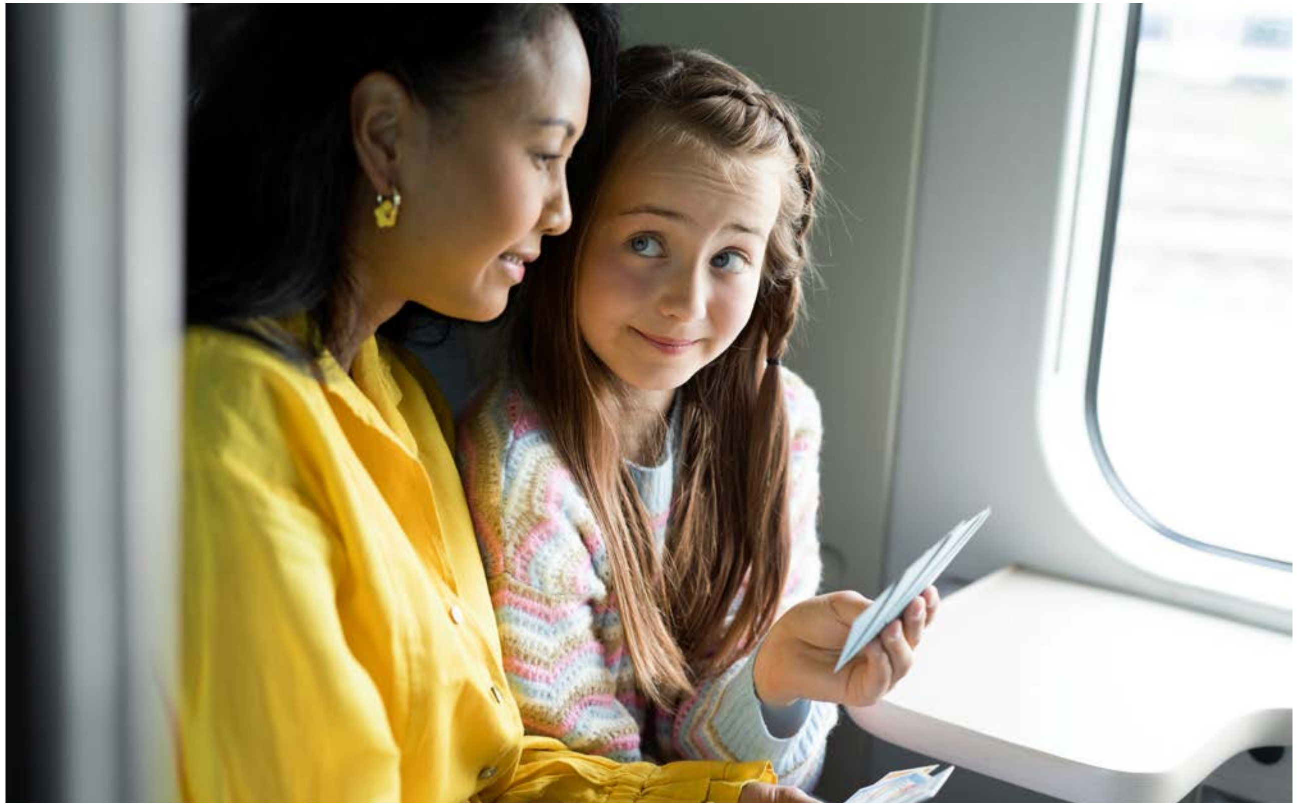
We act in the best interest of our customers – always sustainably

We are prepared for continuous renewal and development by listening to our customers. Our purpose, strategic goals and values drive the transformation towards a sustainable society. A high-quality passenger experience supports growth in the number of journeys. The customer is at the heart of what we do, as improving customer satisfaction is the only way we can increase the share of zero-emission rail and city traffic among the different modes of transport. At the same time, we reduce the emissions of our customers and society as a whole. We are moving together towards a carbon-neutral future and actively participating in the mitigation of climate change.

The better we succeed, the more society benefits – through growth, we increase the handprint of our operations. That is why we do our best each day and aim for the top in all of our operations.

We seek a profit improvement to enable billion-euro investments

The execution of our strategy and acceleration of our profit improvement will continue with steadfast commitment.



We operate as one VR, and we focus on improving the profitability of our business and providing an excellent customer experience. Operating in a competitive and open market requires us to continuously develop our competitiveness and seize opportunities. Our aim is to make profit improvement measures amounting to EUR 250 million by the end of 2027, to beat inflation and increase profitability. We need profit improvement to finance billion-euro new investments in rolling stock between 2023 and 2027, and to ensure VR's continued competitiveness in the future.

We seek growth in contract traffic in Sweden

We expanded our operations to Sweden by acquiring Arriva Sverige AB. Since July 2022, the company has operated under the legal name VR Sverige AB. It is also referred to as VR City Traffic Sweden. The acquisition made VR one of the largest public transport operators in the Nordic region.

We operate in the Swedish contract traffic market, and we are the third-largest train operator in Sweden and the fourth-largest bus operator. In Sweden, the market for contractual public transport is many times larger than in Finland.

VR operates Pågatågen in southern Sweden, commissioned by Skånetrafiken. In addition, VR is responsible for the Skånetrafiken bus service in Helsingborg and Kristianstad. In eastern Götaland, VR is responsible for Östgötapendeln, commissioned by Östgötatrafiken. In December 2023, we also started train operations in the Bergslagen region in central Sweden. In the Stockholm region, VR operates bus, tram and local train services that are subject to tendering by SL.

With around 3,000 employees, 520 buses, 180 trains and 70 trams, VR provided modern and environmentally friendly transport solutions in Sweden during 2023. Safety is always our highest priority.

We invest in the customer experience – new rolling stock will help us increase the popularity of rail transport

For a railway company, rolling stock is not only a key competitive factor but also a critical cost factor. Our investment strategy is based on careful assessments of future rolling stock needs and various digital prerequisites for developing the customer experience. We are investing close to a billion euros in new rolling stock and the modernisation of our fleet in Finland. Investment in rolling stock helps us to increase the popularity of rail transport and enhance the customer experience. It ensures the continuity of rail transport in Finland for decades to come.

We also invest in the electrification of bus services, and we are a pioneer in electric bus operations in Finland. We currently have more than 200 electric buses in use, and our goal is to be a solely electric bus operator by the year 2030.

From 2026 onwards, we will introduce the first of the 20 commuter traffic Flirt trains ordered from Stadler, which are up to 50 % more energy efficient than their predecessors. In 2025, we will introduce nine new sleeper cars and eight car-carrier wagons in night train services in Finland. The sleeper cars and car-carrier wagons will be manufactured at the Škoda Transtech plant in Otanmäki, Kajaani. VR's current night train fleet consists of 75 sleeper cars and 33 car-carrier wagons.

We are currently renewing our rolling stock that is nearing the end of its lifecycle. We are investing over 500 million euros in two new locomotive series: Sr3 electric locomotives and Dr19 diesel locomotives. By investing in new, more reliable, and energy-efficient rolling stock, we are addressing the future needs of sustainable transportation. The new investment in rolling stock enables a clean transition in transportation and promotes the growth of low-emission rail transport.

OUR ROLLING STOCK INVESTMENTS:

20	new commuter trains from 2026 onwards
80	new Sr3 electric locomotives, with the deliveries projected to take place between 2017 and 2026
60	new Dr19 diesel locomotives, with the deliveries projected to take place between 2023 and 2026
17	new night train cars and wagons by 2025

CASE

WE INVEST IN THE SUSTAINABLE RAIL TRANSPORT OF THE FUTURE AS PART OF THE DIGIRAIL PROJECT

VR has invested in the Digirail project, which is a large-scale undertaking partially funded by the EU. The project will modernise the Finnish railway traffic control and safety system by 2040. The Digirail project will make it possible to increase Finland’s track capacity and thus increase the volume of passengers and goods travelling on the current railway network. The project will also improve the punctuality of traffic, minimise the impacts of disruptions, and enhance safety and security. The renewal effort began in 2021 and includes VR, the Finnish Transport Infrastructure Agency, Fintraffic, Traficom, Helsinki Region Transport HSL, and the Ministry of Transport and Communications.

Highlights in 2023

RECORD-HIGH CUSTOMER SATISFACTION

The post-journey Net Promoter Score (NPS) in long-distance traffic rose to 49 in 2023, compared to 38 in the previous year. The most significant factors influencing the NPS are the punctuality of trains, the functionality of the train network, the cleanliness of trains and the condition of the train fleet.

NPS
49

RISING PASSENGER VOLUMES

A record number of more than 15 million train journeys were made on our long-distance trains in 2023. This is the largest number of journeys on record for VR. The 14 per cent increase from the previous year was due to the increased popularity of business and work travel mainly on weekdays, the growing popularity of free-time travel and the declining impacts of the pandemic. In the early part of the year, travel volumes were also supported by the temporary elimination of VAT on train journeys.

15 million
train journeys on our long-distance trains in 2023

+14%
increase in number of long-distance journeys in 2023

Enhancing competitiveness with a new strategy

We updated our strategy in early 2023 to strengthen our competitiveness through growth, efficiency and employee well-being. Our strategy is focused on our core businesses: passenger services in Finland and Sweden, and freight traffic in Finland. Our units are VR Long-distance Traffic, VR City Traffic and VR Transpoint (logistics). In addition, common functions and VR FleetCare, which enables competitive passenger services and freight traffic by providing efficient rolling stock maintenance, help the businesses and units to succeed.

We create success through a values-based culture

Developing a values-based culture is an important aspect of the execution of our strategy. In 2023, we put our shared values – we care, we work together and we drive improvement – into action in daily life. According to the results of our personnel survey, 82% of our employees are familiar with our new values. This is a good starting point for continuing to create a value-based VR culture as one of our key success factors.

WE MADE A COMMITMENT TO SCIENCE-BASED CLIMATE TARGETS

We are committed to setting science-based climate targets. We submitted our commitment to the Science Based Targets initiative (SBTi) in December 2023. We want to elevate our sustainability efforts by making a commitment to this internationally recognised initiative. During 2024 we aim to obtain SBTi approval for our short-term targets and long-term net-zero targets.

Self-service accounted for 93% of sales in long-distance traffic

We continuously develop our service channels, the largest of which are the vr.fi website and the VR Matkalla mobile app. Our website is used by as many as 1.3 million registered users monthly to buy tickets and additional services. Our VR Matkalla app has been rated by the users as one of the best apps in Finland, and it has nearly 0.5 million active monthly users. VR Matkalla supports the customer throughout the customer path, from choosing their journey until arrival, allowing the user to monitor the progress of their journey. We have also made our sales of additional services increasingly digital, and in 2023 already a quarter of our customers utilized these additional services.

1.3 million

registered users monthly *(vr.fi)*

Nearly

0.5 million

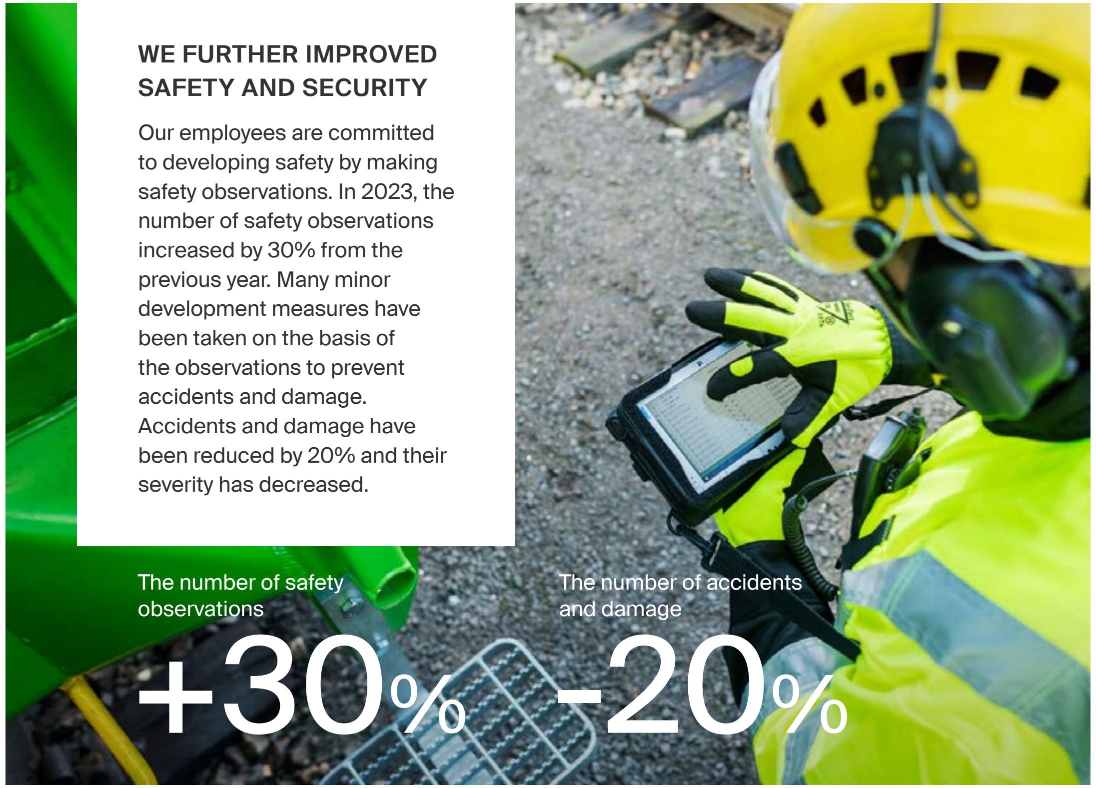
active users monthly *(VR Matkalla app)*

AN APPROPRIATE DRIVING STYLE PROMOTES ENERGY EFFICIENCY

Together with our train drivers, we have implemented an energy saving programme based on how the drivers operate the trains. In 2023, we improved the energy efficiency of train traffic by approximately 8%, which corresponds to the annual electricity of about 7,000 electrically heated terraced homes. This shows that driving style matters!

REDUCING TRANSPORT EMISSIONS THROUGH ELECTRIFICATION

Rail traffic accounts for approximately 1% of all transport emissions in Finland. Approximately 95% of our passenger trains and 80 % of our rail tranport now run on electricity. We have invested in new Sr3 electric locomotives, some of which have already been deployed. The goal is to have all 80 locomotives deployed by 2026.



WE FURTHER IMPROVED SAFETY AND SECURITY

Our employees are committed to developing safety by making safety observations. In 2023, the number of safety observations increased by 30% from the previous year. Many minor development measures have been taken on the basis of the observations to prevent accidents and damage. Accidents and damage have been reduced by 20% and their severity has decreased.

The number of safety observations

+30%

The number of accidents and damage

-20%

NEW CONTRACTS DRIVE GROWTH IN SWEDEN

We continue to build a well-established position in the Swedish market. VR was selected as X-trafik's train services operator in the Gävleborg region starting from June 2025. The contract is VR's second successful tender for train operations following the acquisition made in Sweden. In December 2023, VR began train operations in the Bergslagen region.

We promoted competition and the growth of the rail transport market

We support the Finnish Government in implementing the Government Programme. We are in favour of increasing competition in climate-friendly rail transport and we advocate for wide-ranging development of the public transport market as a whole. We engage in active societal dialogue with our stakeholders. In 2023, we actively promoted the creation of a rolling-stock company for contract traffic in accordance with the Government Programme. To promote competition, we put surplus diesel locomotives and passenger cars up for sale. We are also gradually divesting our station properties.

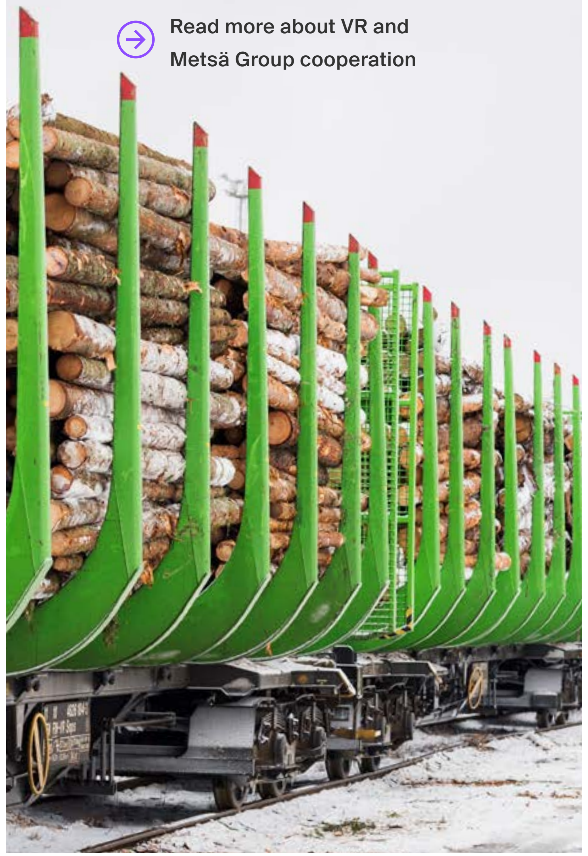
We service rolling stock in the Nordic region and the Baltic countries

We won an international tender that will see our rolling stock maintenance company VR FleetCare continue the provision of maintenance services for the bogies of the Estonian railway company Elron's Flirt trains at VR FleetCare's component workshop in Pieksämäki. We also signed an agreement with the Swedish railway operator SJ AB on the modernisation of 27 electric trains. The work will be carried out at the Oulu depot's project centre and the Pieksämäki machine shop.

REDUCING EMISSIONS THROUGH A STRATEGIC PARTNERSHIP

In collaboration with Metsä Group, we developed a logistics service concept to suit the needs of the Kemi bioproduct mill. The service concept ensures the supply of wood for the mill and significantly reduces emissions. Two-thirds of the roundwood transport for the new bioproduct mill is carried out by rail. Vectron electric locomotives are capable of pulling loads of up to 2,500 tonnes. This makes it possible to increase the amount of wood per train by 20–25%.

Read more about VR and Metsä Group cooperation



VR in society

Running and developing rail transport in Finland is a collaborative effort – VR engages in active societal dialogue.

We want to maintain active dialogue and cooperation with our various stakeholders. This makes us better equipped to meet expectations, and continuously improve our services and operating conditions.

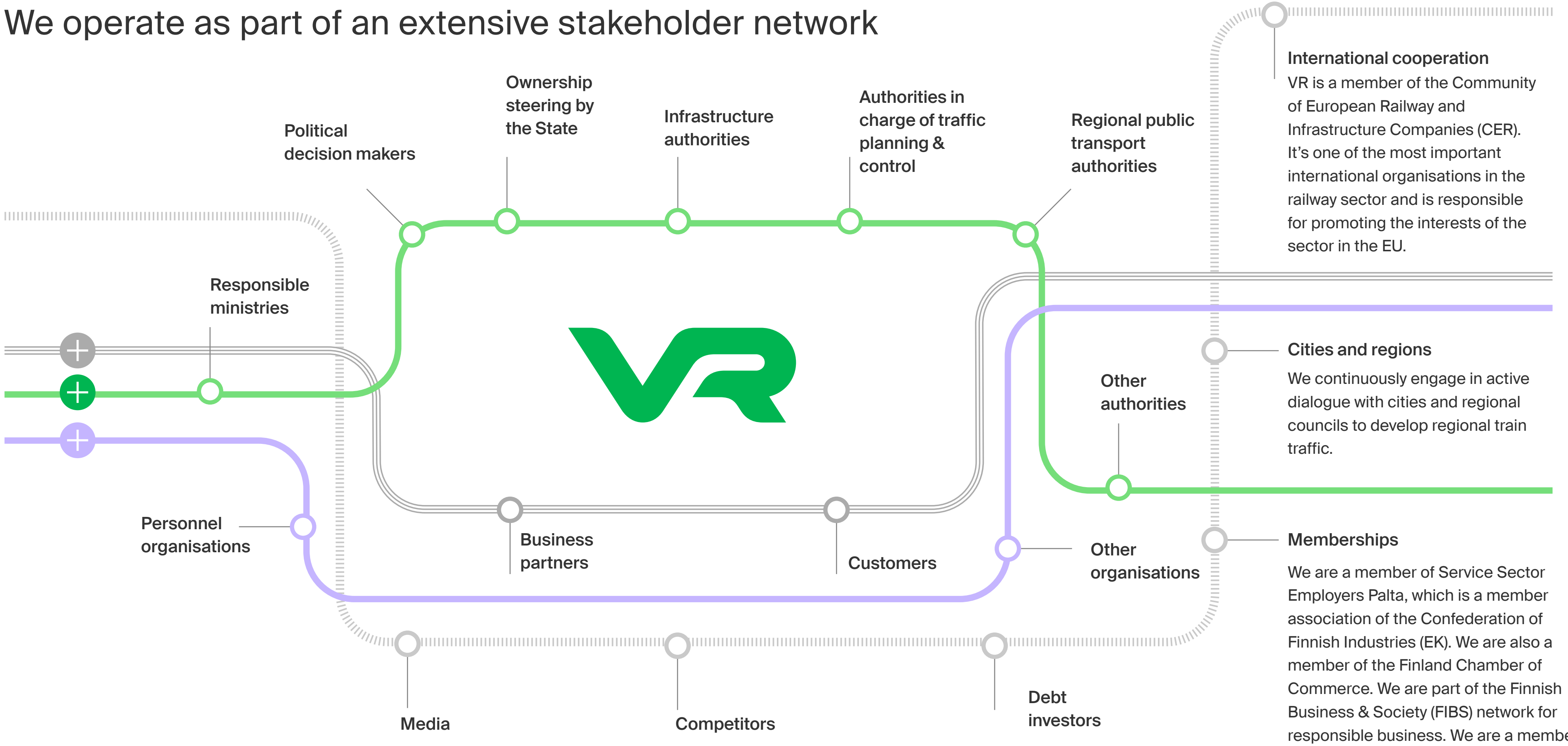
Our goal is to work together with our stakeholders to promote growth in the share of rail traffic among the different modes of transport. Increased rail travel reduces the total emissions of the transport sector and improves traffic safety. We also aim to improve the connectedness of Finland, ensure the security of transport supply, enhance the passenger experience, and boost the competitiveness of the country's business sector.

Advocating for sustainable change is an important component of the corporate social responsibility of a state-owned company. In addition to engaging in active social dialogue, we also provide expert insights for stakeholders and decision makers.

In 2023, we issued expert statements on the Finnish Government Programme, the central government budget, the Finnish Transport Infrastructure Agency's infrastructure investment programme, the updated Traffic 12 plan, and developing the national security of transport supply.

Societal dialogue with a focus on climate goals and customer needs.

We operate as part of an extensive stakeholder network



International cooperation

VR is a member of the Community of European Railway and Infrastructure Companies (CER). It's one of the most important international organisations in the railway sector and is responsible for promoting the interests of the sector in the EU.

Cities and regions

We continuously engage in active dialogue with cities and regional councils to develop regional train traffic.

Memberships

We are a member of Service Sector Employers Palta, which is a member association of the Confederation of Finnish Industries (EK). We are also a member of the Finland Chamber of Commerce. We are part of the Finnish Business & Society (FIBS) network for responsible business. We are a member of the Climate Leadership Coalition (CLC), which brings together exemplary companies that are committed to mitigating climate change. In addition, we have joined the UN Global Compact Network, promoting sustainable business in accordance with UN principles. Pohjolan Liikenne is a member of the Finnish Bus and Coach Association and VR Transpoint is a member of the Finnish Logistics Business Association (LOGY ry). Avecra is a member of the Finnish Hospitality Association (MaRa).

POLITICAL DECISION MAKERS & AUTHORITIES

Our public stakeholders include the state as an owner, national and international decision makers, the Ministry of Transport and Communications, as well as authorities such as the Finnish Transport Infrastructure Agency and the Finnish Transport and Communications Agency Traficom.

CUSTOMERS AND BUSINESS PARTNERS

Our key stakeholders are passenger-services customers, industrial customers in logistics, and our business partners in Finland and abroad.

ORGANISATIONS

We work closely with our personnel organisations. Our personnel are involved in the collective agreement activities of the Finnish Railway Union, Railway section of the trade union (JHL), VR Akava, the Union of Railway Technical and Salaried Personnel (RTTL), the Union of Private Sector Professionals (ERTO), the Finnish Transport Workers' Union (AKT), and the Service Union United (PAM). We also want to maintain ongoing dialogue and regular meetings with NGOs. For example, we have worked closely with the Finnish Cyclists' Federation to bring together train travel and cycling.

Sustainable value creation in 2023

Customers

- High customer satisfaction (long-distance traffic NPS 49)
- Accessible and equal mode of transport
- Promoting the competitiveness of industry

Personnel

- Value-based culture
- Commitment index 72 (Pulse)
- Safe working environment

Society & owner

- Sustainable traffic system
- Ensuring the security of supply
- Dividends of **EUR 57 million**
- Taxes paid to Finland EUR **109 million**

Environment

Promoting Finland's climate targets by reducing society's emissions by approximately **460,000 tCO_2e** (corresponds to the annual carbon footprint of about 45,000 Finns.)

The core of our business

23.4 million tonnes
by rail

258.6 million
journeys in Finland and Sweden

We accelerate the responsible transport of the future in Finland and Sweden. We are a passenger, logistics and maintenance service company owned by the Finnish state. We create excellent customer experiences.

Our purpose

Together towards a better world.

Our values

We care, we work together, we drive improvement.

Our key resources

Financial resources

Comparable net sales	EUR 1,224 million
Comparable operating result	EUR 59.9 million
Return on investment	5.2%

360 locomotives
600 wagons in passenger services
8,000 wagons in freight traffic
504 buses

Rolling stock maintenance and life cycle services

EUR **186.9** million
in investments to improve the customer experience

Personnel

9,110
employees contributing their know-how and expertise

Natural resources

100%
of the electricity used is generated in Finland

DID YOU KNOW?

THE RAILWAY NETWORK IN FINLAND

The railway network in Finland covers nearly 6,000 kilometres, more than half of which is electrified. Almost 90% of the network is single-track, with the same line used for travel in both directions. In Finland the track gauge is 1,524 millimetres, while in most European countries it is 1,435 mm. The responsibility for the Finnish railway network – including its maintenance and renovation – lies with the Finnish Transport Infrastructure Agency. One of the biggest challenges in rail transport is the repair backlog of the railway network, which has grown to approximately EUR 1.5 billion.

THE CONDITION OF THE RAILWAY NETWORK AFFECTS PUNCTUALITY

The punctuality of train traffic is a prerequisite for ensuring a great customer experience and efficient flows of people and goods. The punctuality of long-distance traffic is particularly impaired by malfunctions in the rail infrastructure. At present, more than half of train delays in Finland are caused by the poor condition of the railway network and related malfunctions. The single-track network is very prone to disruption. It's also a constraint for freight traffic. Temporary speed limits – issued due to the poor condition of the track – slow down travel too. The maximum speed of our rolling stock (220 km/h) can only be utilised on a small section of the railway network.

IMPROVING INTERNET CONNECTIVITY ON TRAINS

Reliable internet connectivity aboard trains has become increasingly important, with most passengers using connected devices. We currently provide a WLAN network on VR trains, and our plan is to upgrade our hardware to provide in-train Wi-Fi that will be up to five times faster. The new, faster internet connection will become available on all trains by the summer of 2024. Investment by telecom operators in track-side network infrastructure is also necessary to improve internet connectivity aboard trains.

SUSTAINABILITY

Sustainability management

Sustainability plays a central role in our business. Our mission – Together towards a better world – guides our work towards a more sustainable society. We develop our own operations to become even more sustainable, and we support our customers and stakeholders in their sustainability goals. We are committed to Finland's goal of carbon neutrality by 2035.

Our sustainability efforts are based on our values – we care, we work together and we drive improvement – on our strategy and the Government Resolution on Corporate Social Responsibility as well as on the commitments we have made. In accordance with our strategy, our goal is to ensure our competitiveness, drive growth and the profitability of our business. We also aim to increase rail-services' share of the transport market.

Our operations are guided by the UN Sustainable Development Goals. In 2020 we signed the Global Compact initiative to underscore our commitment to promoting human rights, the rules of working life, environmental protection and anti-corruption.

In late 2023 we made a commitment to the Science Based Targets initiative (SBTi), which requires us to have not only a short-term absolute emission-reduction target but also a long-term net zero target. Our aim is to confirm our targets in 2024 and to report on their progress annually.

Our day-to-day work is guided by our values and our Code of Conduct.

Achieving our sustainability targets calls for developing the sustainability competencies of all personnel.

Read more about our Code of Conduct

Sustainability governance model

VR Group's Board of Directors approves the Group's sustainability targets and monitors progress. The Board of Directors also approves VR's operating principles and key operating policies. The Audit Committee of the Board of Directors monitors the sustainability reporting process.

VR Leadership Team evaluates the progress of sustainability targets and establishes the key priorities for the Group's sustainability efforts. In VR Leadership Team, sustainability is represented by the Senior Vice President, Communications, Public Relations and Sustainability.

VR business units are responsible for the implementation of the sustainability programme in their operations. Sustainability and the policies and commitments guiding it have been integrated into our day-to-day operations, and their implementation is monitored in all areas.

The areas of sustainability are taken into account in VR's remuneration systems. The reduction of greenhouse gas emissions and the improvement of energy and material efficiency are incorporated into the remuneration targets of senior management and personnel in key roles. The target of maintaining a high standard of safety and security is included in the remuneration criteria of all personnel.

In 2022 a sustainability team was established to support businesses and other units in achieving sustainability targets. The team also ensures sustainability development through common processes and monitoring.

The contribution of each VR employee is important in achieving our sustainability targets. Tightening regulation – such as the requirements of the Corporate Sustainability Reporting Directive (CSRD) – call for cooperation. We developed our cooperation in 2023 and the work continues. VR's sustainability governance model will also be developed further in 2024.

Achieving our targets calls for developing the sustainability competencies of all personnel. In 2024 our Leadership Team and Board of Directors will receive training related to the CSRD.

UN Sustainable Development Goals

We are committed to supporting the UN Sustainable Development Goals, of which we have identified six main goals and three goals that support them.

Main goals

Goals that support the achievement of the main goals

UN SUSTAINABLE DEVELOPMENT GOAL	OUR ACTIONS
13 Climate Action Take urgent action to combat climate change and its impacts.	We reduce the environmental impact and carbon footprint of transport. We are involved in halving transport emissions by 2030 and moving towards a carbon-neutral Finland by 2035. → **READ MORE:** Climate change mitigation and the reduction of emissions p. 35
11 Sustainable Cities and Communities Make cities and human settlements inclusive, safe, resilient and sustainable.	We promote safe and smooth public transport. We work together with our stakeholders to ensure seamless and smooth door-to-door service. → **READ MORE:** Safety and security p. 49
8 Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	When we make smooth everyday journeys possible and act as a cornerstone for industry, we keep society moving and create preconditions for economic growth. We strengthen national security of supply, are a responsible employer and develop the sustainability of our supply chains. → **READ MORE:** Society and governance p. 66
9 Industry, Innovation and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	We cooperate closely with transport operators to develop transport infrastructure. We make joint emission reduction plans with our industrial customers. → **READ MORE:** VR and Metsä Group are deepening their sustainability cooperation p. 38
10 Reduced Inequalities Reduce inequality within and among countries.	Our comprehensive and accessible services are for everyone. We take special groups into account when developing our services. → **READ MORE:** We develop accessible public transport p. 64
17 Partnerships for the Goals Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.	Sustainable mobility and the development of the transport system require cooperation. We cooperate closely with our stakeholders, such as the state, municipalities, industrial customers and other operators in the transport sector. → **READ MORE:** VR in society p. 23

GOALS THAT SUPPORT THE ACHIEVEMENT OF THE MAIN GOALS	OUR ACTIONS
7 Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all.	We have been working long-term to improve energy efficiency in transport and in our properties. → **READ MORE:** Improving energy efficiency p. 39
12 Responsible Consumption and Production Ensure sustainable consumption and production patterns.	We aim for material efficiency by reducing the volume of waste and increasing recycling. We prevent wastage and promote recycling through sensible purchasing, working methods and work planning. → **READ MORE:** Improving material efficiency p. 41
16 Peace, Justice and Strong Institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	We comply with laws, regulations and instructions and act in accordance with the principles of good governance. We ensure that our suppliers agree to our Code of Conduct. → **READ MORE:** Society and governance p. 66

Material topics of sustainability

We updated our material topics of sustainability in 2022 in accordance with the GRI 2021 guidelines. VR started a double materiality assessment in accordance with the Corporate Sustainability Reporting Directive (CSRD) in autumn 2023 and will complete the assessment in early 2024.

The double materiality assessment identifies VR's material impacts, risks and opportunities with regards to the environment, people and society, as well as the impacts of our material ESG themes on VR's business operations.

The materiality assessment conducted in 2022 was carried out in stages in accordance with the GRI 2021 specification process. The double materiality assessment is carried out in accordance with the European Sustainability Reporting Standards (ESRS) guidelines.

In 2022 we engaged representatives from various stakeholder groups through workshops, interviews and a stakeholder survey. In 2022 we also crystallised VR's values with our employees. The sustainability themes that emerged during this journey into our values were utilised in our materiality assessment. In 2023 we continued to engage stakeholders through interviews and workshops.

As in 2022, our sustainability report 2023 is based on our previous materiality assessment. According to this assessment the key areas of VR Group's sustainability are environmental responsibility, safety and security, the employee experience, customer orientation and corporate social responsibility.

We will update our sustainability programme in 2024 on the basis of the results of the double materiality assessment.

Results of the 2022 materiality analysis *

	Themes	Impacts			
ENVIRONMENT	Climate change	Carbon handprint of own operations **	Use of zero-emission energy & energy consumption	Carbon footprint of own operations	
	Biodiversity & use of materials	Use of materials and natural resources	Supporting biodiversity and environmental protection **	Supporting the circular economy	Waste management
	Other environmental impacts	Environmental damage and leaks			
SOCIAL	Safety and security	Traffic safety	Customer safety and security	Occupational health and safety	
	Own employees	Personnel diversity and engagement	Employee rights **	Employee competence development	
	End users of services	Overall service development (e.g. innovative new solutions, digital development)	Customer orientation	Responsible pricing	Customer data privacy
	Human rights	Human rights in own operations and in the value chain **	Service availability and accessibility		
GOVERNANCE	Societal significance	Ensuring industrial operational reliability **	Data security	Employment	Supply chain management
	Good governance	Fair and transparent business practices	Eradicating anti-competitive behaviour	Anti-corruption activities	Tax footprint

The significance of the impacts has been assessed on the basis of a stakeholder survey, workshops, stakeholder interviews and a values-related project in which the employees were engaged.
* Impacts with at least a moderate weight ** New or more specific topic on the list of materiality

SIGNIFICANCE
● Very high ● High ● Moderate

Our areas of sustainability

E ENVIRONMENTAL RESPONSIBILITY

S SAFETY AND SECURITY
EMPLOYEE EXPERIENCE
CUSTOMER ORIENTATION

G CORPORATE SOCIAL RESPONSIBILITY

The management method for the areas of sustainability is described in connection with the GRI content index.

Description of sustainability management p. 86

Areas of sustainability and progress

Area of sustainability	Key indicators [1]	2023	2022	2021	Progress
E ENVIRONMENTAL RESPONSIBILITY	CO_2e emission intensity, passenger train services (g/pkm) [2]	1.2	1.5	2.2	
	CO_2e emission intensity, rail logistics (g/tkm) [2]	5.5	5.7	5.4	
	Energy efficiency, passenger train services (Wh/pkm)	75.8	85.3	133.6	
	Energy efficiency, rail logistics (Wh/tkm)	45.1	47.5	45.5	
	Recycling rate (%)	69	41	65	
	Chemical leakages (qty)	1	0	0	
S SAFETY AND SECURITY	Railway-safety incident frequency (1/million hours worked)	19.9	23.3	28.9	
	Accident frequency (1/million hours worked)	6.9	8.6	9.2	
EMPLOYEE EXPERIENCE	Sickness-related absence %	4.4	4.8	4.6	
	Employee satisfaction, commitment, scale 0–100 [3]	72	–	–	
CUSTOMER ORIENTATION	Net Promoter Score (NPS), long-distance traffic	49	38	39	
	Net Promoter Score (NPS), commuter train traffic [4]	43	23	9	
	Net Promoter Score (NPS), logistics	16	12	27	
	Net Promoter Score (NPS), maintenance	32	11	-4	
	Improving punctuality, long-distance traffic, % [5]	85.9	82.6	86.9	
	Punctuality, commuter train traffic, %	96.2	94.7	92.6	
	Punctuality, rail logistics, %	92.6	89.4	87.1	
G CORPORATE SOCIAL RESPONSIBILITY	Number of journeys, passenger traffic, million journeys [6]	258.6	194.1	83.9	
	Transported tonnes, freight traffic, million tonnes	23.4	34.4	42.7	
	Tax footprint, taxes paid and accounted, total EUR million [7]	153.7	117.4	94.2	

1) VR Sweden is included in the figures only where specifically mentioned. 2) Passenger-kilometre (passenger-km, pkm) is a unit of measurement for passenger services, 1 pkm = a one-kilometre distance covered by one person. Tonne-kilometre (tonne-km, tkm) is a unit of measurement for freight traffic, 1 tkm = one tonne of goods transported for one kilometre. 3) The employee satisfaction measurement method changed in 2023. The figure for VR Group as a whole is reported inclusive of Swedish operations for the first time. 4) The measurement method changed in 2023. 5) The punctuality rate indicates how often a train has arrived on schedule. 6) Includes figures for Sweden from 1 July 2022 onwards. 7) Including all taxes, EUR 109.3 million paid to Finland in 2023

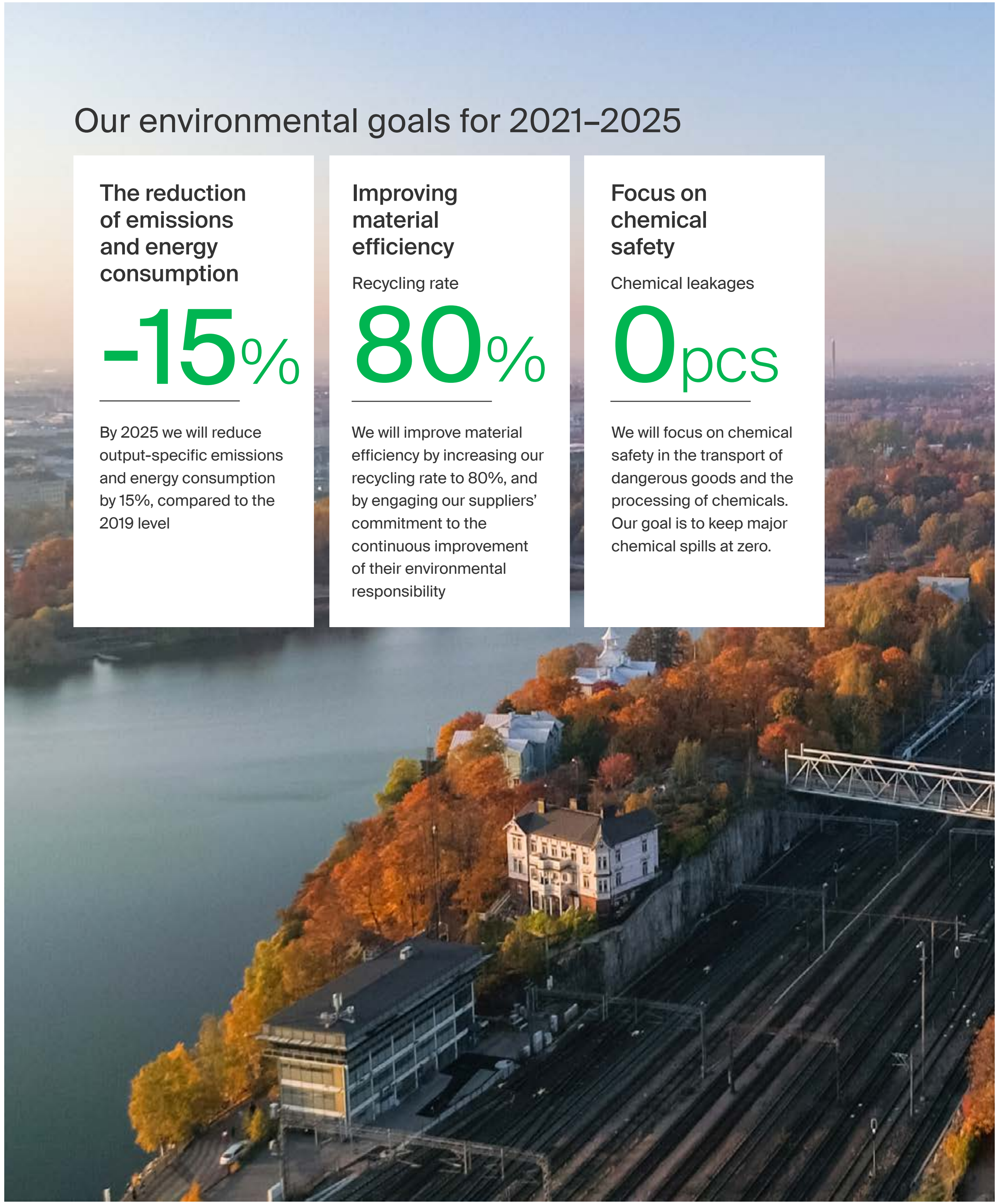
Business Review
SUSTAINABILITY
Sustainability management
UN Sustainable Development Goals
Material topics of sustainability
E – Environmental responsibility
S – Social responsibility
G – Society and governance
Reporting principles
GRI content index
VR's lobbying activities
Independent Assurance Statement
Governance
Financial Review

E
S
G

Environmental responsibility

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

13 Climate Action
7 Affordable and Clean Energy
12 Responsible Consumption and Production



Our environmental goals for 2021–2025

The reduction of emissions and energy consumption

-15%

By 2025 we will reduce output-specific emissions and energy consumption by 15%, compared to the 2019 level

Improving material efficiency

Recycling rate

80%

We will improve material efficiency by increasing our recycling rate to 80%, and by engaging our suppliers' commitment to the continuous improvement of their environmental responsibility

Focus on chemical safety

Chemical leakages

0pcs

We will focus on chemical safety in the transport of dangerous goods and the processing of chemicals. Our goal is to keep major chemical spills at zero.

Environmental management

Our environmental management is based on national and international environmental regulations and agreements, as well as on an environmental management system that complies with the requirements of the ISO 14 001 standard.

We updated our environmental policy in 2023. In updating the policy, we took particular account of the importance of stakeholder collaboration and the environmental themes that are material to our operations: climate change, energy efficiency and resource efficiency. In 2024 we will further develop our environmental management and internal cooperation by integrating our operations in Sweden.

In 2023 we conducted an ISO 14 001-compliant assessment of the significance of environmental aspects and impacts on our business. The assessment process was expanded from the previous assessment to correspond with the requirements of the Corporate Sustainability Reporting Directive (CSRD). In the 2023 assessments we paid special attention to the risks, opportunities and impacts arising from our value chains.

We are committed to setting science-based climate targets and to reporting on progress towards achieving the targets. We sent our commitment to the Science Based Targets initiative (SBTi) in December 2023. We want to elevate our sustainability efforts by making a commitment to this internationally recognised initiative. During 2024 we aim to obtain SBTi approval for our short-term targets and long-term net-zero targets.

The reduction of greenhouse gas emissions and the improvement of energy and material efficiency have been integrated into the remuneration programmes of senior management and key personnel.

Progress towards environmental goals 2021–2025

Theme	Goal for 2025	Situation in 2023
Reducing emissions	Greenhouse gas emissions per unit of output decrease by 15% from 2019	-10
Increasing energy efficiency	Energy consumption per unit of output decreases by 15% from 2019	-16
Increasing material efficiency	Increasing the recycling rate to 80%	69
	Major suppliers commit themselves to continuous improvement (share of new contracts, %)	67
Chemical safety	No significant leakages	1

Climate change mitigation and the reduction of emissions

VR plays an important role in society with regard to mitigating climate change. Rail transport is the most energy-efficient and lowest-emission mode of transport, and we aim to be a pioneer in our other businesses as well. Through our operations we reduce the environmental impact of transport and the carbon footprint of society.

Greenhouse gas emissions, tCO_2e

Fossil emissions	2023	2022	2021	2020
Direct emissions (Scope 1)	**58,719**	69,018	76,364	77,172
Change	**-10,295**	-7,345	-808	-13,034
Indirect emissions from energy production, market-based (Scope 2)	**8,372**	9,217	9,770	8,003
Change	**-846**	-553	1,767	-2,050
Indirect emissions from energy production, location-based (Scope 2)	**31,859**	45,306	96,209	96,373
Change	**-13,447**	-50,903	-164	-11,858
Other indirect emissions (Scope 3)	**187,569**	206,725	182,650	168,519
Change	**-19,156**	24,075	14,131	-14,499
Total (market-based)	**254,660**	**284,957**	**268,784**	**253,694**
Change	**-30,297**	16,173	15,090	-29,584
Purchased certified emission reductions	**14,996**	18,893	8,288	11,803
Biogenic emissions *				
Biogenic direct emissions (Scope 1)	**47,753**	18,104	15,256	14,200

VR Sverige included since 2023.
* No data available for Scope 3 (subcontractors' biofuels)

RESULTS

Progress towards our goals

Our goal is for VR Group's emissions per unit of output to decrease by 15% by 2025, using 2019 as the baseline*. In 2023 we reduced emissions per unit of output by 10%. This was in particular due to the increased number of journeys in passenger services and the measures taken to improve energy efficiency.

VR's total greenhouse gas emissions in 2023 amounted to 254,241 tCO_2e. Of these emissions, 58,301 tCO_2e was attributable to fuel consumption, and 68,650 tCO_2e was due to purchased products and services. In 2022 the combined emissions of our Finnish operations amounted to 284,957 tCO_2e. Thus, total emissions decreased by nearly 11% even though our operations expanded.

Emissions generated amounted to 1.2 (1.5) gCO_2e/pkm in passenger train services and 5.5 (5.7) gCO_2e/tkm in rail logistics.

In 2023 we reduced emissions per unit of output by

10%

* The figure includes the output-specific greenhouse gas emissions of our business operations in Finland (Scope 1 and 2 and subcontracted transport). The share of renewable fuel used by Pohjolan Liikenne is not included in calculating progress towards the goals, as its share is heavily dependent on tendered contracts and their specifications.

Other indirect greenhouse gas emissions (Scope 3) by emission source, tCO_2e

	2023	2022	2021	2020
Purchased goods and services	**68,650**	91,400	74,800	73,900
Capital goods	**18,511**	12,651	15,339	9,076
Other emissions from energy production (production of fuels and transmission losses)	**42,713**	44,850	32,172	29,388
Subcontracted transport with regard to incoming and internal transport	**1,279**	1,185	1,094	1,440
Subcontracted transport with regard to services sold	**30,511**	38,511	49,753	48,148
Waste	**3,561**	1,325	943	1,403
Business travel	**1,285**	815	622	597
Employee commuting	**12,440**	9,895	7,926	4,567
Property leased to VR	**30,825**	38,756		
Total	**179,264**	**200,878**	**182,650**	**168,519**

Property leased to VR includes emissions from the energy consumption of Iso Paja. This figure has been reported on since 2022.
VR Sverige included since 2023.

Greenhouse gas intensity

Emissions per unit of output	2023	2022	2021	2020	Progress
Passenger train services in Finland, gCO_2e/pkm	**1.2**	1.5	2.2	2.3	●
Bus services in Finland, gCO_2e/km	**55.3**	146.2	275.4	310.0	●
Rail logistics, gCO_2e/tkm	**5.5**	5.7	5.4	5.4	●
Road logistics, gCO_2e/tkm	**43.3**	43.4	45.6	46.5	●

The indicators have been limited to direct emissions from the traffic use of electricity and fuel in Finland and direct emissions from fuel consumption by subcontracted transport. With regard to passenger traffic, the indicator has been calculated without the purchased emission reductions. The key figure for road logistics does not include the transport operations of Transitar Oy.

Traffic greenhouse gas emissions by mode of transport, tCO_2e

	2023	2022	2021	2020	Progress
Train traffic, Finland	**45,495**	54,328	61,381	60,028	●
Road transport, Finland	**39,127**	50,734	52,851	50,447	●

The emissions of train traffic are limited to Scopes 1 and 2. The emissions of road transport are limited to Scopes 1 and 2 and the direct emissions of subcontracted transports.

VR'S EMISSION CALCULATIONS ARE BASED ON THE GHG PROTOCOL

Since 2018 we have calculated our carbon footprint in accordance with the Green House Gas (GHG) Protocol. In 2023 we also included VR Sweden (formerly Arriva Sverige AB) in our emission calculations. VR Sweden was acquired in 2022.

According to the GHG Protocol, Scope 1 emissions are greenhouse gas emissions caused directly by our own operations. In practice, these emissions are caused by the fuels of diesel-powered train traffic and diesel bus traffic. Scope 2 emissions are greenhouse gas emissions caused by the production of purchased electricity, district heat and cooling. Scope 3 emissions, or other indirect emissions, are caused by the lifecycle emissions of goods and services we obtain, for instance. In addition, indirect emissions are caused by the commuting and business travel of our employees, the final disposal of waste, investments, and emissions from the production of purchased energy. Some Scope 3 subcategories have been excluded from the calculations on the basis of an annual materiality assessment.

In addition to greenhouse gases, traffic also causes fine particulate (PM) and nitrogen oxide (NOx) emissions. We will develop the calculation of these emissions in 2024.

OUR OPERATIONS

Energy choices are key to reducing emissions

Energy choices and improving energy efficiency play a key role in the reduction of emissions. The electricity used by VR's operations in Finland was produced by nuclear power in 2023. The origin of this electricity has been verified with certificates of origin. The electricity used by operations in Sweden is also fossil-free and mainly generated by hydropower.

Pohjolan Liikenne acquired 44 electric buses in 2023, bringing its total number of electric buses to 195 at the end of the year. This equals 45% of the fleet.

In city traffic in Sweden, new biogas and electric buses were acquired in 2023. In December we took delivery of 22 new gas buses with substantially lower consumption than the old buses. Deliveries of 42 electric buses are expected in 2024.

VR's operations reduced the emissions of our customers and society by approximately

460,000 tCO_2e

which corresponds to the annual carbon footprint of about

45,000

Finns.

In bus traffic we also use biodiesel in Finland and in Sweden. Use of biodiesel in logistics focuses on road logistics.

The solar power plant at the Helsinki depot has now been in use for three years. It generated approximately 750 MWh of electricity in 2023. We are also exploring other opportunities to increase renewable energy production.

We have drawn up a separate sustainability programme for Helsinki Central Railway Station. The key environmental themes are "Creating zero-emission mobility" and "Sustainable central railway station." The implementation of the programme will start at the beginning of 2024.

We offset our emissions from passenger train services in Finland

We have offset the fuel emissions of railbuses and Kolari night trains since 2019. Running these routes on electricity is not possible, as the railway network has not been electrified. We also offset the greenhouse gas emissions arising from the production of electricity and diesel used in passenger rail services and railway yard operations in passenger rail services.

We have offset the emissions by investing in Gold Standard certified voluntary emissions trading projects that reduce emissions and increase carbon sinks. With regards to 2023 emissions, we chose a wind turbine project in India (GS ID 6004).

We increase our handprint

We updated the carbon handprint of our operations in Finland in late 2023. We also calculated the carbon handprint of our operations in Sweden for the first time. VR's operations reduced the emissions of our customers and society by approximately 460,000 tCO_2e, which corresponds to the annual carbon footprint of about 45,000 Finns.

CASE

VR AND METSÄ GROUP ARE DEEPENING THEIR SUSTAINABILITY COOPERATION

As significant operators in society, VR and Metsä Group play important roles in promoting environmental performance and sustainability. The companies have agreed on a target of halving the emissions from transport covered by their cooperation by 2030.

Rail transport is the most energy-efficient mode of transport with the lowest emissions, which is why it plays a crucial role in curbing climate change. Together with our customers, we create solutions that help also the customer make progress towards their emission targets.

VR and Metsä Group have established a joint working group to come up with concrete solutions for achieving the emission reduction target. Measures will be taken in areas such as the electrification of the railway network, increasing the efficiency of transport concepts, and the use of diesel made from renewable raw materials. The combined measures would enable Metsä Group to achieve approximately **14,000 tCO_2e in annual emission reductions, corresponding to over 25,000 average lorry transports.**

Improving energy efficiency

We have systematically invested in improving energy efficiency in our transport operations and at our properties.

RESULTS

Progress towards our goals

Our goal is for VR's energy consumption per unit of output to decrease by 15% by 2025, using 2019 as the baseline*. In 2023, our energy consumption amounted to 2013 GWh, the figure including operations in Sweden and subcontracted road logistics.

In passenger train services, energy consumption decreased by 11% from the previous year and was 75.8 (85.3) Wh/pkm. In rail logistics, energy consumption decreased by 5% and was 45.1 (47.5) Wh/tkm. The improvement was due to growth in the number of passengers, improved operational efficiency in logistics and successful implementation of our energy efficiency programme.

Energy efficiency per unit of output improved by

16%

Energy consumption, GWh

Own energy consumption	2023	2022	2021	2020
Fuels, renewable	**190**	59	53	53
Change	**131**	7	0	23
Fuels, non-renewable	**849**	990	289	294
Change	**-140**	700	-5	-53
Electricity	**791**	592	638	657
Change	**199**	-47	-19	-73
District heating	**70**	63	68	53
Change	**7**	-5	15	-13
District cooling	**1**	1	1	1
Change	**0**	0	0	0
Total	**1,902**	**1, 705**	**1,049**	**1,057**
Change	**197**	656	-8	-116
Energy consumption of subcontractors				
Fuels, renewable	**0**	0	0	0
Fuels, non-renewable	**111**	136	138	98

Energy consumption of subcontractors includes subcontracted road logistics transport.

Energy intensity

Energy consumption per unit of output, unit	2023	2022	2021	2020	Progress
Passenger train services, Wh/pkm	**75.8**	85.3	133.6	135.7	●
Rail logistics, Wh/tkm	**45.1**	47.5	45.5	44.7	●
Bus traffic, l/100 km	**19.8**	25.4	26.4	30.6	●
Road logistics, l/100 tkm	**1.6**	1.6	1.6	1.7	

The figures include operations in Finland. The key figure for road logistics does not include the transport operations of Transitar Oy.

* This indicator is based on the energy consumption per unit of output of VR's operations in Finland. Subcontracted road logistics transport is also included in the goal.

OUR OPERATIONS

Results through planning and the development of driving habits

We have improved energy efficiency 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 in economical driving habits, as well as by performing various renovations and upgrades to properties.

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 focuses on the energy efficiency of train traffic. We improved the efficiency of the energy consumption of electrically driven traffic by almost 8% compared to the previous year. We continuously develop and expand the programme.

VR's energy efficiency alliance with property maintenance companies, which was established as part of VR's efforts related to energy efficiency and the environment, continued its activities in 2023 and produced several new proposals for measures to be taken. Financial incentives for energy savings encourage the participants to work closely together to improve energy efficiency. The alliance has significantly improved the efficiency of energy and water consumption at VR's properties. Substantial energy savings have been achieved by upgrading lighting, ventilation and heating systems, for example. The ongoing renovation of Helsinki Central Railway Station will also improve the energy efficiency of the premises.

We improved the efficiency of energy consumption in electric train traffic by almost

8%

compared to the previous year, which corresponds to the annual consumption of approximately 7,000 terraced homes.

CASE

PROGRESS IN OUR ENERGY PROGRAMME

VR has an ongoing energy efficiency programme, under which we implemented a number of measures in 2023 to improve energy efficiency. The programme was developed with an agile approach through trials and it quickly produced concrete results.

The programme was influenced by the energy crisis and the rise in electricity prices that shook society. Our environmental goals also drove us to improve energy efficiency.

Instilling energy efficient and proactive driving habits in train drivers is one of the most significant factors influencing the energy consumption of electric train traffic. Such habits include minimising the need for braking, letting the train roll, and driving at a lower speed. At the start of 2023 we established an energy team of train drivers to support changes in driving habits.

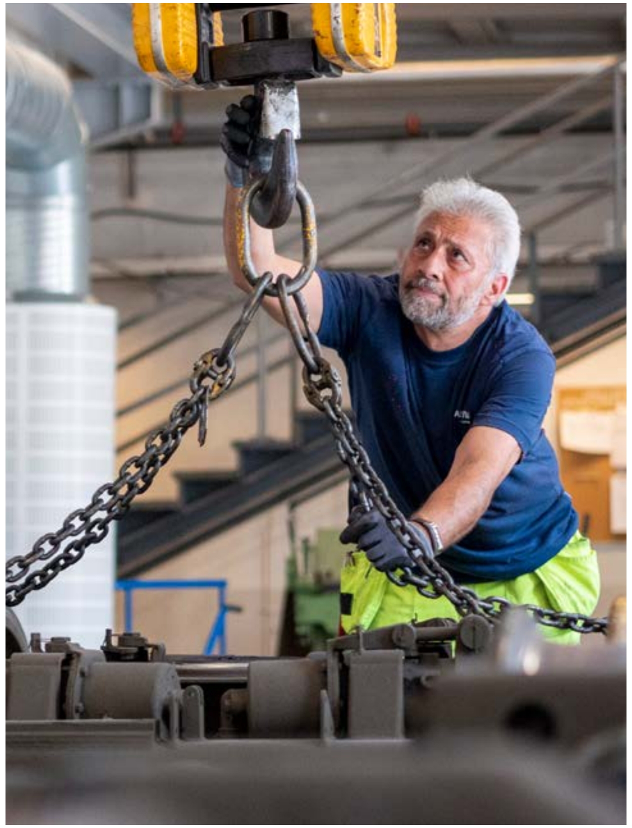
The planning and traffic control of long-distance traffic and freight traffic can also influence energy consumption through the minimisation of extra stops, for instance.

The enhanced utilisation of data and analytics was a key factor in improving the efficiency of energy usage. We used energy data to develop various tools for the monitoring and reporting of energy consumption, including tools that enable drivers to monitor their driving habits.

In our rolling stock we improved ventilation settings and increased the use of LED lighting in our passenger trains, among other things. We also made progress in our investments in the renewal of our locomotives, aimed at making the fleet more energy-efficient.

Improving material efficiency

We aim for material efficiency by reducing the volume of waste and increasing recycling. We prevent wastage and promote recycling through sensible purchasing, procedures and work planning.



RESULTS

Progress towards our goals

Our operations generate waste, particularly in rolling stock maintenance and the cleaning of trains and properties. Our goal is to increase our recycling rate to 80% by 2025. The total volume of waste in our Finnish operations in 2023 was 12,247 (9,627) tonnes, of which 69 (51) % was recycled for materials. Our operations in Sweden generated 1,551 tonnes of waste. VR itself does not store or process waste. All waste is processed by external service providers.

Procurement plays a significant role in material efficiency and the reduction of emissions. In new agreements we require all significant suppliers to commit to continuous improvement in environmental matters.

Waste	2023	2022	2021	2020
Total amount/t	**13,798**	9,627	14,442	13,580
Non-hazardous waste	**11,324**	8,157	12,860	12,348
Hazardous waste	**2,474**	1,470	1,582	1,232
Processing method/t				
Re-used as material	**8,606**	4,942	9,339	8,809
Re-used as energy	**4,863**	4,498	4,363	3,561
Disposal	**279**	184	714	875
Landfill	**51**	3	28	151
Recycling rate (%)	**62**	51	65	65

VR Sweden is included in the figures for 2023. The figures for 2022 included mistakes due to erroneous reporting by our service provider. The figures have been restated in the 2023 sustainability report.

OUR OPERATIONS

Refurbishing extends the life cycle of rolling stock

Where possible, VR FleetCare extends the life cycle of rolling stock and components by refurbishing instead of replacing. Extends the life cycle of rolling stock and components also creates opportunities for the growth of VR's maintenance business. Our services also include the refurbishment of rolling stock for operators other than VR.

We promote material efficiency by selling rolling stock that is no longer used in our own operations. In 2023, we sold ten Sr1 locomotives that were recycled for metals recovery. In November 2023 we sold 11 Sm2 train units to Suomen Lähijunat Oy. In 2024 we will put 10 diesel locomotives and 51 passenger cars up for sale. The rail worthiness of this rolling stock can be extended by maintenance and renovation.

In the Green Office inspection performed at our company headquarters, Iso Paja, we received positive feedback from the WWF on sorting opportunities and energy efficiency. Development areas highlighted in the inspection included communications of Green Office targets and employee engagement.

Our subsidiary Avecra, which operates in the restaurant business, has focused on reducing food waste. The share of food waste has now reached a level of less than 1.5%.

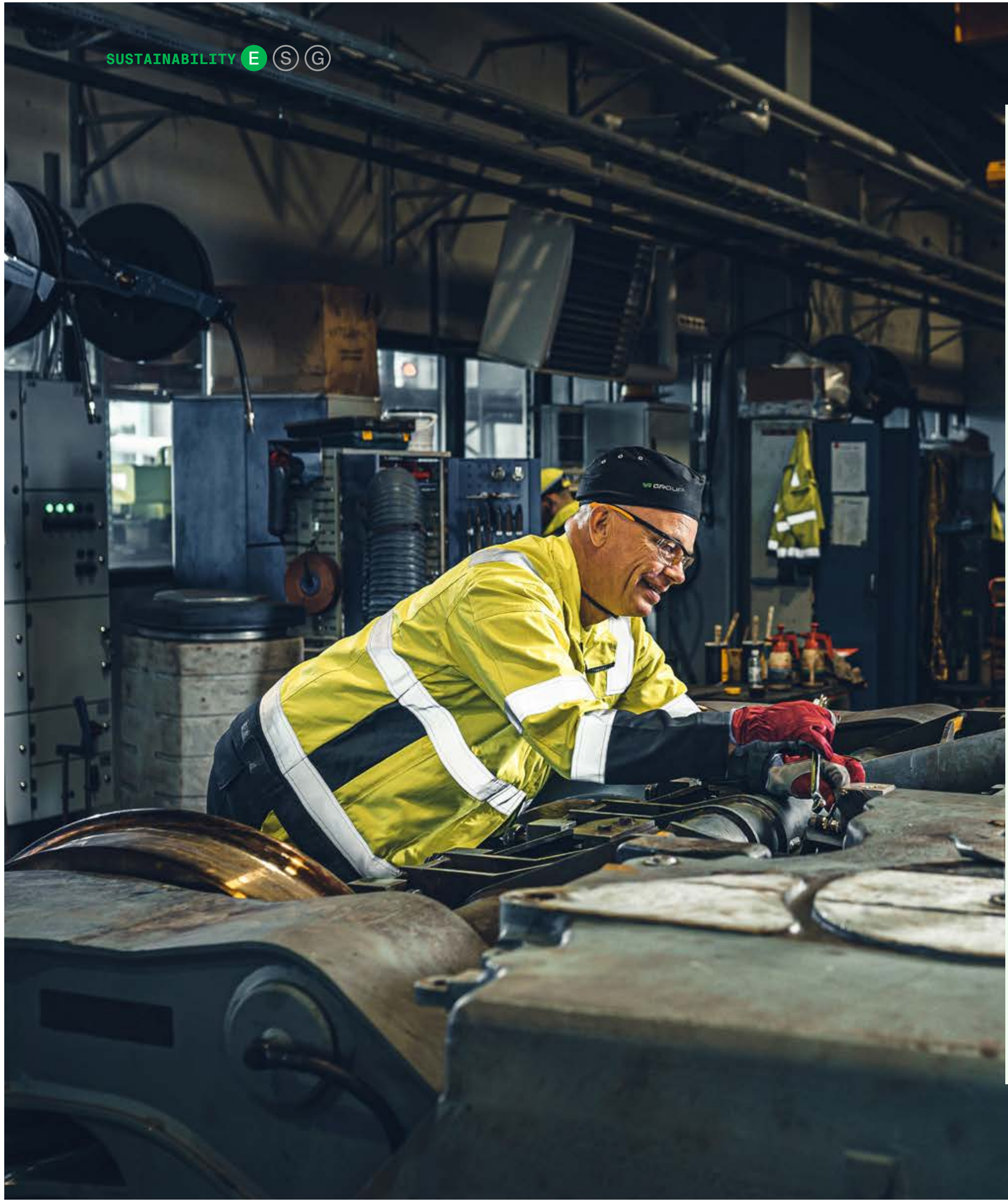
We promote material efficiency by selling rolling stock that is no longer used in our own operations.

CASE

RECYCLING WASTE AND NEW PACKAGING MATERIALS IN OUR RESTAURANT CARS

In 2023 we replaced more than 2.3 million plastic coffee cup lids with paperboard lids in our restaurant cars. We started the collection of packaged biowaste in bilevel restaurant cars in September 2023 and later expanded the practise to other restaurant cars too. Cardboard, bottles, cans and glass are sorted in all of our restaurant cars.

We also aim to increase the recycling of waste from passengers. We have replaced the serving and packaging materials used in restaurant cars with more environmentally friendly alternatives, such as disposable wood utensils and bio-based bags. For example, sandwiches and pastries are packaged in bags that are produced in a carbon-neutral manner from fully renewable materials, such as certified pulp, and that can be recycled. Packaging the products served by our restaurants extends the shelf life of the products and ensures a high standard of hygiene, thereby reducing wastage.



CASE

ENVIRONMENTALLY FRIENDLY AND COST-EFFECTIVE RECYCLING OF LOCOMOTIVES

Material efficiency plays a key role in ensuring the sustainable use of our planet's finite natural resources. At VR we are committed to responsible fleet management. Rolling stock has a long life cycle, with repairs typically involving the use of replacement parts. Parts are often refurbished and later used in other rolling stock equipment.

Many of the locomotives we own have reached the end of their life cycle. Some of these rolling stock units have been decommissioned and sent for recycling. The recycling process goes beyond merely decommissioning the rolling stock, as it also entails the environmentally friendly and cost-effective reuse of spare parts. We made use of spare parts recycling in our tractive stock to an unprecedented extent in 2023.

Before locomotives are sent for recycling, we recover suitable components to be directly reused, and we also recover preforms for refurbishment and subsequent use in rolling stock that remains in service. Examples of reusable components include bogies, transmission equipment and various small components. By recycling components we ensure that old rolling stock remains in service until the end of its life cycle, as the availability of spare parts in the market tends to be low or non-existent. At the same time we reduce the need for new parts, improve cost-efficiency and promote the circular economy.

Chemical safety

Every year we transport significant quantities of industrial chemicals by rail. Chemicals are also used in the maintenance of our rolling stock. We are committed to ensuring that our operations do not cause soil or groundwater contamination from the handling, transport or storage of chemicals.

RESULTS

Progress towards our goals

Our goal is to ensure that our operations do not cause major chemical spills. There was one major chemical spill when a subcontractor's lorry went off the road in Ruovesi in July 2023. The spilled diesel fuel was dug out.

Significant chemical leakages

	2023	2022	2021	2020	Progress
Number of leakages	**1**	0	0	3	

OUR OPERATIONS

Focus on chemical safety

Railway companies are required to have up-to-date safety reports for shunting yards where wagons transporting dangerous goods (TDG) are handled. Such wagons must be designated accordingly by the Finnish Transport and Communications Agency (Traficom). In 2023 we updated the safety reports and internal emergency plans for all shunting yards handling TDG wagons.

The Finnish Transport Infrastructure Agency, which maintains the country's railway network, organised major emergency drills to test our shunting-yard emergency plans and the collaboration between the authorities and railway operators. The cooperation group of Traficom, the Finnish Transport Infrastructure Agency and railway traffic operators met four times in 2023.

Chemical safety was a high priority in city traffic in Sweden, where cooperation began with a new chemical supplier. One of the goals is to reduce the amount and toxicity of the chemicals used in collaboration with the supplier.

Environmental restoration

The aftercare following the 2018 environmental accident in Kinni, Mäntyharju continued in 2023. In the accident, 35 tonnes of methyl tert-butyl ether (MTBE) leaked into the ground. The MTBE concentrations of surface water, groundwater and wells have been monitored in accordance with the plan approved by the environmental authorities. The MBTE concentrations are low and have been observed in the vicinity of the accident site.

In November 2023, the South Savo Centre for Economic Development, Transport and the Environment (ELY Centre) issued a decision on the decontamination of soil and groundwater at the accident site. The ELY Centre approved monitored natural decontamination as

In 2023 we updated safety reports and internal emergency plans for all shunting yards handling wagons transporting dangerous goods.

the soil and groundwater restoration method. An appeal concerning the decision has been lodged with the Vaasa Administrative Court.

VR manages several shunting yards, depots and refuelling site premises where soil was contaminated decades ago. We restore these areas every year in connection with the upgrading of structures, the construction of buildings, or changing the use of the area. In 2023, soil restoration took place at the former machine shop sites in Pasila and Turku.

We carried out groundwater monitoring required by the authorities at eight sites. At the Riihimäki depot, we removed oil from the area's groundwater by pumping it out.

In 2023, we spent EUR 5.7 (2.7) million on soil and surface water surveys, clean-up and monitoring, including the restorative measures in Kinni.

Environmental risks and opportunities

The most significant environmental risks caused by VR's operations are related to accidents that may cause contamination of soil and groundwater, as well as other environmental damage.

We manage several shunting yard, depot and refuelling site premises where soil contamination that occurred decades ago requires continued risk management, such as decontamination measures or groundwater monitoring.

Mitigating climate change requires both increasing energy efficiency and reducing emissions. These actions are also focus areas in our environmental goals. We are committed to setting short-term targets aligned with the Paris Agreement and long-term net-zero targets (SBT targets).

In 2022 we assessed climate risks in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) framework for the first time in our review of business risks. Climate risks are an integral aspect of our risk management and are also covered by our risk management policy, which was updated in December 2023.

The risks caused by climate change to train traffic and the railway network are mostly related to the effects of extreme weather events, such as storms, floods and heatwaves. These events can cause delays and increase costs. Other risks to VR's operations arising from climate change include significantly rising energy costs and other costs, disruptions to subcontractor partnerships or supply chains, and risks related to fleet lifecycle management.

The economic impacts of climate change have not been assessed in monetary terms, because the data required for that is not available. Going forward, we will develop the assessment of the economic impacts of climate change in accordance with the requirements of the European Sustainability Reporting Standards (ESRS).

The environmental risks we identified in our supply chain – as part of our 2023 assessment of environmental issues – included the impacts on nature arising from the production of batteries, energy and fuels used by VR.

Opportunities related to climate change mitigation

Mitigating climate change provides rail traffic with new growth opportunities. People are paying increasing attention to the carbon footprint of their activities, and the shift in attitude to favouring public transport increases the number of passengers on trains and the amount of goods transported by rail. Our corporate customers have their own emission reduction targets, which VR can help them to achieve through our transport operations. The number of joint emission reduction plans we prepare with our logistics clients is continuously increasing. These opportunities arising from climate-change mitigation comprise a central element of our strategy.

Promoting biodiversity

We support biodiversity through resource-efficient operations and by promoting the growth of low-emission transport.

We assess the environmental impacts of our own operations at the business-specific level as part of the assessment of environmental aspects. Our impacts on nature mainly arise in our supply chains, such as through the production of the energy and fuels we use. In addition, our identified material impacts include emissions, chemicals and other hazardous substances that end up in the environment due to our own activities or the activities of our subcontractors and suppliers. In our own operations we minimise the environmental emissions of hazardous substances.

We are continuing to work with our stakeholders to promote biodiversity and to evaluate in more detail the natural ecosystem impacts of our entire value chain. In cooperation with the Finnish Transport Infrastructure Agency, we aim to contribute to the promotion of local biodiversity adjacent to train tracks.

We have also taken biodiversity into account in the food procurement of our restaurant business Avecra, where we have focused on the reduction of waste.

Other environmental topics

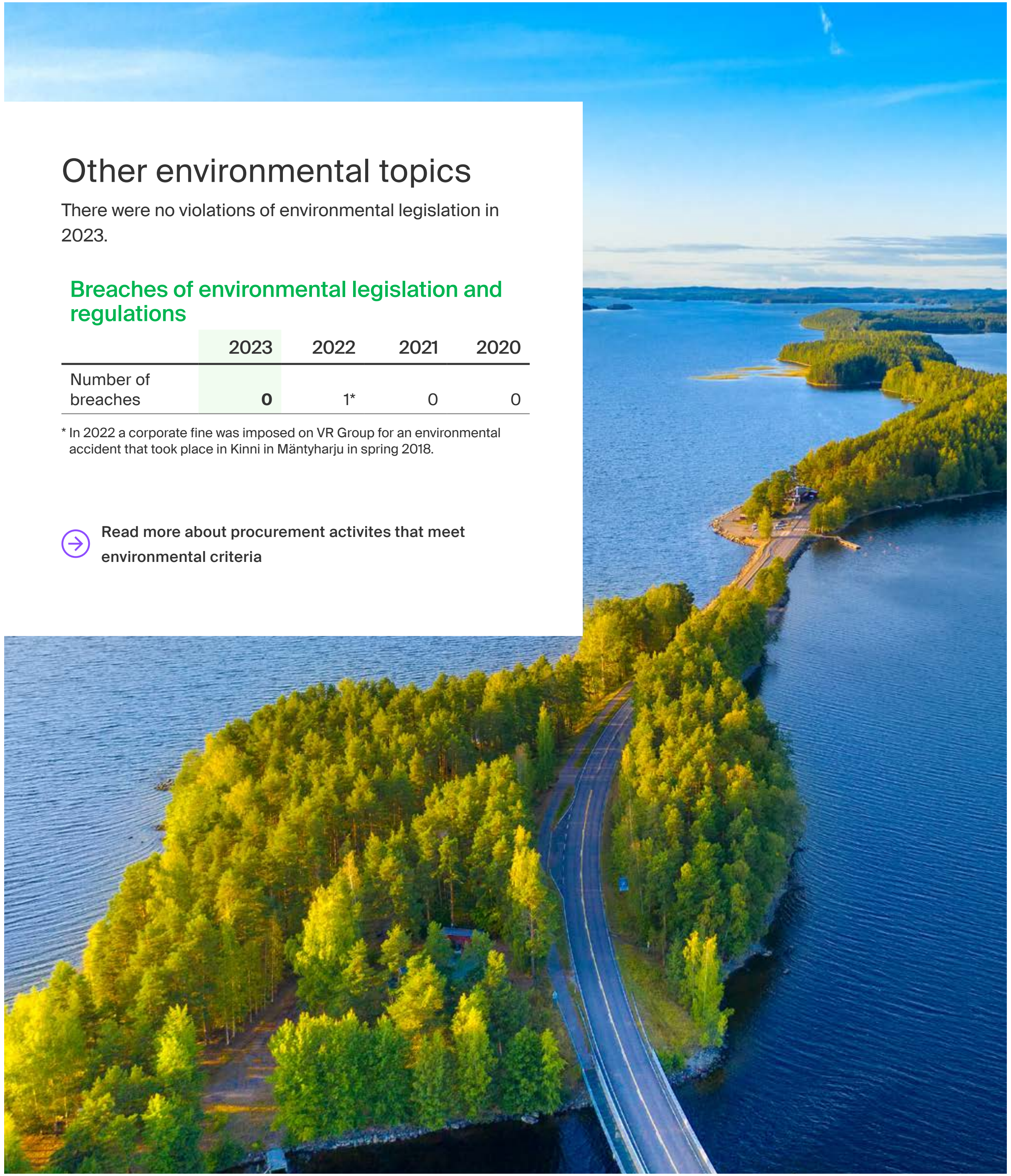
There were no violations of environmental legislation in 2023.

Breaches of environmental legislation and regulations

	2023	2022	2021	2020
Number of breaches	**0**	1*	0	0

* In 2022 a corporate fine was imposed on VR Group for an environmental accident that took place in Kinni in Mäntyharju in spring 2018.

Read more about procurement activites that meet environmental criteria



Green Bond report 2023

In 2022 VR Group issued a Green Bond to finance new green investments in rolling stock.

Key information on the bond

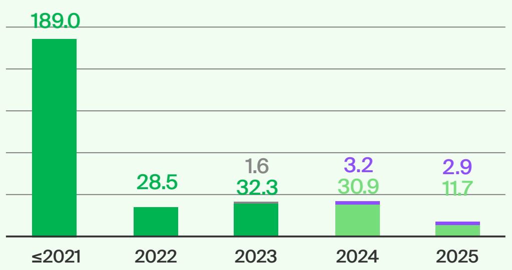
Issuer	VR-Group Plc
Issuer's credit rating	A+ (stable), S&P
Second Party Opinion on the green framework	Dark Green, CICERO
Bond type	Senior unsecured green
Listing	Nasdaq Helsinki
Nominal value	EUR 300 million
ISIN	FI4000523287
Bond rating	A+, S&P
Issue date	30.5.2022
Maturity date	30.5.2029
Tenor	7 years
Coupon	2.375% fixed
Unallocated proceeds	EUR 48.6 million / 16%
Allocated proceeds	EUR 251.4 million / 84%
Refinancing	EUR 189.0 million
Financing	EUR 62.4 million

Categories used (mEUR)

Clean transportation	Allocated	Unallo-cated	Total
Sr3 electric locomotives	249.8	42.5	**292.3**
Heavy maintenance of Sr3 electric locomotives	1.6	6.0	**7.7**
Total	**251.4**	**48.6**	**300.0**

Expected annual allocation

EUR MILLION



- Allocated, Sr3 electric locomotives
- Unallocated, Sr3 electric locomotives
- Allocated, heavy maintenance of Sr3 electric locomotives
- Anallocated, heavy maintenance of Sr3 electric locomotives

SR3'S ATTRIBUTES AND IMPACT ANALYSIS

Summary of realised positive environmental impacts in 2018–2023

Savings in electricity consumption range from 37 to 51 GWh, depending on the specific consumption coefficients used

The Last Mile feature has reduced emissions by approximately 830 tCO_2e.

Reductions in energy consumption and emissions per invested resource:

- Electricity consumption as much as 202 MWh / mEur
- Emissions 3.3 tCO_2e / mEur

Sr3 is our most efficient and ecological locomotive

Maximum output: 6,400 kW (8,700 hp)

The Last Mile feature (two diesel engines for running on non-electrified railway sections) reduces emissions

About 20% more energy-efficient than the previous Sr2 model

Recyclability rate: 98%

Technical attributes related to energy efficiency

The Sr3 features a more efficient regenerative-braking system. When electric braking is used, it converts the braking energy into electricity and feeds it back into the grid

Electricity consumption in standby mode is lower and less waste heat is generated than in Sr2

The Sr3 features LED lighting technology that uses electricity conservatively

Metering enables the monitoring and analysis of energy consumption

Sr3's energy consumption

In 2018–2022

The savings in electricity consumption in 2018–2022 were calculated in two ways:

- Using the manufacturer's specific consumption coefficients: 26 GWh
- Using the specific consumption coefficients obtained via a preliminary data analysis: 40 GWh

The Last Mile feature reduced the use of fossil diesel by 250,000 litres, or 2.4 GWh, which corresponds to a reduction in emissions of approximately 655 tCO_2e (2018–2022)

A more comprehensive consumption analysis was carried out for 2023:

The savings in electricity consumption were 10.8 GWh

The Last Mile feature reduced the use of fossil diesel by 67,600 litres, or 0.7 GWh, which corresponds to a reduction in emissions of approximately 173 tCO_2e

Electricity consumption depends on speed, train type, route, weather conditions and whether electric braking can be utilised

E
S
G

Social responsibility

We bear responsibility for all people affected by our operations, including our passengers, employees and partners. We respect human rights, including employee rights. We comply with applicable labour legislation and collective agreements. We are also committed to the UN Guiding Principles on Business and Human Rights, as well as the ILO Declaration on Fundamental Principles and Rights at Work.

8 Decent Work and Economic Growth
9 Industry, Innovation and Infrastructure
10 Reduced Inequalities
11 Sustainable Cities and Communities

Safety and security

8 Decent Work and Economic Growth
11 Sustainable Cities and Communities

We want to be a leader in safety and security, providing people with the safest way to get around. We bear responsibility for the safety and security of our personnel, our passengers, our industry clients' goods transports, and the environment.

Safety is our way of doing things – we ensure that people and goods reach their destinations in the safest way possible.

Safety is our way of doing things

We updated our safety and security strategy in early 2023. The strategy is summarised in our promise: "Safety is our way of doing things – we ensure that people and goods reach their destinations in the safest way possible". The cornerstones of the strategy are safety and security management and culture, common operating practices, proactive risk management and operational compliance.

We have clearly incorporated safety responsibilities into our management system, ensuring they extend to the different levels of our organisation. We require all our employees to participate in and make a commitment to the development of safety and security.

VR's Board of Directors approves the safety and security policy, safety and security strategy, and our safety goals. The Board of Directors also sets the remuneration criteria concerning safety and security, which apply to all of our personnel. Business units are responsible for the safety and security of their operations.

The safety unit, which is one of VR Group's common functions, supports and assists our business units in their safety and security efforts. The unit ensures the development of safety through common processes and the sharing of best practices. In VR Leadership Team Senior Vice President of City Traffic Finland is responsible for the Group's safety and security.

The internal-audit function audits VR's operations to ensure compliance with applicable requirements and management systems. We enable and ensure safe and secure operations through our common safety and security policy and strategy, safety and security management systems and methods, as well as safety and security guidelines.

We revised our operating model for safety and security management in early 2023. We established the One Safety Board forum, which meets weekly. The forum comprises the safety managers of the business units as well as VR's safety management team. The revised model increased the flow of information between safety professionals and improved management's situational picture regarding safety in the different units. We increased the frequency of safety reviews by VR's senior management from once a year to three times a year.

We continued the harmonisation of safety and security policies and indicators between Finland and Sweden. We also began sharing practices related to safety and security efforts between the countries. However, the railway-safety index for 2023 is not yet comparable between Finland and Sweden.

RESULTS

The best-ever year in traffic safety

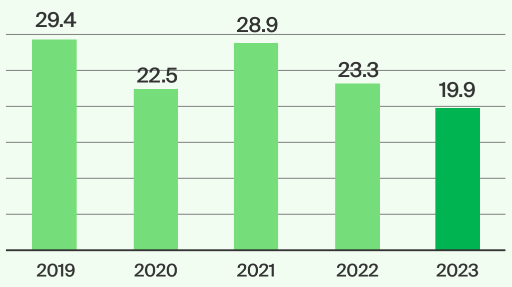
We measure the safety of train traffic in Finland by the railway safety incident frequency, which indicates the number of incidents affecting the businesses' railway safety indicators per million hours worked. In Sweden, we measure railway safety incidents relative to kilometres driven.

In 2023, our railway safety incident frequency in Finland was the best on record. The railway safety incident frequency decreased by 15% from the previous year and was 19,9. Our target is a maximum of 22 railway safety incidents per million hours worked. In Sweden our railway safety incident frequency decreased by 12% from the previous year and was 2.2. Our target is a maximum of 2.2 railway safety incidents per million kilometres driven.

The number of traffic safety incidents for Pohjolan Liikenne decreased in 2023 compared to the previous year. Towards the end of 2023, the winter conditions caused challenges and increased safety incidents in bus services in both Finland and Sweden.

The traffic accident frequency and passenger injury frequency of the Tampere Tramway improved substantially in 2023 compared to the previous year. In Sweden, there were more incidents in tram traffic than in railway traffic, but the situation improved towards the end of the year.

Development of the railway safety incident frequency



Railway safety incident frequency by business unit

Business operation	2023	2022	2021	Progress
VR Long-distance traffic	**2.0**	0	0	
VR City Traffic, commuter traffic	**24.6**	14.1	10.6	
VR Transpoint's rail logistics	**20.6**	37.2	38.7	
Train operations	**28.5**	29.8	40.5	
VR FleetCare	**17.6**	20.2	29.8	
VR Group, total*	**19.9**	**23.3**	**28.9**	

* The table shows figures for Finland only. The railway safety incident frequency for VR's operations in Sweden is not comparable with the Finnish figures due to a difference in the calculation method.

OUR OPERATIONS

We actively improve traffic safety

A large proportion of the railway safety incidents in Finland occur in shunting work, although the number of shunting deviations has decreased significantly over the past decade. Reducing speeds in shunting for logistics operations made a significant contribution to the positive development of safety incidents in 2023. In Finland, the number of rolling stock safety deviations – meaning rolling stock failures that caused safety risks – was higher than in the previous year.

We conducted a gap analysis on railway safety compliance and identified development measures based on the analysis.

In the summer of 2023 we established a new incident investigation team that investigates significant deviations and railway safety incidents, and develops preventive measures. We also enhanced our incident investigation cooperation with stakeholders.

In 2024, we will carry out internal campaigns on topics such as the use of stop blocks, unauthorised movement and passing of stop signs, the use of mobile devices and winter preparedness.

We harmonised the safety indicators used in bus services in Finland and Sweden, and during 2024 we will continue the development of indicators in rail traffic.

Railway safety incident frequency in Finland was the best on record.

RESULTS

A record year in occupational safety

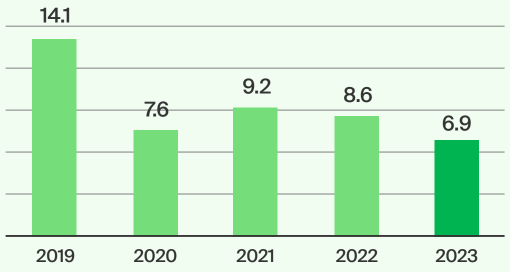
The year 2023 was our best ever for occupational safety. The total number of accidents and the accident frequency (LTIF1) – leading to lost time per million hours worked – both decreased from the previous year.

In 2023 the accident frequency decreased by 20% to 6.9 in Finland. Our target is below 7. In Sweden the accident frequency was 6.2, target being below 6.3.

The total number of accidents in Finland decreased by 5% from the previous year to 173. There were nine serious accidents in 2023 – a substantial decrease from the previous year's figure of 12.

This positive development can be attributed to our focus on safety communications, the safety observations made by personnel, and the development measures introduced as a result of the observations.

Development of the lost-time injury frequency (LTIF1)



Lost-time injury frequency (LTIF1) by business operation

Business operation	2023	2022	2021	Progress
VR Long-distance traffic	**6.3**	6.9	11.4	●
VR City Traffic, Finland	**13.5**	16.7	12.6	●
VR City Traffic, Sweden	**6.2**	n/a	n/a	
VR Transpoint's rail logistics	**1.8**	2.3	7.1	●
Train operations	**3.9**	5.4	4.7	●
VR FleetCare	**5.4**	6.2	10.6	●
Common operations	**0**	0.0	0	
VR Group, total*	**6.9**	**8.6**	**9.2**	●

* The figures do not include Swedish operations because the data is not comparable. No target was set for VR Sweden in 2022.

Occupational safety in figures [1]

GRI 403-9

	2023
Occupational safety	
Number of fatal accidents	**0**
Number of serious accidents	**9**
Serious accident frequency (LTIF30)	**0.8**
Number of all accidents that have occurred (TRI figure) [2]	**173**
TRI frequency	**15.9**
Main types of accidents	**Slipping and falling**
Hours worked	**10 937 396**
Accidents involving outsiders at VR workplaces	
Number	**35**
Number of serious	**0**
Main types of accidents	**Slipping and falling**

1) Working hours are calculated per million hours worked. The frequency includes VR Group employees in Finland. Accidents are monitored based on the Finnish accident insurance system and corresponding accident decision and indemnity practice. 2) TRI = Total Recordable Injuries

OUR OPERATIONS

Focus on promoting occupational safety

We promoted occupational safety by focusing on safety communication and campaigns, among other measures. Key themes were the safe use of mobile devices, commuting safety, and winter preparedness. In 2023 we organised two safety weeks, during which safety events and enhanced monitoring were carried out in the businesses.

During the year the business units implemented projects to improve occupational safety. For example, the maintenance unit enhanced hand and finger safety through training, improvements to equipment, and safety campaigns. At Pohjolan Liikenne depots, we developed a traffic-light model to improve the situational picture of the prevailing weather conditions. In city traffic in Sweden, we focused on training the personnel on interactions in threatening and violent situations.

In early 2023, new work-safety committees started their four-year term in VR's rail transport businesses in Finland. Each business unit has its own work safety committee with representatives from all of the unit's personnel groups. The work-safety committee acts as a cooperative body between the employer, employees and salaried employees in matters concerning occupational safety, and health and well-being at work.

In Finland, occupational well-being, health and safety (WHS) activities are managed using a management system that corresponds to the ISO 45 001 standard.

5,873

safety briefings, with 64,295 participations in total

We carry out risk assessments and workplace surveys to ensure occupational safety. Based on the results, we determine development measures. We use a standardised process to investigate workplace accidents.

When employees start in a new position, they receive comprehensive training about the job, the risks involved and safe work practices. Employees also participate in annual occupational-safety refresher training relating to their work duties. The refresher training reflects changes in work-related risks and looks at lessons learned from past incidents. Current topics related to occupational safety and health are also regularly discussed in supervisor safety briefings. In 2023 we held a total of 5,873 safety briefings, the total number of participations being 64,295.

CASE

TOWARDS CONTINUOUS IMPROVEMENT WITH A SAFETY AND SECURITY CULTURE PROGRAMME

In spring 2023 we launched a VR-wide safety and security culture programme that involves creating a continuous improvement model for developing safety and security. The programme is an important part of our revised safety and security strategy.

In the first phase of the programme, we assessed the current state of our safety and security culture. We used interviews, workshops and a personnel survey to determine employees' perceptions of safety and security, and the future direction of our safety and security culture. We also organised safety and security culture training for management and safety professionals.

The programme will remain as one of our key priorities in 2024. Based on the assessment of the current situation, we will establish a shared understanding of the state of our safety and security culture and related development areas. The programme includes development measures that will address safety and security culture challenges for VR as a whole and for certain business units.

Going forward, we will systematically monitor the development of our safety and security culture and conduct a safety and security culture survey approximately once every two years.

We develop safety together with our personnel

Our employees are committed to developing safety by making safety observations. In 2023 the number of safety observations made in our Finnish units increased by 31% from the previous year to 14,399. Increasing number of security observations is linked to the positive development in the number of safety incidents. In 2023 more than 50% of our employees in Finland made a safety observation.

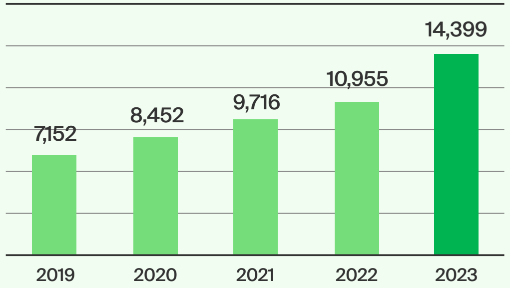
We encouraged employees to report their observations, and we provided training to supervisors on the handling of reported observations. Measures taken on the basis of observations are an important part of fostering the safety and security culture and improving safety.

We developed our Tuuma safety observation system in 2023. Everyone who reports a safety observation 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.

In the latter part of the year, we conducted an annual safety survey in Sweden to give employees the opportunity to share information on their sense of security at work, and their experiences of threats and violence. We also conducted a safety survey in Finland as part of our safety and security culture programme.

Development of safety observations

Safety observations



Information security and cybersecurity

There were no significant information-security incidents in 2023, and no train journeys in either Finland or Sweden needed to be cancelled due to information security incidents.

VR has a Bug Bounty programme to reward hackers who find security vulnerabilities in VR's online services. Based on the findings, cybersecurity was developed throughout the organisation, and significant improvements were made in Sweden in particular.

In 2023 we started preparations for the implementation of the NIS2 Directive in Finland and Sweden. The directive sets out minimum standards for cybersecurity risk management measures and establishes reporting obligations for the industries that are within the directive's scope.

Cyber attacks used to be rare, but they occur more frequently in the changed global security environment. So far, we have made it through the attacks without any business impacts and we continue to actively develop our preparedness. We have increased cooperation with the authorities and the exchange of information with rail transport operators in Finland and Europe.

Our most impactful safety and security efforts take place in cooperation with our stakeholders.

CASE

A JOINT CYBERSECURITY EXERCISE FOR OPERATORS IN THE RAILWAY SECTOR

Our most impactful safety and security efforts take place in cooperation with our stakeholders. In May 2023 we participated in a joint cybersecurity exercise for operators in the railway sector, organised by the Finnish Transport and Communications Agency (Traficom). The exercise brought together professionals in public transport and security.

Our cybersecurity team spent a year preparing for the exercise. VR's team not only took part in designing the simulated exercise, but also played various roles at the game centre and gave input to the players through a browser-based exercise platform and by phone. VR's Chief Security Officer, Head of Transport, Head of Application Development and representatives from the communications function and passenger service function participated in the exercise as players.

The participants took part in a simulated incident in which their decisions influenced the way the situation developed.

The exercise gave us the opportunity to learn and develop together with our stakeholders. In addition to practising cooperation and the exchange of information, the simulation was an opportunity to practise the reactions, decision-making and communication required when responding to large-scale incidents.

Employee experience

8 Decent Work and Economic Growth
10 Reduced Inequalities

Our goal is a workplace culture that is both human and efficient. We are building our culture on a strong, shared value base, clear structures and responsibilities, coaching-style supervisory work, continuous learning and open communication.

According to the personnel survey

82%

of our employees know the values.

We are building a values-based workplace culture together

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 our personnel with these renewed values. According to the personnel survey conducted at the end of the year, 82% of our employees know our values.

During 2023 we engaged our personnel in active discussions on our values, using practical examples to communicate how we act in accordance with them at work. We trained “value drivers” for each unit who guided the discussions together with supervisors. We also incorporated the values into our performance reviews. This enables us to monitor how the values support actions that are aligned with our goals, and to promote the continued development of our values-based operations.

Part of putting a values-based culture into practice means updating our Code of Conduct and organising related training for employees and supervisors. We began updating the Code of Conduct in late 2023 and the work will be completed in early 2024. The Code of Conduct lays out the guidelines for acting ethically and in line with our values every single day. We do not tolerate inappropriate behaviour, harassment or discrimination under any circumstances. According to our 2023 personnel survey, 16% of our employees had encountered inappropriate behaviour, harassment or discrimination at work during the preceding 12 months either by our own work community or customers. We will discuss how to avoid and resolve such situations with our personnel.

VR complies with all relevant laws, agreements and other obligations regarding employment relationships. We respect employees’ right to unionisation. In the processing of personal data and data protection matters, we observe the principles of the EU’s General Data Protection Regulation as well as relevant national legislation.

Motivated employees create success

A good employee experience, and consequently a better customer experience, are integral aspects of our organisation's success. Satisfied and motivated employees create a positive atmosphere that is reflected in customer satisfaction.

We use regular pulse surveys to monitor the employee experience. In 2023 we conducted our first joint pulse survey in Finland and Sweden, updating the questions to shed light on our employees' views regarding commitment, leadership and values. We also requested suggestions for improving job satisfaction.

In 2023, 72% of our employees in Finland and Sweden responded to our personnel survey. The response rate in Finland was 69%, which is 13 percentage points higher than in the previous year. In Sweden, the response rate increased by 35 percentage points from the previous year to 82%.

For VR Group as a whole, employee commitment to the employer was 72 (on a scale of 0–100) in 2023. In Finland, the employee commitment score was 69, representing an improvement of two points from the previous survey (3/2022). However, the score in Finland is slightly lower than the average for our benchmark companies (75). In Sweden, the employee commitment score was 76, which represents a good level and is higher than the average for benchmark companies (73).

According to the results (77), we have achieved positive development (+4) in management and leadership work in Finland compared to the previous year. The score for leadership in Sweden was at a good level (82). The score for VR Group as a whole was 79.

According to the results, immediate supervisors are able to create a culture of trust and openness in their teams. Goals have also been clearly communicated to team members.

The most important development themes highlighted in the answers to open-ended questions included processes and tools, communication, cooperation, information sharing and workload. All business units and common functions are committed to implementing development measures.

Employee satisfaction[1]	2023	2022	Progress
COMMITMENT*			
VR Group[2]	**72**	-	
VR Finland	**69**	67	●
VR Sweden	**76**	-	
MANAGEMENT*			
VR Group	**79**	-	
VR Finland	**77**	73	●
VR Sweden	**82**	-	

1) The result is the average of the answers on a scale of 0–100.
2) The figure for VR Group as a whole is reported inclusive of VR Sweden for the first time in 2023.

WITH VR'S WORKING CAPACITY PROGRAMME

- We promote and support the working capacity and well-being of our personnel
- We support recovery and rehabilitation with the aim of continuing to work and ensuring a timely return to work
- We support the employment of persons with partial ability to work in positions that correspond to their working capacity
- We seek to keep employees fulfilled and thereby reduce early retirement

We support working capacity and well-being

In accordance with our Working capacity programme, during 2023 we continued to promote our employees' working capacity and well-being at work. The programme lays out guidelines for identifying and reacting to challenges related to working capacity, and serves as an early support model.

Our supervisors monitor their team members' performance and proactively address potential challenges related to working capacity. The advisers in our People & Culture organisation support our supervisors in dealing with issues related to working capacity and finding solutions.

We assess needs and development measures annually together with the business units. The development measures may be related to work and working conditions, the workplace community, competencies and the individual resources of the employee.

In 2023 we revised our practices concerning absences and created a model for train drivers to lighten their workload in the latter stages of their careers. We also offered well-being coaching related to various challenges associated with working capacity.

OCCUPATIONAL HEALTHCARE SUPPORTS WORKING CAPACITY

Occupational healthcare identifies risks related to the ability to work, and assesses and supports the employees' working capacity. We focus on open and interactive cooperation between supervisors and occupational healthcare. We conduct regular meetings to ensure that the occupational healthcare provider is aware of the working conditions and any changes to these conditions. In this way we support the working capacity of employees.

We offer comprehensive occupational healthcare services to all of our employees. In Finland, occupational healthcare includes both preventative services and medical care. Occupational healthcare services are provided in accordance with good occupational healthcare practices and the occupational healthcare action plan, in partnership with an external service provider. We prepare the action plans on a cooperative basis in the work safety committees. Health requirements are closely related to traffic safety requirements.

In 2023, sickness-related absences decreased from the previous year in Finland and in Sweden. This was due to health coaching targeted at our personnel, supervisor training on early intervention, and the end of the Covid-19 pandemic. Musculoskeletal disorders were the main cause of absences in Finland.

Sickness-related absences, % of regular working hours

	2023	2022	2021	Progress
VR Finland	**4.4**	4.8	4.6	●
VR Sweden	**7.6**	8.9		●

The calculation of sickness-related absences differs between Finland and Sweden, and the figures are not mutually comparable.

Diversity and equality of our personnel

The equal and non-discriminatory treatment of personnel is an important element of a good employee experience and is fundamental to VR's conduct as a responsible employer. Our work is guided by an equality plan, which we use to plan, monitor and promote equality and non-discrimination. The plan will be updated in 2024.

Diversity and inclusion are strengths for VR. By nurturing them we improve job satisfaction, develop our services, and build our values-based culture. More than 42 different languages are spoken at VR, and our employees in Finland and Sweden represent more than 54 different nationalities.

In 2024 we will focus on increasing awareness of diversity and inclusion throughout the organisation. We will organise briefings and training activities for our personnel on diversity and inclusion. In 2022 we conducted a survey in Finland to gain insight into VR employees' thoughts on diversity and inclusion in the workplace. The results of the survey have been taken into account in the actions under our equity plan, for example.

CASE

POHJOLAN LIIKENNE HAS MULTICULTURAL PERSONNEL

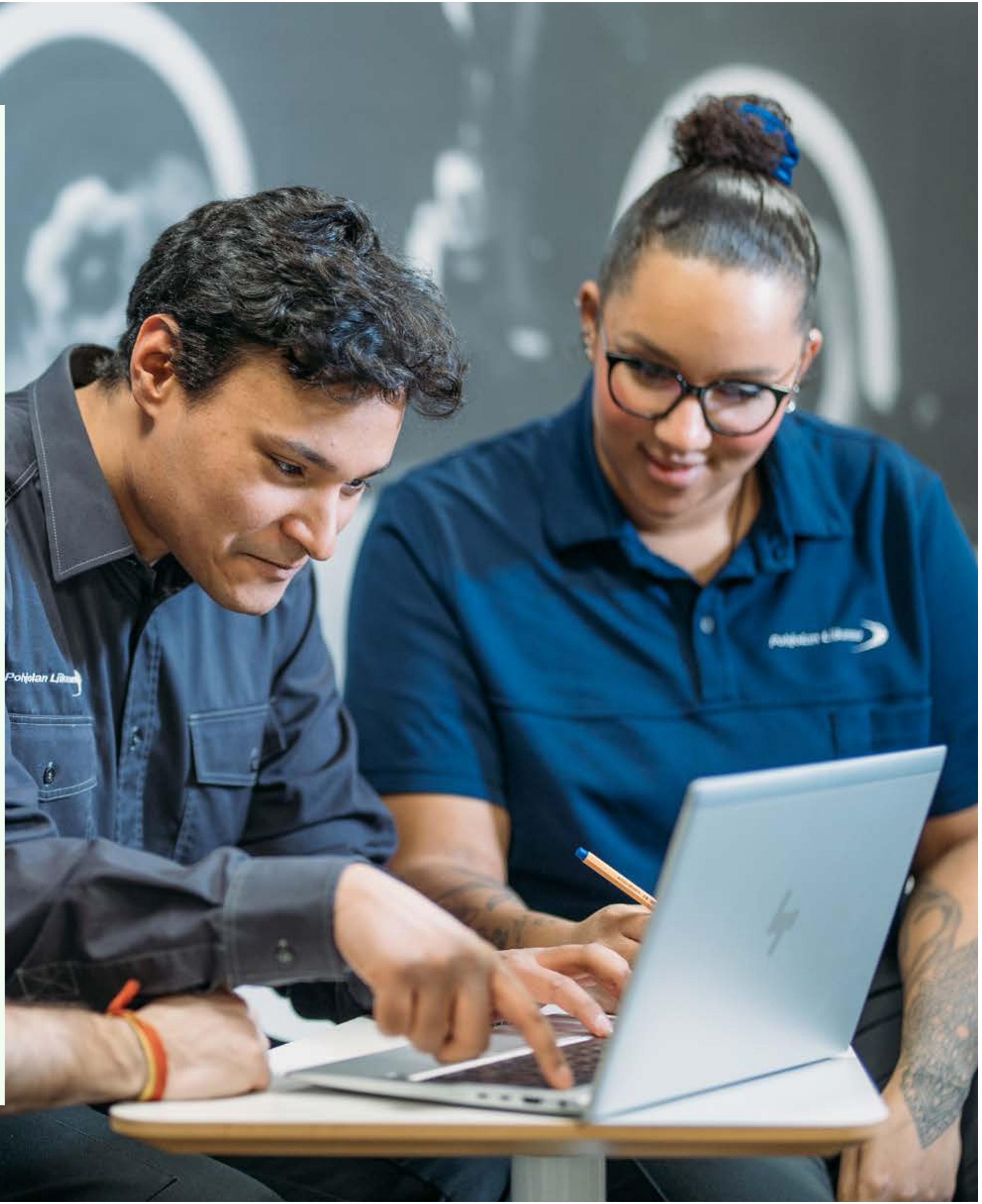
In Pohjolan Liikenne, which is part of VR City Traffic, multiculturalism is part of daily life. Some 1,200 of the approximately 1,300 employees of Pohjolan Liikenne work as bus drivers. They represent at least 42 different native languages, which makes our work environment highly diverse. The largest language groups are Finnish, Estonian, Russian, Arabic and Somali.

Using Finnish as the working language supports language acquisition. This is especially important for customer-service interactions. We support Finnish language comprehension and learning in various ways. Supervisors, traffic controllers and management have received training on communicating in simple terms. The company's work instructions and other communication use Finnish language that is expressed as clearly as possible.

Important work instructions are translated into six different languages to support native-language level understanding. Many employees join the company while still studying Finnish and speak the language fluently within a few years.

NATIVE LANGUAGES OF POHJOLAN LIIKENNE' EMPLOYEES

Top 5 most common	Other languages e.g.
Finnish	Bengali
Estonian	Hindi
Russian	Portuguese
Arabic	Swahili
Somali	Urdu



We train and develop our personnel

Employee competence development is very important to VR. We continuously train and develop our personnel. Most of our training is professional, technical and safety training. These training activities also support our business operations to a significant degree.

In 2023 we organised over 200 training and development events for our personnel in Finland. The total number of participants was 3,065. We spent over 95,000 hours on employee competence development in 2023.

We also strengthened our common strategic competencies in 2023. To develop negotiation skills in sales, for example, we organised a long-term training programme. The aim was to enhance cooperation with customers and share best practices within sales teams.

Many teams in different business areas utilised a team-coaching concept in the autumn. The aim was to identify the team's strengths and improve collaboration. A total of 15 teams participated in the coaching, and the activity will continue in 2024.

In 2023 our employees spent 1.3% of calculated working time on study leave to develop their competence. We offered outplacement training to employees dismissed for production-related and financial reasons.

In 2024 we will focus on the development of professional, technical and safety training, as well as on the development of leadership work.

Number of personnel[1] GRI 2-7

	2023[2]	2022[2]	2021
Finland	**5,529**	5,704	5,581
Sweden	**2,223**	1,132[2]	-
Other countries	**13**	10	39
Total	**7,765**	**6,846**	**5,620**

1) Full-Time Equivalents – average. 2) The average number of personnel is the average number of personnel for the last month of the reporting period as FTE.

Training hours, VR Finland GRI 404-1

	2023
Average number of training hours per employee (all of the personnel)	**17.3**
Average number of training hours per employee (women)	**13.0**
Average number of training hours per employee (men)	**18.2**
Total hours of training	**95,176**

Includes completed training activities registered in the personnel information system in Finland, including internal trainings as well as training organised by external parties.

Key figures on the personnel GRI 2-7

	2023	2022	2021
Total salaries and wages, EUR million, Finland	**317.99**	323.14	297.2
Total salaries and wages, EUR million, Sweden	**102.45**	57.44*	-
Permanent employees (average) of the personnel, Finland, % [1]	**97**	97	97
Fixed-term employees (average) of the personnel, Finland, % [1]	**3**	3	3
Full-time employees (average) of the personnel, Finland, % [1]	**90.2**	91	92
Part-time employees (average) of the personnel, Finland, % [1]	**9.8**	9	8
Men, % of personnel, Finland	**81**	81	82
Women, % of personnel, Finland	**19**	19	18
Average age of the personnel, years, Finland	**43.5**	43.2	43.2
Average duration of employment, Finland, years [1]	**10.3**	10.2	10.8
New employee hires, Finland [1,2]	**748**	962	607
Terminations of employment, Finland [1,2]	**786**	867	725
Total turnover, Finland, % [1,2]	**13.1**	14.1	11
Retirements in Finland [1]			
Old-age pension, Finland, incl. years-of-service pension	**84**	108	113
Disability pension, Finland [3]	**14**	15	22
Average retirement age, Finland [1]	**63.9**	62.6	61.7

* 1 July–31 December 2022
1) The figures do not include VR Transpoint's international operations.
2) The turnover figures include both permanent and fixed-term employees. The name of the indicator is "Total turnover", but the average turnover is calculated
3) Those retiring on disability pension after employment

Customer orientation

9 Industry, Innovation and Infrastructure
10 Reduced Inequalities
11 Sustainable Cities and Communities

The customer is at the heart of what we do, as improving customer satisfaction is the only way we can increase the share of zero-emission rail and city traffic among the different modes of transport. Customer-centric operations are a basic prerequisite for sustainable business and growth, and they also enable the growth of VR's handprint.

RESULTS

A positive trend in customer satisfaction

Our customers include private customers in city and long-distance traffic, and public authorities engaged in the procurement of public transport services. Clients of our logistics services are industrial companies in various sectors, while clients of our maintenance services are rolling stock owners. We want to provide an excellent customer experience to all of our clients.

The development of the customer experience in long-distance traffic was very good in 2023. The NPS improved by 11 points, from 38 in 2022 to 49 in 2023. The good result was particularly due to the development of the service experience and improved travel comfort and communication during the journey.

The indicator we use for customer experience in passenger and freight traffic is the Net Promoter Score (NPS). By asking a single question – "How likely is it that you would recommend our services?" – NPS measures the customer's willingness to recommend us. NPS is calculated by subtracting the number of answers with a poor grade (0–6) from the number of answers with an excellent grade (9 and 10) and proportioning the difference to the total number of answers. This gives a score between -100 (no promoters) and 100 (no detractors).

In HSL commuter traffic operated by VR City Traffic, the percentage of satisfied passengers is measured by HSL and expressed in a range of 0–100%. In city traffic in Sweden, customer satisfaction is measured in different ways depending on the contract. In some of the contracts, customer satisfaction surveys are conducted by the authority that purchases the traffic services, and the scale varies accordingly.

We also conduct various customer surveys to learn more about our customers' needs, monitor the development of customer-centred operations, and plan measures to improve the customer experience.

Customer satisfaction, NPS

	2023	2022	2021	Progress
VR Long-distance traffic	**49**	38	39	●
VR City Traffic, commuter trains [1]	**43**	23	9	●
VR Transpoint [2]	**16**	12	27	●
VR FleetCare [2]	**32**	11	-4	●
HSL commuter train traffic, satisfaction level, %	**85.6**	85.0	77.3	●

1) The measurement method changed in 2023: instead of a quarterly survey, an ongoing survey is used as in long-distance traffic. 2) NPS for VR Transpoint and VR FleetCare is calculated as the average of four measurements. As an exception, VR Transpoint's measurements were taken only three times in 2022.

Punctuality*	2023	2022	2021	Progress
Long-distance train traffic (5 min)	**85.9**	82.6	86.9	●
Commuter train traffic (3 min)	**96.2**	94.7	92.6	●
Rail logistics (15 min)	**92.5**	89.4	87.1	●

The minutes indicated in brackets are the limits for delays. If a train exceeds the limit for a delay, it is considered delayed.

The NPS for VR's commuter train services was at a good level (43). The factors behind the result included the solid 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 our long-distance traffic). Due to the change in the measurement method, the NPS scores for commuter traffic in 2023 are not fully comparable with previous years.

In train services operated by VR commuter traffic in the HSL area, HSL measures the percentage of satisfied passengers on a scale of 0–100%, instead of using the NPS measurement. In 2023, the customer satisfaction for HSL trains was on a par with the previous year. The percentage of satisfied passengers was 85.6% (85%). The customers of HSL commuter trains rated the cleanliness of the trains as the best in nine years. 77.6% (73.7%) of the customer-satisfaction survey respondents rated the cleanliness of the trains as good or very good.

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.

The NPS for VR FleetCare's clients showed positive development in 2023, improving from 11 in 2022 to 32 in the year under review. Positive feedback from the clients indicated that in particular the smoothness of cooperation improved in 2023, and that our expertise and the professional competence of our personnel are also strengths valued by our clients.

Development of punctuality

In 2023 the punctuality of our long-distance trains was 85.9%, meaning the trains were on schedule within an accuracy of five minutes. While punctuality improved from the previous year (82.6%), it fell short of the target of 90% of trains arriving fewer than five minutes behind schedule. We operate 200 long-distance trains daily, which means that according to the annual average 172 of the trains ran on schedule. Most of the delays (48%) in 2023 were caused by reasons related to the track, which is managed by the Finnish Transport Infrastructure Agency. This includes delays caused by temporary speed limits. 27% of delays were caused by reasons related to VR, including rolling stock, and 25% were caused by other reasons.

The punctuality of commuter traffic improved from the previous year and was 96.2% in 2023 (94.7%). We fell slightly short of the target of 97% of trains arriving fewer than three minutes behind schedule. Of the delays, 44% were caused by reasons related to the track, 42% were caused by other reasons, and 14% were caused by reasons related to VR, including rolling stock.

Punctuality is also a key performance indicator in contract traffic in Sweden. The target values vary by contract.

The punctuality of rail logistics improved from the previous year and was 92.5% in 2023 (89.4%), exceeding our 2023 target of 87.5%.

OUR OPERATIONS

We aim for an excellent customer experience

VR'S LONG-DISTANCE AND CITY TRAFFIC

In long-distance traffic in 2023 we paid even more attention to comprehensively documenting the customer experience and the more extensive measurement of customer touchpoints. To measure service quality, we use a number of customer experience indicators relating to brand image, additional services, disruptions, the purchase experience and Mystery Shopping research.

Our development of the customer experience is focused on the areas that are the most meaningful to customers and have the strongest influence on the customer experience. Development projects are managed and monitored. The overarching theme of our customer experience development in 2024 is consistent quality.

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.

We have engaged our customers in designing our new commuter trains. In summer 2023, we invited diverse train users to test and comment on a plywood mock-up at Helsinki Central Railway Station. The full-size mock-up featured all of the spaces and details of the passenger compartment on which we sought feedback from the users of trains. Our eight testing events for passengers were attended by dozens of people, including wheelchair users, visually impaired and blind passengers with their assistive devices, other persons with disabilities, elderly people, representatives of different organisations, and passengers who are members of the VR Matkalla developer community.

CASE

"TOGETHER TOWARDS A BETTER WORLD" DEVELOPER COMMUNITY

To better respond to the changing needs of our diverse customer base, in late 2022 we established a digital customer panel known as the "Together towards a better world" developer community.

The VR Matkalla community provides a time- and place-independent platform for the development of our services in collaboration with our passengers. We can use the community to engage in discussions with customers, collect development ideas, and implement various surveys and assignments concerning new services or digital features. At the end of 2023, the community had a membership of nearly 1,400 train users of various ages from different parts of Finland. People can join the community by filling in a form on our website.

Over 35 different assignments and surveys were published in the community in 2023. Together with the customers we tested ideas such as the self-activation of tickets, and asked about waste sorting during train journeys and travelling on night trains among other topics.

VR TRANSPOINT

VR Transpoint's client satisfaction is measured by the NPS indicator and an annual client satisfaction survey. The positives highlighted in the most recent survey included the safety and responsibility of our operations, as well as the service attitude of the personnel. The areas for improvement highlighted in the survey were our operations in disruption situations, and strengthening our image as a developing company.

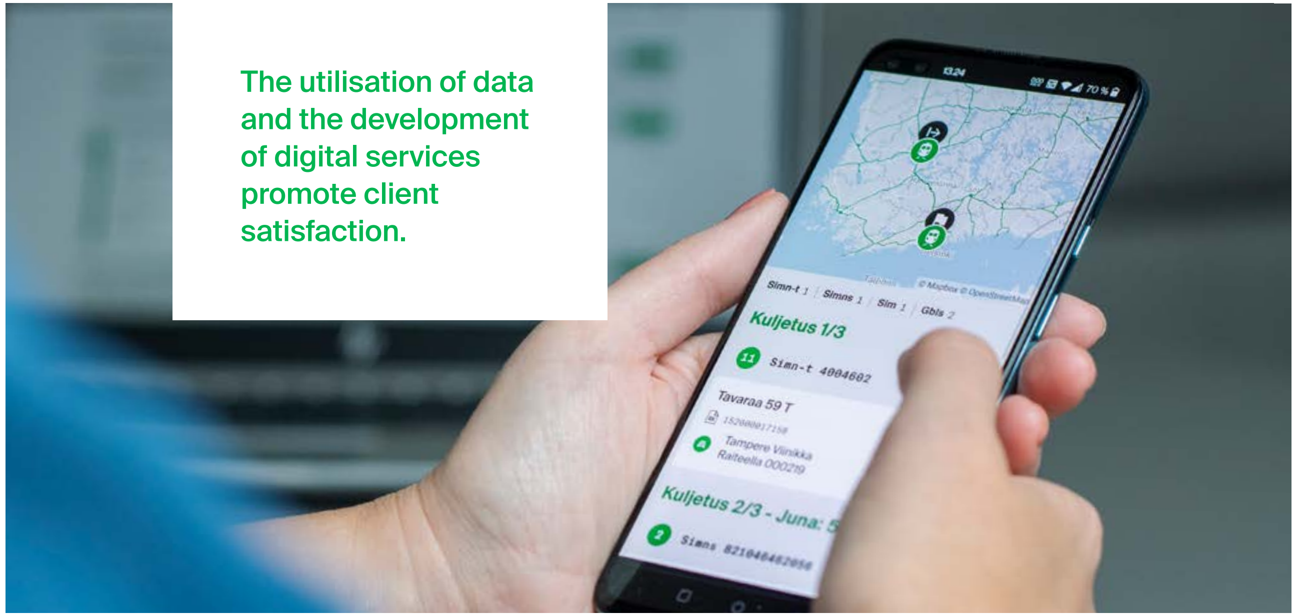
We invest in the client experience by providing comprehensive logistics solutions that are designed in close cooperation with our clients. One example of the results of our long-term client cooperation efforts is the launch of electric-locomotive roundwood transport to the new Kemi bioproduct mill in 2023.

We create strategic partnerships with our clients where we commit to developing operations together. Examples of this approach are the cooperative emission reduction plans that make it possible to reduce transport chain emissions for both VR and our clients, by moving transport operations to the rail network and by promoting other low-emission solutions.

Read more about the cooperation between VR and Metsä Group

Client cooperation also comprises the development of new low-emission fleet solutions based on client needs. The first new diesel locomotives were deployed in commercial traffic in 2023, and we also expanded our environmentally friendly road fleet.

The utilisation of data and the development of digital services promote client satisfaction. Utilising data enables us to increase our train sizes, maximise electrically driven transport, and optimise our road transport operations. In 2023 we continued the development of various IT solutions, such as the L360 service, which makes it possible to provide our clients with even more extensive and accurate information on transports.



The utilisation of data and the development of digital services promote client satisfaction.

VR FLEETCARE

VR FleetCare creates added value for clients by combining industry-leading expertise in rolling stock, digitalisation, an expert network, depots, service workshops and continuous development. High-quality maintenance and modernisation of rolling stock and new fleet production play a key role in ensuring a first-class customer experience for both consumers and industrial clients. In addition to the technical condition of the fleet, we also invest in operational maintenance, particularly with regard to the factors that influence travel comfort.

In 2023 we clarified and improved the measurement and reporting of the customer experience. The results are communicated quarterly through the Leadership Team and supervisors to all employees.

To improve the customer experience, we introduced a new mobile maintenance operating model in Tampere in early 2023. The operating model focuses on repairing defects in the passenger fleet. We established a mobile maintenance team that operates at the Tampere station and performs repairs on trains when they are at the station. We focus on defects that have a significant effect on the passenger experience and for which we have received the most customer feedback.

The development of customer satisfaction is an ongoing activity. In early 2023 employees from long-distance services and VR FleetCare participated in exchange student days that gave them the opportunity to learn more about each other's jobs. Employees from our long-distance services visited our depots to learn about train maintenance, while maintenance professionals participated in operating train journeys to learn more about the day-to-day work of conductors and restaurant staff. By learning about each other's jobs we increase understanding between different functions, enhance cooperation, and facilitate working together for the continuous improvement of the customer experience.

We develop accessible public transport

The development of accessibility is an integral aspect of our day-to-day work in long-distance and city traffic. This is reflected in the good accessibility of our online services at vr.fi and the Matkalla app, which also provides real-time information on the passenger's journey. Our current train fleet is almost completely accessible.

We develop the physical accessibility of train traffic in close cooperation with our stakeholders. We invited diverse user groups, particularly passengers with special needs, to test full-size plywood mock-ups of our upcoming commuter trains and sleeper cars, and participate in the development of our new train fleet. In mid 2023 we established a joint development group with HSL putting customers at the centre of accessibility development. During the year we organised an Accessibility Forum that brought together users of accessible services and transport operators to discuss the theme of accessibility.

Several parties are responsible for the development of accessibility at Finland's railway stations. The Finnish Transport Infrastructure Agency is responsible for platforms and their static signage, while Fintraffic Raide Oy is responsible for current passenger information. Property owners play a significant role in the development of accessibility in station buildings and their immediate vicinity. Depending on the station, the property owners include municipalities, VR, private operators and Senaatti Station Properties.

We offer free-of-charge assistance services to customers with disabilities at 37 stations across Finland. Conductors assist passengers with boarding and disembarking, if necessary. Conductors also help persons with disabilities by delivering products from the restaurant car to the passenger's seat in long-distance traffic, and ensuring travel comfort during the journey.

We equipped our Pendolino trains with transit wheelchairs in 2023. Conductors assist customers as necessary, and the services do not need to be booked in advance.

CASE

ACCESSIBILITY FORUM

In 2023 we established the Accessibility Forum as an annual event for promoting accessible door-to-door services in collaboration with transport-sector operators and organisations representing persons with disabilities.

Enabling coherent and accessible door-to-door services requires cooperation between transport operators.

The Forum serves as a meeting place for industry operators and the users of accessible services. The first Accessibility Forum featured expert presentations and panel discussions on the development of accessible travel. The participants at the event included VR representatives, experts from HSL, the Ministry of Transport and Communications, the Finnish Transport and Communications Agency, and advocacy organisations representing minorities who need accessible services.

We received a lot of positive feedback on the Accessibility Forum, highlighting the opportunity to hear about the development of accessibility directly from people for whom accessibility issues are part of daily life. Accessible travel experiences should be as good as possible, instead of merely satisfying the minimum requirements. Design-for-all thinking, which means recognising that one solution does not serve everyone equally, plays an important role in service development. Each travel experience should be excellent – irrespective of any special needs.

Human rights

We are committed to the principles of the UN Global Compact initiative concerning human rights, labour standards, environmental protection and anti-corruption. The UN Guiding Principles on Business and Human Rights (UNGP) are the foundation for our commitment.

Commitment to human rights is part of VR's Code of Conduct and risk management policy, both of which were updated in 2023. During 2024 we will also draw up a separate policy on our operating principles concerning human rights, adding more detail on our commitments and operating practices.

Human rights due diligence

In 2023 we continued the development of our human rights due diligence (HRDD) as part of our risk management:

- We assess human rights risks
- We take action to manage the risks
- We monitor the implementation of the actions
- We communicate about the risks in our annual reporting and on a risk-specific basis to different stakeholders
- We engage stakeholders

In 2023 VR's representatives participated in the Global Compact's Business & Human Rights Accelerator training programme, which promotes greater depth and progress in human rights efforts.

In our Group-level assessment, our most material human rights impacts were related to potential shortcomings in supply chains, and the safety and security of our personnel, subcontractors and customers. We will add more depth to these in our 2024 risk survey, in which our business and common fonctions units will discuss the topics that are material to them.

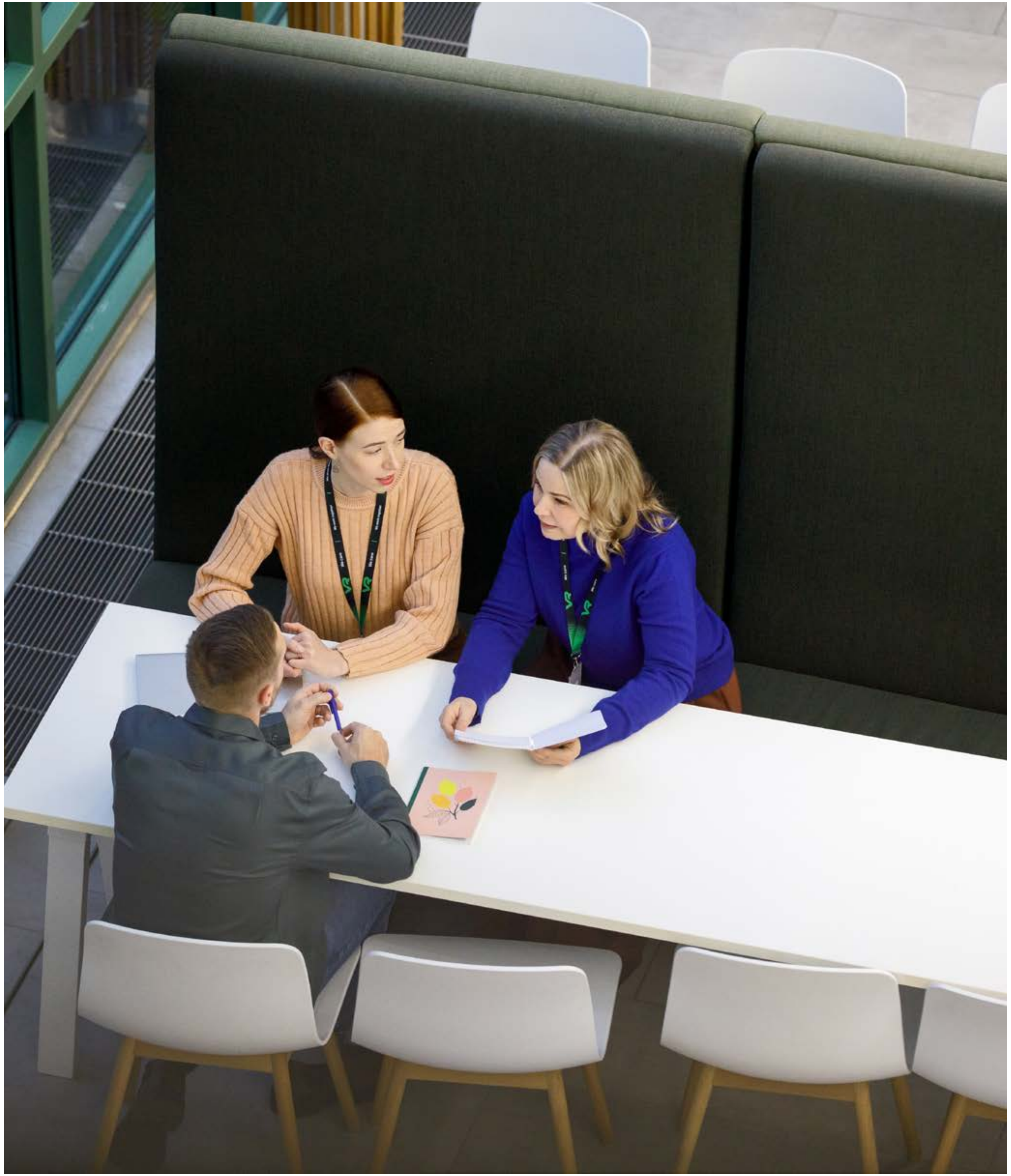
Corrective actions and whistleblowing channels

Our whistleblowing channel can be used to anonymously submit reports on suspected incidents. The channel is open to everybody. In situations where anonymity is not necessary, the primary reporting channel for our personnel is their direct supervisor. Our employees can also report safety observations via the Tuuma system.

E S G

Society and governance

VR plays an important role in society by promoting sustainable mobility. We also create economic value through our tax footprint and other positive impacts. We observe transparent and ethical principles in our business operations.



Societal dialogue with a focus on climate goals and customer needs

Our efforts in the area of corporate social responsibility are based on the UN Sustainable Development Goals. The goals concerning climate action, sustainable cities and communities, and partnerships are particularly relevant to our corporate social responsibility.

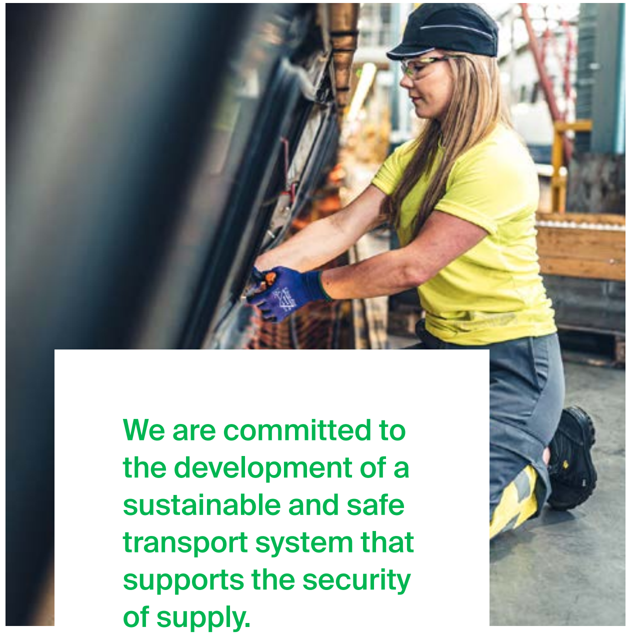
In 2023 we engaged in close cooperation and active dialogue with our stakeholders. Our key cooperation partners include the state, municipalities, industrial clients and other transport sector operators. Through this cooperation we aim to develop the transport system as a whole, improve regional connectivity and find solutions to sustainability challenges. Emission-reduction plans created in collaboration with our logistics clients are concrete examples of such solutions.

Our goal is to promote growth in the share of rail traffic among the different modes of transport. Increased rail travel reduces the total emissions of the transport sector and improves traffic safety. The foundation for sustainable competition and growth in rail traffic is built by increasing track capacity, maintaining the railway network and continuing its electrification. During 2023 we issued expert statements on the Finnish Government Programme, the central government budget, the Finnish Transport Infrastructure Agency's infrastructure investment programme, the updated Traffic 12 plan, and developing the national security of transport supply.

Promoting competition in transport

In 2023 we focused on the implementation of the Government Programme items relating to rail traffic. VR has supported the creation of a rolling stock company for contract traffic. This would enable the conditions for entirely new commuter traffic subject to competition on potential new routes in the 2020s and throughout Finland in the 2030s.

We helped to create the conditions for competitive market-based traffic by putting rolling stock up for sale. Our goal in passenger services is to promote the growth of regional contract traffic subject to competitive tendering, and to create the conditions for the growth of market-based traffic under the Open Access principle. In 2023 we sold 11 Sm2 commuter trains to Suomen Lähijunat Oy and announced that we will put approximately 10 rail-worthy diesel locomotives, 29 IC single deck cars and 22 "blue cars" up for sale.



We are committed to the development of a sustainable and safe transport system that supports the security of supply.

Development of contract traffic

In the context of passenger services, our societal dialogue focused on rail infrastructure and the development of contract traffic. We engaged in active discussion with municipalities, regions, non-governmental organisations and policymakers regarding opportunities to increase the frequency of train services or to launch new routes on a contract-traffic basis. At present, outside the HSL area, contract train traffic can only be ordered from the Ministry of Transport and Communications. However, according to the Government Programme municipalities and regions will also be given the authorisation. One example of success in this area is the additional M-train traffic in the Tampere region, which began in August 2022 with funding from four municipalities.

Promoting infrastructure projects

In the context of freight transport, we engage in dialogue on the transport needs of Finland's largest industrial enterprises. We establish our view of railway network development needs on the basis of actual transport operations, the capacity of the railway network and our clients' indications of future transport needs. We also discuss infrastructure needs with the Finnish Transport Infrastructure Agency. We communicate our views to other stakeholders in forums and events related to freight traffic.

The Government Programme mentions investments in projects that we hoped would be included in improvements to rail infrastructure. These represent significant successes from the perspective of both passenger services and freight traffic.

We report on VR's lobbying activities in accordance with the requirements of the public Finnish Transparency Register.

Read more about our lobbying activities in 2023

Code of Conduct

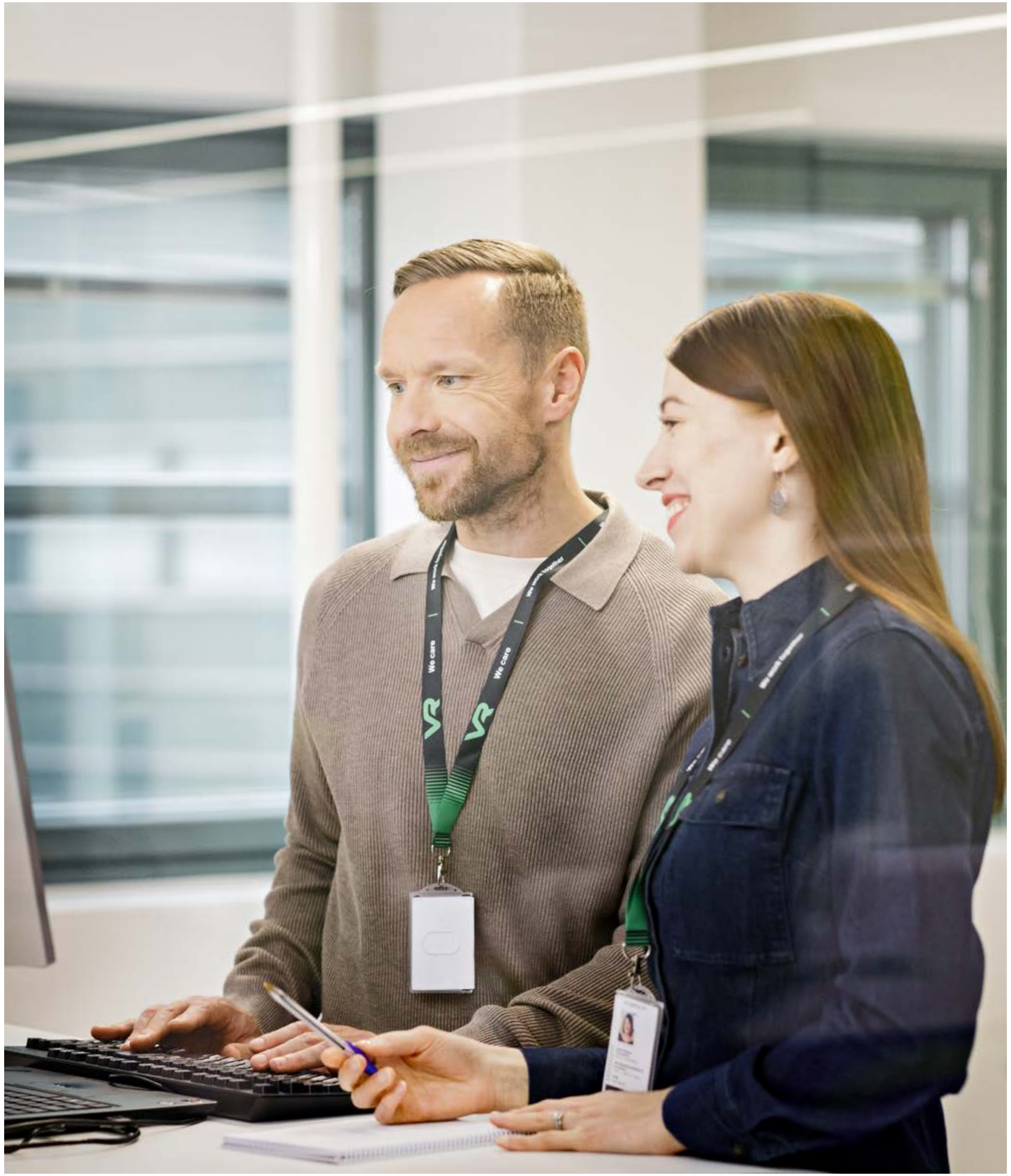
Our operations are guided by our values and our Code of Conduct, which apply to all of our personnel. Every VR employee is required to complete Code of Conduct training. New personnel complete the training at the beginning of their employment.

The Code of Conduct includes anti-bribery guidelines. We organise training on this theme for key personnel and supervisors. The course has been completed by 85% of the target group.

We began updating our Code of Conduct in late 2023 and will implement the updated Code of Conduct in 2024. We will also update our training on the Code of Conduct.

We encourage our personnel to report all suspected irregularities and violations of the Code of Conduct. VR has a whistleblowing channel that can be used to anonymously report suspected irregularities. We received 23 reports via the whistleblowing channel in 2023. The majority of the cases were ralated to inappropriate behaviour or other actions contrary to our guidelines. All of the reports were appropriately investigated, and no significant corruption-related risks were identified or realised. Reports received via the whistleblowing channel and any related actions are reported on high level to the Audit Committee of the Board of Directors.

We will implement the updated Code of Conduct in 2024.



Sustainable procurement

Our goal is to ensure sustainability throughout our supply chain. We require all of our suppliers to commit to our Code of Conduct. We also promote sustainability in our supply chain by means of country risk assessments, supplier sustainability self-assessments, additional investigations and audits.

Rolling stock investments and other procurement

In 2023 the majority of our procurement was allocated to rolling stock investments for rail traffic, fleet-related purchases, fleet maintenance, and energy and IT purchases. The total procurement amount came to approximately EUR 610 million, which is roughly 7% lower than in the previous year.

We made purchases from just over 4,300 suppliers, with approximately 30 suppliers accounting for more than half of our total procurement volume. The largest individual suppliers were associated with rolling stock investments, fleet-related purchases and energy purchases.

In 2023 approximately 80% of the purchases of our Finnish companies were from Finnish suppliers. Our Swedish subsidiary (VR Sweden) made approximately 96% of its purchases in 2023 from Swedish suppliers. Most of the purchases that were not made from Finnish or Swedish suppliers were made from other European suppliers.

*Manual adjustments have been made to the figures to specify local impacts

Code of Conduct for Suppliers

All of VR's procurement activities are guided by procurement guidelines, procurement-related strategies, and our practices for supplier management. All of our suppliers must accept our Code of Conduct for Suppliers. This ensures that our suppliers comply with relevant laws and regulations, respect human rights and employee rights, and operate ethically and in an environmentally responsible manner.

The Code of Conduct for Suppliers is a key element of our tendering and contracting process. Suppliers are also required to commit to the same conditions in their respective supply chains. In tenders pursuant to the Act on Public Contracts in Special Sectors, completing an ESPD form (European Single Procurement Document) is mandatory. The form ensures that suppliers do not fail to meet mandatory exclusion criteria, such as the non-payment of taxes. The form also ensures that suppliers meet the other suitability requirements established by the procurement unit, such as those related to environmental management systems. In contracts subject to the Act on the Contractor's Obligations and Liability when Work is Contracted Out, the supplier must fulfil the obligations laid out in the Act. For such contracts we carry out inspections by making use of Vastuu Group's services, for example.

Supplier sustainability assessment

Self-assessments of sustainability are an important tool for ensuring the responsibility of suppliers.

The cornerstones of assessing the social responsibility of suppliers include country risk assessments, the Act on the Contractor's Obligations and Liability when Work is Contracted Out, and VR's Code of Conduct. The latter includes requirements concerning human rights and employee rights.

With regard to environmental responsibility, we require that our suppliers operate responsibly and comply with the Code of Conduct for Suppliers as well as with applicable environmental laws and regulations. We also require that suppliers promote environmental issues in a systematic and proactive manner.

The sustainability self-assessment questionnaire is sent to suppliers for whom the procurement amount exceeds EUR 100,000 per year. We divide suppliers into five risk classes based on the self-assessments. Where necessary, suppliers are requested to provide additional information and third-party audits. In 2023 just under 300 suppliers had submitted valid responses to the self-assessment questionnaire. No significant supply chain risks related to the environment or social responsibility were identified in the self-assessments. In the future we will develop the identification of risks and negative impacts associated with the environment and social responsibility. We will also develop related measures.

Procurement with environmental criteria

A total of 12 EU tenders were carried out in 2023. Out of the suppliers who won the tender, 33% have been assessed based on environmental criteria, compared to the previous year's 75%. The decrease is attributable to the different project types in 2023.

Share of new suppliers assessed in accordance with the environmental criteria

	2023	2022	2021	2020
Share of suppliers, %	33	75	17	43

Tax footprint

Companies belonging to VR Group pay their taxes and other statutory charges in accordance with the local tax legislation and regulations.

In addition to Finland, VR Group had companies registered in Latvia, Sweden and Russia in 2023. VR Group discontinued the company's Eastern traffic by the end of 2022. VR did not have net sales related to Russia in 2023, our subsidiary Finnlog is being dissolved through liquidation. Taxes were paid almost entirely to Finland and Sweden.

Our tax strategy applies to all VR Group companies, businesses and employees.

VR Group's tax strategy

Country-by-country tax report information

VR Group provides the Finnish tax authorities with an annual country-by-country report on taxes. We comply with the guideline issued by the Finnish Government on 7 June 2022 regarding country-by-country public tax reporting by companies that are majority-owned by the state. The country-by-country tax report presents certain key figures on taxes by country of operation. The transparent reporting of tax information is part of our corporate social responsibility. In 2023, VR Group had operations in Finland, Sweden, Russia and Latvia. Operations in Russia were discontinued in the end of 2022 and dissolving subsidiary Finnlog through liquidation is ongoing.

Figures for the financial year 2023

Taxes paid during the financial year, EUR million	Total 2021	Total 2022	Finland 2023	Sweden 2023	Latvia 2023	Total
Income taxes	8.9	1.9	10.9	0.0	0.0	**10.9**
Real estate taxes	0.8	1.7	1.9	0.0	0.0	**1.9**
Employer's contributions (only social security contributions)	4.5	22.1	4.8	31.0	0.1	**35.9**
Value added taxes, sales	181.5	225.6	225.7	20.9	0.0	**246.6**
Value added taxes, purchases	-174.2	-227.4	-212.1	-34.8	0.0	**-246.9**
Withholding taxes from salaries	72.6	93.6	78.1	24.9	0.1	**103.1**
Other taxes (if any)	0.1	0.0	0.0	2.2	0.0	**2.2**
Taxes paid during the financial year, EUR million	94.2	117.5	109.3	44.2	0.2	**153.7**
Country-by-country report information, EUR million						
Net sales by country	842.0	1,107.0	966.6	257.5	0.0	**1,224.1**
Internal net sales by country	185.2	223.3	213.1	0.0	0.7	**213.8**
Income from non-related parties	901.9	1,206.6	1,065.9	273.8	0.0	**1,339.7**
Income from related parties	223.3	274.9	265.1	1.3	0.7	**267.1**
Taxes recognised through profit or loss	13.0	0.7	2.1	0.0	0.0	**2.1**
Profit before taxes by country	-28.0	24.8	0.0	-15.1	0.0	**-15.1**
Tangible assets	1,547.8	1,753.7	1,659.5	66.1	0.0	**1,725.6**
Book value of equity (without retained earnings)	384.3	438.7	367.1	1.1	0.0	**368.2**
Retained earnings	495.5	454.7	523.7	18.5	0.1	**542.2**
Number of employees (FTE by country)	5,620	6,846	5,529	2,223	13	**7,765**

Information on Group companies

Company	Domicile	Line of business							Description of other business
		Purchasing or procurement	Administration, management or support services	Provision of services to non-related parties	Intra-group financing	Ownership of shares or other equity	No business operations during the period	Other	
VR-Group Plc	Finland	x	x	x	x	x		x	Rental of real estate
VR FleetCare Ltd	Finland			x				x	Provision of maintenance services to related parties
Avecra Oy	Finland			x					
Oy Pohjolan Liikenne Ab	Finland			x					
Searail Oy	Finland			x					
Transitar Oy	Finland			x					
Kiinteistö Oy Helsingin Päärautatieasema	Finland			x				x	Real estate ownership and management
K-Trains Finance Oy	Finland							x	Rolling stock ownership and management
Oy Karelian Trains Ltd (shared function)	Finland							x	Rental of rolling stock to related parties
VR Group Sverige Ab	Sweden		x						
VR Sverige AB	Sweden	x	x	x					
VR Service AB	Sweden		x					x	Provision of fleet maintenance and cleaning services for related parties
VR Östgötapendeln AB	Sweden			x					
VR FleetCare Ltd's permanent establishment in Sweden	Sweden			x					
LLC Finnlog	Russia								Finnlog is being dissolved through liquidation
SIA VR Services Latvia	Latvia		x						

Reporting principles

The information presented in this VR Group Sustainability Report is for the period 1 January to 31 December 2023. VR Group publishes the report annually and with reference to the Global Reporting Initiative (GRI) 2021 standard. The report includes information on all VR Group subsidiaries, with certain exceptions as mentioned in the text.

We have three business units: VR Long-distance Traffic, VR City Traffic and VR Transpoint. Each business is supported by common functions and VR FleetCare, which is responsible for fleet maintenance.

In 2022 we expanded our operations to Sweden by acquiring Arriva Sverige AB. Since July 2022, the company has operated under the name VR Sverige AB and is a part of VR City Traffic. Not all of VR City Sweden's corporate responsibility information was integrated into VR Group's corporate responsibility reporting, due to differences in measurement methods, among other reasons. Integration of targets and KPIs will continue in 2024.

Environment

The reported environmental indicators cover VR Group's operations in Finland and most of the company's operations in Sweden. Some of the environmental indicators only cover operations in Finland. Subcontractors' figures are not reported, with the exception of fuel consumption and emissions by subcontractors. These subcontractor figures also include VR Transpoint's road logistics subcontractors. Transitar Oy's transports are not included in the energy and emission efficiency figures for road logistics for technical reasons, but they are taken into account in the total amounts of energy and emissions.

The environmental figures concerning energy consumption and waste are based partly on monitoring data collected by VR Group's operating units and partly on suppliers' reports. The origin of electricity and the energy sources used in electricity production are based on data from electricity suppliers.

In calculating emissions, we adhere to the Greenhouse Gas Protocol standards and the operational control boundary principle. Carbon dioxide equivalent emission factors have been used as the emission factor whenever they are available. The most recent published data are used as the factors. The sources of emission factors are the energy companies used by VR Group, the Energy table service, the Exiobase input-output analysis model, and the emission factor tables published by the UK Department for Environment, Food & Rural Affairs (DEFRA). Emissions information provided by Fingrid's energy method on the emission coefficient of electricity consumed in Finland was used in location-based accounting for electricity. The five-year average published by Statistics Finland has been used in emission accounting for district heat. The impacts on climate warming have been assessed in accordance with the IPCC's Fifth Assessment Report (AR4 – 100 years).

Safety and security

Safety performance indicators are based on data from VR Group's internal safety reporting system. Frequency indicators are based on incidents concerning VR Group's own personnel. For VR Sweden, the safety performance indicators include accident frequency and railway-safety incidents. Other key observations concerning Swedish operations are included in the report.

Employee experience

Personnel indicators are reported on the basis of data obtained from personnel records and payroll systems in Finland and Sweden. The number of employees is presented as full-time equivalents (FTEs) and is the average number of personnel for the last month of the reporting period. There were 12 reporting periods from 1 January 2023 to 31 December 2023.

Customer orientation

Customer orientation indicators are based on customer experience measurements and train punctuality data. The main observations concerning VR Sweden's customer orientation are included in the text sections of the report. Values for the indicators in Sweden are not specified, as the customer experience is measured separately on a contract-specific basis there.

Sustainable procurement

Supply chain indicators are based on information collected and produced by VR Group. The indicators for VR Sweden are produced by VR Sweden.

External Assurance

This report has been subject to limited assurance in accordance with the ISAE3000 standard. The assurance engagement was carried out by Ecobio Oy, which is an assurance body independent of VR Group. For selected information, Ecobio Oy assessed the process for producing and governing the data, management systems and reporting systems, as well as the materiality, scope, accuracy and comparability of the reported data. The GRI Standards and the GHG Protocol were used as the assurance criteria. The assurance body was approved by representatives of VR Group's management team.

GRI content index

GRI content	Content	Location	Comments
GRI 2: General Disclosures 2021			
	2-1 Organisational details	VR-Group Plc. Report of the Board of Directors > Share capital and shares p. 131, Business operations p. 116 Notes to the consolidated financial statements p. 139	
	2-2 Entities included in the organisation's sustainability reporting	Sustainability report > Reporting principles p. 72	
	2-3 Reporting period, frequency and contact point	Sustainability report > Reporting principles p. 72 Notes to the consolidated financial statements > General accounting principles p. 140 Published 19 March 2024 Contact point	
	2-4 Restatements of information	Sustainability report > Climate change mitigation and the reduction of emissions p. 35, Improving material efficiency p. 41, Reporting principles p. 72	
	2-5 External assurance	Sustainability report > Independent assurance statement p. 89	
	2-6 Activities, value chain and other business relationships	Report of the Board of Directors > Business operations p. 116, Business model p. 113, Changes in corporate structure p. 120 Sustainability report > Sustainable procurement p. 69	
	2-7 Employees	Sustainability report > Key figures on the personnel 2-7 p. 59, Personnel figures p. 81, Reporting principles p. 72	
	2-8 Workers who are not employees		The share of external labour of the total labour force of VR Group is not significant. About 200 temporary employees work in maintenance.
	2-9 Governance structure and composition	Corporate Governance Statement > Committees p. 95, CEO and Leadership Team p. 96, VR-Group Plc's Board of Directors p. 94, Composition of the Supervisory Board p. 99 Report of the Board of Directors > Corporate Governance p. 120	
	2-10 Nomination and selection of the highest governance body	Corporate Governance Statement p. 91	
	2-11 Chair of the highest governance body		Not applicable
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability report > Sustainability governance model p. 29	

GRI content	Content	Location	Comments
GRI 2: General Disclosures 2021			
	2-13 Delegation of responsibility for managing impacts	Sustainability report > Sustainability governance model p. 29	
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance Statement p. 91 Sustainability report > Sustainability governance model p. 29	
	2-15 Conflicts of interest	Corporate Governance Statement > VR-Group Plc's Board of Directors p. 94 Audit Committee p. 95, Related party transactions p. 91	
	2-16 Communication of critical concerns	Corporate Governance Statement > Internal audit p. 92	
	2-17 Collective knowledge of the highest governance body	Sustainability report > Sustainability governance model p. 29	
	2-18 Evaluation of the performance of the highest governance body		Not applicable. The Board of Directors evaluates its performance annually with an external consultant, but a separate evaluation in accordance with the GRI definition is not carried out.
	2-19 Remuneration policies	Remuneration Policy 2024 p. 101, Remuneration Report 2023 p. 104	
	2-20 Process to determine remuneration	Remuneration Policy 2024 p. 101, Remuneration Report 2023 p. 104	
	2-21 Annual total compensation ratio		Not applicable. Monitoring the GRI-determined indicator has been deemed to be irrelevant.
	2-22 Statement on sustainable development strategy	Business review > VR's strategy p. 15, CEO's Review p. 10	
	2-23 Policy commitments	Sustainability report > Description of sustainability management p. 86, Social responsibility p. 48, Material topics of responsibility p. 31, Code of Conduct	
	2-24 Embedding policy commitments	Sustainability report > Sustainability management p. 28, Sustainability governance model p. 29	
	2-25 Processes to remediate negative impacts	Sustainability report > Description of sustainability management p. 86	
	2-26 Mechanisms for seeking advice and raising concerns	Code of Conduct, Sustainability report > Code of Conduct p. 68	
	2-27 Compliance with laws and regulations	Sustainability report > Code of Conduct p. 68, Other environmental topics p. 46	
	2-28 Membership associations	Business review > VR in society p. 23, Stakeholders p. 24	
	2-29 Approach to stakeholder engagement	Business review > VR in society p. 23, Stakeholders p. 24	

GRI content	Content	Location	Comments
GRI 2: General Disclosures 2021			
	2-30 Collective bargaining agreements		Collective agreements cover 95% of the personnel in Finland and 100% of the personnel in Sweden. In Finland, the terms and conditions of employment of persons not subject to collective agreements are determined on the basis of laws and employment contracts, and in accordance with separately agreed parts of other collective agreements used by the company.
Material topics			
GRI 3: Material Topics 2021	**3-1 Process to determine material topics**	Sustainability report > Material topics of sustainability p. 31 Business review > Stakeholders p. 24	
	3-2 List of material topics	Sustainability report > Material topics of sustainability p. 31	
	3-3 Management of material topics	Sustainability report > Description of responsibility management p. 86, Environmental responsibility p. 33, Employee experience p. 55, Customer orientation p. 60, Human rights p. 65, Sustainable procurement p. 69	
Economic performance			
GRI 201: Economic Performance 2016	**201-1 Direct economic value generated and distributed**	Sustainability report > Table Figures for the financial year 2023 p. 70, Table Dividends, taxes and levies p. 85 Business review > Sustainable value creation p. 25	
	201-2 Financial implications and other risks and opportunities due to climate change	Sustainability report > Environmental risks and opportunities p. 45	
	201-3 Defined benefit plan obligations and other retirement plans	The consolidated financial statements > Pension receivables and obligations p. 149	
	201-4 Financial assistance received from government	The consolidated financial statements > Other operating income and expenses p. 203	
Indirect economic impacts			
GRI 203: Indirect Economic Impacts 2016	**203-2 Significant indirect economic impacts**	Business review > Sustainable value creation p. 25 Sustainability report > Society and governance p. 66	
Procurement practices			
GRI 204: Procurement Practices 2016	**204-1 Proportion of spending on local suppliers**	Sustainability report > Sustainable procurement p. 69	

GRI content	Content	Location	Comments
Anti-corruption			
GRI 205: Anti-corruption 2016	**205-1 Operations assessed for risks related to corruption**		All VR Group units are included in the annual risk survey of risk management. No significant corruption-related risks were identified or considered to have been realised in 2023.
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability report > Code of Conduct p. 68	
	205-3 Confirmed incidents of corruption and actions taken	Sustainability report > Code of Conduct p. 68	
Anti-competitive behaviour			
GRI 206: Anti-competitive Behaviour 2016	**206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices**		No legal actions were initiated in 2023 with regard to anti-competitive behaviour.
Tax			
GRI 207: Tax 2019	**207-1 Approach to tax**	Tax strategy, Corporate responsibility report > Table Dividends, taxes and levies	
	207-2 Tax governance, control and risk management	Tax strategy	
	207-3 Stakeholder engagement and management of concerns related to tax		VR indirectly participates in tax-related advocacy efforts through its membership in the Confederation of Finnish Industries, Service Sector Employers Palta and the Central Chamber of Commerce, for example. As part of its lobbying activities, VR issues statements concerning EU-level regulations and national legislation to the Finnish Parliament and the Ministry of Transport and Communications, among others.
	207-4 Country-by-country reporting	Sustainability report > Tax footprint p. 70, Table Personnel figures 2-7 p. 59 The consolidated financial statements > Group structure p. 191, Income taxes p. 186	

GRI content	Content	Location	Comments
Energy			
GRI 302: Energy 2016	**302-1 Energy consumption within the organisation**	Sustainability report > Increasing energy efficiency p. 39	
	302-2 Energy consumption outside of the organisation	Sustainability report > Table Energy consumption p. 39	
	302-3 Energy intensity	Sustainability report > Table Energy intensity p. 39	
	302-4 Reduction of energy consumption	Sustainability report > Increasing energy efficiency p. 39	
	302-5 Reductions in energy requirements of products and services	Sustainability report > Increasing energy efficiency p. 39	
Emissions			
GRI 305: Emissions 2016	**305-1 Direct (Scope 1) GHG emissions**	Sustainability report > Table Greenhouse gas emissions p. 35	
	305-2 Energy indirect (Scope 2) GHG emissions	Sustainability report > Table Greenhouse gas emissions p. 35	
	305-3 Other indirect (Scope 3) GHG emissions	Sustainability report > Table Other indirect greenhouse gas emissions by source p. 36	
	305-4 GHG emissions intensity	Sustainability report > Table Greenhouse gas intensity p. 36	
	305-5 Reduction of GHG emissions	Sustainability report > Climate change mitigation and the reduction of emissions p. 35	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Sustainability report > Table Traffic emissions by mode of transport p. 36	
Waste			
GRI 306: Waste 2020	**306-1 Waste generation and significant waste-related impacts**	Sustainability report > Increasing material efficiency p. 41	VR reports the waste generated in its own operations and the measures taken, and planned, to reduce the impacts of waste.
	306-2 Management of significant waste-related impacts	Sustainability report > Increasing material efficiency p. 41	Information on waste is based on reports obtained from the service providers.
	306-3 Waste generated	Sustainability report > Table Waste p. 41	
	306-4 Waste diverted from disposal	Sustainability report > Table Waste p. 41	
	306-5 Waste directed to disposal	Sustainability report > Table Waste p. 41	

GRI content	Content	Location	Comments
Supplier environmental assessment			
GRI 308: Supplier Environmental Assessment 2016	**308-1 New suppliers that were screened using environmental criteria**	Sustainability report > Sustainable procurement p. 69	
	308-2 Negative environmental impacts in the supply chain and actions taken	Sustainability report > Sustainable procurement p. 69	
Employment			
GRI 401: Employment 2016	**401-1 New employee hires and employee turnover**	Sustainability report > Table New personnel 401-1 p. 83	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		The same benefits are provided to all employees.
	401-3 Parental leave	Sustainability report > Parental leave 401-3 p. 84	
Labour/management relations			
GRI 402: Labour/management relations 2016	**402-1 Minimum notice periods regarding operational changes**		The negotiation period followed in restructuring is 2–6 weeks. The minimum notice period and negotiation right are specified in collective agreements.
Occupational health and safety			
GRI 403: Occupational Health and Safety 2018	**403-1 Occupational health and safety management system**	Sustainability report > Occupational safety p. 52	
	403-2 Hazard identification, risk assessment and incident investigation	Sustainability report > Safety and security p. 49	
	403-3 Occupational health services	Sustainability report > Working capacity and well-being of employees p. 57	
	403-4 Worker participation, consultation and communication on occupational health and safety	Sustainability report > Safety and security p. 49, Occupational safety p. 52, Description of responsibility management p. 86	
	403-5 Worker training on occupational health and safety	Sustainability report > Occupational safety p. 52	
	403-6 Promotion of worker health	Sustainability report > Working capacity and well-being of employees p. 57	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability report > Description of responsibility management p. 86, Safety and security p. 49, Occupational safety p. 52, Working capacity and well-being of employees p. 57	

GRI content	Content	Location	Comments
GRI 403: Occupational Health and Safety 2018	**403-8 Workers covered by an occupational health and safety management system**	Sustainability report > Working capacity and well-being of employees p. 57	
	403-9 Work-related injuries	Sustainability report > Table Occupational safety in figures 403-9 p. 51	
Training and education			
GRI 404: Training and education 2016	**404-1 Average hours of training per year per employee**	Sustainability report > Employee competence development p. 59, Table Training hours 404-1 p. 59	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	Sustainability report > Employee competence development p. 59	
	404-3 Percentage of employees receiving regular performance and career development reviews		All employees
Diversity and equal opportunity			
GRI 405: Diversity and equal opportunity 2016	**405-1 Diversity of governance bodies and employees**	Corporate Governance Statement p. 91 Sustainability report > Table Diversity of governance bodies 405-1 p. 84, Table Personnel figures p. 81	
	405-2 Ratio of basic salary and remuneration of women to men		The remuneration systems used are based on the applicable collective agreements. Personal contractual pay is proportioned to market salaries and salaries in other positions in the company. Wage equality is reviewed as part of the equality plan with regard to salaried positions, in addition to which a gender-equality analysis has been carried out with regard to positions with contractual pay. Based on these, no significant differences were observed in salaries and remuneration between women and men.
Non-discrimination			
GRI 406: Non-discrimination 2016	**406-1 Incidents of discrimination and corrective actions taken**		VR has had one case of discrimination pertaining to accessible travel, which was settled with the help of the Non-discrimination Ombudsman.
Supplier social assessment			
GRI 414: Supplier social assessment 2016	**414-2 Negative social impacts in the supply chain and actions taken**	Sustainability report > Sustainable procurement p. 69	

GRI content	Content	Location	Comments
Public policy			
GRI 415: Public policy 2016	**415-1 Political contributions**		VR does not support political parties, candidates or organisations.
Customer health and safety			
GRI 416: Customer health and safety 2016	**416-1 Assessment of the health and safety impacts of product and service categories**		The assessment of the health-and-safety impacts concerns 100% of the products and services in long-distance traffic and city traffic. In rail logistics, risk assessments are conducted customer-specifically in cooperation with the biggest customers, accounting for 75% of the service offering. At VR FleetCare, risk assessments of rolling-stock safety are included in the rolling-stock safety management system and they have been carried out comprehensively with regard to all rolling stock.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		Number of written warnings concerning non-compliance with safety guidelines: 8.
Marketing and labelling			
GRI 417: Marketing and labelling 2016	**417-3 Incidents of non-compliance concerning marketing communications**		No significant incidents of non-compliance.
Customer privacy			
GRI 418: Customer privacy 2016	**418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data**		No significant non-compliance leading to sanctions.

Personnel figures

Age breakdown of personnel GRI 2-7

	Finland 2023		Finland 2022	
	Count	Share	Count	Share
Train drivers	**1,210**		1,195	
-29	**40**	**3%**	47	4%
30–49	**1,049**	**87%**	1,049	88%
50–	**121**	**10%**	99	8%
Average age, years	**41.4**		40.6	
Bus drivers	**1,205**		1,201	
-29	**75**	**6%**	65	5%
30–49	**493**	**41%**	506	42%
50–	**637**	**53%**	630	52%
Average age, years	**48.8**		48.8	
Train crew	**566**		610	
-29	**90**	**16%**	122	20%
30–49	**304**	**54%**	313	51%
50–	**172**	**30%**	175	29%
Average age, years	**42.5**		40.9	

Gender breakdown of personnel GRI 2-7	Finland 2023		Sweden 2023		Finland 2022		Sweden 2022	
	Men	Women	Men	Women	Men	Women	Men	Women
Permanent, %	78.4%	18.2%	77.0%	21.7%	78.5%	18.2%	56.1%	13.9%
Fixed-term, %	2.0%	1.4%	1.0%	0.2%	2.7%	0.5%	25.2%	4.7%
Total 100 %								
Full-time, %	76.1%	14.1%	73.0%	19.2%	76.6%	14.4%	54.0%	12.7%
Part-time, %	4.9%	4.9%	5.0%	2.8%	4.7%	4.3%	27.4%	6.0%
Total 100 %								
Train drivers, number	1,146	64	432	139	1,133	62	260	66
Train drivers, %	95%	5%	73.3%	23.6%	95%	5%	79.8%	20.2%
Bus drivers, number	1,082	123	1,381	110	1,087	114	1,372	111
Bus drivers, %	90%	10%	91.5%	7.3%	91%	9%	92.5%	7.5%
Train crew, number	302	264	243	277	327	283	208	208
Train crew, %	53%	47%	45.4%	51.8%	54%	46%	50.0%	50.0%

New employee hires and employee turnover

GRI 401-1

	2023		2022		2021	
	Count	Share	Count	Share	Count	Share
Employee hires						
Men	**516**	**69%**	670	70%	462	76%
Women	**232**	**31%**	292	30%	145	24%
Total	**748**		962		607	
By age group						
-29	**315**	**42%**	363	38%	225	37%
30–49	**304**	**41%**	429	45%	288	47%
50–	**129**	**17%**	170	18%	94	15%
Terminations of employment						
Men	**553**	**71%**	645	74%	507	70%
Women	**233**	**29%**	222	26%	218	30%
Total	**786**		867		725	
by age group						
-29	**219**	**28%**	206	24%	154	21%
30–49	**319**	**41%**	358	41%	283	39%
50–	**248**	**31%**	303	35%	288	40%
Overall turnover		**13.1%**		14.1%		11.0%

Includes new employee hires in Finland
"Total turnover" is the ratio of employment relationships terminated during the year (both non-fixed-term and fixed-term) to the average number of personnel.

Parental leave

GRI 401-3

	2023	
	Count	Share
Parental leave		
Men	137	79%
Women	37	21%
Total	174	
Pregnancy/parental leave		
Men	93	72%
Women	36	28%
Total	129	
Childcare leave		
Men	13	45%
Women	16	55%
Total	29	
Maternity leave		
Women	4	100%
Total	4	
Paternity leave		
Men	167	100%
Total	167	

Diversity of governance bodies

GRI 405-1

	2023	
Body	Count	Share
Supervisory Board	12	
Male	7	58%
Female	5	42%
Under 30	0	0%
30–50	8	66.67%
Over 50	4	33.33%
Board of Directors	8	
Male	5	62.5%
Female	3	37.5%
Under 30	0	0%
30–50	2	25.0%
Over 50	6	75.0%
Leadership Team of the Group	10	
Male	7	66.67%
Female	3	33.33%
Under 30	0	0%
30–50	8	66.67%
Over 50	4	33.33%
All total	**30**	

Dividends, taxes and levies

GRI 201-1

EUR million	2023	2022
Dividends	**0.0**	**0.0**
Returns of capital	**0.0**	**40.0**
Taxes paid for the financial year		
Income taxes	**2.1**	-0.7
Deferred taxes	**15.5**	1.6
Direct taxes, total	**17.6**	**1.0**
Basic track access fees	**36.1**	39.9
Track taxes	**0.0**	0.2
Track taxes and track access fees, total	**36.1**	**40.1**
Other taxes and levies	**0.2**	0.4
Vehicle taxes	**0.6**	0.4
Rail traffic electricity taxes	**0.0**	0.0
Fuel taxes	**11.6**	13.4
Other electricity taxes	**1.6**	1.6
Energy taxes, total	**13.2**	**15.0**

EUR million	2023	2022
Property taxes	**1.9**	**1.8**
Pension contributions	**62.6**	59.5
Other personnel-related expenses	**43.5**	30.3
Employer's contributions, total	**106.1**	**89.9**
Value added taxes (sales – purchases)	**1.2**	-1.4
Withholding taxes from salaries	**102.5**	93.6
Value added taxes and witholding taxes from salaries, total	**103.7**	**92.3**
All total	**279.4**	**280.8**

Description of sustainability management [1]

SUSTAINABILITY THEMES	ENVIRONMENTAL RESPONSIBILITY	SAFETY AND SECURITY	CUSTOMER ORIENTATION	EMPLOYEE EXPERIENCE	CORPORATE SOCIAL RESPONSIBILITY
Management method and purpose	The purpose of the management method is to create the best possible conditions for achieving VR's sustainability goals. Risk management is described in the Corporate Governance Statement p. 91.				
Goals and indicators	Environmental goals for 2021–2025 p. 33. Key indicators of sustainability p. 32.				
Feedback mechanisms	Environmental safety incident observations, reporting and investigation Internal and external audits	Safety observations and incident and accident reports Investigation of incidents and accidents Safety audits and risk assessments Safety committees and working groups engaging personnel	Customer surveys and studies Net Promoter Score (NPS) Customer feedback Stakeholder collaboration, e.g. with associations representing people with disabilities	Personnel surveys [3] Performance reviews Team and unit meetings	Whistleblowing channel [3] Reporting of incidents about which notifications were received via the channel and which were investigated
Addressing deficiencies	Environmental observations and incidents are documented in an information system, which forwards the reports to supervisors and specialists for processing. The reports are used to determine the measures to be taken, and their implementation is systematically monitored. Feedback from customers is handled on a case-by-case basis.	Information on safety and security is collected in an information system, which forwards safety observations and deviations to supervisors and specialists for processing. They are used to determine the measures to be taken, and their implementation is monitored. Supervisors are responsible for investigating serious incidents and accidents, as well as significant near misses.	Development measures are implemented on the basis of the results of customer surveys and the Net Promoter Score (NPS). The emphasis is on the measures that have the most impact and are the most meaningful for customers. All customer feedback is reviewed and responded to if the feedback requires it.	Team-specific and unit-specific development areas are selected on the basis of the results of the personnel survey. An owner is designated for each development area, and they are recorded in a system that is used to monitor their implementation. Progress on the topics that emerge in performance reviews is monitored in meetings and performance reviews between supervisors and employees.	A comprehensive investigation is carried out for all approved reports of suspected irregularities. All reports are treated confidentially.
Assessment of management practices	We assess our practices against the objectives based on performance and stakeholder feedback. We conduct internal and external audits to evaluate our operating models.				
Policies and commitments [2]	Environmental system Environmental policy [3]	Safety and security strategy [3] Safety and security policy [3] Information security policy [3] Information security management system Railway safety management system Infrastructure manager's safety management system Well-being, health and occupational safety activities management system		Equality plan Guidelines for preventing harassment and other inappropriate treatment Well-being, health and occupational safety activities management system Code of Conduct	Code of Conduct Code of Conduct for Suppliers [3] Procurement guideline [3]
	In our operations, we are committed to supporting the UN Sustainable Development Goals and the 10 principles of the UN Global Compact initiative. We respect human rights and are committed to the UN Guiding Principles on Business and Human Rights. We are committed to complying with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO conventions on the abolition of forced labour, the prohibition of child labour, the abolition of discrimination and the right to organise, and the ILO conventions on hours of work, occupational safety and occupational health. VR has signed the FIBS Diversity Charter. VR has a risk-management policy, including risk management principles, objectives, responsibilities and operating procedures to be followed.				

1) Applies to Swedish operations when specifically mentioned. 2) Applies to VR Group companies; all key policies are approved by VR Group's Board of Directors. 3) Includes Swedish operations.

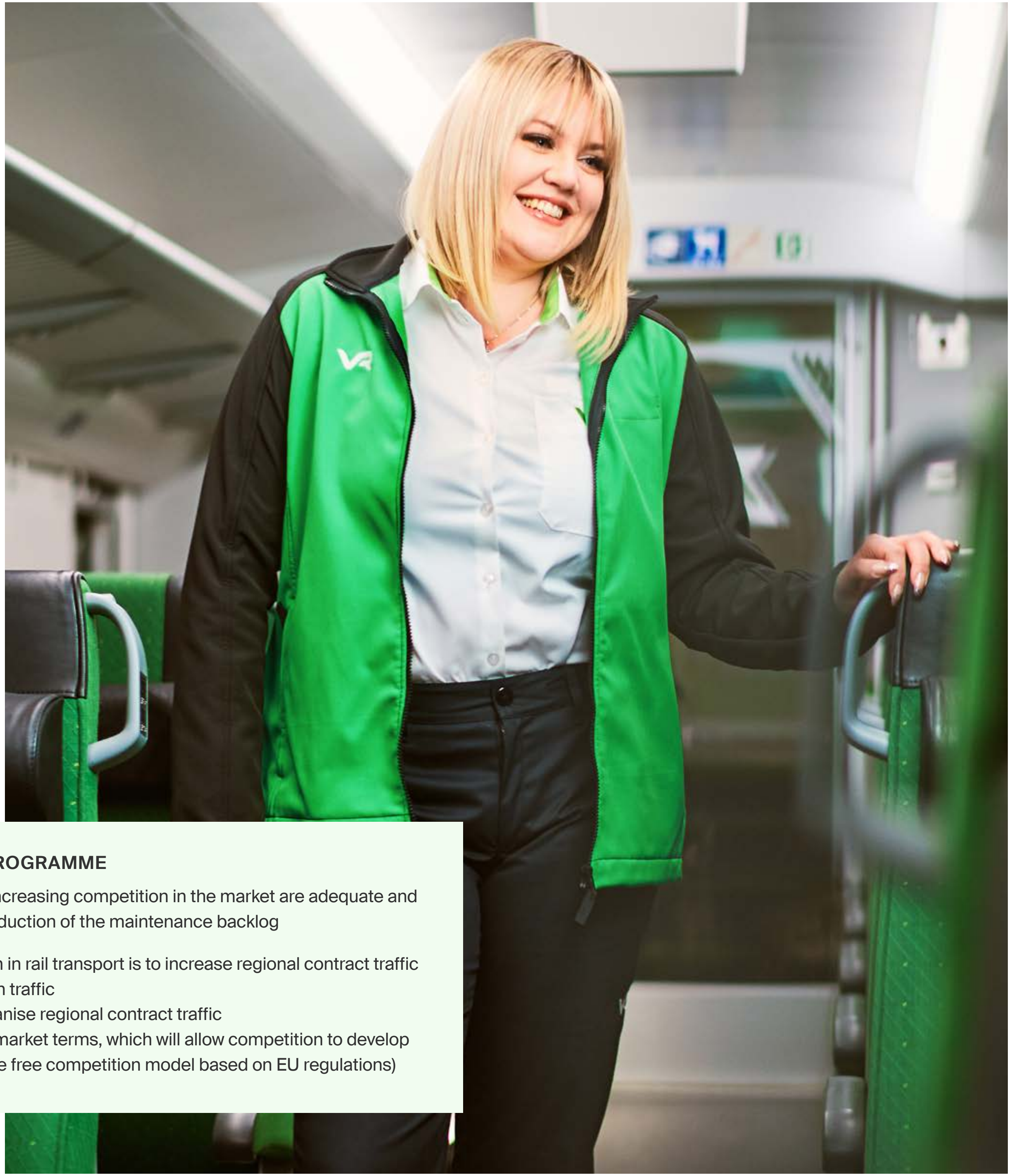
VR’s lobbying activities

The Finnish Transparency Register was introduced on 1 January 2024. It's a public register to which organisations and enterprises report information on any of their lobbying activities aimed at Finland’s Parliament and government ministries. VR-Group Plc registered with the Transparency Register on 9 January 2024. The first disclosures to the register concern lobbying activities taking place in 2024.

VR is committed to transparency in its stakeholder collaboration, which is why the Group has decided to also publish its 2023 lobbying activities. This includes information on which policymakers we have sought to lobby and on what topics.

Topics of lobbying activities

The main topics of our meetings with policymakers in 2023 included the objectives of the Government Programme, rail-infrastructure projects, the development of passenger train traffic, promoting competition in the railway market, developing contract traffic in the railway sector, improving network connections on trains, and the national transport-system plan.



VR’S PROPOSED SOLUTIONS FOR THE GOVERNMENT PROGRAMME

The most important prerequisites for the growth of rail traffic and increasing competition in the market are adequate and appropriately targeted infrastructure investments, as well as the reduction of the maintenance backlog

- The fastest and most cost-effective way to promote competition in rail transport is to increase regional contract traffic
- Establish a public rolling stock company for publicly-funded train traffic
- Enable municipalities/joint municipal authorities/regions to organise regional contract traffic
- Ensure that long-distance traffic and freight traffic continue on market terms, which will allow competition to develop freely without the need for public funding (in accordance with the free competition model based on EU regulations)

Targets of lobbying activities

MINISTERS, SPECIAL ADVISERS AND STATE SECRETARIES

Anders Adlercreutz, Minister for European Affairs and Ownership Steering (Swedish People's Party); Lulu Ranne, Minister of Transport and Communications (Finns Party); Crista Grönroos, Special Adviser (Swedish People's Party); Ikka Hamunen, Special Adviser (Social Democratic Party); Kai Järvikare, Special Adviser (Finns Party); Ilkka Kaukoranta, Special Adviser (Social Democratic Party); Jouni Koskela, Special Adviser (Christian Democrats); Marjo Lindgren, State Secretary (Finns Party); Niko Ohvo, Special Adviser (Finns Party); Sakari Rokkanen, Special Adviser (National Coalition Party); Emma-Stina Vehmanen, Special Adviser (National Coalition Party); Henrik Vuornos, Special Adviser (National Coalition Party)

MINISTRY OF TRANSPORT AND COMMUNICATIONS

Emil Asp, Director General; Janne Hauta, Senior Ministerial Adviser; Altti Iiskola, Ministerial Adviser; Minna Kivimäki, Permanent Secretary; Matleena Kurki-Suutarinen, Senior Ministerial Adviser; Rita Linna, Senior Ministerial Adviser; Konsta Luukka, Senior Specialist; Mikael Nyberg, Senior Ministerial Adviser; Jarkko Paldanius, Senior Ministerial Adviser; Miikka Rainiala, Director General; Olli-Pekka Rantala, Director General; Risto Saari, Senior Ministerial Adviser; Jarkko Saarimäki, Director General; Veli-Matti Syrjänen, Senior Ministerial Adviser; Atte Riihelä, Senior Specialist; Pyry Takala, Senior Ministerial Adviser; Jani von Zansen, Chief Specialist

PRIME MINISTER'S OFFICE, OWNERSHIP STEERING DEPARTMENT

Sinikka Mustakari, Ministerial Adviser; Minna Pajumaa, Senior Ministerial Adviser; Jari-Pekka Punkari, Ministerial Adviser

MEMBERS OF PARLIAMENT AND EMPLOYEES OF PARLIAMENTARY GROUPS

Pekka Aittakumpu, Member of Parliament (Centre Party); Marko Asell, Member of Parliament (Social Democratic Party); Heikki Autto, Member of Parliament (National Coalition Party); Markku Eestilä, Member of Parliament (National Coalition Party); Seppo Eskelinen, Member of Parliament (Social Democratic Party); Tarja Filatov, Member of Parliament (Social Democratic Party); Timo Furuholm, Member of Parliament (Left Alliance); Atte Harjanne, Member of Parliament (The Greens); Janne Heikkinen, Member of Parliament (National Coalition Party); Timo Heinonen, Member of Parliament (National Coalition Party); Hannu Hoskonen, Member of Parliament (Centre Party); Petri Huru, Member of Parliament (Finns Party); Antti Häkkänen, Member of Parliament (National Coalition Party); Janne Jukkola, Member of Parliament (National Coalition Party); Vilhelm Junnila, Member of Parliament (Finns Party); Aleksi Jäntti, Member of Parliament (National Coalition Party); Marko Kilpi, Member of Parliament (National Coalition Party); Jani Kokko, Member of Parliament (Social Democratic Party); Mikko Kortelainen, Secretary of the Parliamentary Group (National Coalition Party); Johannes Koskinen, Member of Parliament (Social Democratic Party); Terhi Koulumies, Member of Parliament (National Coalition Party); Antti Kurvinen, Member of Parliament (Centre Party); Suna Kymäläinen, Member of Parliament (Social Democratic Party); Mikko Laakso, Special Adviser (National Coalition Party); Sheikki Laakso, Member of Parliament (Finns Party); Antti Lindtman, Member of Parliament (Social Democratic Party); Mats Löfström, Member of Parliament (Swedish People's Party); Anna-Kristiina Mikkonen, Member of Parliament (Social Democratic Party); Juha Mäenpää, Member of Parliament (Finns Party; Jani Mäkelä, Member of Parliament (Finns Party); Kai Mykkänen, Member of Parliament (National Coalition Party); Emil Nuuttila, Special Adviser (National Coalition Party); Petteri Orpo, Member of Parliament (National Coalition Party); Jouni Ovaska, Member of Parliament (Centre Party); Aino-Kaisa Pekonen, Member of Parliament (Left Alliance); Pinja Perholehto, Member of Parliament (Social Democratic Party); Timo Portaankorva, Special Adviser (Centre Party); Anne Rintamäki, Member of Parliament (Social Democratic Party); Päivi Räsänen, Member of Parliament (Christian Democrats); Joona Räsänen, Member of Parliament (Social Democratic Party); Mikko Savola, Member of Parliament (Centre Party); Iiro Silvander, Special Adviser (Finns Party); Tuula Väätäinen, Member of Parliament (Social Democratic Party); Henrik Wickström, Member of Parliament (Swedish People's Party); Peter Östman, Member of Parliament (Christian Democrats)

VR'S SUPERVISORY BOARD (2023–)

Markku Eestilä, Member of Parliament (National Coalition Party); Kaisa Garedew, Member of Parliament (Finns Party); Hanna Holopainen, Member of Parliament (The Greens); Vilhelm Junnila, Member of Parliament (Finns Party); Tuomas Kettunen, Member of Parliament (Centre Party); Teemu Kinnari, Member of Parliament (National Coalition Party); Arto Luukkanen, Member of Parliament (Finns Party); Lauri Lyly, Member of Parliament (Social Democratic Party); Niina Malm, Member of Parliament (Social Democratic Party); Anna Mäkipää, Member of Parliament (Left Alliance); Aura Salla, Member of Parliament (National Coalition Party); Juha Viitala, Member of Parliament (Social Democratic Party); Juri Aaltonen, President, Union of Private Sector Professionals ERTO; Ismo Kokko, President, Transport Workers Union AKT; Markku Lehtinen, President, Railway Union Finland RAU; Petri Lillqvist, President, Railway Professionals, Trade Union for the Public and Welfare Sectors JHL; Olli-Pekka Nyman, President, VR Akava; Annika Rönni-Sallinen, President, Service Union United PAM; Jari Äikas, President, Railway Technical and Salaried Employees' Union RTTL

GOVERNMENT NEGOTIATORS IN THE GOVERNMENT NEGOTIATIONS OF SPRING 2023

Anders Adlercreutz (Swedish People's Party), Heikki Autto (National Coalition Party), Juho Eerola (Finns Party), Sanni Grahn-Laasonen (National Coalition Party), Fredrik Guseff (Swedish People's Party), Niilo Heinonen (National Coalition Party), Juhani Huopainen (Finns Party), Christoffer Hällfors (Swedish People's Party), Olli Immonen (Finns Party), Olav Jern (Swedish People's Party), Laura Jokela (Finns Party), Vilhelm Junnila (Finns Party), Elsi Juupaluoma (Christian Democrats), Kai Järvikare (Finns Party), Tomi Kaunismäki (Christian Democrats), Kristiina Kokko (National Coalition Party), Sheikki Laakso (Finns Party), Mikko Lunden (Finns Party), Tapio Luoma-aho (Christian Democrats), Arto Luukkanen (Finns Party), Mikko Martikkala (National Coalition Party), Matias Marttinen (National Coalition Party), Iina Mattila (Christian Democrats), Jani Mäkelä (Finns Party), Anders Norrback (Swedish People's Party), Emil Nuuttila (National Coalition Party), Mats Nylund (Swedish People's Party), Laura Ollila (Swedish People's Party), Jukka Palokangas (Christian Democrats), Mika Poutala (Christian Democrats), Ismo Portin (Christian Democrats), Sakari Rokkanen (National Coalition Party), Sari Sarkomaa (National Coalition Party), Saara-Sofia Siren (National Coalition Party), Joakim Strand (Swedish People's Party), Kauko Turunen (Christian Democrats), Henrik Vuornos (National Coalition Party), Ville Vähämäki (Finns Party), Sinuhe Wallinheimo (National Coalition Party), Peter Östman (Christian Democrats)

Independent Assurance Statement

To the Management and Stakeholders of VR Group

Ecobio Oy (hereafter Ecobio) has been commissioned by VR-Group Plc (hereafter VR Group) to perform a limited third-party assurance engagement regarding the information disclosed in VR Group's Sustainability Report for the period of January 1st to December 31st 2023.

VR Group's Responsibility

VR Group was responsible for the collection, preparation and presentation of the sustainability information according to the reporting guidelines of Global Reporting Initiative's (GRI) Standards. Ecobio, as an independent assuror, was not involved in the preparation of any disclosures, apart from the independent assurance engagement. The Management of VR Group has approved the information provided in the Sustainability Report.

Assurance provider's Responsibility

Ecobio's responsibility was to present an independent conclusion on the sustainability information subject to the limited assurance engagement.

The scope of work included assurance of completeness and correctness of non-financial performance information presented by VR Group in the Corporate Sustainability Report 2023 as part of VR Group's Annual Report.

The sustainability information assured covered the standard disclosures in accordance with GRI Universal Standards 2021, including material disclosures under Economic, Environmental and Social standards.

Ecobio disclaims any liability or responsibility for any third-party decision based upon this assurance statement.

Methodology

Ecobio based the assurance process on the following guidelines and standards: the Global Reporting Initiative (GRI) Standards, the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and VR Group's internal reporting guidelines. The assurance process was performed utilizing Ecobio's internally developed GRI assurance tool, covering the principles and disclosures of the GRI Standards.

Concerning limited assurance engagements, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained. This assurance engagement was conducted from November 2023 to February 2024.

The assurance process included:

- Interviewing employees responsible for data collection and reporting at VR Group.
- Evaluating procedures for gathering, analysing, and aggregating quantitative data as well as performing cross-checks and calculations on a sample basis.
- Performing cross-checks on a sample basis concerning the reported data.
- Performing cross-checks on a sample basis on background data.
- Evaluating internal guidelines for data collection.
- Evaluating the sufficiency of documentation of the data gathering process.
- Checking the consistency of the reported data compared to the guidelines.

Conclusions

Based on the work described in this statement, nothing has come to our attention that would cause us to believe that the information presented by VR Group on its sustainability performance is not fairly stated, or that it would not comply with the reporting guidelines stated before.

Assurance provider's Independence and Qualifications

Ecobio is an independent sustainability consulting company with more than 30 years of history. Ecobio's assurors are skilled and experienced in environmental and corporate responsibility assurance and have good knowledge of industry related sustainability issues.

Ecobio has no financial dependencies on VR Group beyond the scope of this engagement. Ecobio has conducted this assurance independently and impartial from VR Group, and there has been no conflict of interest.

Helsinki, 23th of February 2024
Ecobio Oy

Taru Halla (M.Sc.)
Managing Director

Katrine Hoset (Ph.D)
Senior Consultant

GOVERNANCE

Corporate Governance Statement 2023

This Corporate Governance Statement has been drawn up in accordance with the Corporate Governance Code 2020 issued by the Securities Market Association and chapter 7, section 7 of the Securities Markets Act. This Corporate Governance Statement applies to VR-Group Plc ("VR") and, where applicable, the VR Group.

This Corporate Governance Statement was approved by VR-Group Plc's Board of Directors on March, 19, 2024. This Corporate Governance Statement is issued separately from the Report of the Board of Directors, but it is published together with the Report of the Board of Directors and made available on the company's website at www.vrgroup.fi. The Corporate Governance Statement is not audited.

The Remuneration Policy and Remuneration Report for 2023 are issued separately and they are also available on the company's website at www.vrgroup.fi.

The Corporate Governance Code 2020 is available on the Securities Market Association's website at www.cgfinland.fi.

Compliance with the Corporate Governance Code and departures from the Code

VR's decision-making, governance and management are conducted in accordance with the Finnish Limited Liability Companies Act, VR's Articles of Association, the Corporate Governance Code 2020 issued by the Securities Market Association and the statements of the Ministerial Committee on Economic Policy communicated to the company by the Ownership Steering Department of the Prime Minister's Office.

The company departs from the Corporate Governance Code 2020 with regard to procedures concerning the general meeting. This departure is made on the grounds that the company has only one shareholder and its shares are not listed.

RELATED PARTY TRANSACTIONS

VR's Board of Directors has approved the guidelines concerning related party transactions, which were updated on 21 October 2021 and are observed by VR-Group Plc and all of VR-Group Plc's group companies. The purpose of the guidelines concerning related party transactions is to ensure the independence of decisions on transactions that involve related parties of the decision-makers and transactions that may otherwise give rise to suspicions among outside observers regarding the independence of decision-making and whether transactions are carried out on an arm's length basis. The guidelines also cover preparations and decision-making concerning related party transactions. The guidelines concerning related party transactions also define who the guidelines apply to.

VR evaluates and monitors transactions with related parties and ensures that any conflicts of interest involved with potential transactions with related parties are appropriately addressed. In 2023, transactions with related parties pursuant to the definitions laid out in the Limited Liability Companies Act, the Accounting Act and the Accounting Decree did not deviate from VR's ordinary course of business and arm's length terms.

Key procedures related to insider administration

On 30 May 2022, VR issued a green bond, which is listed on Nasdaq Helsinki Plc's official list of sustainable bonds. As an issuer, VR complies with the provisions of the Securities Markets Act (746/2012, as amended) and Regulation (EU) 596/2014 of the European Parliament and of the Council on market abuse ("MAR"), the guidelines of the Financial Supervisory Authority and the European Securities and Markets Authority (ESMA) as well as the rules and insider guidelines of Nasdaq Helsinki Ltd.

On 29 April 2022, VR's Board of Directors approved insider guidelines and trading guidelines, according to which the person in charge of insider issues is the Chief Legal Officer and the person in charge of insider lists is the Compliance Officer. The Group Treasurer is responsible for managing disclosures concerning trading restrictions and transactions.

Insider administration:

- is responsible for training and communication concerning insider issues;
- is responsible for drawing up and maintaining insider lists and submitting them to the Financial Supervisory Authority upon request;
- maintains a list of persons discharging managerial responsibilities and their related parties;
- is responsible for the monitoring and follow-up of insider issues;
- ensures that persons discharging managerial responsibilities, the persons included in insider lists, and persons who are in the informational core of the company recognise their position and its effects; and
- organises an annual review of information subject to disclosure for persons discharging managerial responsibilities and their related parties.

Project-specific insider lists include all persons who have access to inside information or who otherwise perform tasks based on which they have access to inside information, including external advisers, public authorities and other parties with information about the project in question. VR-Group Plc also maintains a list of persons discharging managerial responsibilities and their related parties. The persons discharging managerial responsibilities are defined as the members of the Board of Directors and the Supervisory Board, the President and CEO, and the Leadership Team.

The closed period begins 30 calendar days before the publication of each interim/half-year report or annual financial statements of VR and concludes at the end of the publication date of the interim/half-year report or annual financial statements. Persons discharging managerial responsibilities at VR are not allowed to engage in direct or indirect trading in VR's financial instruments during the closed period. This applies regardless of whether or not the person discharging managerial responsibilities has access to inside information during the closed period. Persons discharging managerial responsibilities are also not allowed to engage in direct or indirect training in VR's financial instruments on behalf of a third party during the closed period.

DIVERSITY

When the state as the owner makes preparations concerning the composition of the Boards of Directors of companies it owns, it adheres to its guidelines and decisions regarding the diversity of the Boards of Directors of state-owned companies and the Government Action Plan for Gender Equality 2020–2023. In accordance with the Government Resolution on Ownership Policy issued on 8 April 2020, the state ensures that equality objectives are observed and both genders are adequately represented in the Boards of Directors of state-owned companies. A further goal laid out in the Government Action Plan for Gender Equality is that the Boards of Directors of companies that are wholly owned by the state are composed of at least 40 per cent women and at least 40 per cent men.

VR adheres to the aforementioned principles pertaining to diversity and equality. Both genders are represented in VR's Board of Directors in the manner stipulated by the Corporate Governance Code. In 2023, VR's Board of Directors consisted of three women and five men.

The main features of the internal control and risk management systems relating to the company's financial reporting process

FINANCE

In accordance with the Limited Liability Companies Act, the Board of Directors ensures that the control of the company accounts and finances is appropriately arranged. The President and CEO ensures that the company's accounting is legally compliant and its finances are reliably arranged. VR Group's management is responsible for ensuring that the Group's business operations comply with the applicable legislation and the decisions of the company's Board of Directors and that the Group's risk management is appropriately arranged.

The financial situation is reported on by means of internal and external reporting. The executive management monitors the achievement of financial targets in VR Group's Leadership Team at least on a monthly basis and through Group-level and business-specific internal reporting. The reports are used to monitor net sales, profit, investments, cash flow, the financing situation, return on capital, the number of employees and traffic volumes, for example. The Group's financial situation is reported to the Board of Directors once a month. The Group-level full-year profit forecast is updated monthly and also used in the preparation of the following year's budget.

External reporting includes the preparation of the quarterly financial report as well as the annual report of the Board of Directors and financial statements. The Board of Directors reviews quarterly reports (Q1–Q3) and financial statement reports before their publication.

The Group's financial unit is responsible for the accuracy of the Group's financial reporting. The financial unit consists of the financial service centre (accounting, taxation, invoice processing, payment transactions and the management of vandalism incidents), the business control function (reporting, budgeting, management support) and the treasury function (financing and insurance). In financial reporting, the Group complies with legislation and other regulations as well as generally accepted accounting principles and other orders applicable to the company. VR Group adheres to the international IFRS reporting standards. The aim is to ensure that the Group's financial reporting provides accurate information for internal reports as well as published reports.

INTERNAL AUDIT

VR Group has an independent internal audit function that reports administratively to the President and CEO and functionally to the Audit Committee of the Board of Directors. The Audit Committee has confirmed the rules of procedure of the internal audit. The internal audit evaluates and ensures the effectiveness and appropriateness of the Group's internal control in compliance with the international professional standards of internal auditing. The Audit Committee of the Board of Directors approves the internal audit action plan biannually. The internal audit function reports its observations to the Audit Committee in the committee's meetings.

RISK MANAGEMENT

VR Group's management is committed to effective risk management and its continuous development. VR Group's risk management is guided by the risk management policy approved by VR's Board of Directors. The policy defines the principles and objectives of risk management as well as the relevant responsibilities and operating procedures. The effectiveness of risk management and the development of the risk management process are evaluated annually in connection with the Group's risk survey.

Responsibilities and duties related to risk management have been clearly defined. VR Group's risk management is based on a three-line model in which the primary responsibility for the implementation of risk management lies with the business areas and the executive management in the first line. In the second line, the joint operations units lay out consistent operating practices and support business operations. In the third line, the internal audit function independently ensures the compliance of risk management. A separately appointed risk management group guides and supports the planning and implementation of risk management. The risk management group is chaired by VR Group's CFO and its members include the Group Treasurer, the Vice President for the Internal Audit, the Senior Vice President, Strategy and Development, the Chief Legal Officer and the Director, Safety and Security.

VR Group has a systematic method for the identification, assessment, management and continuous monitoring of business risks. The starting point for risk assessment is an annual Group-level risk survey that systematically identifies risks that threaten the achievement of objectives. Information related to risks is documented in the Group's risk register and its confidentiality is maintained, and a summary of risks and their impacts and management measures is regularly drawn up for VR Group's Leadership Team and Board of Directors. The Group's business operations monitor the development of the most significant risks identified in risk assessment and the adequacy of management measures on a quarterly basis.

VR Group is prepared to take controlled risks within its risk-bearing capacity. However, in matters pertaining to safety, regulatory compliance and the reliability of reporting, the aim is to minimise risks. Risk acceptability criteria are defined on the basis of the magnitude of the residual risk in the policy that supports risk management. VR Group has insurance that covers, for example, damage and liability risks arising from major accidents as well as the discontinuation of operations in respect of damage risks.

Risks are categorised as external, strategic, operational and damage risks. External risks cannot be fully influenced or controlled, but it is important to identify them and take them into consideration in the Group's operations. Strategic risks are related to strategic choices and the execution of strategy. They usually involve business opportunities, which means that controlled risks can be taken within the limits of the Group's risk-bearing capacity. Operational risks are generally related to internal processes or controllable external factors and they also include damage risks. Operational risks are assessed at the business area level and unit level through processes.

Board of Directors

VR's Board of Directors operates in accordance with the Articles of Association, the Limited Liability Companies Act and other applicable legislation. The Board of Directors is responsible for the company's governance and the appropriate organisation of the company's operations. The Board of Directors also ensures that the control of the company accounts and finances is appropriately arranged.

The Board of Directors has approved its rules of procedure, which document the Board of Directors' key duties and the principles concerning the evaluation of the Board of Directors' operations. The Board of Directors confirms amendments and updates to its charter. The key contents of the charter are described in this section.

To carry out its duties, the Board of Directors, among other things, makes any major decisions concerning the operating principles, strategy, investments, organisation and financing. The Board also decides on business combinations and corporate acquisitions as well as major property transactions.

In addition, the Board of Directors:
- approves the annual action plan and budget;
- signs the report of the Board of Directors and the financial statements;
- approves financial and business reviews and financial statements bulletins;
- approves the company's organisational structure and remuneration systems;
- appoints and dismisses the President and CEO;
- appoints the members of the Leadership Team;
- approves the terms of service of the President and CEO, the Leadership Team and the Group's other key employees;
- appoints the members of the Board of Directors' committees and confirms the charters of the committees;
- guides and supervises the executive management;
- supervises compliance with laws and regulations;
- approves long-term goals and strategies;
- approves principles and policies pertaining to the Group's values and the control and risk management system;
- prepares matters for discussion by the Supervisory Board together with the President and CEO; and
- convenes the General Meeting.

VR's Annual General Meeting annually appoints the Chair of the Board of Directors and the other members. The Board of Directors elects a Vice Chair from among its members. The Board of Directors shall have at least four (4) and at most eight (8) ordinary members. The Chair of the Board of Directors:

- convenes meetings of the Board of Directors;
- approves the agendas prepared by the President and CEO for meetings of the Board of Directors;
- ensures that minutes are drawn up for each meeting of the Board of Directors;
- ensures that every decision of the Board of Directors that is made without convening a meeting is appropriately documented;

- maintains contact as necessary between meetings with the President and CEO and the members of the Board of Directors; and
- ensures that the provisions of the charter of the Board of Directors are observed in the work of the Board of Directors.

The Board of Directors has a quorum when more than half of its members are present, provided that the invitation to the meeting has been appropriately delivered to all members. Decisions are made in observance of the interest of the company and its shareholder as well as the provisions of the Limited Liability Companies Act.

The provisions of the Limited Liability Companies Act are observed with regard to conflicts of interest involving members of the Board of Directors. The Board of Directors ensures that conflicts of interest are taken into consideration as necessary. Members of the Board of Directors shall also assess their own possible conflicts of interest as necessary.

Each term, the Board of Directors evaluates its operations and practices to ensure efficiency and continued development. These evaluations are primarily carried out by the Board of Directors itself and with the help of external evaluators when necessary.

VR-GROUP PLC'S BOARD OF DIRECTORS 2023

Chair of the Board

Esa Rautalinko, b. 1962, MSc (Econ), CEO, Patria Group. Chair of the Board of Directors: Milloq Oy, Nammo AS, PIA ry, Sotatieteiden tutkimussäätiö. Board memberships: Technology Industries of Finland, ASD. Member of the delegation, Ilmavoimien Tuki-Säätiö ry. Senior Advisor, Nest Capital 2015 GP and Nest Capital Fund III GP. Chair of the Board of Directors of VR-Group Plc since 30 March 2023.

Kjell Forsén, b. 1958, LicSc (Tech). Previous positions include CEO and President and chairperson of the Management Team at Vaisala Oyj 2006–2020, several executive posts at Ericsson during the period 1986–2006 in Finland and abroad and as President of Ericsson Finland 2003–2006. Member of the Council of the Valamo Foundation. Chair of the Board of Directors, Oilon Group Oy.

Chair of the Board of Directors of VR-Group Plc during the period 22 March 2019–30 March 2023.

Vice Chair of the Board

Sari Pohjonen, b. 1966, M.Sc. (Econ.), board professional. Previous positions include CFO of Oriola Corporation, CFO and Deputy CEO of Fiskars Group, CFO and Deputy CEO of Reima Group and various positions in Sanoma WSOY's financial administration. Chair of the Board of Stockmann Group. Board memberships: Jane and Aatos Erkko Foundation, Oilon Group Oy, Aktia Bank Plc. Member of the Board of Directors of VR-Group Plc since 22 March 2019 and Vice Chair of the Board since 17 March 2022.

The other members of the Board

Pekka Hurtola, b. 1959, Senior Financial Counsellor, Ownership Steering Department of the Prime Minister's Office. Previous positions include SVP, Corporate Development and Strategy at Finavia. Member of the Board of Directors, Veikkaus Oy. Member of the Board of Directors of VR-Group Plc since 12 April 2018.

Nermin Hairedin, b. 1975, MSc (Econ) Strategy consultant; lecturer and senior adviser at Aalto Executive Education Oy. Previous positions include international digital, data business and marketing executive posts at Sonera, Fonecta and Nokia as well as CEO of the marketing communications company Dentsu. Board member: SOK, LL Intressenter Ab (Leos Lekland and HopLop group), Örum Oy Ab. Chairman of the Board: Delipap Oy. Board member of VR-Group Plc as of March 16, 2020.

Virve Laitinen, b. 1972, MSc (Eng), MBA SVP, Corporate Strategy and Program Management, Orion Corporation. Previous positions include SVP, Specialty Products, SVP, Supply Chain, Director, Business Planning and Control and several expert and project duties related to industrialisation, production, logistics and procurement at Orion Corporation. Member of the Board of Directors of VR-Group Plc since 15 April 2020.

Markus Holm, b. 1967, MSc (Econ), CFO, Elcogen Group Plc. Previous positions include CFO and COO at Sanoma Oyj and CFO at Metsä Board Oyj. Chair of the Board of Directors of Kokkotel Oy. Member of the Board of Directors of Oy Haro-Invest Ab. Member of the Board of Directors of VR-Group Plc since 17 March 2022.

Jaakko Kiander, b. 1963, Dr. Pol. Sc., CEO of Keva. Previous positions include Director of Research, Statistics and Planning at the Finnish Centre for Pensions and CFO at Ilmarinen. President of the Finnish Brain Foundation, Vice Chair of the Board of the University of Eastern Finland, Board memberships: Yrjö Jahnsson Foundation and OP Group Research Foundation. Member of the Board of Directors of VR-Group Plc since 17 March 2022.

Turkka Kuusisto, b. 1979, MSc (Eng), CEO, Posti Group Corporation. Previous positions include SVP roles in various business groups at Posti Group Corporation, Regional Managing Director for Europe at Lindorff Group AB, and Managing Director of Lindorff Finland. Board memberships: Service Sector Employers PALTA. Members of the Supervisory Board: LocalTapiola, Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors of VR-Group Plc from 17 March 2022 to 11 January 2024.

The members of the Board of Directors are independent of the company and its shareholder with the exception of Pekka Hurtola, who represents the Ownership Steering

Department of the Prime Minister's Office. The members of the Board of Directors do not own shares in VR-Group Plc or its group companies.

Meetings

As a rule, the Board of Directors meets once a month. In 2023, the Board of Directors met 18 times and the average attendance rate of the members of the Board of Directors was 95 per cent. The meeting attendance of the members of the Board of Directors is shown in the table below.

Attendance at meetings of the Board of Directors

Chair	
Esa Rautalinko	15/15 (from 31 March 2023)
Kjell Forsén	3/3 (until 30 March 2023)
Vice Chair	
Sari Pohjonen	18/18
Members	
Pekka Hurtola	18/18
Nermin Hairedin	17/18
Virve Laitinen	17/18
Jaakko Kiander	18/18
Markus Holm	18/18
Turkka Kuusisto	13/18

Committees

The Board of Directors has established an Audit Committee and a People and Culture Committee from among its members. The term of the committees is one year. The term begins when the committees are appointed after the Annual General Meeting of VR-Group Plc and lasts until the next Annual General Meeting.

The committees meet approximately 4–7 times per year. The committees have charters approved by the Board of Directors and they report to the Board of Directors. The key contents of the charters of the committees are described below.

AUDIT COMMITTEE

The Audit Committee focuses particularly on preparing matters related to financial reporting, oversight and risk management for discussion by the Board of Directors. The Committee also maintains contact with the auditors and the internal audit as necessary.

The Committee shall consist of at least three independent members of the Board of Directors who are external to VR Group and have the necessary qualifications for the committee's activities. At least one member shall have special expertise in accounting or auditing.

The Audit Committee's tasks include the following:

- monitoring and overseeing the financial reporting process
- monitoring accounting principles and changes thereto
- monitoring sustainability reporting as applicable
- familiarising itself with relevant issues related to bookkeeping and financial reporting, particularly arrangements that are complex and unusual and may involve discretion
- monitoring the company's financial result and profit forecast
- reviewing the audited financial statements, the consolidated financial statements and the report of the Board of Directors, and reviewing half-yearly and quarterly financial reports
- reviewing the description of the main features of the internal control and risk management systems relating to the company's financial reporting process, which is provided in the company's Corporate Governance Statement
- monitoring the effectiveness of the company's internal control and internal audit
- approving internal audit procedures and monitoring internal audit plans and reports
- monitoring risk management processes and the effectiveness of risk management systems
- monitoring the company's risks pertaining to information security
- supervising the tendering of auditing services at appropriate intervals
- monitoring the statutory audit of the financial statements and consolidated financial statements
- assessing the independence of the statutory auditor and reviewing non-audit services provided to the
- company by the auditor
- reviewing, together with the senior management and the auditors, the audit plan and any observations highlighted based on the audit as well as ensuring that the highlighted issues are appropriately addressed
- monitoring transactions between the company and its related parties and any conflicts of interest they may involve
- assessing compliance with laws, regulations and the company's operating procedures, and monitoring significant legal processes
- carrying out other tasks separately assigned to it by the Board of Directors.

The duties of the Chair of the Committee include:

- convening the meetings of the Committee;
- approving the agendas for Committee meetings;
- ensuring that minutes are drawn up for each meeting of the Committee;
- ensuring that the Committee reports regularly to the Board of Directors on its work; and
- ensuring that the provisions of the charter of the Committee are observed in its work.

On 31 March 2023, the Board of Directors elected the following persons to the Audit Committee: Sari Pohjonen (Chair), Markus Holm, Jaakko Kiander and Virve Laitinen.

The Audit Committee convened a total of five times during 2023. The meeting attendance of the members of the Audit Committee is shown in the table below.

Attendance at meetings of the Audit Committee

Chair	
Sari Pohjonen	5/5
Members	
Markus Holm	5/5
Jaakko Kiander	5/5
Virve Laitinen	4/5

PEOPLE & CULTURE COMMITTEE

The People and Culture Committee focuses on preparing matters for the Board of Directors pertaining to the development of the remuneration systems for the company's President and CEO and other management and personnel as well as other key appointments. As a rule, the Committee has at least three members.

The Committee's tasks include the following:

- the company's key principles and practices related to remuneration
- preparing decisions concerning the appointment and remuneration of the President and CEO and members of the Leadership Team
- the President and CEO's remuneration and other terms of service and the Leadership Team's remuneration and other terms of service
- incentive and retention schemes for the President and CEO and senior management
- succession planning for the President and CEO and senior management, and management development
- assessing the human resources strategy and key development projects concerning human resources management
- preparing the Remuneration Policy and Remuneration Report
- monitoring employee commitment and occupational health and safety as well as monitoring related actions

The duties of the Chair of the Committee include:

- convening the meetings of the Committee;
- approving the agendas for Committee meetings;
- ensuring that minutes are drawn up for each meeting of the Committee;
- ensuring that the Committee reports regularly to the Board of Directors on its work; and
- ensuring that the provisions of the charter of the Committee are observed in its work.

On 31 March 2023, the Board of Directors elected the following persons to the People and Culture Committee: Esa Rautalinko (Chair), Nermin Hairedin, Pekka Hurtola and Turkka Kuusisto.

The People and Culture Committee convened a total of four times during 2023. The meeting attendance of the members of the People and Culture Committee is shown in the table below.

Attendance at meetings of the People and Culture Committee

Chair	
Esa Rautalinko	3/3 (from 31 March 2023)
Kjell Forsén	1/1 (until 30 March 2023)
Members	
Nermin Hairedin	4/4
Pekka Hurtola	4/4
Turkka Kuusisto	4/4

The President and CEO and the Leadership Team

The President and CEO is responsible for managing the Group's day-to-day administration in accordance with the instructions and orders issued by the Board of Directors. The Board of Directors appoints and dismisses the President and CEO and decides on their remuneration.

Elisa Markula (b. 1966) has served as the President and CEO of VR-Group Plc on 30 August 2022. Her previous positions before joining VR-Group Plc include CEO of Oriola Corporation, the CEO of Tikkurila Group and Managing Director of the Coffee Division for Paulig Group as well as other executive positions in sales and marketing in several companies. Elisa Markula is the Vice Chair of the Board of Directors of the Central Chamber of Commerce.

At the end of 2023, VR Leadership Team comprised ten members, including the CEO, to whom the Leadership team members report. The Leadership Team is responsible for the operational management of VR and the company's development. The Leadership Team meets regularly and assists the CEO in strategic planning and implementation, annual planning, goal tracking, financial reporting, risk management, and prepares proposals for investments and other necessary decisions. Key tasks also include developing a strong corporate culture and uniform internal operating models for VR.

Leadership Team 31 December 2023

Elisa Markula

President and CEO
M.Sc. (Econ.)

KEY WORK EXPERIENCE
President and CEO of VR Group, and Member of VR Leadership team as of August 2022CEO of Oriola Corporation from 2021 to 2022, CEO of the Tikkurila Group from 2018 to 2021, Managing Director for the Coffee Division at the Paulig Group from 2009 to 2018.

KEY POSITIONS OF TRUST
Vice-Chair and member of the Board of Directors of the Central Chamber of Commerce since 2020, Member of the Board of Directors of the Confederation of Finnish Industries (Palta) since 2023 and member of its Executive Committee since 2024, Member of the Supervisory Board of Varma Mutual Pension Insurance Company since 2023.

Ilkka Anttila

SVP, Strategy and PMO
M. Sc. Industrial Engineering and Management

KEY WORK EXPERIENCE
SVP, Strategy and PMO, VR Group and member of the VR Group Leadership Team since November 2023. Worked at VR in various roles since 2017, including as the Director of Logistics Business Planning, Development, and Fleet Management from 2019 to 2022, and as the Business Development Manager from 2017 to 2019. Prior to this, served as a management consultant at Boston Consulting Group from 2012 to 2013 and 2014 to 2017, and as the Development Manager at RELEX Solutions from 2013 to 2014.

Melisa Bärholm

SVP, People and Culture
M. Sc. (Psyc.)

KEY WORK EXPERIENCE
SVP, People and Culture at VR Group, and Member of the VR; Group Leadership Team since October 2023HR Director at Lujatalo from 2022 to 2023, HR Director at Tikkurila Group from 2017 to 2022, HR Director at Rovio Entertainment from 2012 to 2014, Coach at MBM Coaching from 2014 to 2016, HR Director at Suunto from 2007 to 2011, HR Director at Sako from 2004 to 2007, HR Manager at Posti Group, IT Optimo Oy from 2002 to 2004; HRD Manager at Nokia from 1996 to 2002.

Kia Haring

SVP, Communications, Public Affairs and Sustainability
M.A.

KEY WORK EXPERIENCE
SVP, Communications, Public Affairs and Sustainability, VR Group, and Member of VR Leadership Team since August 2023. Global Head of Communications, Brand and Sustainability at Tietoevry from 2006 to 2023; Marketing and Communications Manager at Fortum from 1998 to 2006, Account Coordinator at Ogilvy & Mather from 1997 to 1998, Project Leader, Marketing at Wärtsilä from 1994 to1997.

Janne Hattula

SVP, VR City Traffic Finland
Bachelor of Hospitality Management and Tourism

KEY WORK EXPERIENCE
SVP, VR City Traffic Finland and Member of VR Leadership Team since August 2023. Prior to this, erved as the Managing Director of Pohjolan Liikenne at VR from 2022 to 2023. Previously, he worked as the Managing Director of Airpro Group from 2014 to 2022, held management positions at the SAS Group from 2003 to 2014, and served as the CEO of Blue1 Oy from 2012 to 2014.

Otso Ikonen

SVP, Maintenance (VR FleetCare),
M.Sc. (Eng), M.Sc. (Econ)

KEY WORK EXPERIENCE
SVP, Maintenance (VR FleetCare), and Member of VR Leadership Team since August 2022; Group SVP, Large Motors and Generators at ABB Oy from 2018 to 2020; VP, Helsinki Machines Factory at ABB Oy from 2013 to 2018; Several management positions ABB Oy from 2000 to 2013, CEO of Wexon Oy from 2021 to 2022.

Eljas Koistinen

SVP, Logistics (VR Transpoint)
Bachelor of Business, eMBA

KEY WORK EXPERIENCE

SVP, Logistics (VR Transpoint) and Member of VR Leadership Team since June 2022. Worked at VR Group since February 2006 at various positions including: Vice President, Commercial, Key Account Manager, and Sales Manager in logistics from 2006 to 2016 and 2017 to 2022. Prior to this served as Sales Director at Geodis Wilson Finland Oy from 2017 to 2017 and Account Management at Lindström Oy from 2002 to 2006.

Johan Oscarsson

SVP, VR City Traffic Sweden
Ph.D, M.Sc.

KEY WORK EXPERIENCE

SVP, VR City Traffic Sweden, and Member of VR Leadership Team as of August 2023. Previously Managing Director and CEO of Strukton Rail AB from 2020 to 2023, CEO of MTR Tunnelbanan AB from 2018 to 2020, CEO of MTR Tech AB from 2014 to 2018, CEO of Emtrain AB from 2017 to 2018, CEO of Interfleet Technology AB from 2012 to 2014.

Markku Pirskanen

Chief Financial Officer
M.Sc. (econ.)

KEY WORK EXPERIENCE

Chief Financial Officer at VR Group and Member of VR Leadership Team as of January 2024. Prior to this served as CFO at Manna & Co in 2023, CFO at Woodly from 2022 to 2023, CFO at Tokmanni from 2017 to 2022, CFO at Hartela-Yhtiöt from 2016 to 2017, CFO at Martela from 2011 to 2016, CFO at Comptel from 2009 to 2011, CFO at Finlayson from 2003 to 2009.

Teemu Sipilä

Senior Vice President, Legal and Procurement
LL.M., eMBA

KEY WORK EXPERIENCE

Senior Vice President, Legal and Procurement, at VR Group, and Member of VR Leadership Team since January 2023. Previously served as General Counsel at GlucoModicum in 2022, Vice President, Commuter Services, Acting CEO of VR Track and General Counsel at VR Group from 2010 to 2020, and Legal Counsel at Fortum Corporation from 2005 to 2010, Associate at Castren & Snellman Attorneys from 1998 to 2005.

Piia Tyynilä

Senior Vice President, VR Long-distance Traffic
Bachelor of Hospitality Management

KEY WORK EXPERIENCE

Senior Vice President, VR Long-distance Traffic and Member of VR Leadership Team since January 2023. Director, Long-distance Traffic and Managing director of Avecra Oy at VR since 2022. Director of Services aand nd other various Positions at Avecra Oy at VR from 2007 to 2021; Chain Director at Picnic Finland Oy from 2006 to 2007General Manager at SOK from 2004 to 2006.

Composition and activities of the Supervisory Board

VR-Group Plc's Supervisory Board must consist of at least six (6) and at most twelve (12) members. The Chair and members of the Supervisory Board are elected by the Annual General Meeting. The Supervisory Board elects a Vice Chair from among its members. The term of the members of the Supervisory Board is one (1) year and it expires at the end of the Annual General Meeting following their appointment.

Representatives of personnel organisations also attend the meetings of VR's Supervisory Board. The organisations represented in the Supervisory Board are the Raideammattilaisten yhteisjärjestö JHL (railway organisation of the trade union JHL), Railway Union Finland RAU, Railway Technical and Salaried Employees' Union RTTL, Union of Private Sector Professionals ERTO, Service Union United PAM, Transport Workers' Union AKT and VR Akava. The representatives of the personnel organisations have the right to attend and speak at meetings, but they are not full members of the Supervisory Board.

The duties of the Supervisory Board are as follows:
- monitoring the company's governance led by the Board of Directors and the President and CEO and monitoring that the company's affairs are managed in a manner that observes sound business principles and profitability and in compliance with legislation, the Articles of Association and the resolutions of general meetings;
- issuing instructions to the Board of Directors on matters with far-reaching impact and matters of principle;
- issuing a statement to the Annual General Meeting on the financial statements and auditor's report; and
- discussing financial plans and annual plans, including proposals concerning far-reaching changes to the basic service offering, and monitoring the implementation of said plans.

SUPERVISORY BOARD OF VR-GROUP PLC 2023

Chair

Markku Eestilä (from 17 August 2023), b. 1956, Licentiate in Veterinary Medicine, veterinarian, Member of Parliament. Member of the Supervisory Board since 17 August 2023.

Members

- **Kaisa Garedew** (from 17 August 2023), b. 1978, practical nurse, Member of Parliament
- **Hanna Holopainen**, b. 1976, MSc (Eng), Executive Director, Member of Parliament
- **Vilhelm Junnila** (from 29 August 2023), b. 1982, Member of Parliament. Served as the Chair of the Supervisory Board until 17 August 2023.
- **Tuomas Kettunen** (from 17 August 2023), b. 1988, agrologist (bachelor's degree), agricultural secretary, Member of Parliament
- **Teemu Kinnari** (from 17 August 2023), b. 1973, entrepreneur, forestry engineer, Member of Parliament
- **Arto Luukkanen** (from 17 August 2023), b. 1964
- **Lauri Lyly** (from 17 August 2023), b. 1953, chairperson, Member of Parliament
- **Niina Malm** (from 17 August 2023), b. 1982, Chief Shop Steward, Member of Parliament
- **Anna Mäkipää** (from 17 August 2023), b. 1987, MA, party secretary, municipal councillor
- **Aura Salla** (from 17 August 2023), b. 1984, DSocSc, Head of EU Affairs, Member of Parliament
- **Juha Viitala** (from 17 August 2023), b. 1976, Occupational Health and Safety Representative, Member of Parliament
- **Juho Eerola** (17 August 2023–29 August 2023), b. 1975, interpreter coordinator, Member of Parliament
- **Anders Adlercreutz** (until 17 August 2023), b. 1970, architect, entrepreneur, Member of Parliament
- **Sanna Antikainen** (until 17 August 2023), b. 1988, registered nurse, Member of Parliament
- **Seppo Eskelinen** (until 17 August 2023), b. 1960, Executive Director, Member of Parliament
- **Mai Kivelä** (until 17 August 2023), b. 1982, Master in Environment and Development, Member of Parliament
- **Jouni Kotiaho** (until 17 August 2023), b. 1958, transport entrepreneur, Member of Parliament
- **Matias Marttinen** (until 17 August 2023), b. 1990, MSocSc, Member of Parliament
- **Raimo Piirainen** (until 17 August 2023), b. 1952, pensioner, train driver, Member of Parliament
- **Arto Pirttilahti** (until 17 August 2023), b. 1963, Executive Director, agrologist, Member of Parliament
- **Ruut Sjöblom** (until 17 August 2023), b. 1976, Master of Theology, researcher, Member of Parliament
- **Katja Taimela** (until 17 August 2023), b. 1974, vocational qualification in catering, Member of Parliament

Personnel organisation representatives in 2023

- Chair Markku Lehtinen, Railway Union Finland RAU ry
- Chair Petri Lillqvist, Trade Union for the Public and Welfare Sectors JHL
- Chair Olli-Pekka Nyman, VR Akava
- Chair Jari Äikäs, Railway Technical and Salaried Employees' Union RTTL
- Chair Juri Aaltonen, Union of Private Sector Professionals ERTO
- Chair Ismo Kokko, Transport Workers' Union AKT
- Chair Annika Rönni-Sällinen, Service Union United PAM

The Supervisory Board met two times in 2023. The meeting attendance of the members of the Supervisory Board is shown in the table below.

Name	Attendance at meetings of the Supervisory Board	Duration of membership in 2023 (full year unless otherwise specified)
Chair		
Markku Eestilä	1 / 1	From 17 August 2023
Vilhelm Junnila	1 / 1	Until 17 August 2023
Vice Chair		
Vilhelm Junnila	1 / 1	From 29 August 2023
Juho Eerola	0 / 0	17 August 2023–29 August 2023
Raimo Piirainen	1 / 1	Until 17 August 2023
Members		
Kaisa Garedew	1 / 1	Until 17 August 2023
Tuomas Kettunen	1 / 1	Until 17 August 2023
Teemu Kinnari	1 / 1	Until 17 August 2023
Arto Luukkanen	1 / 1	Until 17 August 2023
Lauri Lyly	1 / 1	Until 17 August 2023
Niina Malm	1 / 1	Until 17 August 2023
Anna Mäkipää	1 / 1	Until 17 August 2023
Aura Salla	1 / 1	Until 17 August 2023
Juha Viitala	1 / 1	Until 17 August 2023
Hanna Holopainen	2 / 2	
Anders Adlercreutz	1 / 1	Until 17 August 2023
Sanna Antikainen	1 / 1	Until 17 August 2023
Seppo Eskelinen	1 / 1	Until 17 August 2023
Mai Kivelä	1 / 1	Until 17 August 2023
Jouni Kotiaho	1 / 1	Until 17 August 2023
Matias Marttinen	1 / 1	Until 17 August 2023
Arto Pirttilahti	1 / 1	Until 17 August 2023
Ruut Sjöblom	1 / 1	Until 17 August 2023
Katja Taimela	1 / 1	Until 17 August 2023

Audit

According to the Articles of Association, VR-Group Plc shall have one (1) auditor, which must be a firm of authorised public accountants. The auditor's term of office expires at the end of the Annual General Meeting following their election. The auditor is appointed by the General Meeting.

KPMG Oy Ab, Authorised Public Accountants, was elected as auditor for 2023, with Ari Eskelinen, APA, as principal auditor. The auditing fees paid to the auditor for auditing services totalled EUR 404 thousand, while fees for other services amounted to EUR 339 thousand during the financial year 2023.

Remuneration Policy 2024

Introduction

This Remuneration Policy describes the main principles of the remuneration of VR Group's Board of Directors, Supervisory Board, President and CEO and the Leadership Team as well as the related decision-making procedure. This Remuneration Policy adheres to the Government Resolution on Ownership Steering Policy and has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive.

DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

The governing bodies involved in decision-making concerning VR's remuneration are the General Meeting, the Board of Directors and the People and Culture Committee of the Board of Directors. No governing body participating in decision-making shall decide on its own remuneration or participate in decision-making where a conflict of interest otherwise exists involving the governing body or a member thereof. Predetermined processes are used to avoid conflicts of interest in decision-making concerning remuneration and to ensure the fairness and impartiality of decisions concerning remuneration.

The People and Culture Committee prepares the Remuneration Policy and Remuneration Report. The Board of Directors approves the Remuneration Policy and Remuneration Report based on the People and Culture Committee's preparatory work and presents them to the Annual General Meeting annually. The resolution of the General Meeting is advisory, but remuneration must adhere to the Remuneration Policy presented to the General Meeting. This Remuneration Policy shall remain in effect until the Annual General Meeting of the following year unless the Board of Directors deems it necessary to make significant amendments before that time, in which case such amendments shall be presented to the Annual General Meeting. The Remuneration Policy is made available on the company's website.

The People and Culture Committee of the Board of Directors prepares the remuneration systems for the President and CEO and the members of VR Group's Leadership Team and the company's remuneration principles for the Board of Directors to decide on. The Board of Directors decides on the remuneration of the President and CEO and annually approves the structures of the short-term and long-term incentive schemes of the President and CEO and the Leadership Team as well as the remuneration criteria and their target values and other governance rules within the framework of the Remuneration Policy. The General Meeting decides on the annual remuneration of the Board of Directors and the members of its committees.

Remuneration principles

VR Group adheres to the policies and guidelines concerning management remuneration and pension benefits in state-owned companies. VR Group's remuneration aims to take the prevailing market practices into account and reward the management for achieving sustainable results.

The objective of the company's remuneration system is to promote the implementation of the company's strategy, business goals and long-term profitability. Remuneration incentivises the personnel to act consistently with the company's strategic business objectives and sustainability goals, engages the commitment of the personnel and motivates the personnel to perform at a high level.

Sustainability is an essential aspect of VR's strategy. It is integrated into day-to-day business operations and related projects are compiled into a sustainability programme. The company's Leadership Team directs and monitors the development of the sustainability programme. The achievement of the objectives in the areas of sustainability is monitored regularly and factored into remuneration.

Maintaining a high level of safety in the Group's own operations is one of the key criteria in remuneration. At its discretion, the Board of Directors may deny the payment of incentive bonuses under the short-term incentive scheme either partially or fully due to a serious safety deviation. This discretion shall apply, for example, in the event of the accidental death of an employee or customer or some other very serious or far-reaching safety deviation attributable to the company.

VR aims for transparency and consistency in remuneration. Remuneration as a whole is regularly assessed to ensure that it is fair, reasonable and competitive. These principles govern remuneration throughout the organisation.

Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors includes a fixed annual fee paid in cash. Members of the Board of Directors may be paid an increased annual fee based on their duties or position on the Board of Directors, such as in the case of the Chair and Vice Chair of the Board of Directors. The members of the Board of Directors are paid a separate meeting fee for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are entitled to compensation for travel expenses based on their attendance at meetings. They may also be provided with a free VR rail pass benefit.

The members of the Board of Directors are not in an employment or service relationship with the company and they are not included in the company's other remuneration systems or variable incentive schemes.

Renumeration of the Supervisory Board

The members of the Supervisory Board are paid a meeting fee and compensation for travel expenses for attending meetings. The size of the fee or compensation is determined by the member's role or position. They may also be provided with a free VR rail pass benefit.

The members of the Supervisory Board are not in an employment or service relationship with the company and they are not included in the company's other remuneration systems or variable incentive schemes.

Remuneration of the President and CEO and the Leadership Team

The remuneration of the President and CEO and the Leadership Team adheres to the company's remuneration principles and supports the company's strategic, commercial and sustainability-related goals. The remuneration of the senior management promotes the retention of key personnel in the company and aligns their interests with the interests of the company's owner.

Decisions on the remuneration of the President and CEO and the Leadership Team are made by the Board of Directors. The remuneration of the President and CEO and the Leadership Team consists of a total salary, which includes the cash salary and fringe benefits in accordance with the company's remuneration practices (such as car, meal and mobile phone benefits).

The President and CEO and the Leadership Team are included in the short-term incentive schemes (STI) and long-term incentive schemes (LTI). The Board of Directors decides on the commencement of potential new earning periods under the incentive schemes (STI and LTI) annually.

The remuneration of the President and CEO and the Leadership Team adheres to the guidelines on the remuneration of senior management in state-owned companies valid at any given time. The guidelines state that the annual total amount of variable remuneration based on targets shall not exceed 50 per cent of the recipient's fixed annual salary. If the performance of the company and the recipient of the bonus is exceptionally good, the annual total amount of bonuses can be up to 120 per cent of the fixed annual salary.

The President and CEO and the members of the Leadership Team do not receive supplementary pension benefits.

SHORT-TERM INCENTIVE SCHEME (STI)

The short-term incentive scheme (STI) is a cash-based incentive scheme in which the time frame is the calendar year. The short-term incentive scheme provides rewards for achievements relating to the company's strategic priorities and short-term business plan. The targets for the President and CEO and the members of the Leadership Team are based on the company's financial and strategic targets and also include business-specific targets. The maximum earning opportunity under the scheme is 50 per cent of the annual salary for the President and CEO and 40 per cent of the annual salary for the other members of the Leadership Team.

The structure, earning criteria and target values of the short-term incentive scheme for the President and CEO and the Leadership Team are decided annually by the company's Board of Directors. Short-term bonuses are paid after the end of the financial year, following the approval of the financial statements. Payment of the bonuses is conditional on the recipient being employed by the company at the time of payment. The Board of Directors makes the final decision on the payment of the bonuses and it also has the right to decide on the cancellation, deferral or adjustment of the payment of bonuses.

LONG-TERM INCENTIVE SCHEME (LTI)

The long-term incentive scheme (LTI) supports the company's long-term success and increase in value. The long-term incentive scheme is a cash-based incentive scheme that is based on the company's performance. The purpose of the incentive scheme is to incentivise and reward key personnel for the achievement of the company's long-term targets, provide a competitive remuneration package and engage the commitment of key personnel to the company.

Since 2021, the company has gradually shifted the weight of the senior management's variable remuneration from short-term incentives (STI) to long-term incentives (LTI). The remuneration levels have been gradually adjusted so as to reduce the STI scheme's proportion of total remuneration and gradually increase the LTI scheme's proportion in such a way as to not reduce the targeted total amount of remuneration paid annually. The target levels for the weights of the short-term and long-term incentive schemes were achieved in the total remuneration of the President and CEO and the Leadership Team in the incentive schemes that start in 2024.

In 2022 and 2023, two-year LTI schemes commenced to enable the gradual shift in the weighting. Incentive schemes with a duration of three financial years commenced in 2023.

The maximum earning opportunity under the LTI 2022–2023 scheme is 40 per cent for the President and CEO and 20 per cent for the other members of the Leadership Team. The maximum earning opportunity under the LTI 2023–2024 scheme is 50 per cent of the annual salary for the President and CEO and 20 per cent of the annual salary for the other members of the Leadership Team. The maximum earning opportunity under the three-year LTI schemes that commenced in 2023 and 2024 (LTI 2023–2025 and LTI 2024–2026) is 70 per cent for the President and CEO and 40 per cent for the other members of the Leadership Team.

The structure, earning criteria and target values of the long-term incentive scheme for the President and CEO and the Leadership Team are decided annually by the company's Board of Directors. Potential variable remuneration components are paid based on the achievement of the targets in the spring of the year following the earning period when the financial statement figures have been confirmed. Payment of the bonuses is conditional on the recipient being employed by the company at the time of payment. The Board of Directors makes the final decision on the payment of incentive bonuses and it also has the right to decide on the cancellation, deferral or adjustment of the payment of incentive bonuses.

The payment of incentive bonuses in the event of the termination of a person's employment or service relationship in the middle of an earning period is addressed in the terms of the incentive scheme.

THE PRESIDENT AND CEO'S PENSION AND OTHER KEY TERMS

The retirement age and pension for the President and CEO are in accordance with the Employees' Pensions Act, and no supplementary pensions are paid.

The President and CEO's service contract includes provisions concerning key terms of service, such as the period of notice and severance package. The President and CEO's salary for the period of notice and the severance package combined shall not exceed their 12-month fixed pay.

The share of the maximum amount of variable remuneration of the total remuneration of the President and CEO and the Leadership Team relative to fixed annual pay for incentive schemes commencing in or after 2023

	STI	LTI	Total
President and CEO	50%	70%	120%
Leadership Team	40%	40%	80%

Purpose and description of the remuneration components of the President and CEO and the Leadership Team

Remuneration component	Purpose and link to strategy	Description and practice
Fixed basic pay and fringe benefits	Competitive but reasonable compensation for the duties associated with the position, based on the individual's competence and experience. Offer competitive benefits that support recruitment as well as personnel well-being and retention.	The factors taken into account in determining basic pay include the value of the individual's competence, experience and contribution to the business, the company's internal pay structure as well as the external market level. The benefits currently in use include typical benefits such as phone benefit, car benefit and medical expense insurance. The level of granted benefits is based on the local market practice of the country in which the person works.
Pension	The retirement age of the President and CEO and the members of the Leadership Team is based on the employment pension legislation valid at any given time. Supplementary pension benefits are not used in remuneration.	
Short-term incentive	Support the achievement of the company's short-term commercial and sustainability targets.	Bonuses under the short-term incentive scheme are paid in cash. The earning period is one year. The final level of the bonuses is determined when the Board of Directors confirms the achievement of the targets when the earning period has ended.
Long-term incentive	Support the achievement of the company's long-term commercial and sustainability targets sustainably, align the interests of the management and the owner and promote the retention of key personnel.	Bonuses under the long-term incentive scheme are paid in cash. No share-based schemes are in use. As a rule, the earning period is three years. Two-year earning periods were used during the transition period in 2021–2023. The final level of the bonuses is determined when the Board of Directors confirms the degree to which the targets were achieved when the earning period has ended.
Clawback and deferral of remuneration	Ensures that remuneration is based on actual achievements.	Remuneration may be cancelled, deferred or adjusted as necessary by a unilateral decision of the Board of Directors.

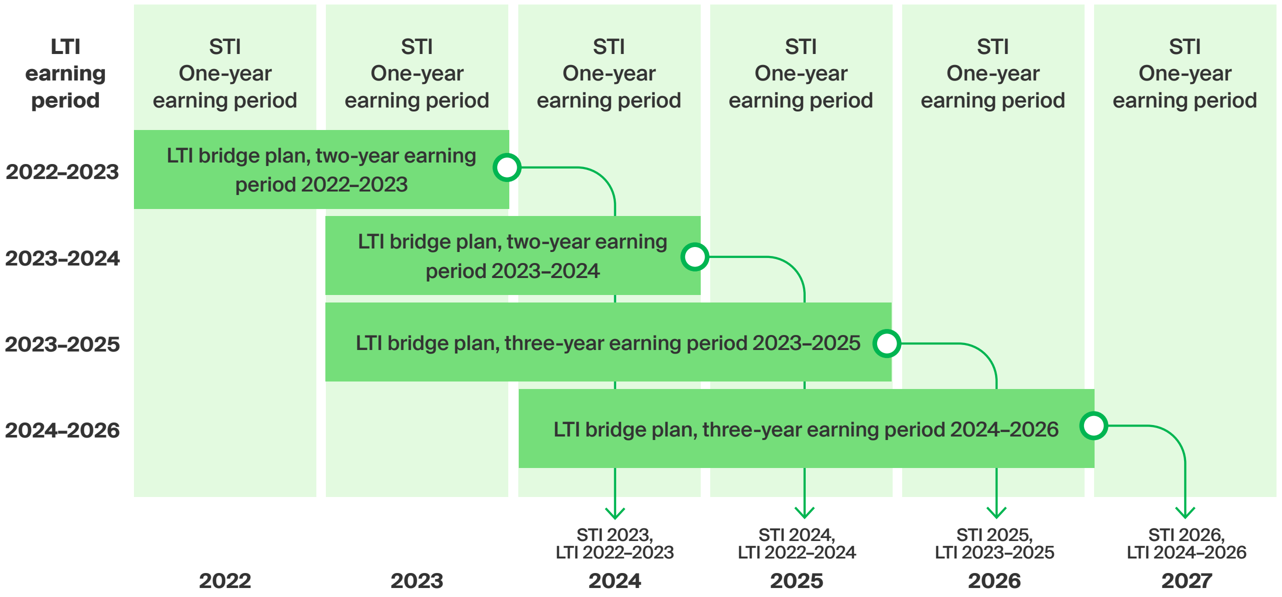
All of the company's personnel (excluding the President and CEO) are within the scope of one-off remuneration. Members of the Leadership Team may be rewarded for excellent performance. Such bonuses are discretionary, limited to at most two months' pay and decisions on their payment are made by the Chair of the Board of Directors on the President and CEO's proposal.

DEVIATION FROM THE REMUNERATION POLICY

On the recommendation of the People and Culture Committee, the Board of Directors may temporarily deviate from a provision of the Remuneration Policy based on its discretion in the following circumstances:

- A change of the President and CEO or other member of the Leadership Team
- A change in the applicable legislation or state ownership steering policy
- A significant change in the Group's structure
- Other circumstances requiring deviation from the remuneration policy to ensure the VR Group's long-term interests and responsibility or to ensure its operating capacity.

STI and LTI accrual of the variable remuneration components of the President and CEO and the Leadership Team



Remuneration Report 2023

Introduction

This Remuneration Report describes the remuneration of VR Group's Board of Directors, Supervisory Board, President and CEO and the Leadership Team in the financial year 2023. Remuneration in the company adheres to the Government Resolution on Ownership Steering Policy. This Remuneration Report has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive, where applicable.

REMUNERATION PRINCIPLES IN ACCORDANCE WITH THE REMUNERATION POLICY IN 2023

VR's remuneration systems are aimed at incentivising individuals and the organisation to work together towards the company's strategic goals. Remuneration is also geared towards engaging the personnel's commitment to the company and incentivise the personnel to perform at a high level and reward them for achieving set targets.

The remuneration of the company's Board of Directors, President and CEO and Leadership Team has been in line with the Remuneration Policy in place for 2023.

The table below shows the remuneration of the company's Board of Directors, President and CEO and personnel and the company's financial performance during the period 2019–2023. The remuneration of the President and CEO consists of basic pay, fringe benefits and variable remuneration components based on the previous year's commercial and other targets.

Development by year	2019	2020	2021	2022	2023
Remuneration of the Board of Directors [1]					
Annual fees decided upon	0%	0%	0%	0%	**0%**
Fees paid	+14.1%	-5.5%	+7%	+13.5%	**-10.9%**
Remuneration of the President and CEO [2]	-3.3%	-13.0%	-6.6%	-9.1%	**-51.8%**
Johtoryhmän palkitseminen[3]	-29.8%	-8.2%	-19.3%	-1.5%	**+ 26.9%**
Remuneration of the personnel (average) [4]	-1.4%	-0.1%	+5%	+5.3%	**+6.70%**
The company's financial performance					
Net sales	+1.2%	-19.3%	+5.9%	+32.1%	**+10.6%**
Comparable operating result	+28.8%	-124.8%	+46.0%	+142.6%	**+898.3%**

1) The development of the remuneration of the Board of Directors is calculated as the percentage change in annual fees decided upon and total fees paid.
2) The change in the remuneration of the President and CEO is related to the costs arising from the change of the President and CEO (e.g. severance package).
3) In 2022, the STI (Short-Term Incentive) did not materialize, and the number of members of the Leadership Team eligible for compensation increased.
4) Personnel expenses as per the financial statements divided by man-years on average.

Remuneration of the Board of Directors in 2023

The Board of Directors is in charge of the company's management and the appropriate organisation of its activities. The remuneration of the Board of Directors is decided annually by the Annual General Meeting. The remuneration of the members of the Board of Directors consists of a fixed annual fee, which depends on the individual's position on the Board of Directors, and fees for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are not within the scope of the company's other remuneration systems.

The remuneration of the Board of Directors in 2023, as decided by the Annual General Meeting of 30 March 2023

Chair of the Board	EUR 54,750/year
Vice Chair of the Board	EUR 25,800/year
Member of the Board	EUR 22,800/year

In addition, the members of the Board of Directors are paid a fee of EUR 600 for each Board and Committee meeting.

The size of the annual and total remuneration decided on by the General Meeting did not change from the previous year. The fees paid to the Board of Directors in 2023 totalled EUR 320,697.

The table below shows the fees paid to the Chair, Vice Chair and members of the Board of Directors in 2023. In addition to the fees, the members of the Board of Directors are entitled to a free VR rail pass.

The remuneration of the Board of Directors in 2023	Annual fees	Meetings of the Board of Directors	Committee meetings	Total
Chair				
Kjell Forsén (until 30 March 2023)	€13,687	€1,800	€600	**€16,087**
Esa Rautalinko (from 30 March 2023)	€41,210	€9,000	€1,800	**€52,010**
Varapuheenjohtaja				
Sari Pohjonen	€25,800	€10,800	€3,000	**€39,600**
Members				
Pekka Hurtola	€22,800	€10,800	€2,400	**€36,000**
Nermin Hairedin	€22,800	€10,200	€2,400	**€35,400**
Virve Laitinen	€22,800	€10,200	€2,400	**€35,400**
Jaakko Kiander	€22,800	€10,800	€3,000	**€36,600**
Markus Holm	€22,800	€10,800	€3,000	**€36,600**
Turkka Kuusisto	€22,800	€7,800	€2,400	**€33,000**

Remuneration of the Supervisory Board in 2023

The remuneration of the Supervisory Board is decided annually by the Annual General Meeting. In 2023, the members of the Supervisory Board were paid the following meeting fees resolved on by the Annual General Meeting on 30 March 2023:

Chair of the Supervisory Board	EUR 800/meeting
Vice Chair of the Supervisory Board	EUR 600/meeting
Member of the Supervisory Board	EUR 500/meeting

The fees paid to the Supervisory Board in 2023 totalled EUR 12,800. This amount includes the fees paid to the Chair, Vice Chair and ordinary members of the Supervisory Board as well as the fees paid to the representatives of personnel organisations. In addition to the fees, the members of the Supervisory Board also received a free VR rail pass.

The fees paid to the Supervisory Board in 2023

Chair	
Vilhelm Junnila (until 17 August 2023)	€800
Markku Eestilä (from 17 August 2023)	€800
Vice Chair	
Raimo Piirainen	€600
Vilhelm Junnila (from 29 August 2023)	€600
Members	
Anders Adlercreutz (until 22 June 2023)	€500
Sanna Antikainen (until 17 August 2023)	€500
Seppo Eskelinen (until 17 August 2023)	€500
Hanna Holopainen	€1,000
Mai Kivelä (until 17 August 2023)	€500
Jouni Kotiaho (until 17 August 2023)	€500
Matias Marttinen (until 17 August 2023)	€500
Arto Pirttilahti (until 17 August 2023)	€500
Ruut Sjöblom (until 17 August 2023)	€500
Katja Taimela (until 17 August 2023)	€500
Pekka Lehtonen (until 17 August 2023)	€0
Aura Salla (from 17 August 2023)	€500
Teemu Kinnari (from 17 August 2023)	€500
Kaisa Garedew (from 17 August 2023)	€500
Arto Luukkanen (from 17 August 2023)	€500
Niina Malm (from 17 August 2023)	€500
Lauri Lyly (from 17 August 2023)	€500
Juha Viitala (from 17 August 2023)	€500
Tuomas Kettunen (from 17 August 2023)	€500
Anna Mäkipää (from 17 August 2023)	€500

Remuneration of the President and CEO in 2023

The fixed remuneration of the President and CEO consists of a fixed salary with fringe benefits and variable pay components (STI and LTI incentive schemes).

The maximum amount of variable remuneration relative to the fixed salary is determined in accordance with the state's ownership steering guidelines. The Board of Directors takes into account the company's strategy and long-term objectives when determining the performance indicators and targets for the short-term (STI) and long-term (LTI) incentive schemes. The purpose of the incentive schemes is to direct the President and CEO's actions towards to the implementation of the company's strategy and increasing the company's value in the long term. The performance indicators are based on financial, strategic and operational criteria and are aligned with the remuneration criteria for the rest of the senior management and the organisation.

Elisa Markula was the President and CEO during the period 1 January–31 December 2023. The President and CEO was not within the scope of short-term incentives for the earning period 2022. The total variable remuneration components paid to President and CEO Elisa Markula represented 14% of her total remuneration in 2023.

Remuneration paid to the President and CEO in 2023

President and CEO Markula	EUR	Fixed and variable remuneration components
Basic pay (including fringe benefits)	373,866	
Short-term incentive scheme (STI), earning period 2022	-	
Long-term incentive scheme (LTI), earning period 2021–2022	5,311	
President and CEO total	**379,177**	**98.6% / 1.4%**

Remuneration of the Leadership Team in 2023

The remuneration of the Leadership Team in 2023 consisted of fixed basic pay, fringe benefits and variable remuneration components (STI, LTI). The remuneration of the Leadership Team and the setting of the performance indicators and criteria for the incentive schemes are decided annually by the Board of Directors. The criteria for the remuneration of the Leadership Team are aligned with the criteria for the President and CEO's remuneration. The company's Leadership Team had 10 members in 2023.

Remuneration paid to the Leadership Team in 2023

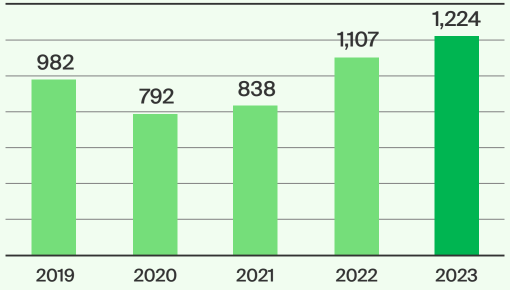
Leadership Team	EUR	Fixed and variable remuneration components
Basic pay (including fringe benefits, holiday compensation)	1,940,335	
Short-term incentive scheme (STI), earning period 2022	252,758	
Long-term incentive scheme (LTI), earning period 2021–2022	50,910	
Total	**2,244,003**	**86.5% / 13.5%**

FINANCIAL REVIEW

Key figures

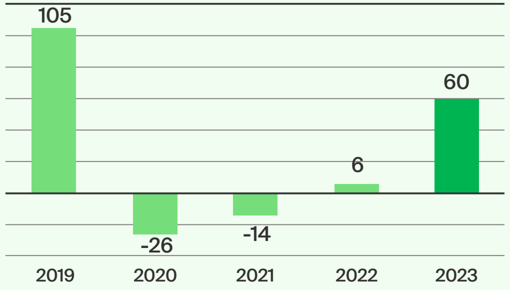
Comparable net sales

EUR million



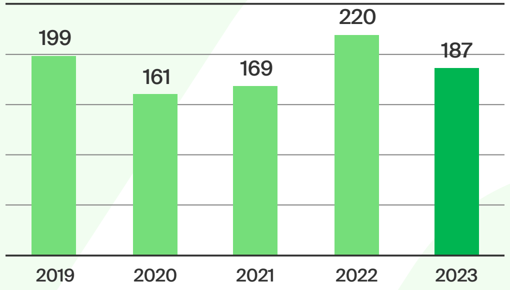
Comparable operating profit

EBIT, EUR million

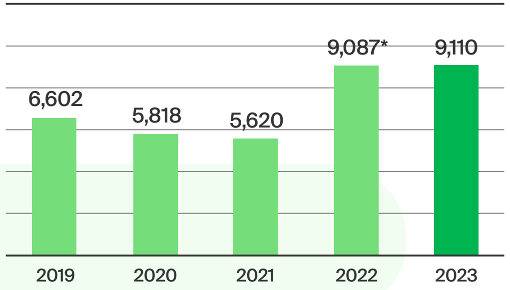


Investments

EUR million



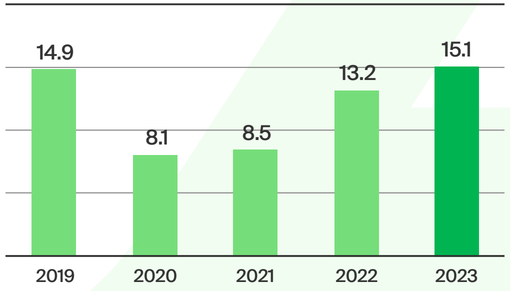
Personnel



*The number of VR employees has increased, largely due to the company's acquisition in Sweden in 2022.

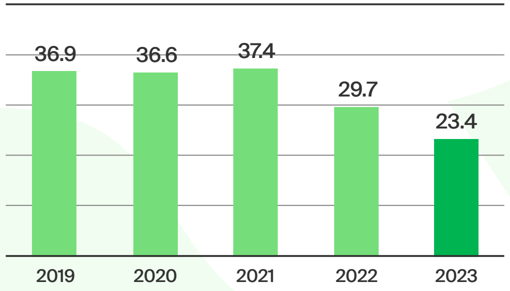
Long-distance train journeys

million journeys



Tonnes transported by rail logistics

million tonnes



CONTENTS

Report of the Board of Directors

Market conditions and operating environment

These have been a few challenging years - pandemic, Russian's invasion of Ukraine, changes in energy prices, and accelerating inflation have significantly impacted our business. VR's passenger traffic to Russia ceased in the spring of 2022, and by the end of 2022, VR completely withdrew from eastern freight traffic. Some of the volume losses in eastern freight have been compensated by the growth in domestic transport demand. The challenging situation in heavy industry weighs on logistics volumes, which were already weakened due to the termination of eastern traffic. Railway freight traffic has had to be adjusted, including temporary staff layoffs.

In long-distance travel, passenger numbers have recovered from the aftermath of the pandemic and reached a good level, especially as leisure travel gains popularity. With the expansion into Sweden, VR gained access to the Swedish public transport market, which is several times larger than Finland's, growing in terms of population, urbanization, and finance. In the future, an increasingly significant part of VR's revenue will come from long-term contract-based transport.

VR supports the implementation of the Finnish government program and advocates for increasing competition in environmentally friendly rail transport and comprehensive development of the entire public transport market. The current condition and capacity of the state railway network adversely affect the punctuality and reliability of rail transport. Adequate and well-targeted infrastructure investments and reducing deferred maintenance are crucial prerequisites for the growth of rail transport, increased competition, and achieving emission reduction goals. More passengers and freight can be attracted to the rails as deferred maintenance decreases, improvements are made to the existing rail infrastructure, and capacity increases through investments in new tracks.

VR is committed to promoting the development of competition in rail transport to increase its modal share. The Open Access model, where each operator can competitively operate with their own equipment on chosen routes, brings the most benefit to customers and society. In Finland, competition is open under this model for both long-distance and freight transport.

The fastest way to increase competition is to develop regional purchasing in passenger train services, enabling municipalities and joint municipal authorities to organize regional purchases. In 2023, VR actively promoted the establishment of a rolling stock company for regional purchases in line with the government program. A public rolling stock company for regional purchases, leasing equipment for publicly funded train services, would create a framework for an entirely new competitively tendered local traffic. In order to create a neutral competitive environment, VR will divest station properties and other rail infrastructure still under VR ownership. In 2023, VR 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.

Long-term megatrends support VR's strategy. Environmental awareness is increasing, and urbanization is progressing. Customers are increasingly using sustainable modes of transportation. By increasing the popularity of electric rail and urban transport, VR contributes to the entire society's emission reduction goals.

Strategy

VR is on a journey *together towards a better world* and accelerating the transformation of sustainable transport. This crystallises the company's purpose. Responsibility is a unifying theme for VR's business operations. VR renewed its strategy at the beginning of 2023. At that time, it had faced several challenging years due to the operating environment: the pandemic, the Russian invasion, inflation, and changes in energy prices imposed new demands on the business. VR became a public limited company in May 2022, issuing a Green Bond to finance green new investments in its train fleet.

VR's core business includes passenger traffic in Finland and Sweden, as well as freight traffic in Finland. A significant growth area for the company is city traffic, which includes both rail and bus transportation. In city traffic, VR focuses on both the Finnish and Swedish markets.

With its renewed strategy, VR changed its business structure starting from the beginning of 2023. The business units are VR Long-distance Traffic, VR City Traffic, and VR Transpoint (logistics). These business units are supported by the maintenance unit VR FleetCare, which enables competitive passenger and freight traffic with efficient maintenance of fleet. Maintenance plays a crucial role in improving VR's customer experience.

VR's strategy focuses on improving the financial performance of its core business and enhancing the long-term profitability of its operations. The goal is to be a sustainable and modern service company that creates excellent customer experiences. The strategy is guided by three objectives – growth, profitability, and culture: (1) satisfied customers bring growth, (2) efficiency enables a profitable future, and (3) motivated people create success. VR's work culture is based on mutual respect and trust, collaboration, as well as continuous learning and improvement. VR succeeds through outstanding customer experiences in each of its business areas – customer relationships are built on openness and collaboration.

In Finland, the railway market opened up to competition in freight transport as early as 2007. At the beginning of 2021, our monopoly ended in passenger traffic, and since then, all interested operators have had free access to the rail network and the opportunity to compete in Finland under the EU-regulated model of free competition. VR supports the government's goal to increase competition in the market as outlined in the government program.

Open markets require continuous development of competitiveness and seizing opportunities. VR aims to achieve €250 million in profit improvement measures by the end of 2027, enabling the overcoming of inflation and lifting profitability. The profit improvement measures will facilitate a billion-euro investment in new equipment from 2023 to 2027 and ensure the company's competitiveness in the future.

Description of the business model

VR Group is a passenger, logistics and maintenance service company owned entirely by the Finnish state. The company serves both consumers and corporate customers. VR's passenger services operates trains, buses and trams in Finland and Sweden. VR Transpoint provides rail and road logistics services in Finland.

VR Long-Distance Traffic ensures equal and accessible long-distance train travel in Finland. It is responsible for ticket sales and pricing on long-distance trains. Restaurant and café services are also provided on trains and at stations. VR owns the rolling stock for long-distance travel, including electric trains and locomotives used in both passenger and freight transport.

VR City Traffic manages commuter train, tram, and bus services in Finland and Sweden. VR actively participates in regional public transportation tenders in both Finland and Sweden. VR City Traffic also includes Pohjolan Liikenne, a pioneer in electric bus transportation. Additionally, VR City Traffic operates Tampereen Ratikka as part of the tram alliance. In bus transportation, the fleet is owned by the operator, while commuter train and tram services use the subscriber-provided rolling stock.

VR Transpoint offers logistics services for heavy industry by rail and road in Finland. The majority of revenue and profit comes from rail traffic. VR Transpoint transports raw materials and products, especially for the forestry, metal, and chemical industries.

Our business units are supported by **VR FleetCare**, enabling competitive passenger and freight traffic with efficient maintenance of VR's fleet. VR FleetCare also provides maintenance and lifecycle services to external European customers.

In Finland, long-distance train traffic and freight train traffic are market-based business and freely competitive. Passenger train traffic applies the open access model based on EU regulation, wherein any competing operator can enter the railway market and there may be multiple operators on the same routes. Operators use their own rolling stock or that rented from commercial actors on the routes. Currently, VR is the only operator in Finland's passenger train service. There are several players in Finland's rail logistics, with VR Transpoint holding the largest market share.

In addition to market-based traffic, unprofitable passenger train traffic is maintained in Finland by means of contract traffic financed by the state and cities. More than 80% of long-distance traffic consists of VR's train traffic funded by ticket revenues, in other words, market-based train traffic. Freight traffic is entirely market-based, and there are other freight operators in addition to VR.

The Ministry of Transport and Communications annually purchases passenger train services (night train and railbus traffic as well as individual IC/Pendolino services) for routes that are commercially unprofitable due to the low number of passengers. The Ministry decides on the service level for contract traffic.

HSL has tendered commuter train services in the capital region and VR has won this tender. HSL procures the transport services and decides on their service level, ticket prices and sales.

City traffic is a significant growth area for VR. The company expanded into Sweden through an acquisition completed in July 2022. In city traffic, ticket revenue typically covers roughly half of the operating costs, while the other half is covered by public subsidies. In publicly subsidised traffic, the client specifies the extent of operations and the service level. Operating contracts in city traffic are typically long-term, with durations up to 10 years. In bus transport, the fleet is owned by the operator, while in commuter train and tram traffic, the rolling stock is provided by the client.

In Finland, VR also operates regional commuter train services purchased by the Ministry of Transport and Communications, using rolling stock owned by the company. VR has proposed establishing a rolling stock company for regionally supported commuter train traffic in accordance with the Swedish model.

There are many different parties involved in rail traffic in Finland. The Finnish Transport Infrastructure Agency is responsible for the state-owned railway network and its maintenance and development. Fintraffic is responsible for traffic control and passenger information at stations. Increasing the use of sustainable modes of transport is a general objective at the societal level.

In its business operations, VR invests in electric rail and city traffic, as increasing the share of these modes of transport reduces the emissions of society as a whole.

VR Group's key figures

	2023	2022	2021
Net sales, M€	**1,224.1**	1,107.0	838.3
Operating result (EBIT), M€	**81.5**	-58.4	-22.7
% of net sales	**6.7**	-5.3	-2.7
Comparable operating result (EBIT), M€	**59.9**	6.0	-14.1
% of net sales	**4.9**	0.5	-1.7
Net result, M€	**52.4**	-47.4	-13.7
Operating cash flow, M€	**203.8**	179.9	138.1
Investments, M€	**186.9**	219.8	168.8
Capital employed at the end of the accounting period, M€	**1,823.6**	1,862.5	1,583.1
Return on capital employed (ROCE) %	**5.2**	-1.6	-0.5
Comparable return on capital employed (ROCE) %	**4.0**	2.0	0.0
Net interest-bearing debt at the end of the accounting period, M€	**330.8**	341.9	238.1
Gearing ratio %	**26.1**	27.4	18.6
Headcount at end of period	**9,110**	9,113	5,973
Employees on average at end of period	**7,765**	7,821	5,615

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

Net sales

VR Group's net sales increased by 10.6 per cent compared to 2022, to EUR 1,224.1 (1,107.0) million. The growth in revenue was driven by strong passenger growth in long-distance traffic and the business acquisition in Sweden made last year. Comparable revenue, excluding the Swedish business acquisition, grew by 1.1% and was 966.6 million euros. The negative impacts on revenue were attributed to the decline in freight transport volumes and the concluded contract in urban traffic in Sweden.

VR Long-distance Traffic's net sales increased by 15.1 per cent, to EUR 405.6 (352.4) million.

VR City Traffic's net sales were EUR 465.7 (358.5) million, representing an increase of 29.9 per cent compared to 2022. The impact of the acquisition on revenue was 257.5 (150.9) million euros. Excluding the impact of the acquisition, urban transport revenue increased by 0.3%.

VR Transpoint's net sales decreased by -12.0%, amounting to 339.9 (386.2) million euros.

Net sales (EUR million)	1-12/2023	1-12/2022	Change %
VR Long-distance Traffic	**405.6**	352.4	15.1%
VR City Traffic	**465.7**	358.5	29.9%
VR Transpoint	**339.9**	386.2	-12.0%
Other operations and eliminations	**12.8**	10.0	28.4%
VR Group in total	**1,224.1**	**1,107.0**	**10.6%**

Operating result (EBIT)

In 2023, VR's comparable operating result (EBIT) improved to EUR 59.9 (6.0) million. The improvement in profit was mainly due to the strong growth in passenger numbers in long-distance traffic, the determined implementation of the profit improvement program, and the decrease in energy costs. However, the decrease in freight traffic volumes, high cost inflation, and the poor profitability of long-term contracts in city traffic had a negative impact on the results. Measures to adapt costs have mitigated the impact of reduced transport volumes on the result.

VR's operating result (EBIT) was EUR 81.5 (-58.4) million, or 6.7 per cent of net sales. Items affecting comparability in operating profit were 21.6 (-64.4) million euros. These items affecting comparability include land sales of 35.0 million euros, write-downs of goodwill and property, plant, and equipment amounting to -12.6 million euros, and changes in provisions related to a loss-making contract of -1.3 million euros.

VR aims to achieve 250 million euros in profit improvement measures by the end of 2027. By the end of 2023, 35% of the planned profit improvement measures had been implemented according to the plan.

Comparable operating results (EUR million)	1-12/2023	1-12/2022	Change %
VR Long-distance Traffic	**89.9**	46.5	93.6%
VR City Traffic	**-29.9**	-26.2	-14.2%
VR Transpoint	**-6.4**	-3.0	-114.8%
Other operations and eliminations	**6.2**	-11.4	154.5%
VR Group in total	**59.9**	**6.0**	**906.0%**

Operating results (EUR million)	1-12/2023	1-12/2022	Change %
VR Long-distance Traffic	**83.2**	3.6	2,200.1%
VR City Traffic	**-33.2**	-42.1	21.1%
VR Transpoint	**-9.6**	-5.9	-63.1%
Other operations and eliminations	**41.1**	-14.1	392.2%
VR Group in total	**81.5**	**-58.4**	**239.4%**

Net profit before taxes and profit for the period

Profit before taxes was EUR 70.0 (-46.4) million. Income taxes amounted to EUR -17.6 (-1.0) million. Profit for the accounting period was EUR 52.4 (-47.4) million.

Cash flow and financing

VR's operating cash flow before investments and financing was EUR 203.8 (179.9) million. At the end of the financial year, VR Group's interest-bearing net debt amounted to EUR 330.8 (341.9) million and gearing was 26.1 (27.4) per cent. The ratio of interest-bearing net debt to last 12-months' comparable EBITDA was 1.3x (2.0x).

VR's liquid assets at the end of the financial year amounted to EUR 224.2 (274.4) million. At the end of 2023, VR Group had an unused revolving credit facility (RCF) of EUR 200 million. The RCF agreement will expire in June 2026.

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

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

Total investments amounted to EUR 186.9 (219.8) million.

VR's balance sheet total was EUR 2,305.5 (2,365.3) million at the end of 2023.

Investments and rolling stock

VR's investments in 2023 amounted to EUR 186.9 million (EUR 219.8 million). The major individual investments included the new electric locomotives, the new electric buses, and the Helsinki station renewal project.

On January 18, 2023, VR announced the procurement of nine sleeper coaches and eight car-carrier coaches from Škoda Transtech Oy. The new rolling stock will be in operation by the end of 2025, with a total investment value of approximately 50 million euros. Night train traffic is part of the contract traffic between VR and the Ministry of Transport and Communications.

The investments in rolling stock progressed as planned during the reporting period. The first diesel locomotives supplied by Stadler commenced commercial operations. Ordered deliveries of both diesel and electric locomotives will continue until 2026. From 2026 onwards, 20 new Stadler Flirt trains for suburban traffic will be introduced.

In 2022, VR announced a decision supporting its sustainability targets, stating that it would in the future put up for sale rolling stock for which a recycling decision has been made. In 2023, VR sold 11 Sm2 suburban trains to Suomen Lähijunat Oy and announced to put up for sale about ten operational diesel locomotives, 29 IC single-deck carriages, and 22 so-called blue carriages. In the future, rolling stock will be offered for sale as VR makes recycling decisions regarding its equipment.

The breakdown of investments is as follows:

Investments (EUR million)	2023	2022	Change %
Rolling stock	**136.7**	145.3	-5.9
Bus fleet	**14.1**	42.0	-66.4
Other investments	**36.1**	32.5	11.0
Total	**186.9**	**219.8**	**-15.0**

Business operations

VR Long-distance Traffic

VR Long-distance Traffic is responsible for long-distance train journeys in Finland as well as the restaurant and café services during the journey.

Travel volumes and customer experience

In 2023 long-distance travel volumes increased by 14.2%, with a total of 15.1 (13.2) million long-distance journeys. The growth in travel volumes was influenced by the direct inclusion of the value-added tax deduction in prices in January-April 2023, as well as the increase in the number of price points through dynamic pricing, particularly in the lower price ranges. In the first half of 2022, the negative impact of the COVID-19 pandemic still affected passenger numbers.

Customer satisfaction in long-distance travel has significantly improved, with the Net Promoter Score (NPS) reaching 49 (38) in 2023. NPS reached its highest level in its measurement history at 53 at the end of Q1. In 2023, factors influencing NPS included the ease of ticket purchase, improved travel comfort, and in-travel communication. VR also expanded additional service offerings, which were well-received by our customers, contributing to improved profitability.

VR Long-distance Traffic	1-12/2023	1-12/2022	Change %
Net sales, M€	**405.6**	352.4	15.1
Comparable EBITDA, M€	**154.2**	111.1	38.8
% of net sales	**38.0**	31.5	
Comparable operating result, M€	**89.9**	46.5	-93.6
% of net sales	**22.2**	13.2	
Operating result, M€	**83.2**	3.6	2200.1
% of net sales	**20.5**	1.0	
Capital employed at the end of the accounting period, M€	**855.1**	774.0	10.5
Comparable return of the capital employed (ROCE) %	**10.5**	6.2	
Investments, M€	**56.8**	42.8	32.6
Number of journeys in long-distance traffic (mil.)	**15.1**	13.2	14.2
Punctuality	**85.9**	82.6	4.0

Net sales and profitability

VR Long-distance Traffic's net sales increased by 15.1% compared to 2022, reaching EUR 405.6 (352.4) million. The number of long-distance travel journeys grew by 14.2%, totaling 15.1 (13.2) million journeys. The growth in travel volumes was influenced by the direct inclusion of the value-added tax deduction in prices in January-April 2023 and the increase in the number of price points through dynamic pricing, particularly in the lower price ranges. In the first half of 2022, the COVID-19 pandemic still had a negative impact on passenger numbers.

VR Long-distance Traffic's comparable operating result (EBIT) improved to EUR 89.9 (46.5) million. The growth in profit was mainly due to the increase in passenger numbers, the popularity of additional services, and the decrease in energy prices. The operating profit was 83.2 (3.6) million euros. Items affecting comparability in the operating profit were 6.7 (42.9) million euros. In 2023, items affecting comparability include impairments of property, plant, and equipment amounting to 7.3 million euros.

Significant events during the period under review

In January 2023, VR announced investments in night train equipment. Škoda Transtech Oy was contracted for nine new sleeping cars and eight car-carrying wagons, scheduled to be in operation by the end of 2025. The value of this equipment acquisition is approximately 50 million euros.

The Finnish Parliament reduced the VAT rate for public transportation to zero percent from January 1 to April 30, 2023. VR passed on this temporary discount directly to customer ticket prices, which had a significant positive impact on long-distance travel passenger numbers.

VR gradually expanded the use of dynamic pricing in long-distance travel, particularly increasing the number of lower price points, which had a favorable effect on the growth of passenger numbers. In addition to the increase in passenger numbers, the filling rate of transportation capacity developed positively. VR expanded the offering of additional services, contributing to the improvement of profitability.

VR is committed to increasing the rail services' share of the transport market and supporting the Finnish government in implementing its policy agenda. VR advocates for increased competition in environmentally friendly rail transport and the comprehensive development of the entire public transportation market. The Swedish model for organizing rail transport has proven to be a viable long-term solution. Adequate and targeted investments in infrastructure and reducing deferred maintenance are crucial prerequisites for the growth of rail transport, increased competition, and achieving emission reduction goals. Long-distance and freight transport should continue as market-driven, allowing competition to evolve freely based on the model of free competition according to EU regulations without the need for public support.

As part of the organizational change, Piia Tyynilä, the long-distance travel director, was appointed as the Head of VR Long-distance Traffic business unit and a member of the Leadership team starting from January 1, 2023.

VR City Traffic

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

VR City Traffic	1-12/2023	1-12/2022	Change %
Net sales, M€	**465.7**	358.5	29.9
Comparable EBITDA, M€	**31.4**	17.7	77.7
% of net sales	**6.7**	4.9	
Comparable operating result, M€	**-29.9**	-26.2	14.2
% of net sales	**-6.4**	-7.3	
Operating result, M€	**-33.2**	-42.1	-21.1
% of net sales	**-7.1**	-11.7	
Capital employed at the end of the accounting period, M€	**399.9**	343.9	16.3
Vertailukelpoinen sijoitetun pääoman tuotto (ROCE) %	**-7.5**	-7.6	
Investments, M€	**29.0**	95.7	-69.7

Net sales and profitability

In 2023, VR City Traffic's net sales totalled EUR 465.7 (358.5) million, which is an increase of 29.9% compared to 2022. The growth in revenue is attributed to the acquisition of business operations in Sweden through a corporate transaction that was completed in July 2022. The impact of the acquisition on revenue was 257.5 (150.9) million euros. Excluding the impact of the acquisition, urban transport revenue increased by 0.3%.

The comparable operating result (EBIT) decreased to EUR -29.9 (-26.2) million. The decline in results was due to the concluded contract in Sweden, high cost inflation, and integration costs related to the business acquisition in Sweden. The weak result in urban transport was also influenced by the poor profitability of long-term contracts signed before the pandemic in current conditions. The decrease in energy prices had a positive impact on profitability. The operating result was -33.2 (-42.1) million euros. Items affecting comparability in the operating result were -3.3 (-15.9) million euros. In 2023, items affecting comparability include impairment of property, plant, and equipment of -2.0 million euros, and a change in the provision for a loss-making contract of -1.3 million euros.

Significant events during the period under review

In line with its strategy, VR aims for growth, particularly in the Swedish rail transport markets. In December 2023, VR commenced train operations in the Bergslagen region in Central Sweden. In November, VR announced that it had been selected as the new train operator for X-trafik in the Gävleborg region, starting from June 2025.

Customer satisfaction remained at a high level in City Traffic, both in rail and bus services. The trend has been positive, and VR continues to develop services to maintain high-quality transportation and further enhance customer satisfaction.

As a pioneer in electric bus traffic, VR continues to invest in the electrification of bus services in both Finland and Sweden. Currently, there are 85 electric buses in operation in the Helsinki metropolitan area, and this number is set to double in the coming years.

Johan Oscarsson assumed the role of SVP, City Traffic Sweden on August 7, 2023. Janne Hattula, on the other hand, was appointed from the position of CEO of Pohjolan Liikenne to the role of SVP, City Traffic Finland, starting from August 1, 2023. Both Oscarsson and Hattula were also appointed as members of VR's Leadership team.

VR Transpoint

VR Transpoint provides logistics services in Finland. The services include railway and road transport and customised logistics chains with additional services.
VR Transpoint's customers are domestic and international companies that need logistics solutions for raw material and product transport.

VR Transpoint	1-12/2023	1-12/2022	Change %
Net sales, M€	**339.9**	386.2	-12.0
Comparable EBITDA, M€	**46.4**	42.0	10.3
% of net sales	**13.6**	10.9	
Comparable operating result, M€	**-6.4**	-3.0	114.8
% of net sales	**-1.9**	-0.8	
Operating result, M€	**-9.6**	-5.9	63.1
% of net sales	**-2.8**	-1.5	
Capital employed at the end of the accounting period, M€	**472.8**	502.6	-5.9
Comparable return of the capital employed (ROCE) %	**-1.3**	-0.6	
Investments, M€	**82.7**	60.7	36.3
Total transport volumes (mil. tonnes)			
Railway transports	**23.4**	29.7	-21.3
Road transports	**4.0**	4.7	-14.4
Punctuality	**92.5**	89.4	3.5

Transport volumes

The railway transport volumes decreased by -21.3 per cent and were 23.4 (29.7) million tonnes. In logistics, the weak industrial conditions in heavy industry further depressed volumes, aggravated by the cessation of Eastern traffic. VR phased out the eastern traffic, taking customer contracts into account, by the end of 2022. The reduction in transport volumes resulting from the discontinuation of eastern traffic has been partially offset by increased domestic transportation.

In road logistics, the transported volume was 4.0 (4.7) million tonnes, showing a decrease of -14.4 per cent from last year.

Net sales and profitability

VR Transpoint's net sales decreased by -12.0% to EUR 339.9 (386.2) million. Railway transport volumes decreased by -21.2%, totaling 23.4 (29.7) million tonnes. The decline in turnover and volumes resulted from the discontinuation of eastern freight transport during 2022 and the weakened industrial conditions.

The comparable operating profit was EUR -6.4 (-3.0) million. Profitability was negatively affected by volume losses and high cost inflation. Positive impacts on profitability came from measures taken to adapt costs, price increases, and a decrease in energy costs. The operating profit was EUR -9.6 (-5.9) million. Items affecting comparability in the operating result were EUR -3.3 (-2.9) million. In 2023, items affecting comparability include the impairment of goodwill and tangible assets.

Significant events during the period under review

Despite the decline in volumes, challenges in the operating environment were addressed by developing new, customer-tailored service and pricing models. Railway freight transport had to be adapted throughout the fall, leading to temporary layoffs of personnel.

VR Transpoint's customer satisfaction increased compared to the previous year, with a Net Promoter Score (NPS) of 16 (12).

In early 2023, VR's longest roundwood transport train commenced commuting in the customer's roundwood transport between the Pietarsaari and Ylivieska regions. The train is powered by an energy-efficient Vectron electric locomotive, carrying over 20 percent more wood per train.

In April 2023, electric-hauled roundwood train transports commenced to the new Kemi bioproduct mill. A logistic service concept, collaboratively developed with the customer, is based on a comprehensive solution designed to meet the needs of the Kemi factory, ensuring a reliable wood supply.

VR's first new diesel locomotives began commercial operation in May 2023. These locomotives are tailored to VR's needs and the conditions in Finland, particularly suitable for heavy freight transport. The locomotives incorporate the latest rail technology, enabling increased train sizes and more environmentally friendly transport. The locomotives are gradually arriving in Finland, and by the end of 2023, 14 locomotives had been received.

Other operations – VR FleetCare & Real Estate unit

VR FleetCare, VR's maintenance unit, increased the volume of rolling stock projects compared to the previous year. The most significant separate projects included the refurbishment of car carrier coaches, JWLAN installations in long-distance trains, and the overhaul of metro trains in the Helsinki metropolitan area. In April, VR FleetCare signed a contract with the Swedish rail operator SJ for a modernization project involving 27 electric trains, aiming to extend the lifecycle of the fleet and improve passenger comfort. The total value of the contract is over 35 million euros.

In component services, VR FleetCare renewed a contract for bogie maintenance with the Estonian railway company Elron. The three-year contract covers the periodic maintenance of bogies and gearboxes for Elron's Flirt diesel and electric train fleet. Bogie maintenance will be carried out at VR's component workshop in Pieksämäki.

VR's Real Estate unit is responsible for maintaining and leasing premises, as well as overseeing necessary construction projects. The unit strategically sells surplus properties, considering their potential for real estate development. The Real Estate unit also manages VR Group's private tracks, of which VR is divesting.

The comparable operating profit for **other operations** was EUR 6.2 (-11.4) million. The items affecting comparability include land sales totaling EUR 35.0 million.

Other operations	1-12/2023	1-12/2022	Change %
Net sales, M€	**12.8**	10.0	28.4
Comparable (EBITDA), M€	**19.0**	-1.6	-1290.1
Comparable operating result (EBIT), M€	**6.2**	-11.4	-154.5
Operating result (EBIT), M€	**41.1**	-14.1	-392.2
Investments, M€	**18.4**	20.6	-10.4

Statement of non-financial information

This statement has been prepared according to Chapter 3a of the Finnish Accounting Act 1336/1997, applied from Directive 2014/95/EU of the European Parliament and of the Council.

Responsibility management

VR's key areas of responsibility include environmental responsibility, safety, employee experience, customer experience, and societal responsibility. The sustainability report is part of VR Group's annual report for 2023, detailing progress in these areas of responsibility and reporting the content of the GRI (Global Reporting Initiative) index.

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 Garedew (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

Piia Tyynilä was appointed as Senior Vice President, VR Long-Distance Traffic and a member of the Leadership Team starting from January 1, 2023.

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 the Leadership Team.

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

Ilkka Anttila was appointed as Senior Vice President, Strategy and PMO and a member of the Leadership Team, starting from November 1, 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.

Proposal for distribution of profit by the Board of Directors

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

Changes in corporate structure

On May 23, 2023, VR Group established the Property Limited Company of Helsinki Central Railway Station. The company owns and manages the real estate and buildings located in the Helsinki Central Railway Station area. VR-Group Plc owns all the shares of the company.

On June 16, 2023, VR Group established K-Trains Finance Oy. The company is engaged in the acquisition, ownership, management, and leasing of mobile rail traffic equipment for railways.

Credit rating

The international credit rating agency Standard & Poor's (S&P) has awarded
VR-Group Plc a credit rating of A+, with a stable outlook.

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

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 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. 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 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 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 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.

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.

Figures in accordance with the EU taxonomy

The EU's Taxonomy Regulation sets out scientific screening criteria for sustainable economic activities. EU taxonomy helps to identify and classify economic activities, which promote environmentally sustainable economy. The taxonomy defines criteria for activities that are considered to significantly contribute to the EU's long-term climate and environmental objectives. The objectives are related to (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. For 2022 reporting technical screening criteria was only specified for the objectives concerning climate change mitigation and climate change adaption. The technical screening criteria was updated during 2023: already existing criteria for objectives 1) – 2) were supplemented and for objectives 3) – 6) technical screening criteria were published.

A company's activities may significantly contribute to one or more of the specified environmental objectives. For an economic activity to be aligned with the taxonomy, it must fall within the classification system of the taxonomy and significantly contribute to at least one environmental objective. At the same time, the activity must not significantly harm the achievement of the other environmental objectives, and it must meet the minimum safeguards for social responsibility, such as the fundamental rights of workers as defined by the International Labour Organization (ILO).

The reporting obligation stipulated by the Taxonomy Regulation applies to VR Group from 2022 onwards, as it falls within the scope of non-financial reporting in accordance with section 3a of the Accounting Act. In May 2022, VR Group issued a green bond, which is listed on Nasdaq Helsinki Ltd's official list of sustainable bonds.

Accounting principles applied in the financial statements

VR Group's reporting on the EU taxonomy complies with the provisions of the Commission Delegated Regulations 2021/2178, 2021/2139, 2023/2486 and 2023/2485. The purpose of the EU's sustainable finance classification system, known as the EU taxonomy, is to help companies and investors assess the environmental impacts of economic activities. The reporting obligations set out in the EU taxonomy are applied for taxonomy-eligible and taxonomy-aligned activities in VR Group's reporting on the financial year 2022. VR Group's turnover is mainly derived from transport services, the majority of which are taxonomy-eligible. The indicators presented for taxonomy-eligible and taxonomy-aligned activities are their proportion of the company's turnover, capital expenditure (CapEx) and operating expenditure as defined in the taxonomy, in accordance with Commission Delegated Regulation 2021/2178.

VR Group's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) approved for use in the European Union. The data used to calculate the key figures in accordance with the EU taxonomy have been collected from VR Group's financial systems. The figures are based on the same information and the Group's accounting principles as the consolidated financial statements for the financial year 1 January–31 December 2023. The materiality of the economic activities was taken into account in the calculation of the key figures.

As taxonomy-eligible activities, VR Group reports the proportion of the Group's turnover, capital expenditure and operating expenditure that is accrued from activities that are within the scope of the taxonomy classification system.

Reporting accuracy and practices have been refined during the year 2023. However, VR Group has not revised the calculation principles of 2022. In the key figure tables, each of the economic activities are presented only on one row. Also, the logic of filling in the table was refined during the year 2023. In the revenue table, the column 'Turnover' tells the share of taxonomy-eligible turnover, and 'Proportion of Turnover' tells the share of turnover according to taxonomy. Similarly, 'Proportion of Taxonomy aligned turnover 2022" tells the share of turnover aligned in the 2022 taxonomy.

In reporting taxonomy-eligible figures, VR Group applies the precautionary principle. This means that the figures do not include items that are not specifically mentioned in the taxonomy. According to the EU taxonomy, companies must avoid double counting in calculating the turnover, capital expenditure and operating expenditure of economic activities. VR Group has carried out the allocations based on cost structures and separate profitability accounting systems, and ensured the separateness of the different cost factors for each activity.

VR Group uses different profitability accounting systems that can be used to determine the turnover, capital expenditure and operating expenditure of different businesses for different types of traffic. These items have been allocated to taxonomy-eligible and taxonomy-aligned items.

Assessment of compliance with Regulation (EU) 2020/852

VR Group has conducted an assessment of compliance with Regulation (EU) 2020/852 in accordance with the screening criteria set out in Commission Delegated Regulations 2021/2139, 2023/2486, 2023/2485. Based on the assessment on the Commission Delegated Regulation 2021/2139, the following economic activities have been identified as taxonomy-eligible in VR Group's operations:

> CCM 6.1 Passenger interurban rail transport: all VR Group passenger train services in Finland, and Östgötapendeln, Pågatåget and Tåg i Bergslagen Sweden
>
> CCM 6.2 Freight rail transport: all of VR Group's rail logistics
>
> CCM 6.3 Urban and suburban transport, road passenger transport: bus services in Finland and Sweden, Tampere Tramway, and rail services in the Stockholm region
>
> CCM 6.6 Freight transport services by road: Road logistics operated with EURO VI class vehicles. In 2022 reporting, Freight transport services by road also included circular economy operations. During 2023, circular economy was classified into its own activity CE 2.3 Collection and transport of non-hazardous and hazardous waste.

According to the new Commission Delegated Regulations 2023/2486 and 2023/2485, the following economic activities have also been identified as taxonomy-eligible in VR Group's operations:

> CCM 3.19 Manufacture of rail rolling stock constituents: VR Group's external fleet maintenance and installation of railway equipment
>
> CE 2.3 Collection and transport of non-hazardous and hazardous waste: VR Group's Road logistics circular economy operations. In 2022 this was included in activity CCM 6.6, and during 2023, circular economy was classified into its own activity
>
> CE 3.2 Renovation of existing buildings: repair and improvement investments made on properties owned by VR Group, which are not directly related to other taxonomy activities.

The taxonomy indicators are presented categorised into these seven economic activities. For activity CE 3.2 only CAPEX indicators are presented. Of VR Group's business operations, the economic activities CCM 6.2, CCM 6.6 and CE 2.3 are part of VR Transpoint's rail and road logistics, and CCM 6.1 and CCM 6.3 are part of VR Long Distance Traffic and VR City Traffic. The names of the activities do not directly correspond to VR Group's business structure, as VR City Traffic, for example, includes passenger transport in accordance with activities CMM 6.1 and CM 6.3.

In 2022 the technical screening criteria was only completed for the first two of the six environmental objectives. The screening criteria have been updated, and the technical screening criteria for the six environmental goals are in use for the 2023 reporting. Group's assessment is that its business operations are materially linked to the environmental objective of climate change mitigation and promoting the transition to a circular economy, and it has assessed their taxonomy eligibility in that respect.

Of the taxonomy-eligible activities, the activities that meet the technical screening criteria and that are therefore taxonomy-aligned at VR Group are as follows:

CCM 6.1 Passenger interurban rail transport: all electrically driven VR Group passenger train services in Finland, and Östgötapendeln and Pågatåget in Sweden. They meet technical screening criterion 1(a) and cause no significant harm to the other environmental objectives (2,4,5). Diesel-powered passenger train services are excluded from taxonomy alignment, as they do not meet the DNSH criterion regarding the emission limits for engines in accordance with Annex II to Regulation (EU) 2016/1628. *The new Dr19 locomotives meet the emission limits but have not yet been significantly in commercial traffic.*

CCM 6.2 Freight rail transport: electrically driven rail logistics that are not used for the transport of fossil fuels. It meets technical screening criteria 1(a) and 2 and does not cause significant harm to the other environmental objectives (2,4,5). Diesel-powered rail logistics and related shunting work are excluded from taxonomy alignment on the same grounds as mentioned for economic activity CCM 6.1, and the transport of fossil fuels has also been eliminated from the reported indicators.

CCM 6.3 Urban and suburban transport, road passenger transport: Tampere Tramway, and rail services in the Stockholm region. These are fully electrically driven and therefore meet the technical screening criterion 1(a) and cause no significant harm to the other environmental objectives (2,4,5). Bus services in Finland and Sweden are excluded from taxonomy alignment, as the tyres used in both do not meet the DNSH criterion for environmental objective 5 due to not having rolling resistance coefficients in the two highest populated classes of energy efficiency. This DNSH criterion excludes a significant part of the business, as the majority of VR Group's bus services would meet technical screening criterion 1(a) (electric buses) or 1(b) (EURO VI).

CCM 6.6 Freight transport services by road: no taxonomy-aligned activities. The fleet of natural gas vehicles would meet technical screening criterion 1(c)ii, but, as in the case of activity 6.3, the DNSH criterion for environmental objective 5 is not met due to the rolling resistance coefficients related to the energy efficiency of the tyres.

In the 2023 reporting, the taxonomy alignment of activities CCM 3.19 and CE 2.3 is not assessed. Reporting whether the activities are taxonomy-aligned or not must be done for the first time in the 2024 reporting. For activity CE 3.2 Renovation of existing buildings VR Group is not able to assess the technical screening criteria for year 2023, and in accordance with the principle of prudence, alignment is not reported.

According to the assessment, the minimum social safeguards related to human rights, including workers' rights, bribery and corruption, taxation and fair competition are also met in VR Group's operations.

Template 1: Nuclear and fossil gas related activities

Row	**Nuclear energy related activities**	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Background information on the turnover indicator

VR Group has calculated the denominator of the turnover indicator using the same accounting principles applied to net sales in IFRS accounting. Turnover includes all revenue received from the sale of services and goods in the ordinary course of business. Total turnover corresponds to the net sales figure presented in the consolidated financial statements.

The taxonomy-eligible turnover includes the external turnover of the taxonomy-eligible economic activities. The majority of VR Group's turnover is taxonomy-eligible, including all rail passenger services in Finland and Sweden, all of VR Group's rail logistics, bus services in Finland and Sweden, the operations of the Tampere Tramway, rail traffic in the Stockholm area, road freight services operated using EURO VI vehicles, VR Group's circular economy operations, and external fleet maintenance and installation of railway equipment.

Taxonomy-aligned turnover includes VR Group's electrically driven passenger train services, electrically driven rail freight traffic (excluding the transport of fossil fuels), the Tampere Tramway, and rail traffic in the Stockholm area.

Of VR Group's total turnover in 2023, 95.4% (93.4%) was taxonomy-eligible and 59.8% (62.2%) was taxonomy-aligned.

Background information on the CapEx indicator

In the denominator for the capital expenditure indicator, VR Group has included increases to tangible and intangible assets and right-of-use assets during the financial year. Capital expenditure (CapEx) is related to turnover-generating taxonomy-eligible and taxonomy-aligned investments that are expected to generate turnover within the next three years at the latest. In the assessment of taxonomy eligibility and alignment with the taxonomy, they support climate change mitigation by reducing greenhouse gases or promote the transition to a circular economy. The items in question are treated in accordance with reporting pursuant to the following standards: IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets; and IFRS 16 Leases. More information on investments is provided in the section "Investments" in the Report of the Board of Directors. Most of VR Group's investments are investments in environmentally friendly rolling stock and buses.

The taxonomy-eligible investments comprise the investments made in the context of VR Group's taxonomy-eligible economic activities. The largest investments in this category are new electric locomotives (Sr3) and diesel locomotives (Dr19), and e-buses. Investments based on the use of electricity are strongly related to the pursuit of a future that is independent of fossil raw materials. VR Group's business ties up large amounts of capital and requires significant investments. By having a large proportion of taxonomy-eligible investment, VR Group demonstrates a strong commitment to protecting the environment and the climate.

Some of the investments in locomotives are shared between different economic activities, and therefore allocation to taxonomy activities has been determined with internal accounting distribution keys. The allocation between taxonomy-eligible and taxonomy-aligned investments (numerator) is determined in relation to external turnover.

In 2023 circular economy was classified into its own activity, and at the same time calculations of operating and capital expenditure were refined by including OpEx and CapEx of trailers and recycling containers of trucks according to the share of the turnover, which was produced with taxonomy-eligible equipment. In 2023 the taxonomy-eligible investments also include the repair and improvement investments made on properties owned by VR Group, which was not considered as taxonomy-eligible economic activity in 2022. VR Group has not revised the figures reported the previous year regardless of the expansion of the review.

Taxonomy-aligned investments in 2023 comprised investments in rail passenger services, rail freight traffic (excl. transport of fossil fuels) , and city and suburban traffic in the Stockholm region. No investments were allocated to the Tampere Tramway in 2023, although it is a taxonomy-eligible activity. VR Group operates the Tampere Tramway using the operator's fleet. The largest taxonomy-aligned investments were the procurement of electric trains from Stadler Bussnang and the Sr3 locomotives supplied by Siemens. For repair and improvement investments made on properties owned by VR Group, VR Group is not able to assess the technical screening criteria, and in accordance with the principle of prudence, alignment is not reported.

VR Group issued a EUR 300 million green bond in accordance with the company's Green Finance Framework, which is in line with the Green Bond Principles published by the International Capital Market Association (ICMA) in 2021, the Green Loan Principles published by the Loan Market Association (LMA) and the Green Loan Principles published by the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA) in 2021.

The proceeds from the issue will be used for initiatives and projects that comply with VR Group's Green Finance Framework. The projects include investments in clean transport, renewable energy projects and improving the energy efficiency of buildings owned or occupied by VR Group. The goal is the global mitigation of climate change by reducing greenhouse gas emissions, producing renewable energy and saving energy.

The eligible assets in accordance with the Green Finance Framework are, to the best of their ability, in line with the technical screening criteria of the EU taxonomy, which contributes substantially to climate change mitigation.

Of VR Group's capital expenditure in 2023, 92.6% (86.3%) was taxonomy-eligible and 55.0% (45.2%) was taxonomy-aligned.

Background information on the OpEx indicator

VR Group has determined the denominator for the operating expenditure indicator, EUR 247.6 million (191.7), in accordance with the methodology of the Taxonomy Regulation. Reporting accuracy and practices have also been refined during the year 2023 in terms of the OpEx indicator. However, VR Group has not revised the 2022 calculations. VR Group does not have research and development expenditure in accordance with IAS 38 Intangible Assets.

The taxonomy-eligible operating expenditure comprises the operating expenditure of VR Group's taxonomy-eligible business activities as defined in the taxonomy. In addition, VR Group's external fleet maintenance and installation of railway equipment and VR Group's Road logistics circular economic operations have been included as taxonomy-eligible in accordance with the Commission Delegated Regulations. In order to avoid double counting in the calculation of economic activity, VR Group does not report depreciations in its operating expenses, as they are seen to be reported once through capital expenditures.

Taxonomy-aligned operating expenditure comprises costs related to electrically driven passenger services, electrically driven freight traffic (excluding the transport of fossil fuels), city and suburban traffic in the Stockholm region and the operating costs of the Tampere Tramway, in accordance with the Commission Delegated Regulation.

Taxonomy-eligible and taxonomy-aligned operating expenditure is related to turnover-generating and taxonomy-eligible assets and economic activities, which include all direct non-capitalised costs related to the asset's operations that could be itemised.These include, in accordance with the denominator defined in the calculation of the indicator, direct expenditure on locomotives, wagons, buses and road transport that is related to fleet repair and maintenance costs to ensure the operability of the fleet (IAS 16 Property, Plant and Equipment, recognition of the maintenance costs of fixed assets). The maintenance costs of fixed assets include direct wage costs of maintenance personnel, material costs and maintenance costs of external subcontractors, as defined in the Commission Delegated Regulation. In addition, VR Group's external maintenance and installation operations in accordance to activity CCM 3.19 is included in the numerator. The maintenance costs of buildings and structures have also been taken into account in the denominator.

Of VR Group's total operating expenditure in 2023, 92.5% (89.1%) was taxonomy-eligible and 64.7% (63.9%) was taxonomy-aligned.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover	Proportion of Turnover, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
		M€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Passenger interurban rail transport	CCM 6.1	516.6	42.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	38.8%	-	T
Freight rail transport	CCM 6.2	163.5	13.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	17.6%	-	T
Urban and suburban transport, road passenger transport	CCM 6.3	52.0	4.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	5.8%	-	T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		732.1	59.8%	100.0%	-	-	-	-	-	-	Y	-	Y	Y	-	Y	62.2%		
Of which Enabling		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	E	
Of which Transitional		732.1	59.8%	100.0%						-	Y	-	Y	Y	-	Y	62.2%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Passenger interurban rail transport	CCM 6.1	17.1	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.1%		
Freight rail transport	CCM 6.2	99.5	8.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8.7%		
Urban and suburban transport, road passenger transport	CCM 6.3	245.0	20.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								15.5%		
Freight transport services by road	CCM 6.6	39.3	3.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.9%		
Manufacture of rail rolling stock constituents	CCM 3.19	16.6	1.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Collection and transport of non-hazardous and hazardous waste	CE 2.3	18.4	1.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		435.9	35.6%	95.8%	-	-	-	4.2%	-								31.2%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		1,168.0	95.4%	98.4%	-	-	-	1.6%	-								93.4%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy non-eligible activities		56.0	4.6%																
TOTAL (A+B)		1,224.1	100.0%																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	CapEx M€	Proportion of CapEx, 2023 %	Climate Change Mitigation Y; N; N/EL	Climate Change Adaptation Y; N; N/EL	Water Y; N; N/EL	Pollution Y; N; N/EL	Circular Economy Y; N; N/EL	Biodiversity Y; N; N/EL	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity Y/N	Minimum Safeguards Y/N	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 %	Category enabling activity E	Category transitional activity T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Passenger interurban rail transport	CCM 6.1	49.3	26.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	27.1%	-	T
Freight rail transport	CCM 6.2	51.1	27.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	14.7%	-	T
Urban and suburban transport, road passenger transport	CCM 6.3	0.7	0.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	3.4%	-	T
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		101.1	55.0%	100.0%	-	-	-	-	-	-	Y	-	Y	Y	-	Y	45.2%		
Of which Enabling		0.0	0.0%	-	-	-	-	-	-	-	Y	-	-	-	-	Y	0.0%	E	
Of which Transitional		101.1	55.0%	100.0%						-	Y	-	Y	Y	-	Y	45.2%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Passenger interurban rail transport	CCM 6.1	6.1	3.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.6%		
Freight rail transport	CCM 6.2	30.6	16.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8.1%		
Urban and suburban transport, road passenger transport	CCM 6.3	25.9	14.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								29.8%		
Freight transport services by road	CCM 6.6	0.7	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.6%		
Manufacture of rail rolling stock constituents	CCM 3.19	0.7	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Collection and transport of non-hazardous and hazardous waste	CE 2.3	1.3	0.7%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
Renovation of existing buildings	CE 3.2	3.9	2.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		69.2	37.7%	92.4%	-	-	-	7.6%	-								41.1%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		170.3	92.6%	96.9%	-	-	-	3.1%	-								86.3%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		13.5	7.4%																
TOTAL (A+B)		183.9	100.0%																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	OpEx	Proportion of OpEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
		M€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Passenger interurban rail transport	CCM 6.1	112.8	45.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	54.9%	-	T
Freight rail transport	CCM 6.2	21.7	8.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	7.8%	-	T
Urban and suburban transport, road passenger transport	CCM 6.3	25.8	10.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	-	Y	-	Y	Y	-	Y	1.3%	-	T
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		160.3	64.7%	100.0%	-	-	-	-	-	-	Y	-	Y	Y	-	Y	63.9%		
Of which Enabling		0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	E	
Of which Transitional		160.3	64.7%	100.0%						-	Y	-	Y	Y	-	Y	63.9%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Passenger interurban rail transport	CCM 6.1	8.7	3.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.1%		
Freight rail transport	CCM 6.2	22.2	9.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14.9%		
Urban and suburban transport, road passenger transport	CCM 6.3	28.3	11.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6.6%		
Freight transport services by road	CCM 6.6	0.2	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.5%		
Manufacture of rail rolling stock constituents	CCM 3.19	8.1	3.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Collection and transport of non-hazardous and hazardous waste	CE 2.3	1.3	0.5%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								-		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		68.8	27.8%	98.1%	-	-	-	1.9%	-								25.2%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		229.0	92.5%	99.4%	-	-	-	0.6%	-								89.1%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-noneligible activities		18.5	7.5%																
TOTAL (A+B)		247.6	100.0%																

Share capital and shares

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.

Outlook for the new year

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

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.

Proposal for distribution of profit by the Board of Directors

The distributable funds of the parent company in the financial statements amount to 370,848,474.66 euros, of which the share of the annual result is -25,078,197.01 euros. There has been no significant changes in the financial position of VR Group after the closing date of the reporting period.

The Board of Directors proposes to the Annual General Meeting that an equity repayment of 57,002,000 euros, or 25.91 euros per share, be distributed from the distributable equity of VR-Group Plc.

Helsinki, 19 March 2024

VR-Group Plc

Board of Directors

Esa Rautalinko
Chairperson of the Board

Nermin Hairedin

Markus Holm

Pekka Hurtola

Jaakko Kiander

Virve Laitinen

Sari Pohjonen

Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 19 March 2024

KPMG Oy Ab
Authorised Public Accountant

Ari Eskelinen
APA

Calculation of key figures

Capital employed

Balance sheet total - non-interest-bearing liabilities

Return on capital employed (ROCE) before taxes, %

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average during the period)}} \times 100$$

Comparable return on capital employed (ROCE) before taxes, %

$$\frac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Balance sheet total - non-interest-bearing liabilities (average during the period)}} \times 100$$

Gearing, %

$$\frac{\text{Interest-bearing liabilities}}{\text{Equity, total}} \times 100$$

Interest-bearing net debt

Long-term interest-bearing liabilities + long-term lease liabilities
+ short-term interest-bearing liabilities + short-term lease liabilities
- cash and cash equivalents - other interest-bearing liabilities

Net debt to comparable EBITDA, x

$$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA (last 12 months)}}$$

Consolidated financial statements (IFRS)

Consolidated statement of comprehensive income (EUR 1,000)

	Note data	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Net sales	2.2.	**1,224,070**	1,107,031
Other operating income	2.4.	**107,540**	58,551
Materials and services		**-349,499**	-386,890
Change in stocks of finished and unfinished products		**1,652**	1,340
Production for own use		**49,957**	64,133
Personnel expenses	3.1.	**-520,948**	-470,456
Depreciation, amortisation and impairment losses	4.1.-4.2.	**-203,798**	-207,396
Other operating expenses	2.4.	**-227,518**	-224,734
Operating result (EBIT)		**81,455**	-58,422
Financial income		**13,094**	29,374
Financial expenses		**-24,428**	-17,454
Net financial expenses	5.3.	**-11,334**	11,920
Income from associated companies	8.1.	**-167**	54
Result before taxes		**69,954**	-46,448
Income taxes	7.	**-17,588**	-968
Result for the period		**52,365**	-47,416
Result for the period attributable to			
Equity holders of the parent		**52,365**	-47,417
Non-controlling interests		**0**	1

Other comprehensive income (EUR 1,000)

Items that may be reclassified subsequently to profit or loss	Note data	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Translation differences		**-364**	305
Cash flow hedges		**-39,327**	37,100
Taxes on items that may be reclassified subsequently to profit or loss		**9,420**	-7,420

Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	**7,400**	62,600
Financial assets at fair value through other comprehensive income	**-5,596**	-13,819
Taxes on items that will not be reclassified subsequently to profit or loss	**-1,480**	-24,322
Total other comprehensive income for the period net of taxes	**-29,948**	54,445
Total comprehensive income for the period	**22,418**	7,028

Total comprehensive income for the period attributable to		
Equity holders of the parent	**22,418**	7,027
Non-controlling interests	**0**	1
Total	**22,418**	7,028

Consolidated statement of financial position

Assets (1 000 €)

Non-current assets	Note data	31 Dec 2023	31 Dec 2022
Intangible assets	4.4.	**46,649**	59,100
Goodwill	4.4.	**8,261**	10,862
Tangible assets	4.1.	**1,328,321**	1,302,474
Right-of-use assets	4.2.	**264,876**	298,966
Investment properties	4.3.	**9,071**	12,077
Holdings in associated companies	8.1.	**923**	1,872
Investments	5.2.	**12,993**	18,596
Other receivables	5.2.	**150,933**	143,695
Non-current assets, total		**1,822,028**	1,847,642
Current assets			
Inventories	4.6.1.	**99,400**	75,135
Accounts receivable and other receivables	4.6.2.	**97,082**	117,015
Prepaid expenses and accrued income	4.6.2.	**62,829**	51,140
Other financial assets	5.2.	**–**	50,000
Cash and cash equivalents	5.2.	**224,178**	224,396
Current assets, total		**483,488**	517,686
Assets, total		**2,305,516**	2,365,328

Equity and liabilities (1 000 €)

Equity	Note data	31 Dec 2023	31 Dec 2022
Equity attributable to holders of the parent			
Share capital		**370,013**	370,013
Fair value reserve		**-69,481**	-33,978
Invested non-restricted equity reserve		**336,147**	336,228
Retained earnings		**579,579**	621,360
Net result for the financial year		**52,365**	-47,417
Equity attributable to holders of the parent, total		**1,268,623**	1,246,206
Non-controlling interest		**–**	14
Equity, total	5.4.	**1,268,623**	1,246,220
Non-current liabilities			
Provisions	4.5.	**83,281**	78,207
Financial liabilities	5.2.	**300,684**	325,065
Lease liabilities	4.2.	**217,338**	243,620
Accounts payable and other liabilities	4.6.3.	**6,779**	3,434
Deferred tax liabilities	7.	**125,004**	117,420
Non-current liabilities, total		**733,085**	767,746
Current liabilities			
Provisions	4.5.	**586**	690
Financial liabilities	5.2.	**7**	2,930
Lease liabilities	4.2.	**36,943**	44,707
Advances received	4.6.3.	**25,892**	18,346
Accounts payable and other liabilities	4.6.3.	**98,418**	94,553
Accrued expenses and prepaid income	4.6.3.	**141,961**	190,136
Current liabilities, total		**303,807**	351,362
Liabilities total		**1,036,893**	1,119,108
Equity and liabilities, total		**2,305,516**	2,365,328

Consolidated cash flow statement (1 000 €)

Cash flow from operating activities	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Result before taxes	**69,954**	-46,448
Depreciation and amortisation	**203,798**	207,396
Profit and loss from sale of tangible and Intangible assets and other adjustments	**-20,046**	-2,942
Cash flow from operating activities before change in working capital	**253,706**	158,006
Change in working capital	**-33,453**	15,517
Net financial expenses	**-8,979**	516
Income taxes paid	**-7,428**	5,890
Cash flow from operating activities (A), total	**203,846**	179,929

Cash flow from investing activities		
Tangible and intangible assets purchases	**-229,157**	-167,214
Tangible and intangible assets sales	**60,226**	16,867
Shares and holdings acquired	**–**	-69,719
Shares and holdings sold	**652**	–
Change in investment receivables	**46,032**	-21,233
Cash flow from investing activities (B), total	**-122,246**	-241,299
Cash flow before financing (A)+(B)	**81,599**	-61,370

Cash flow from financing activities	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Returns of invested capital paid	**–**	-40,000
Change in bond	**–**	298,527
Change in non-current liabilities	**-24,406**	-3,080
Repayment of leasing liabilities	**-54,488**	-34,112
Change in current interest-bearing liabilities	**-2,923**	-1,415
Cash flow from financing activities (C), total	**-81,817**	219,921
Change in cash flows (A)+(B)+(C)	**-218**	158,551
Cash and cash equivalents 1 Jan.	**224,396**	65,845
Cash and cash equivalents 31 Dec.	**224,178**	224,396

Consolidated statement of changes in equity (EUR 1,000)

	Note data	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	**5.4.**	**370,013**	**-33,978**	**336,228**	**471**	**573,471**	**1,246,206**	**14**	**1,246,220**
Comprehensive income									
Net result for the financial year						52,365	52,365		**52,365**
Translation differences				-81	-283		-364		**-364**
Cash flow hedges			-29,907				-29,907		**-29,907**
Remeasurements of defined benefit plans						5,920	5,920		**5,920**
Changes in fair value with effects on comprehensive income			-5,596				-5,596		**-5,596**
Other comprehensive income total			**-35,503**	**-81**	**-283**	**5,920**	**-29,948**		**-29,948**
Total comprehensive income for the financial year			**-35,503**	**-81**	**-283**	**58,285**	**22,418**	**–**	**22,418**
Changes in group structure								-14	**-14**
Equity 31 Dec 2023	**5.4.**	**370,013**	**-69,481**	**336,147**	**188**	**631,757**	**1,268,623**	**–**	**1,268,623**
Equity 1 Jan 2022	**5.4.**	**370,013**	**-38,037**	**376,228**	**166**	**570,808**	**1,279,178**		**1,279,178**
Comprehensive income									
Net result for the financial year						-47,417	-47,417	1	**-47,416**
Translation differences					305		305		**305**
Cash flow hedges			29,680				29,680		**29,680**
Remeasurements of defined benefit plans						50,080	50,080		**50,080**
Changes in fair value with effects on comprehensive income			-25,620				-25,620		**-25,620**
Other comprehensive income total			**4,060**		**305**	**50,080**	**54,445**		**54,445**
Total comprehensive income for the financial year			**4,059**		**305**	**2,663**	**7,027**	**1**	**7,028**
Return of invested equity				-40,000			-40,000	–	**-40,000**
Changes in group structure								13	**13**
Equity 31 Dec 2022	**5.4.**	**370,013**	**-33,978**	**336,228**	**471**	**573,471**	**1,246,206**	**14**	**1,246,220**

Notes to the consolidated financial statements

How to read the consolidated financial statements

In VR Group's consolidated financial statements, notes are compiled into themes to form an overview and make it easier to read the financial statements. The areas presented in the financial statements are indicated by these symbols:

Accounting principles
Accounting principles followed in IFRS financial statements can be identified by this symbol.

Management estimates
A description of management discretion relating to an area and uncertainties associated with the estimates.

Key consolidated accounting principles

Accounting principle	Area	Note	IFRS standard
Segment information	Profitability of operations	2.1.	IFRS 8
Revenue recognition	Profitability of operations	2.2.	IFRS 15
Defined-benefit pension plans	Remuneration of the personnel and related parties	3.2.	IAS 19
Leases	Capital invested and provisions	4.2.	IFRS 16
Investment properties	Capital invested and provisions	4.3.	IAS 40
Provisions	Capital invested and provisions	4.5.	IAS 37
Derivatives and hedge accounting	Financial risk management	6.2.	IFRS 7 IFRS 9
Business Combinations	Group structure	8.1.	IFRS 3

1. Description of the Group and general accounting principles

1.1. Description of the Group

VR Group is a travel, logistics and maintenance service company. The parent company of the Group is VR-Group Plc and its domicile is Helsinki, Finland. Copies of the consolidated financial statements are available from the company's headquarters at Radiokatu 3, P.O. Box 488, 00240 Helsinki, Finland.

The Group's Board of Directors approved these financial statements in its meeting on 19 March 2024. In accordance with the Finnish Limited Liability Companies Act, shareholders can accept or reject the financial statements at the general meeting held after their publication.

In accordance with the Finnish Limited Liability Companies Act, the general meeting decides the adoption of the financial statements.

1.2. General accounting principles

Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, in force on 31 December 2023. International Financial Reporting Standards refers to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedures laid down in Regulation (EC) No 1606/2002. The Group has applied these accounting principles both to the financial years 2023 and 2022, unless otherwise specified below. The Group has not applied any new or revised standards or interpretations prior to their entry into force.

The financial year of VR Group is the calendar year, with the exception of Kiinteistö Oy Helsingin päärautatieasema, whose financial year is exceptionally 23. May 2023– 31. December 2023. VR Group's financial statements are reported in thousands of euros, unless otherwise specified. All of the reported figures have been rounded up or down, so the total sum of individual figures can differ from the reported sum figure.

VR Group publishes the Report of the Board of Directors and financial statements as a XHTML-file in accordance of European Single Electronic Format (ESEF) requirements. In accordance of ESEF-requirements the calculations and notes to the consolidated financial statements has been marked with XBRL-tag. Auditor, KPMG Oy Ab has delivered an independent limited assurance report regarding VR Group's Finnish ESEF financial statements.

Official Report of the Board of Directors and financial statements has been prepared in Finnish. The English translation is unofficial.

Key estimates and discretionary decisions

Preparing IFRS financial statements requires the management to exercise discretion and use assumptions and estimates. These estimates and assumptions are based on prior experience and other justified factors, such as expectations concerning future events. The management's estimates are based on the best view and knowledge of the management of VR Group on the closing date. Significant identified uncertainties, which require management estimates and assumptions are presented in the note that these estimates and assumptions concern.

The table presents the key estimates and discretionary decisions essential to assessing the financial statements on the whole, and indicates the notes in which the information is disclosed.

Key estimates and discretionary decisions	Note
Pension obligations	3.2.
Testing for impairment loss	4.1. and 4.4.
Leases	4.2.
Measurement of investment properties	4.3.
Provisions for environmental obligations	4.5.
Income tax	7.
Legal liabilities	9.1.3.

New and revised standards that entered into force during the financial year and which are applicable to future financial years

In the completed fiscal year, VR Group has implemented the following improvements to the existing standards published by the IASB. These changes did not have a significant impact on the consolidated financial statements.

New and revised standards that are entered into force during the financial year

- The new IFRS 17 Insurance contracts standard became effective in the beginning of financial year
- Changes in IAS 1, Presentation of Financial Statements
- Changes in IAS 8, Definitions of Accounting Estimates
- Changes in IAS 12
  - Deferred Tax related to Assets and Liabilities arising from Single Transaction
  - Pillar Two Model international tax reform related notes

New and revised standards which are applicable to future financial years

- Changes in IFRS 16, Presentation of Sale and Leaseback
- Changes in IAS 1, Classification of Liabilities as Current or Non-current
- Changes in IAS 7 and IFRS 7, Supplier Finance Arrangements
- Changes in IFRS 10 and IAS 28 to remove the conflict between standards

The Group has not proactively adopted any of the revised standards and interpretations already issued by the IASB. The Group will adopt them as of the entry into force of each standard and interpretation, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year after the effective date. According to the Group's current estimate, these standards and interpretations will not have a significant impact on future consolidated financial statements.

Changes in Accounting Principles

Change in reported segments

The Group has changed the reporting segments as of 1. January 2023. VR Passenger Services was divided into two parts: VR Long-distance Traffic and VR City Traffic. VR Long-distance Traffic is responsible for long distance rail traffic and related services. VR City Traffic will include VR Sverige in Sweden, VR's commuter rail operations in Finland, Pohjolan Liikenne and Tampere Tram. VR Fleetcare will not be reported as an own segment. It's group internal maintenance operations will be reported under each reporting segment and the external maintenance sales will be reported under Other Operations. The New reporting segments are VR Long-distance Traffic, VR City Traffic and VR Transpoint (logistics). The changes do not have impact on Group's consolidated income stamement or consolidated statement of the financial position.

2. Profitability of operations

2.1. Segment information

Based on the new strategy VR Group changed the reporting segments as of 1. January 2023. VR Passenger Services was divided into two parts: VR Long-distance Traffic and VR City Traffic. VR Fleetcare will not be reported as an own segment.

The reporting segments are VR Long-distance Traffic, VR City Traffic and VR Transpoint (logistics).

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

VR City Traffic
VR City Traffic is responsible for contract based passenger traffic on rail and highways in Finland and Sweden. VR City Traffic includes VR Sverige in Sweden, VR's commuter rail operations in Finland, Pohjolan Liikenne and Tampere Tram. VR City Traffic also includes the joint operation of K-Trains Finance and Karelian Trains in Finland. VR City Traffic has bus and rail transport services in Finland and Sweden and maintenance and traffic infrastructure maintenance in Sweden.

VR Transpoint
VR Transpoint offers rail logistics as well as domestic and international road logistics services. The services include combined railway and road transports and customised logistics chains with additional services. The customer of VR Transpoint are domestic and international corporations in need of logistics solutions for raw material and product transportation.

Other operations
Other operations include VR FleetCare's sales to external clients, property managment and other group operations. VR FleetCare provides rail traffic fleet repairs, maintenance and lifecycle management as well as expert services related to fleet technology in the Nordics and Baltic region. VR Group's property management unit takes care of property development and rental operations. Group operations provide support to the business units.

The President and CEO and the Management team as the supreme operational decision-making body review the management's internal reports on a monthly basis. The evaluation of the profitability of the segments is based on their operating profit. The Group has not consolidated the segments to form reporting segments.

The figures for the business operations are based on IFRS reporting figures, and they are reported consistently in the notes as they are reported to the President and CEO and the Management team. Sales between business operations are made on market terms. Internal transactions are eliminated in the consolidated financial statements.

The Group's assets and liabilities have not been allocated to the segments, because the supreme operational decision-making body does not allocate resources based on the assets or liabilities of the segments and does not review the segments' assets or liabilities.

Information pertaining to the entire Group
The Group's net sales are generated almost exclusively in Finland and Sweden (details are presented in Note 2.2). The Group's non-current assets are located in Finland and Sweden. The Group does not have an external customer generating revenue amounting to a minimum of 10 per cent of the Group's net sales.

Segments 2023 (EUR 1,000)	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Segments total	Other operations and eliminations	Group total
Sales to outside the Group	405,606	463,843	339,830	1,209,280	14,790	1,224,070
Group's internal sales	18	1,864	66	1,948	-1,948	–
Sales, total	**405,624**	**465,708**	**339,896**	**1,211,228**	**12,842**	**1,224,070**
Comparable operating result (EBIT)	**89,927**	**-29,883**	**-6,367**	**53,677**	**6,189**	**59,866**
Items affecting comparability	**-6,726**	**-3,325**	**-3,270**	**-13,321**	**34,910**	**21,589**
Operating result (EBIT)	**83,201**	**-33,208**	**-9,637**	**40,356**	**41,099**	**81,455**
Financial income and expenses (net)						-11,334
Income tax						-17,588
Net result for the period						**52,365**

Segments 2022 (EUR 1,000)	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Segments total	Other operations and eliminations	Group total
Sales to outside the Group	352,394	357,802	385,189	1,095,385	11,646	1,107,031
Group's internal sales	18	650	978	1,646	-1,646	–
Sales, total	**352,412**	**358,452**	**386,167**	**1,097,031**	**10,000**	**1,107,031**
Comparable operating result (EBIT)	**46,452**	**-26,176**	**-2,964**	**17,311**	**-11,360**	**5,951**
Items affecting comparability	**-42,835**	**-15,888**	**-2,945**	**-61,667**	**-2,706**	**-64,373**
Operating result (EBIT)	**3,617**	**-42,064**	**-5,909**	**-44,356**	**-14,066**	**-58,422**
Financial income and expenses (net)						11,920
Income tax						-968
Net result for the period						**-47,416**

Items affecting comparability (EUR 1,000)

	2023	2022
Operating result (EBIT)	**81,455**	-58,422
Profits from the sale of assets and other one off profits	**-38,060**	-3,314
Extraordinary impairments	**12,640**	45,198
Losses from the sale of assets and exceptional amortisations	**3,831**	22,489
Items affecting comparability, total	**-21,589**	64,373
Comparable operating result (EBIT)	**59,866**	5,951

VR Group posted items affecting comparability that had a positive EUR 21.6 million impact to operating result. The items affecting comparability include sales of land areas of EUR 35.0 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 2022 the items affecting comparability included EUR -50.2 million costs related to discontinuation of the Eastern traffic.

Items affecting comparability are unusual items, that are not related ordinary operations. Most commonly items affecting comparability are gains or losses on asset sales, asset write-offs or reversals of write-offs, gains or losses on sale of a group company, provisions on planned reorganisations, environmental provisions, and fines or penalties imposed by authorities.

2.2. Net sales

Customer contracts are assessed using the five-step model pursuant to IFRS 15: the contract and the performance obligations in the contract are identified, the transaction price is determined and allocated to the performance obligation, and revenue is recognised when (or as) the performance obligation is fulfilled. Sales revenue is recognised in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services transferred to the customer. The timing of revenue recognition is based as control is passed.

VR Group's cash flows are generated by different types of business:

- VR Long-distance Traffic provides public transport services in long-distance trains 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 of raw materials and products mainly for forest, metal, chemical and construction industries.
- Other operations consist of VR FleetCare rail fleet maintenance, modernisation projects and lifecycle maintenance to external clients.

The Group's sales revenue is mainly generated by services, which are recognised as revenue when the service has been provided, such as tickets or transport of goods or individual maintenance measures. The business operations also include projects in which comprehensive service is provided to the customer, with control passed to the customer over time, and therefore the project is recognised as revenue over time. Advances received and accruals from sales are associated with advance payments received from the modernisation contract before the fulfilment of the performance obligation. The advances received and accruals from sales are recognised as revenue once VR has fulfilled its contractual obligations, and they are classified as liabilities based on a customer contract.

Other operations consist of VR FleetCare's sales revenue, including estimated profit, is recognised as costs are incurred. The management regularly reviews the progress of performance obligations. As part of the assessment, the management takes into account the key contractual obligations, percentage of completion of the project, identified risks and opportunities and changes in the estimate of income and costs. The losses caused by the commitments are recognised in full through profit or loss for the period during which they are observed.

Sales based on services 2023 (EUR 1,000)

	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Other operations	Group, total
Rail traffic	367,700	91,743	262,984		722,427
Road traffic (truck or bus)		245,505	76,912		322,417
Catering and restaurant services	37,924				37,924
Other				17,568	17,568
Eliminations				-4,726	-4,726
Total	**405,624**	**465,708**	**339,896**	**12,842**	**1,224,070**

Sales based on services 2022 (EUR 1,000)

	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Other operations	Group, total
Rail traffic	318,830	151,764	293,976		759,001
Road traffic (truck or bus)		206,687	92,191		298,878
Catering and restaurant services	33,582				33,582
Other				13,153	13,153
Eliminations				-3,153	-3,153
Total	**352,412**	**358,452**	**386,167**	**10,000**	**1,107,031**

Net sales by geographical area (EUR 1,000)

	2023	2022
Finland	**966,579**	954,313
Sweden	**257,491**	151,041
Rest of Europe	**–**	1,676
Total	**1,224,070**	1,107,031

Net sales by timing of revenue recognition 2023 (EUR 1,000)

	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Other operations and eliminations	Group, total
At a point in time	405,624	465,708	339,896	6,677	1,217,905
Over time				6,165	6,165
Total	**405,624**	**465,708**	**339,896**	**12,842**	**1,224,070**

Net sales by timing of revenue recognition 2022 (EUR 1,000)

	VR Long-distance Traffic	VR City Traffic	VR Transpoint	Other operations and eliminations	Group, total
At a point in time	352,412	358,452	386,167	2,017	1,099,048
Over time				7,983	7,983
Total	**352,412**	**358,452**	**386,167**	**10,000**	**1,107,031**

Items recognised on the balance sheet for sales contracts (EUR 1,000)

	2023	2022
Receivables (incl. in accounts receivable on the balance sheet)	**101**	68
Contractual liabilities	**1,027**	2,739

Contractual assets are connected to the the Group's maintenance business contract to the extent that the work has been performed but not yet billed. The asset is reclassified to accounts receivable once an absolute right to the receivable emerges. Contractual liabilities are advance payments received based on the Group's maintenance contract, which the Group is not yet entitled to recognise as sales revenue.

Maturity of sales in future financial years (EUR 1,000)

	2024	2025
Maturity of VR FleetCare's sales in future financial years	11,570	9,485

2.3. Materials and services (EUR 1,000)

	2023	2022
Purchases during the year	**189,328**	215,391
Change in inventories	**10,682**	21,275
External services purchased	**149,488**	150,225
Total	**-349,499**	-386,890

2.4. Other operating income and expenses

Income not generated by ordinary business operations is reported in other income. This category includes recurring items, such as rental income, and non-recurring items, such as insurance indemnities and profit from the sale of assets.

Public grants

Public grants received as compensation for costs already incurred are recognised through profit or loss for the period during which the right to receiving the grant emerges. Such grants are reported in other operating income.

Rental income is comprised of income from assets leased out (Note 4.2) and income from investment properties (Note 4.3).

Other operating income (EUR 1,000)

	2023	2022
Rental income	**21,358**	20,669
Profit from sale of tangible assets	**46,051**	5,124
Other income	**40,131**	32,757
Total	**107,540**	58,551

The profits from the sale of tangible assets are related to gains from the sale of land.

Other operating expenses (EUR 1,000)

	2023	2022
Track access fees and track networks	**-36,439**	-40,063
Rents and other real estate expenses	**-59,528**	-42,832
Travel and other personnel expenses	**-23,062**	-27,747
Telecommunication and information management expenses	**-44,225**	-40,777
Other operation-related expenses	**-22,708**	-22,887
Administration and other expenses	**-41,556**	-50,428
Total	**-227,518**	-224,734

Auditors' fees (EUR 1,000)

	2023	2022
Auditing fees	**-404**	-406
Tax services	**–**	–
Other services	**-339**	-46
Total	**-743**	-451

Avecra Oy has received subsidies of EUR 0 thousand (EUR 307 thousand) from the Finnish State for its restaurant operations, which is included in other operating income in the income statement of the financial year. The amount of the compensation received is the statutory maximum.

VR-Group Plc received subsidies for fuel oil for work machinery amounting to EUR 0 (82) thousand. Oy Pohjolan Liikenne Ab received subsidies for transport companies amounting to EUR 0 (241) thousand, and Transitar Oy received EUR 0 (59) thousand of the same subsidy. The fuel subsidy paid reduces the unrestricted equity available for the distribution of funds in the financial statements for the financial year that ends. (Law "Laki kuljetusalan yritysten määräaikaisesta polttoainetuesta 763/2022" 9 §).

In 2022 VR Group Plc also received EUR 109 thousand from Business Finland for solar power investment for Ilmala depot.

In 2023 Oy Pohjolan Liikenne AB received subsidies for acquisition of vehicles amounting to EUR 3 thousand from Finnish Transport and Communication agency Traficom. VR Group Plc received EUR 275 (0) thousand of state subsidies for costs related to transfer, monitoring and inspection caused by the sanctions.

VR Group received CEF-support to a maximum of EUR 43 thousand (85), for development of Tampere railway station.

3. Remuneration of the personnel and related parties

3.1. Personnel expenses

Employment relationship benefits include the following short-term employment relationship benefits, post-employment benefits, other long-term employment relationship benefits and benefits associated with the termination of employment.

Short-term employment relationship benefits include salaries, fees and fringe benefits, annual holidays and bonuses. The Group recognises the items for the period during which the work concerned was performed. Moreover, VR Group recognises the expected expense due to short-term employment relationship benefits granted as paid leaves as follows:

- when employees perform work that increases their right to future paid leaves, in case of accumulating paid leaves.
- when the leaves take place, in case of non-accumulating paid leaves.

Post-employment benefits are paid to the beneficiaries after the termination of employment. At VR Group, these benefits are comprised of defined-contribution and defined-benefit pension plans. VR Group has both defined-contribution and defined benefit pension plans. Contributions to defined-contribution pension plans are recognised in the income statement for the period concerned by the charge. In defined-contribution plans, the Group does not have a legal or factual obligation to make additional payments in case the recipient of the contributions fails to pay the pension benefits.

In defined-benefit pension plans, the plan may result in obligations or assets for VR Group after the contribution is made. The defined-benefit pension obligation illustrates the present value of the future cash flows due to benefits paid. The present value of pension obligations is calculated using the Projected Unit Credit Method. Pension expenses are expensed during the service of the employees based on actuarial calculations. In calculating the present value of the pension obligation, the discount rate used is the market yield of high-quality euro-denominated corporate bonds. The assets of the pension plan corresponding to the pension obligation are measured at fair values on the closing date. Actuarial gains and losses are recognised in other comprehensive income.

The present value of pension obligations depends on several factors, which are based on actuarial assumptions. Any change in these assumptions will have an impact on the balance sheet value of the pension obligations. The note on pensions presents a description of the essential risks and a sensitivity analysis of the impacts of changes in the actuarial assumptions. The employees' statutory pension coverage is provided by an employment pension insurance institution and voluntary supplementary pension coverage in VR Pension Fund.

Other long-term employment relationship benefits include all other employment relationship benefits besides short-term benefits, post-employment and termination-related benefits.

Termination-related benefits are not based on work performance, but on termination of employment. These benefits are comprised of severance pay.

Personnel expenses (EUR 1,000)

	2023	2022
Wages and salaries	**418,967**	380,584
Pension expenses (defined-contribution plans)	**62,376**	59,181
Pension expenses (defined-benefit plans)	**-3,960**	341
Other personnel related expenses	**43,565**	30,350
Total	**520,948**	470,456

The wages and salaries paid to key management personnel are presented in Note 3.3.

During the accounting period, the average number of the Group's employees by segment was as follows:

	2023	2022
VR Long-distance Traffic	**1,545**	1,575
VR City Traffic	**4,185**	4,060
VR Transpoint	**1,637**	1,923
Other	**398**	264
Total	**7,765**	7,821

3.2. Pension receivables and obligations

VR Group has a defined-benefit supplementary pension plan in Finland. Some of the personnel employed by the former state-owned company Valtionrautatiet whose employment relationship continues with VR Group have defined-benefit supplementary pension plans in VR Pension Fund. The benefits are retirement age lower than the statutory age or higher pension accumulation. The plan is fully funded.

In addition, with the acquisition of VR Sweden, a supplementary pension plan for personnel of one traffic operations contract is consolidated to VR Group as a defined-benefit plan. The obligation is part of the traffic operations contract and is the responsibility of the operator, managing traffic operations at each time. A mandatory provision of EUR 93 thousand has been made for the obligation. The plan is not included to the figures presented below for VR Pension Fund.

The operations of VR Pension Fund are regulated, besides the rules of the fund, by the Pension Funds Acts and decrees and guidelines issued under it. The operations of the Pension Fund are supervised by the Finnish Financial Supervisory Authority. The Pension Fund is managed by its management and the Board of Directors. VR Pension Fund invests its assets in a secure and profitable manner. VR Pension Fund actively monitors the development of market risks and the distribution of its investment risks.

Determination of the balance sheet values of the defined-benefit pension plan (EUR 1,000)

	31 Dec 2023	31 Dec 2022
Present value of the obligations of funded defined-benefit obligations	**208,872**	222,307
Fair value of the assets included in the plan	**-344,285**	-346,360
Surplus (-) / Deficit (+)	**-135,413**	-124,053
Net receivable (-) / liability (+) on the balance sheet	**-135,413**	-124,053

Change in the net receivable on the balance sheet (EUR 1,000)

	2023	2022
Receivable at the beginning of the financial year	**-124,053**	-81,794
Income/expenses recognised on the income statement	**-4,582**	-227
Remeasurement	**-7,400**	-62,600
Return of excess balance	**–**	20,000
Plan expenses	**622**	568
Receivable at the end of the financial year	**-135,413**	-124,053

Defined-benefit pension expenses on the statement of comprehensive income (EUR 1,000)

	2023	2022
Expenses based on work performance during the financial year	**122**	345
Interest expense and income, total	**-4,704**	-572
Maintenance expenses	**622**	568
Pension expenses (+) / income (-) on the income statement	**-3,960**	341
Remeasurement	**-7,400**	-62,600
Pension expenses (+) / income (-) on the statement of comprehensive income	**-11,360**	-62,259

Changes in the present value of the obligation (EUR 1,000)

	2023	2022
Obligation at the beginning of the financial year	**222,307**	339,905
Expenses based on work performance during the financial year	**122**	345
Interest expense	**7,975**	2,603
Actuarial gains (-) and losses (+) resulting from changes in economic expectations	**4,936**	-79,041
Experience adjustment gains (-) or losses (+)	**3,117**	-12,778
Total	**238,457**	251,034
Pensions paid	**-29,585**	-28,727
Obligation at the end of the financial year	**208,872**	222,307

Changes in the fair value of plan assets (EUR 1,000)

	2023	2022
Fair values of plan assets at the beginning of the financial year	**346,360**	421,699
Interest income	**12,679**	3,175
Return on plan assets, excluding items included in interest income	**15,453**	-29,219
Total	**374,492**	395,655
Pensions paid	**-29,585**	-28,727
Return of excess balance	**–**	-20,000
Administrative expenses	**-622**	-568
Fair values of plan assets at the end of the financial year	**344,285**	346,360

Breakdown of the fair value of plan assets by asset category, as percentage of the fair values of plan assets (%)

	2023	2022
Shares in developed markets	**23.7**	21.5
Shares in developing markets	**4.1**	5.3
Bonds	**26.9**	33.1
Cash and cash equivalents and money market investments	**10.6**	6.5
Real estate investments	**27.2**	25.5
Other items	**7.5**	8.1
Total	**100.0**	100.0

VR Pension Fund aims for an investment breakdown that diversifies the risks of different asset categories in the long term.

Actuarial assumptions

	2023	2022
Discount rate	**3.1%**	3.8%
Inflation rate	**2.1%**	2.6%
Expected pension increases	**2.3%**	2.8%
Expected salary increases	**2.2%**	2.2%

Assumptions regarding mortality are made based on independent actuarial assumptions, and they are based on the statistics published in each area and experience.

In 2024, it is projected that VR Group will not need to pay contributions to the benefit plan.

VR Pension Fund's pension obligation amounted to EUR 208,9 million (222,3) discounted at a discount rate of 3.1% (3.8%).

- if the discount rate was changed by +/- 0.5 percentage points with the other assumptions remaining unchanged, the change impact on the pension obligation is EUR -9,8/+10,7 (-10,2/+11,1) million.
- If the expected pension increases were changed by +/- 0.5 percentage points with the other assumptions remaining unchanged, the change impact on the pension obligation is EUR +9,7/-9,0 (+10,0/-9,3) million.

The weighted average duration of the defined-benefit obligation is 10 (10) years.

Most significant risks of the defined-benefit pension plan

Volatility of assets and the obligation

The discount rate used in calculating the obligation due to the plan corresponds with the interest rate on bonds close to maturity issued by solvent companies in the Eurozone in terms of maturity. In the long term, VR Group aims to gain returns above the discount rate on the plan assets. When the return on the assets is above or below the discount rate, the value of the plan assets changes. This can lead to a surplus or deficit. VR Pension Fund's solvency position is good, and therefore VR Pension Fund endures even a very steep decline in the equity market.

Changes in bond returns

When the return on bonds changes, VR Group may have to adjust the discount rate. This has an impact on the value of the obligation included in the defined benefit pension plan and the defined-benefit plan recognised on the statement of comprehensive income.

Risk management of investment activities

In funded plans, VR Pension Fund manages its investments so that the aim is to match assets and liabilities. The purpose of this is to match the investments with the obligations resulting from pension plans. The processes used in risk management are continuously improved. The investments are diversified so that losing any individual investment would not have a material impact on the total amount of assets.

3.3. Related parties

Employment benefits of key management personnel (EUR 1,000)

President and CEO	2023	2022
Salaries and other short-term employment benefits	**-374**	-787
Pension benefits (defined-contribution plans)	**0**	0
Pension benefits (defined-benefit plans)	**0**	0
Total	**-374**	-787
Board of Directors		
Salaries and other short-term employment benefits	**-349**	-360
Pension benefits (defined-contribution plans)	**0**	0
Pension benefits (defined-benefit plans)	**0**	0
Total	**-349**	-360
Supervisory Board		
Salaries and other short-term employment benefits	**-27**	-27
Pension benefits (defined-contribution plans)	**0**	0
Pension benefits (defined-benefit plans)	**0**	0
Total	**-27**	-27
Key management personnel		
Salaries and other short-term employment benefits	**-2,817**	-1768
Pension benefits (defined-contribution plans)	**0**	0
Pension benefits (defined-benefit plans)	**0**	0
Total	**-2,817**	-1768

(1) 2022 salaries and other short term benefits of the President and CEO includes a severance pay and a salary for a notice period amounting to EUR 380 thousand.

Transactions with other related parties and outstanding balances

VR Group paid a total of EUR 36.4 million (2022: EUR 40.1 million) in track access fees to the state. Contract traffic sold to the Ministry of Transport and Communications totaled EUR 31.7 million (2022: EUR 31.6 million).

The related parties of the Group's parent company VR-Group Plc include its subsidiaries, associated companies and joint operations. In addition, related parties include the President and CEO, Board of Directors and Supervisory Board and the Management Team of the Group as members of Group management, as well as entities over which these persons have control or joint control, and the close family members of the above-mentioned persons.

Furthermore, the Finnish state, which holds all of the shares in the company, is considered to be a related party of VR Group Plc.

4. Capital invested and provisions

4.1. Property, plant and equipment

VR Group classifies as property, plant and equipment assets which:

- The Group uses for manufacturing goods and providing services, rental operations outside the Group and administrative purposes; and
- Are expected to be used in more than one financial year

Property, plant and equipment items include the station and properties owned by the Group and their plots, trains and other wagon fleet and related machinery and other spare parts.

The Group measures property, plant and equipment at original acquisition cost less accumulated depreciation and any impairment losses.

The acquisition cost includes purchase price, all expenses directly resulting from bringing the asset to the location and condition in which it can operate in the way intended by the management, and expenses pursuant to the original estimate for dismantling and transporting the asset and restoring its location to the original state. The land areas owned by the Group involve restoring soils contaminated during use. The provisions recognised due to these obligations are specified in more detail in Note 4.5. Provisions.

If a fixed asset is comprised of several separable components with differing economic useful lives, each component is treated as a separate asset. The Group treats maintenance programmes in which major components, such as bogies and wheel-sets, are replaced in conjunction with maintenance as such separate assets. Maintenance programmes are expensed over the depreciation period determined on the basis of maintenance intervals. The Group recognises other repairs and maintenance costs are expensed to profit or loss.

Depreciation of property, plant and equipment

The depreciation is calculated using the straight-line depreciation method, and it is based on the economic useful lives of the assets. Depreciation begins when the fixed asset is ready for use and when it is in a location or condition that allows the use of the asset as intended by the management. The residual values and economic useful lives of assets are assessed at the end of each accounting period and, if necessary, adjusted to correspond to changes in the expected economic benefit.

The depreciation periods of property, plant and equipment are:

Land and water areas	No depreciation
Buildings and structures	10–50 years
Locomotives	30 years
Electric trains	25 years
Wagons	15–30 years
Other machinery and equipment	3–15 years
Other tangible assets	5–30 years

The Group derecognises the book value of tangible assets if the asset is removed from use, sold or is not expected to generate returns over its economic useful life.

The Group assesses on each closing date if it there is a need for adjusting the economic useful lives or any residual values of property, plant and equipment assets. When there are indications of the book value of an individual fixed asset exceeding its recoverable value, the book value of the said asset is tested for impairment. Usually, fixed assets do not generate separate cash flow, but they are tested as part of a cash generating unit. For additional information about testing for impairment, see Note 4.4.

Property, plant and equipment 31 December 2023 (EUR 1,000)

The table below presents the changes in the acquisition cost of property, plant and equipment:

Acquisition cost	Land and water areas	Building and structures	Machinery and equipment	Other tangible assets	Advance payments and incomplete acquisitions	Total
Opening balance 1 January	77,485	367,289	2,357,178	37,266	177,087	**3,016,305**
Translation difference		1	-3,195			**-3,193**
Increases	2,757	–	9,620	–	188,770	**201,147**
Decreases	-20,292	-1,906	-85,133	-421	-8,001	**-115,754**
Reclassifications	–	14,558	166,911	1,738	-183,206	**0**
Closing balance 31 December	**59,950**	**379,942**	**2,445,381**	**38,582**	**174,650**	**3,098,506**
Accumulated depreciation, amortisation and impairment						
Opening balance 1 January	–	-187,270	-1,499,613	-26,810	-137	**-1,713,830**
Increases	–	–	-5,401	–	–	**-5,402**
Accumulated depreciation for decreases and transfers	–	1,617	82,639	252	-573	**83,935**
Depreciations for the financial year	–	-11,318	-112,808	-2,788	–	**-126,914**
Impairment losses	–	–	-7,972	–	–	**-7,972**
Reclassifications	–	–	–	–	–	**–**
Closing balance 31 December	**–**	**-196,972**	**-1,543,155**	**-29,346**	**-711**	**-1,770,184**
Book value 1 January	**77,485**	**180,019**	**857,565**	**10,455**	**176,949**	**1,302,474**
Book value 31 December	**59,950**	**182,970**	**902,225**	**9,236**	**173,940**	**1,328,321**

Property, plant and equipment 31 December 2022 (EUR 1,000)

Acquisition cost	Land and water areas	Building and structures	Machinery and equipment	Other tangible assets	Advance payments and incomplete acquisitions	Total
Opening balance 1 January	60,012	370,700	2,125,472	15,431	119,698	**2,691,312**
Translation difference			1,496			**1,496**
Increases through business acquisitions		840	161,995		57	**162,892**
Increases	17,955	–	4,980	–	218,816	**241,751**
Decreases	-1,313	-3,375	-66,677	-30	-34	**-71,430**
Reclassifications	832	-876	129,912	21,865	-161,449	**-9,716**
Closing balance 31 December	**77,485**	**367,289**	**2,357,178**	**37,266**	**177,087**	**3,016,305**
Accumulated depreciation, amortisation and impairment						
Opening balance 1 January	–	-185,407	-1,292,006	-10,533	–	**-1,487,945**
Translation difference		1	109			**110**
Increases through business acquisitions		-624	-122,020	–	–	**-122,644**
Accumulated depreciation for decreases and transfers	–	1,497	54,571	26	–	**56,093**
Depreciations for the financial year	–	-12,977	-103,013	-1,415	–	**-117,405**
Impairment losses	–	-4,648	-35,519	–	-137	**-40,304**
Reclassifications	–	14,888	-1,735	-14,888	–	**-1,735**
Closing balance 31 December	**–**	**-187,270**	**-1,499,613**	**-26,811**	**-137**	**-1,713,831**
Book value 1 January	**60,012**	**185,292**	**833,467**	**4,898**	**119,697**	**1,203,366**
Book value 31 December	**77,485**	**180,019**	**857,565**	**10,455**	**176,949**	**1,302,474**

4.2. Leases

Group as lessee

VR Group recognises a lease liability and a corresponding right-of-use asset on the balance sheet for all of its leases at the start of the agreement. The Group's leases are typically associated with diverse land and water areas, office and warehouse buildings and machines and equipment. Their duration varies by contractual terms and the leased asset.

Right-of-use assets are measured at acquisition cost, from which the Group recognises straight-line depreciation based on the term of the lease and any impairment losses. The acquisition cost includes the original amount of the lease liability plus direct initial costs and rents paid in advance. In addition, any incentives offered by the lessor are deducted from lease liabilities.

Right-of-use assets are amortised using the straight-line method over the lease term. The Group uses the following amortisation periods:

Land and water areas	5–40 years
Buildings and structures	5–50 years
Machinery and equipment	3–20 years

The lease liability is measured by discounting future fixed minimum rent payments to their present value using the effective interest method. The lease liability does not include other variable rents than those associated with contractual index-pegged increase. VR Group repays the lease liability against rent payments. The repayment is broken down into interest expense and liability repayment. If the lease liability is changed, such as due to changes in future rent payments, the right-of-use asset is adjusted to match the change in the lease liability.

VR Group uses the implicit interest rate of the contract as the discount rate, or if the interest rate is difficult to determine, the interest rate on the lessee's incremental borrowing rate of interest. The Group separates non lease components from leases if they can be directly separated from the lease.

The Group applies the following practical reliefs:

- Short-term leases with a term of less than 12 months; and
- Leases with an underlying asset of a minor value

Leases included in the scope of reliefs are not recognised as part of the lease liability, but the Group expenses them to profit or loss. Leases with a minor value include rental payments for machinery and equipment leased by the Group.

Group as lessor

The Group acts as a lessor in logistics subcontracting agreements. In addition VR Group has real estate properties, with approximately 850 lessees. Approximately 20 biggest lessees comprises almost 90% of Group's rental income. In the subcontracting agreements, rents are generally paid monthly. As the lessor, VR Group classifies logistics subcontracting agreements as operating leases or financial leases. All of the Group's assets leased out are operating leases, and the resulting rental income is recognised to the income statement in equal batches over the term of the lease.

VR Group has a significant number of leases relating to wagons, cars, buses, properties and land areas which are valid until further notice and either have a short period of notice or a fixed term with possible termination and extension options. Estimating the probable term of these leases and the future use or non-use of any options requires major discretion. The term of lease includes the periods covered by the leases if it is reasonably certain that the option will be exercised. The probable lease term is typically assessed according to the five-year strategy period. In case of exceptional conditions, significant basic refurbishing costs or other significant or indirect costs for exiting the lease, the lease term can be more than five years. For leases not concerning properties, the need for the assets concerned is often short term, which is why leases valid until further notice with a termination period of 12 months or less are treated as short-term leases.

Property, plant and equipment and right-of-use assets

Right-of-use assets 31 December 2023 (EUR 1,000)

Acquisition cost	Land and water areas	Building and structures	Machinery and equipment	Total
Opening balance 1 January	21,418	76,980	407,345	**505,743**
Translation difference		74	46	**119**
Increases through business acquisitions	–	–	–	**–**
Increases	1,955	12,781	2,280	**17,017**
Decreases	-196	–	-5,565	**-5,760**
Reclassifications	–	–	–	**–**
Closing balance 31 Dec	**23,177**	**89,835**	**404,106**	**517,118**
Accumulated depreciation, amortisation and impairment				
Opening balance 1 Jan	-4,375	-21,043	-181,359	**-206,777**
Translation difference	–	-475	-193	**-668**
Increases through business acquisitions	–	–	–	**–**
Accumulated depreciation for decreases and transfers	212	1,902	5,085	**7,199**
Depreciations for the financial year	-2,475	-18,437	-23,016	**-43,928**
Impairment losses	–	-5,998	-2,047	**-8,044**
Reclassifications	–	–	–	**–**
Closing balance 31 Dec	**-6,637**	**-44,051**	**-201,554**	**-252,242**
Book value 1 January	**17,042**	**55,937**	**225,986**	**298,966**
Book value 31 December	**16,540**	**45,784**	**202,552**	**264,876**

Right-of-use assets 31 December 2022 (EUR 1,000)

Acquisition cost	Land and water areas	Building and structures	Machinery and equipment	Total
Opening balance 1 January	21,206	40,847	382,014	**444,066**
Translation difference	–	–	–	**–**
Increases through business acquisitions	–	72,450	39,296	**111,746**
Increases	212	108,052	59,433	**167,697**
Decreases	–	-71,919	-32,109	**-104,028**
Reclassifications	–	–	-1,992	**-1,992**
Closing balance 31 Dec	**21,418**	**76,980**	**407,345**	**505,742**
Accumulated depreciation, amortisation and impairment				
Opening balance 1 Jan	-2,313	-9,833	-150,747	**-162,893**
Translation difference		225	95	**320**
Increases through business acquisitions	–	-44,100	-26,974	**-71,074**
Accumulated depreciation for decreases and transfers	–	43,554	19,692	**63,246**
Depreciations for the financial year	-2,062	-10,888	-25,160	**-38,111**
Impairment losses	–	–	–	**–**
Reclassifications	–	–	1,735	**1,735**
Closing balance 31 Dec	**-4,375**	**-21,043**	**-181,359**	**-206,777**
Book value 1 January	**18,892**	**31,014**	**231,267**	**281,173**
Book value 31 December	**17,042**	**55,937**	**225,986**	**298,966**

The table below presents the lease items recognised through profit or loss:

Items recognised through profit or loss (EUR 1,000)

	2023	2022
Lease expenses for low value and short-term items	**-8,266**	-5,796
Amortisation of right-of-use assets on underlying assets	**-43,928**	-33,823
Land and water areas	**-2,475**	-2,082
Buildings and structures	**-18,437**	-10,880
Machinery and equipment	**-23,016**	-20,861
Total	**-52,194**	-39,619

The table below presents the rent payments not included in lease liabilities:

	2023	2022
Interest expenses on lease liabilities	**-8,014**	-2,800

Items presented on the cash flow statement

	2023	2022
Outgoing cash flows from leases, total	**-62,502**	-40,456

Commitments concerning leases

The tables below present the breakdown of short and long-term lease liabilities and the maturities of lease liabilities. Additional information about other breakdowns of the Group's liabilities and maturities of financial liabilities are presented in Note 5.2. Financial assets and financial liabilities and fair values.

Balance sheet values of lease liabilities (EUR 1,000)

	2023	2022
Short-term	**36,943**	44,707
Long-term	**217,338**	243,620
Total	**254,280**	288,327

The table below presents the breakdown of the minimum payments of the lessor's non-cancellable leases:

Group as lessor

Minimum rents of non-cancellable leases (EUR 1,000):

	2023	2022
Within one year	**3,521**	9,395
Between one year and five years	**7,418**	5,103
After five years	**44,986**	44,468
Total	**55,925**	58,966

The primary purpose of leasing is to provide in-house operations with optimum premises from owned real estate stock. Premises not needed for own use are leased to external users, where possible. The floor area of properties owned by VR Group totals approximately 444,600 (465,600) m^2.

4.3. Investment properties

The Group's investment properties are comprised of old station and machine shop properties and other buildings and structures built in conjunction with them, among others. The investment properties are mainly located along the rail traffic network and other traffic nodes in Finland.

VR Group classifies as investment properties those properties owned by the Group that the Group holds to primarily obtain rental income and/or increase in value. Investment properties include both owned properties and properties leased out.

The Group has properties that are partly in the Group's own use and partly investment properties. In these cases, the property is classified as an investment property only if an insignificant part is used for providing services or for administrative purposes. For example, the Helsinki Central Railway Station property is not classified as an investment property. An investment property is derecognised when the property is divested or permanently decommissioned and no future economic benefit is expected from its transfer.

Measurement of investment properties and fair values

Investment properties are measured at acquisition cost less accumulated depreciation and any impairment losses. Investment properties are depreciated using the straight-line depreciation method based on estimated economic useful lives. Land areas are not depreciated.

The depreciation periods of investment properties are 10–50 years.

Impairment is recognised for an investment property if its book value exceeds its fair value.

The Group uses, when necessary, both an external assessor and its own estimates based on economic return to measure the fair values of investment properties. In 2023 the fair values were assessed by VR Group. In 2022, the assessment was carried out by Newsec Property Asset Management Finland Oy.

The book values of investment properties are subject to provisions for environmental obligations. The measurement of the provisions requires management discretion regarding, for example, the amount of the provision and the timing of its realisation. For additional information about these, see Note 4.5. Provisions.

Investment property items (EUR 1,000)

	2023	2022
Acquisition cost 1 January	**49,235**	50,500
Increases	**–**	478
Decreases	**-10,088**	-1,743
Reclassifications	**–**	–
Total 31 December	**39,147**	49,235
Accumulated depreciation, amortisation and impairment 1 January	**-37,158**	-37,447
Decreases	**7,683**	1,285
Depreciation and amortisation for the financial year	**-602**	-996
Accumulated depreciation for decreases and transfers	**–**	–
Impairments	**–**	–
Closing balance 31 December	**-30,076**	-37,158
Book value 1 January	**12,077**	13,053
Book value 31 December	**9,071**	12,077
Fair value	**31,995**	50,365

During the reporting period land areas classified as investment properties were sold, the most significant one was the Turku railway yard.

Investment properties are classified as fair value hierarchy level 3, because inputs not based on observable market data have been used in determining their fair values.

Investment property items measured through profit or loss (EUR 1,000)

	2023	2022
Rental income	**6,696**	6,797
Maintenance expenses of leased assets	**-4,502**	-4,711
Maintenance expenses of non-leased assets	**-351**	-227
Investment property items through profit or loss, total	**1,843**	1,859

Commitments

No commitments or restrictions are known. Furthermore, no protected sites are known with regard to the investment properties.

4.4. Goodwill and intangible assets

The Group's intangible assets include goodwill from acquired companies, licenses owned by the Group, software and capitalised development expenses. VR Group classifies these items to goodwill, customer relationships, intangible rights and development expenses on the balance sheet.

Goodwill
VR Group recognises goodwill at the amount by which:

- the consideration transferred and
- the fair value of the previous holding in the acquisition combined exceed the value of the identifiable net assets acquired at the time of acquisition.

Goodwill is measured at original acquisition cost less accumulated impairment losses, the amount of which the Group assesses annually at the minimum. Goodwill is not regularly amortised. With regard to associated companies, goodwill is included in the balance sheet value of the holding in the associated company. Impairment losses on goodwill are recognised through profit or loss, and they cannot be subsequently cancelled. Further information about testing goodwill for impairment is presented below in this Note.

VR Group allocates goodwill to cash-generating units. Additional information about the Group's cash-generating units can be found below.

Other intangible assets
The Group recognises an intangible asset when it is probable that expected economic benefits will accrue to the Group and the acquisition cost can be reliably determined. The Group initially measures intangible assets at acquisition cost, after which the acquisition is adjusted for accumulated depreciation and amortisation and any impairment loss.

The Group's intangible assets include the acquisition cost of company acquisitions allocated to customer relationships.

Intangible rights include IT systems and software acquired by the Group and associated rights. Expenses relating to the maintenance of the systems and software are expensed when they occur.

Intangible assets are amortised using the straight-line method based on an estimate of the economic useful lives of the assets. The amortisation periods of intangible assets are as follows:

Customer relationships	5 years
Intangible rights	5 years

Intangible assets 2023 (EUR 1,000)

Acquisition cost	Goodwill	Customer relation-ships	Other	Total
Opening balance 1 January	10,862	20,489	175,542	**206,893**
Translation differences	8	44	32	**84**
Increases	–	–	7,842	**7,842**
Decreases	–	–	-464	**-464**
Reclassifications	–		–	**–**
Closing balance 31 December	**10,870**	**20,533**	**182,951**	**214,354**
Accumulated depreciation, amortisation and impairment				
Opening balance 1 January	–	-798	-136,132	**-136,930**
Translation differences		-87	-107	**-195**
Accumulated depreciation for decreases	–		-539	**-539**
Depreciation and amortisation for the financial year	–	-4,550	-14,621	**-19,171**
Impairment losses	-2,608			**-2,608**
Reclassifications			–	**–**
Closing balance 31 December	**-2,608**	**-5,435**	**-151,399**	**-159,443**
Book value 1 January	**10,862**	**19,691**	**39,409**	**69,962**
Book value 31 December	**8,261**	**15,097**	**31,551**	**54,910**

Intangible assets 2022 (EUR 1,000)

Acquisition cost	Goodwill	Customer relation-ships	Other	Total
Opening balance 1 January	7,550	1,607	151,300	**160,457**
Increases through business acquisitions	3,312	18,882	14,532	**36,726**
Increases	–	–	–	**–**
Decreases	–	–	-8,427	**-8,427**
Reclassifications	–		18,136	**18,136**
Closing balance 31 December	**10,862**	**20,489**	**175,542**	**206,893**
Accumulated depreciation, amortisation and impairment				
Opening balance 1 January	–	-888	-111,797	**-112,684**
Translation differences	–	94	43	**137**
Increases through business acquisitions	–		-7,579	**-7,579**
Accumulated depreciation for decreases			411	**411**
Depreciation and amortisation for the financial year	–	-4	-17,211	**-17,215**
Closing balance 31 December	**–**	**-798**	**-136,132**	**-136,930**
Book value 1 January	**7,550**	**719**	**39,504**	**47,773**
Book value 31 December	**10,862**	**19,691**	**39,409**	**69,962**

Goodwill impairment testing

VR Group allocated goodwill for impairment testing to those cash-generating units which are expected to benefit from the business combination that resulted in the goodwill. “Cash-generating unit” refers to the smallest identifiable asset group at VR Group whose generated cash flows are largely independent of the cash flows generated by other assets or groups of assets. The Group recognises an impairment loss when the book value of a cash-generating unit exceeds its recoverable amount.

The goodwill on the Group’s balance sheet is from the acquisitions of Avecra, Transitar and VR Sverige. Avecra is part of VR Long-distance Traffic and is tested as a separate cash-generating unit because its cash flows can be separated from other cash flows of VR Long-distance Traffic. Transitar is part of VR Transpoint and it is tested as part of VR’s road logistics, as its operations are integrated into the road logistics after the acquisition. VR Sverige is tested as a Swedish operations of VR City Traffic.

The recoverable amount has in impairment loss testing been determined based on value in use. The values used in determining the value in use are consistent with figures obtained from external information sources. The cash flows forecast in the calculations are based on financial plans approved by top management, covering the five-year strategy period and the subsequent terminal period. The discount rate is the weighted average cost of capital (WACC) determined by business area.

On the basis of the impairment testing carried out, the balance sheet values of goodwill were not impaired at 31 December 2023 for Avecra and VR Sverige. The general financial uncertainty, cost inflation, interest rates and weakened market outlook has impacted Transitar's profitability and weakened the present value of the forecasted cash flows. As a consequence VR Group recognised an impairment loss of EUR 2.6 million related to goodwill of Transitar in financial year 2023. The goodwill was recognised in acquisition of Transitar in 2021.

Goodwill by business area (EUR 1,000)

	12/31/2023	12/31/2022
VR Long-distance Traffic (Avecra and VR Sverige)	**4,941**	4,941
VR City Traffic (VR Sverige)	**3,320**	3,312
VR Transpoint (Transitar)		2,608
Total	**8,261**	10,862

Key information of tests for impairment

	12/31/2023	12/31/2022
The growth factor (%) used for extrapolating cash flows after the strategy period (the assumption is a steady growth factor)	**1,0-1,5**	1,0-1,5
Discount rate (pre-tax WACC), %	**6,0-6,3**	6,0-6,3
WACC after taxes, %	**4,8-5,0**	4,8-5,0

VR Group's management assesses on each closing date whether there are indications of impairment of goodwill (or any other intangible or tangible asset or right-of-use asset). The Group regularly estimates these indications based on the Group's internal reporting or changes in the economic environment and market.

For instance, indications may include:

- unexpected changes in the variables of the testing calculations (net sales and profitability), and
- changes in market conditions

Measurement is generally discretionary, and the values can change from one financial year to another, because the management has to project the supply and demand concerning individual businesses, future selling prices and achievable levels of costs. The estimated benefits and savings achieved as the result of efficiency programmes are subjective. The value in use of a cash-generating unit is determined by discounting estimated cash flows using an interest rate based on the weighted average cost of capital (WACC). The WACC calculation is based on the beta factors and capital structures of of benchmark companies.

Goodwill is tested annually, regardless of whether there are any indications. No depreciations are done for goodwill, but it is tested for impairment annually. Imparments done previously are not reversed, even if the circumstances leading to imparment would have improved significantly.

4.5. Provisions

VR Group's provisions are comprised of environmental obligations, expenses on onerous contracts, employer's obligation to pay the unemployment insurance liability component and expenses of warranty repairs of maintenance work.

Provisions are recognised for environmental obligations as a result of VR Group's operations at depots, machine shops, refuelling and loading sites and for restoring or rehabilitating leased land areas or buildings or the environment. The most typical sites are old machine shops, depots and refuelling or loading sites where environmentally hazardous substances have potentially been handled. Some of the sites have been used by the Group for a long time, and some of them are built in previously contaminated areas.

Provision for environmental obligations

Provisions for environmental obligations are associated with the restoration or rehabilitation of owned and leased land areas or buildings. The Group has determined an estimated restoration schedule, amount and time of realisation for the sites. With regard to owned assets, the expenses associated with the provision for environmental obligations are included in the acquisition cost of the property, plant and equipment asset and the acquisition cost of assets classified as investment properties. Similarly, the corresponding expenses associated with leased sites are included in the right-of-use asset.

Other provisions

Other provisions include provisions for onerous contracts, warranty provisions and unemployment insurance fund provisions. Provision for onerous contract is recognised when it is likely that the income from the contract is not adequate to cover the expenses arising from fulfilling the obligations of the contract. Warranty provisions are provisions for expenses of warranty repairs of maintenance work done by VR FleetCare. An employer is obligated to pay the unemployment insurance contribution (Unemployment Insurance Fund provision), if a senior employee who has been given notice or laid off remains unemployed or laid off for a long time. The Group recognises a provision in conjunction with dismissal. The unemployment insurance fund provision are realised in two years time.

The provisions are comprised of liabilities whose time of realisation or actual amount is uncertain. A provision is recognised when the Group has a (legal or factual) obligation as a result of a previous event, the realisation of the payment obligation is probable and the amount of the obligation can be reliably determined.

The amount recognised as a provision equals the best estimate of the expenses required to fulfil the existing obligation on the closing date of the reporting period. The outgoing cash flows caused by the obligation are discounted to the time of review if the impact of the time value of money is substantial. The discount rate should reflect the market view of the time value of money at the time of review and the special risks concerning the liability in question. The risks and uncertainties associated with the obligation are taken into consideration in the amount of the provision.

Provisions concerning fixed assets are included in the acquisition cost of the property, plant and equipment or right-of-use asset, as the acquisition cost has to include the costs of dismantling and transferring the asset and restoring the location to the original state pursuant to the initial estimate. Any subsequent changes in liabilities are added to the acquisition cost of the asset concerned by the liabilities or deducted from it, and the adjusted depreciable amount of the asset is recognised non-retroactively as an expense over its remaining economic useful life.

Estimates of the existence and amount of the obligation need to be used in deciding on the prerequisites for recognising provisions and determining their amounts. The recognised amount is the best estimate of the expenses caused by the obligation on the closing date or if it was transferred to a third party. The estimates of the financial impacts of prior incident requires management discretion, which is based on prior similar incidents and where deemed necessary using the external experts evaluation.

The estimates can deviate from the actual future obligation in terms of amount and existence. In addition to the identified provisions, the Group has some off-balance sheet liabilities with possible future obligations (timing, costs) that cannot be reliably projected. With regard to provisions for environmental obligations, determining the time of materialisation difficult, the estimate requires management discretion and the time of materialisation used is 20 years until the timing can be more accurately estimated.

The management of VR Group has exercised discretion in determining the deductibility of VAT on expenses for environmental provisions. The management has decided to include 24% VAT on the estimated provision expense based on KHO 2018:68 decision described in the notes 9.1.3.

Provisions 2023 (EUR 1,000)

	Provisions for envi-ronmental obligations	Other provisions	Total
Book value 1 January	60,245	18,652	**78,897**
Increases	627	16,576	**17,202**
Discount effect	1,296		**1,296**
Provisions used	-7,011	-4,213	**-11,224**
Cancellation of unused provisions	0	-2,306	**-2,306**
Book value 31 December	**55,157**	**28,709**	**83,867**

Provisions 2022 (EUR 1,000)

	Provisions for envi-ronmental obligations	Other provisions	Total
Book value 1 January	43,598	4,177	**47,775**
Increases through business acquisition		2,414	**2,414**
Increases	20,168	13,451	**33,619**
Provisions used	-3,497	-1,117	**-4,614**
Cancellation of unused provisions	-24	-272	**-297**
Book value 31 December	**60,245**	**18,652**	**78,897**

Provision for environmental obligations

The amount recognised as a provision is the present value of the expenses expected to be required for fulfilling the obligation. The present value of the expenses is determined either as an in-house estimate or by an external consultant, depending on the site. The Group annually revises the estimates of future expenses relating to land areas and their timing. Provisions for environmental obligations are recognised in the balance sheet based on interpretation of environmental legislation and other regulations in force, when the criteria for recognising the provision are met.

A major increase in a provision resulting from the lapse of time is recognised as an interest expense. At the end of the year 2023 the discount rate was an average of 2.1% (2.3%).

The estimated time of materialisation of the Group's provisions for environmental obligations varies from 1 to 20 years. They are typically long-term obligations. With regard to provisions for environmental obligations in which determining the time of materialisation is difficult, the time of materialisation used is 20 years until the timing can be more accurately estimated.

From 2022 onwards provisions for environmental obligations include VAT.

Other provisions

An employer may be obligated to pay the unemployment insurance contribution if a senior employee who has been given notice or laid off remains unemployed or laid off for a long time.

4.6. Net working capital

VR Group manages the items described in the table as working capital:

EUR 1,000	2023	2022
Inventories	**99,400**	75,135
Accounts receivable and other receivables	**159,910**	168,155
Working capital - receivables, total	**259,310**	243,290
Accounts payable and other liabilities	**265,638**	305,686
Working capital - liabilities, total	**265,638**	305,686
Net working capital	**-6,328**	-62,395

4.6.1. Inventories

VR Group's inventories are mainly comprised of spare and replacement parts needed for maintaining and repairing rolling stock, only replaced upon breaking down, such as train windshields. The inventories include purchased products, products manufactured by the Group and unfinished products and supplies intended for use in the production process.

VR Group classifies replacement and spare parts with a significant value that will be regularly replaced based on the maintenance programmes as fixed assets. They are described in more detail in Note 4.1. Property, plant and equipment.

VR Group measures inventories at the lower of acquisition cost or net realisable value. The acquisition cost of inventories is determined using the weighted average price method. The net realisable value is the estimated price obtained from selling the inventory item in the course of ordinary business less the estimated expenses due to finishing the product and realising the sale.

The Group includes direct purchase expenses, including import duties and acquisition and transport costs in the acquisition cost of products sourced as finished products. Any discounts received are deducted from the acquisition cost. The acquisition cost of finished and unfinished products manufactured by the Group includes raw materials, wage and salary expenses caused by the direct work performance and a share of other required expenses. In addition, a share of the variable and fixed overhead of manufacturing is allocated to the items in accordance with the normal utilisation rate.

The provision recognised for inventories with a slow turnover time and obsolete inventories is based on the best estimate at the closing date. The estimates are based on a systematic and continuous review and assessment of inventory quantities. This assessment also takes into consideration the composition of inventories and their age in relation to the estimated future need.

EUR 1,000	2023	2022
Single-use items	**59,098**	49,525
Replacement parts	**39,065**	24,239
Fuels	**1,237**	1,371
Total	**99,400**	75,135

A total of EUR -9,030 (19,936) thousand was expensed to the income statement for materials and supplies, work in progress and finished products. These items are included in the income statement item materials and services and production for own use.

A total of EUR -1,527 (-8,790) thousand was recognised as impairment in the inventories of VR FleetCare during the financial year. The book value of these inventory items was decreased to correspond with their net realisable value. In the financial period, EUR 3,303 (1,151) thousand of the items impaired in previous financial years were also recognised as a return of impairments, which resulted in a net positive effect of EUR 1,776 (7,639 negative) thousand of impairments and their returns.

4.6.2. Accounts receivable and other receivables

The Group's accounts receivable and other receivables are comprised of the following items:

EUR 1,000	2023	2022
Accounts receivable	**82,719**	83,774
Other receivables	**8,413**	2,581
Advances paid	**943**	269
Derivatives	**5,007**	30,391
Prepaid expenses and accrued income	**62,829**	51,140
Total	**159,910**	168,155

The table describes the items susceptible to credit risk and the provision for expected credit losses:

	2023		2022	
EUR 1,000	Gross book value	Credit loss provision	Gross book value	Credit loss provision
Current accounts receivable (not due)	75,522	-607	77,086	-539
Overdue				
1–7 days	6,333	-10	1,631	-10
8–30 days	-4,140	-3	2,132	-7
31–60 days	246	-3	634	-22
61–90 days	87	-1	668	-23
91–180 days	614	-4	906	-12
over 180 days	4,881	-197	1,769	-438
Total	**83,543**	**-825**	**84,826**	**-1,051**

The reconciliation of expected credit losses is presented in the table below:

EUR 1,000	2023	2022
Book value 1 January	**-1,051**	-528
Impairment losses	**–**	37
Net re-evaluation of provisions for credit losses	**226**	-560
Book value 31 December	**-825**	-1,051

The Group recognises all accounts receivable at amortised cost. Accounts receivable are current assets that the Group intends to hold for a maximum of 12 months after the close of the reporting period.

Expected credit losses

The Group measures accounts receivables at amortised cost, and the expected credit losses for them are recognised. The Group applies a simplified procedure (provision matrix) to calculating expected credit losses, with the allowance concerning the loss measured at an amount corresponding with the expected credit losses for the entire validity period. Changes in expected credit losses are recognised through profit or loss in other operating expenses.

Accounts receivable are broken down by business area in calculating expected credit losses. The provision matrix takes into account historical data about actual credit losses, economic conditions at the time of review and forward-looking expectations of the development of credit losses.

An actual credit loss is recognised on the income statement for accounts receivable when the Group considers that no payment will be received.

4.6.3. Accounts payable and other liabilities

The Group's accounts payable and other liabilities are comprised of the following items:

EUR 1,000	2023	2022
Accounts payable	**73,117**	79,903
Other liabilities	**22,042**	14,649
Accrued expenses and prepaid income	**141,961**	190,136
Advances received	**28,518**	20,997
Dividend payment liability	**–**	–
Total	**265,638**	305,686

The most significant items in the Group's accrued expenses and prepaid income include salary liabilities, EUR 86,772 thousand (84,977) and accruals from sales and expenses totalling EUR 50,455 thousand (100,962).

Advances received are mainly comprised of accruals from VR's multi, single and season tickets.

Accounts payable are initially recognised at fair value on the balance sheet and subsequently measured at amortised cost. Accounts payable are current liabilities that will fall due within a maximum of 12 months after the close of the reporting period.

5. Capital structure

5.1. Capital management

The purpose of VR Group's capital management is to ensure the prerequisites for the Group's operations under all conditions, and maintain an optimum capital structure. The main monitored indicator of the capital structure is the ratio of net interest-bearing liabilities to comparable EBITDA of last twelve months.

VR's long-term financial targets approved by the Board of Directors of VR-Group Plc are:

1. Minimum of 8.0 per cent in comparable return on capital employed.
2. Maximum of 3.0x in net debt to comparable EBITDA.

According to VR's dividend policy the long-term target is a stable profit distribution of approximately 50-80% of the previous year's net profit added by debt free cash flow from possible real estate divestments.

EUR 1,000	2023	2022
Cash and cash equivalents	**224,178**	224,396,102
Other financial assets	**–**	50,000
Equity	**1,268,623**	1,246,220
Long-term interest-bearing liabilities (1)	**518,022**	568,686
Short-term interest-bearing liabilities (1)	**36,950**	47,637
Interest-bearing liabilities, total	**554,972**	616,323
Equity and interest-bearing liabilities, total	**1,823,595**	1,862,543
Net debt	**330,794**	341,927

(1) Includes lease liabilities

The Group's liquidity risk and maturity of interest-bearing liabilities are presented in the risk management note 6.1.

5.2. Financial assets and liabilities and fair values

Financial assets and liabilities

The Group's financial assets consist of investments in commercial papers and corporate and state bonds, investments in funds and shares, loans and accounts receivable as well as derivative assets. Financial liabilities include loans from financial institutions, lease and rent liabilities, accounts payable and derivative liabilities.

Financial assets

The Group measures an item included in financial assets at fair value upon initial recognition, and in case of items other than those included in financial assets at fair value through profit or loss, the immediate item-related transaction costs are added to or deducted from it. Financial assets at fair value through profit or loss are initially recognised on the balance sheet at fair value and transaction costs are recognised through profit or loss.

The classification of financial assets is based on business models defined by VR Group and contractual cash flows of financial assets. The Group's financial assets are classified into the following categories: at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. Financial assets are included in non-current assets on the balance sheet, unless they mature within 12 months of the closing date.

Amortised cost

Loan receivables, accounts receivable and cash and cash equivalents which are held to maturity to collect contractual cash flows and the cash flows are solely payments of principal and interest, are measured at amortised cost in the Group. Loan receivables are measured at amortised cost using the effective interest method.

Furthermore, the Group's investments in commercial papers and bonds are measured at amortised cost. The objective of the business model applied to these investments is to secure the Group's liquidity position and manage investments to collect contractual cash flows.

An allowance for expected credit losses is recognised for financial assets measured at amortised cost. The calculation of the loss allowance is described in Note 6.1

At fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are obtained for held for trading purposes or that are classified in this category upon initial recognition. The transaction costs associated with financial assets at fair value through profit or loss and realised and unrealised gains and losses resulting from changes in fair value are recognised through profit or loss. The Group recognises non-hedge accounted derivatives at fair value through profit or loss.

Shares and funds

The Group classifies its investments in shares and funds at fair value through profit or loss, with the related fair value changes being recognised through profit or loss. Dividends received on investments are recognised through profit or loss. Investments in unlisted shares are recognised at the lower of original acquisition cost or probable value, because their fair values are not reliably available.

Equity instruments at fair value through other comprehensive income

With regard to equity instruments, the Group can upon initial recognition make an irrevocable election and measure the items at fair value through other comprehensive income. In this case, subsequent changes in fair value are reported in other comprehensive income with only dividends on investments being recognised through profit or loss, unless the dividend clearly represents refund of capital. In the Group, this item consists of investment in shares of NRC Group.

Cash and cash equivalents

Cash and cash equivalents include cash, bank account balances, short-term commercial papers and deposits. Cash and cash equivalents have a maturity of a maximum of three months from the time of acquisition and the risk of changes in their value is low. Used overdraft facilities are presented in other short-term liabilities on the balance sheet. When their maturity exceeds three months, investments in commercial papers and deposits are recognized in other financial assets.

Financial liabilities

Financial liabilities are measured at fair value upon initial entry. In case of items other than those included in financial liabilities at fair value through profit or loss, the immediate item-related transaction costs are added to or deducted from it. Financial liabilities at fair value through profit or loss are initially recognised on the balance sheet at fair value and transaction costs are immediately recognised as expenses.

The Group's financial liabilities are classified into the following categories: at amortised cost and at fair value through profit or loss. Both long- and short-term liabilities include financial liabilities. A financial liability is classified as short-term unless the Group has an absolute right to postpone the payment of the liability a minimum of 12 months after the closing date of the reporting period.

Amortised cost

The Group measures interest-bearing liabilities and accounts payable at amortised cost. Loans from financial institutions are measured at amortised cost using the effective interest method.

At fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are comprised of derivative liabilities not included in hedge accounting. The transaction costs associated with financial liabilities at fair value through profit or loss, together with realised and unrealised gains and losses resulting from changes in fair value are recognised through profit or loss.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the balance sheet and are subsequently measured at fair value. Non-hedge accounted derivatives are recognised through profit or loss, whereas derivatives subject to cash flow hedge accounting are carried at fair value through other comprehensive income in accordance with IFRS 9. Derivative contracts and hedge accounting principles are described in more detail in the Risk Management Note 6.2.

Derecognition

Financial assets are derecognised once the Group's rights have expired or they have been transferred to other parties. At this time, the Group has transferred the risks and benefits related to the ownership to a substantial extent to another party. Financial liabilities are derecognised once the obligation associated with the liability in question has been fulfilled or it has expired.

Guarantees

VR Group issues business-related guarantees associated closely with its operations. The purpose of the guarantees is to make sure that VR Group can fulfil its contractual obligations. Guarantees have not been given to companies outside the Group, so the guarantees do not result in credit risk.

Measurement of fair values

The fair value of an asset or liability is the price that would be received from the sale of the asset or paid for transferring the liability between market parties in the course of ordinary business on the measurement date.

Fair values are classified to fair value hierarchy levels as follows, describing the significance of the inputs used in the measurement methods:

Level 1

Quoted fair values (unadjusted) in active markets for identical assets or liabilities

Level 2

Inputs other than quoted market prices included within Level 1 are used in measuring fair values. The inputs are observable for the asset or liability, either directly or indirectly.

Level 3

Fair values are measured using inputs that are unobservable inputs for the asset or liability.

The book value of short-term accounts receivable and accounts payable are considered to equal the best estimate of their fair value. In addition, the acquisition price of unlisted shares is considered to equal the best estimate of their fair value.

The Group has exercised discretion in the IFRS treatment of the shares in NRC Group as an investment. VR Group holds 18.3% of the shares in NRC. It has been decided to account for the shares in NRC Group using IFRS 9 – OCI (other comprehensive income), with changes in fair value to be recognised through other comprehensive income

Financial assets and liabilities

The table below shows the categories of financial assets and liabilities and the classification of items recognised at fair value in the fair value hierarchy.

There were no transfers between level 1 and level 2 or to level 3 of the fair value hierarchy in the financial years 2023 or 2022.

2023 (EUR 1000) Financial assets	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Derivatives in hedge accounting	Book value total	Fair value	Level 1	Level 2	Level 3
Long-term financial assets									
Loan receivables					–	–			
Investments			12,993		12,993	12,993	12,695		298
Derivatives				1,179	1,179	1,179		1,179	
Short-term Financial assets									
Accounts receivable and other receivables	92,075				92,075	92,075			
Derivatives		214		4,793	5,007	5,007		5,007	
Cash and cash equivalents	224,178				224,178	224,178			
Financial assets, total	**316,253**	**214**	**12,993**	**5,972**	**335,432**	**335,432**	**12,695**	**6,185**	**298**
Financial liabilities									
Long-term financial liabilities									
Bond	298,757				298,757	287,064	287,064		
Loans from financial institutions	517				517	517			
Lease liabilities	217,338				217,338	217,338			
Derivatives				4,153	4,153	4,153		4,153	
Accounts payable and other liabilities	4,025				4,025	4,025			
Short-term financial liabilities									
Lease liabilities	36,943				36,943	36,943			
Derivatives		2,860		417	3,276	3,276		3,276	
Accounts payable and other liabilities	120,927				120,927	120,927			
Financial liabilities, total	**678,506**	**2,860**	**–**	**4,570**	**685,936**	**674,243**	**287,064**	**7,429**	**–**

2022 (EUR 1,000) **Financial assets**	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Derivatives in hedge accounting	Book value total	Fair value	Level 1	Level 2	Level 3
Long-term financial assets									
Loan receivables					–				
Investments			18,291		18,291	18,291	18,291		
Derivatives				9,181	9,181	9,181		9,181	
Short-term Financial assets									
Loan receivables					–				
Accounts receivable and other receivables	86,355				86,355	86,355			
Derivatives		62		30,329	30,391	30,391		30,391	
Cash and cash equivalents	224,396				224,396	224,396			
Financial assets, total	**360,751**	**62**	**18,291**	**39,510**	**418,614**	**418,614**	**18,291**	**39,572**	**–**
Financial liabilities									
Long-term financial liabilities									
Bond	298,527				298,527	265,619	265,619		
Loans from financial institutions	25,149				25,149	25,149			
Lease liabilities	243,620				243,620	243,620			
Derivatives				782	782	782		782	
Accounts payable and other liabilities	4,041				4,041	4,041			
Short-term financial liabilities									
Loans from financial institutions	2,930				2,930	2,930			
Lease liabilities	44,707				44,707	44,707			
Derivatives					–				
Accounts payable and other liabilities	94,553				94,553	94,553			
Financial liabilities, total	**713,527**	**–**	**–**	**782**	**714,309**	**681,401**	**265,619**	**782**	**–**

Accounts receivable and expected credit losses are described in Note 4.6.

The hedge accounting principles and accounting for derivatives applied by the Group are described in Note 6.2.

The Group's leases and lease liabilities are described in Note 4.2.

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Loan receivables
At the end of financial year 2023, VR Group did not have any loan receivables.

Other financial assets
At the end of 2023, VR Group did not have any bank deposits with maturities over three months (EUR 50 million at the end of 2022).

(EUR 1,000)	2023	2022
Bank deposits over 3 months	–	50,000
Total	**–**	50,000

Equity investments at fair value through other comprehensive income
The investment in shares in NRC Group is recognised at fair value through other comprehensive income, because it is a strategic investment in shares in a significant partner and the shares are not held for trading purposes. The shares in NRC Group are listed on the Oslo Stock Exchange and classified at level 1 of the fair value hierarchy.

(EUR 1,000)	Fair value 2023	Fair value 2022	Dividends recognised on the income statement 2023	Dividends recognised on the income statement 2022
NRC Group	12,695	18,291	–	–
Total	**12,695**	**18,291**	**–**	**–**

During the 2023 reporting period and comparison period 2022, there were no changes in the holdings in NRC Group, and no reclassifications of retained earnings or losses were made between equity items.

Cash and cash equivalents (EUR 1,000)

	2023	2022
Cash and cash equivalents	**149,178**	174,396
Bank deposits under 3 months	**75,000**	50,000
Total	**224,178**	224,396

Interest-bearing liabilities

The key terms and conditions of the Group's liabilities are described in the table below.

EUR 1,000	Interest rate	Maturity	Nominal value 2023	Book value 2023	Nominal value 2022	Book value 2022
Bond	Fixed	2029	**300,000**	**298,757**	300,000	298,527
Loans from financial institution	Floating	2032	**517**	**517**	28,623	28,623
Other financial loans	Fixed	2024–2026	**1,415**	**1,415**	845	845
Lease liabilities	Floating	2026–2033	**204,819**	**204,819**	240,560	240,560
Rent liabilities	Fixed	2026–2033	**49,462**	**49,462**	47,767	47,767
Above interest-bearing liabilities, total			**556,213**	**554,970**	617,795	616,322

The maturity distribution of interest-bearing liabilities is presented in risk management Note 6.1

The measurement of interest on lease liabilities is described in Note 4.2

At the end of May 2022, VR-Group Plc issued its first unsecured fixed-rate Green Bond as part of the Group's newly established 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 will bear an annual fixed interest rate of 2.375%.

The proceeds from the issue will be used for initiatives and projects that comply with VR Group's Green Finance Framework. The projects include investments in clean transport, renewable energy projects and improving the energy efficiency of buildings owned or occupied by VR Group.

In the end of 2022, loans from financial institutions included VR's share EUR 28.1 million of the loan of Oy Karelian Trains Ltd, treated as a joint operation. To avoid bankruptcy of the joint operation, on 27 June 2023 VR paid back the share of the loan it had guaranteed, redeemed the rest of Oy Karelian Trains Ltd's external loans and received related rights of pledge from Finnish lenders who had financed the trains. On 14th of December 2024, VR used the right of pledge and four Sm6 trains became VR's property.

Rent liabilities are leases which are typically associated with diverse land and water areas, office and warehouse buildings and machines and equipment. Lease liabilities includes lease agreements with financial institutions relating to wagons, cars, buses. IFRS 16 is applied both to rent and lease liabilities. Leases are described in Note 4.2.

5.3. Financial income and expenses (EUR 1,000)

The table describes the items recognised through profit or loss:

Financial income	2023	2022
Dividend income	**6**	4
Interest income according to the effective method	**7,813**	1,251
Change in the fair value of unrealised derivatives	**839**	18,078
Exchange rate gains of loans, derivatives and bank accounts.	**4,433**	6,055
Other financial income	**3**	3,987
Total	**13,094**	29,374
Financial expenses		
Impairment losses	**-1,336**	–
Interest expenses according to the effective method	**-9,159**	-6,961
Interest expenses of lease liabilities	**-8,014**	-2,800
Change in the fair value of unrealised derivatives	**-2,860**	-626
Exchange rate losses of loans, derivatives and bank accounts.	**-2,314**	-5,936
Other financial expenses	**-744**	-1,131
Total	**-24,428**	-17,454
Financial income and expenses, total	**-11,334**	11,920

At the end of May 2022, VR-Group Plc issued an unsecured fixed-rate Green Bond, which was pre-hedged with interest rate swaps. These swaps were terminated at the time of the bond issuance and realised result is accrued until maturity 2029. Effective annual interest including hedge is 2.0%.

Interest gain is from bank accounts and deposits. Change in the fair value of derivatives 2023 is from currency derivatives. In 2022 it was mainly from interest rate derivatives. Exchange rate gains and losses includes unrealised and realised profit and losses from loans and bank accounts as well as realised currency derivatives.

5.4. Equity and reserves

Share capital	2022 qty	2021 qty	2022 (EUR 1000€)	2021 (EUR 1000€)
Share capital 1 Jan	**2,200,000**	2,200,000	**370,013**	370,013
Share capital 31 Dec	**2,200,000**	2,200,000	**370,013**	370,013

Treasury shares
VR does not hold any treasury shares.

Hedging and other reserves
The effective part of the change in the fair value of derivatives in hedge accounting is recognised in the hedging reserve.

Invested non-restricted equity reserve
The invested non-restricted equity reserve includes other equity investments that are not recognised in share capital based on a specific decision. The invested non-restricted equity reserve is fully comprised of the invested nonrestricted equity reserve of the parent company, VR-Group Plc.

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

6. Financial risk management

6.1. Financial risks

In its operations, VR Group is exposed to liquidity risk, credit risk and market risk (interest risk, exchange risk, fuel and electricity price risk). The objective of VR Group's risk management is to ensure effective and successful implementation of risk management in order to meet its financial objectives. In addition, the Group's financial risk management aim is to maintain the Group's ability to receive funding from the market through a strong balance sheet position and consistent profitability.

Principles of financial risk management

The Board of Directors of VR Group decides on the Group's Treasury Policy that defines the principles governing the management of financial risks. The Group's treasury function, headed by the Group CFO, is responsible for risk management in practice. VR Group's Board of Directors and senior management are responsible for regulating risk appetite.

Market risk

The treasury function of the Group is responsible for the management of market risks and its practical implementation. The Group's market risks include interest rate risk, exchange risk and fuel and electricity price risk.

Interest rate risk

Changes in interest rates create uncertainty to the Group's cash flow, profitability and value. VR's interest rate risk arises mainly from floating rate lease liabilities and loans from financial institutions. The goal of interest rate risk management is to reduce the effect of interest rate changes to the Group's cash flow, profitability and value.

Items exposed to interest rate risk (EUR 1,000)

Floating-rate liabilities	2023	2022
Loans from financial institutions	**517**	28,623
Lease liabilities	**204,819**	210,026
Total	**205,336**	238,649
Derivatives		
Interest rate swaps	**–**	22,371
Total	**–**	22,371

The Group's loans consist of both fixed and floating-rate loans, and at the end of the 2023 financial year the floating rate liabilities totaled EUR 205 million (EUR 239 million). The reference rates for the floating-rate loans are Euribor rates.

The weighted average interest rate on VR's floating-rate liabilities (excluding rent lease liabilities) was 4.4% (31 December 2022: 2.4 per cent).

Sensitivity analysis of interest rate changes

The table below describes the impact of an interest rate change of one (1) percentage point on the Group's interest expenses for the next year, taking into consideration the impact of interest rate derivatives. The analysis assumes that other factors remain unchanged. Equity only includes items subject to hedge accounting. The Group's floating rate loans have a 0%-floor for the reference rate.

Hedge ratio of the Group's debt portfolio was 61% at the end of 2023 financial year (31st December 2022: 60%).

Fixed rate loans and interest rate swaps that are used to fix interest rates are considered part of the hedged share in the calculation, More details of the derivatives are described in table “Nominal values and fair values of derivatives” in Note 6.2.

	Income statement		Equity	
(EUR, 1 000)	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Floating-rate liabilities	-1,840	1,840		

Currency risk

Changes in exchange rates create uncertainty with regard to the Group’s cash flow, profitability and value. The Group’s currency risk arises from two components: transaction risk and translation risk. Transaction risk refers to changes in exchange rates affecting the value of commercial transactions, and translation risk refers to changes in exchange rates affecting the balance sheet value of assets and receivables.

The objective of currency risk management is to reduce the impact of changes in exchange rates on the Group’s cash flow, profitability and value. According to VR Group’s Treasury Policy, all binding and significant cash flows denominated in foreign currency are to be hedged.

The Group’s currency risk arises mainly from internal loans, payments and receivables denominated in foreign currencies and binding offers issued in foreign currencies. The Group's currency risk from internal loans (SEK) risk is fully hedged with foreign exchange derivatives, which are not under hedge accounting. Risk from external Swedish Krona (SEK) receivables is hedged mainly with currency derivatives, which are under hedge accounting.

VR Group is indirectly exposed to the currency risk of the Norwegian krone (NOK) due to its investment in shares in NRC Group, which are quoted in NOK. Exchange rate changes arising from the price of a NRC Group share are recorded as part of the change in the value of investments in the fair value reserve.

Sensitivity analysis of currency rate changes

The table below describes the impact a 10% change in foreign exchange rate has on the Group’s income and equity. Change in the fair value of derivatives under hedge accounting affect VR Group's equity and changes in the fair value of derivatives that are not under hedge accounting affect VR Group's income. The analysis assumes that other factors remain unchanged.

	Income statement		Equity	
(EUR 1,000)	Euro strengthening +10%	Euro weakening -10%	Euro strengthening +10%	Euro weakening -10%
SEK	-3,318	4,056	-1,718	2,100

Fuel and electricity price risk

Changes in the market price of fuel and electricity create uncertainty to the Group’s cash flow, profitability and value. Fuel and electricity price risk arises from the Group’s operations.

The Group’s fuel price risk is mostly concentrated to the logistics and contractual business. Fuel price risk is hedged with index-linked customer contracts, where changes in the fuel price change the pricing in the contracts. The Group’s electricity price risk is hedged with index –linked customer contracts and electricity derivatives.

According to VR Group’s Treasury Policy, the target hedge ratio of fuel and electricity price risk is 75% of the forecasted consumption for the next 12 months.

More details of the derivatives are described in table “Nominal values and fair values of derivatives” in Note 6.2.

Items exposed to price risk

	2023	2022
Fuel consumption, tonnes	**25,138**	29,206
Electricity consumption, GWh	**558**	590

Sensitivity analysis of changes in electricity prices on derivatives

The table below describes the impact a 20% change in fuel and electricity prices has on the Group's income and equity. The table indicates how much equity would change through the change in the market value of derivatives and how much the following year's net profit would change through cash flow. The analysis assumes that other factors remain unchanged.

At the end of financial year 2023, 84% of system price risk and 84% of Helsinki area price difference risk of the electricity consumption excluding index-linked customer contracts was hedged with electricity derivatives.

Fuel price risk is almost totally hedged with index-linked customer contracts, therefore fuel derivatives were not hedged with derivative agreements.

	Income statement		**Equity**	
EUR 1,000	Increase	Decrease	Increase	Decrease
Electricity (undiscounted figures)	3682	-3,681	6,308	-6,307

Share price risk

VR Group's investment in NRC Group shares is measured at fair value through other comprehensive income. The +/-10 per cent change in the share price has an impact of EUR +/- 1.8 (+/- 3.2) million on the Group's comprehensive income before taxes.

Liquidity risk

Liquidity risk is the risk of the Group's companies not being able to engage in their normal business or fulfil their maturing payment obligations in due time due to a shortage of liquid assets.

The Group manages its liquidity risk by planning and managing its day-to-day liquidity and monitoring the liquidity situation. In order to ensure day-to-day liquidity, the Group has, for example, a commercial paper programme, short-term bank account limits and a long-term revolving credit facility.

The table below describes the contractual cash flows of financial liabilities and interest rate derivatives. The reported data is undiscounted and includes both the payment of interest and repayment of the principal.

Material contract based purchase commitments with their respective payment schedules are described in Note 9.1.2 Commitments and other open liabilities.

Contractual cash flows 2023 (EUR 1,000)

	Total	Under 12 months	1-5 years	over 5 years
Bond	342,750	7,125	28,500	307,125
Loans from financial institutions	517	26	103	388
Other financial loans	1,409	871	538	–
Lease and rent liabilities	254,281	35,100	76,610	142,571
Accounts payable	75,743	73,117	2,626	–
Total	**674,700**	**116,239**	**108,377**	**450,084**
Derivatives	**–**	**–**	**–**	**–**
Total	**674,700**	**116,239**	**108,377**	**450,084**

Contractual cash flows 2022 (EUR 1,000)

	Total	Under 12 months	1-5 years	over 5 years
Bond	349,875	7,125	28,500	314,250
Other financial loans	946	17	929	–
Loans from financial institutions	32,225	3,820	14,403	14,002
Lease and rent liabilities	288,327	25,093	118,319	144,915
Accounts payable	79,903	79,903	–	–
Total	**751,276**	**115,958**	**162,151**	**473,167**
Derivatives	**2,193**	**469**	**1,251**	**473**
Total	**753,469**	**116,427**	**163,402**	**473,640**

Liquidity reserve

The table below describes VR Group's liquidity reserve aiming to secure the Group's short-term liquidity.

(EUR 1,000)	2023	2022
Cash and cash equivalents	**149,178**	174,396
Bank deposits under 3 months	**75,000**	50,000
Bank deposits over 3 months	**–**	50,000
Total	**224,178**	274,396

Commercial paper programme (EUR 300 million)
Revolving Credit Facility (EUR 200 million)
Overdraft facility (EUR 5 million)
Overdraft facility (SEK 100 million)

VR Group has strengthened the Group's liquidity through a revolving credit facility totalling EUR 200 million, which expires on 3 June 2026. The RCF was fully undrawn at the reporting date. The agreement does not involve any financial covenants, but the State is required to hold more than 50% of the shares.

In addition, VR Group has a short-term overdraft facility of EUR 5 million and a short-term overdraft facility of SEK 100 million, of which SEK 48.4 million was used at the reporting date. The Group also has a EUR 300 million commercial paper programme that was unused at the reporting date.

Credit risk

Credit risk refers to the risk of losses caused by the counterparties and customers of Group companies not being able to fulfil their contractual obligations and the guarantees received not securing the receivables.

The Group is exposed to credit risk due to accounts receivable, loan receivables and investments recognised at amortised cost. The Group manages credit risk through careful monitoring of customers' creditworthiness and payment behaviour. With regard to investments, the Group has defined counterparty specific limits for investment activities in accordance with the Treasury Policy.

Financial management and the risk management function are responsible for the practical implementation and supervision of the credit risk management.

Items exposed to credit risk, total (EUR 1,000)

	2023	2022
Loan receivables	**2,501**	
Bank deposits over 3 months	**–**	50,000
Derivative receivables	**6,185**	39,572
Accounts receivable	**82,719**	83,774
Total	**91,405**	173,346

Expected credit losses

The Group calculates the expected credit loss (ECL) for financial assets measured at amortised cost. The expected credit loss describes the probability-weighted estimate of credit risks that will materialise. An allowance for the expected credit loss is recognised for accounts receivable, loan receivables and investments.

All actual credit losses are recognised through profit or loss. The credit loss is cancelled in a subsequent period if the cancellation can be objectively considered to be related to an event after the recognition of the credit loss. The calculation of the expected credit losses of accounts receivable is described in Note 4.6.2.

The expected credit loss associated with certificates of claim and loan receivables is calculated applying the general approach of IFRS 9.

Expected credit losses from investments

Credit risk data obtained from an external database and an estimate of the recovery rate are used as estimates of the probability of credit loss in calculating the provision for credit losses. The credit risk of the investment portfolio is estimated to be low, because the investments concern investments with high creditworthiness according to the Group's estimate. No expected credit loss was recognised for the investments in 2023 and 2022.

6.2. Derivatives and hedge accounting

In line with its Treasury Policy, VR Group uses interest and commodity derivatives to reduce the interest rate and commodity risks arising from the Group's financial leasing liabilities in the balance sheet as well as its future electricity and fuel purchases. In addition, the Group uses currency derivatives to hedge foreign currency internal loans purchases and sales that expose the Group to foreign currency risk. VR Group makes derivative contracts for hedging purposes, but not all contracts are subject to hedge accounting.

VR Group uses interest rate swaps to reduce the interest rate risk related to payments on floating-rate loan agreements. Interest rate swaps are used in changing floating interest rates into fixed interest rates. Aforementioned contracts are used for hedging purposes, however, hedge accounting is not applied for all of the contracts. Changes in the fair values of interest rate swaps qualifying for hedge accounting, and which are effective, are recognised in the cash flow hedging reserve within balance sheet's restricted equity (cash flow hedge). In case contracts are not effective or not meeting the hedge accounting requirements, the fair value changes are recorded in the income statement under financial items.

Nominal values and fair values of derivatives 2023 (EUR 1,000)

Derivatives in hedge accounting	Nominal value	Positive fair value	Negative fair value	Fair value, net
Commodity derivatives				
Electricity derivatives, GWh	1,114	5,972	-4,109	1,863
Currency derivatives	18,315		-461	-461
Derivatives in hedge accounting, total		**5,972**	**-4,570**	**1,402**
Derivatives not included in hedge accounting				
Currency derivatives	33,781	214	-2,860	-2,646
Total		**6,185**	**-7,429**	**-1,244**

At the end of May 2022, VR-Group Plc issued its first unsecured fixed-rate Green Bond, which was pre-hedged with interest rate swaps. These swaps were terminated at the time of the bond issuance. Effective annual interest including hedge is 2.0%. All other interest rate swaps under cash flow hedge accounting, were terminated during financial year 2022.

VR Group has hedged foreign sales with currency derivatives, which are under hedge accounting.

At the end of year 2023 VR Group did not have any outstanding interest rate derivatives.

Nominal values and fair values of derivatives 2022 (EUR 1,000)

Derivatives in hedge accounting	Nominal value	Positive fair value	Negative fair value	Fair value, net
Commodity derivatives				
Electricity derivatives, GWh	1,043	39,510	-157	39,353
Commodity derivatives, total		39,510	-157	39,353
Derivatives in hedge accounting, total		**39,510**	**-157**	**39,353**
Derivatives not included in hedge accounting				
Interest rate swaps	22,371		-626	-626
Currency derivatives	41,699	62		62
Total	**65,113**	**39,572**	**-782**	**38,789**

Interest rate swaps include in year 2022 interest rate swap regarding joint venture Oy Karelian Trains Ltd's floating-rate loan from a financial institution. Interest rate swap was terminated in financial arrangements during 2023.

Hedge accounting

Risk of changes in fuel and electricity prices

VR Group applies IFRS hedge accounting principles when hedging future cash flows (cash flow hedges). Fuel and electricity price risk refers to the uncertainty of cash flow and net profit resulting from fluctuations in fuel and electricity prices. VR Group uses OTC commodity derivatives to hedge the price risk of electricity and light fuel oil. With regard to the electricity price risk, both the system price and the area price difference are hedged, and together they form the area price of electricity in Finland. Changes in the fair value of derivatives are recognised on the balance sheet in the cash flow hedging reserve under equity when the contracts meet hedge accounting requirements and are effective.

In line with VR Group's Treasury Policy, the hedging level for fuel and electricity derivatives is targeted to be 75% of the forecasted consumption for the next 12 months. Fuel price risk is almost totally hedged with index-linked customer contracts therefore fuel derivatives were not hedged with derivative agreements.

Currency risk

Currency risk refers to the uncertainty of cash flow and profit that arises from changes in exchange rates. VR Group uses OTC- currency derivatives to hedge currency risk. According to VR Group's Treasury Policy all committed significant foreign currency cash flows are hedged. Hedge accounting is applied mainly to currency hedging in large projects. Changes in the fair value of derivatives under hedge accounting are recognised in the fair value reserve of equity when they are effective and meet the hedge accounting requirements. Interest portion of currency derivatives is recognised in profit or loss.

Risk arising from foreign currency receivables is hedged mainly with currency derivatives, which are under hedge accounting.

Hedge accounting prerequisites

In order to meet the prerequisites for hedge accounting, financial instruments are initially designated as hedging instruments and hedge relationship is documented. The Group also verifies, both at the start of the hedging relationship and annually with efficiency testing, that the hedging relationship is efficient. In this case, it is probable in the future that the hedging instrument almost fully offsets changes in the fair value or cash flows of the hedged item (concerning the hedged risk). The Group considers that in cash flow hedging, the most significant terms and conditions of the hedged items and hedging instruments coincide and the hedge ratio 1:1 is applied for hedged items. Changes in the fair value of derivatives are recognised on the balance sheet in the cash flow hedging reserve under restricted equity when the contracts meet hedge accounting requirements and are effective.

In case contracts are not effective or not meeting the hedge accounting requirements, the fair value changes are recorded in the income statement.

Maturity distribution of derivatives subject to hedge accounting

At the end of the 2023 and 2022 financial years, the Group had the following instruments with which it hedges against changes in interest rates and changes in commodity prices:

2023 (EUR 1,000)

		Maturity (nominal amounts)		
Price risk	Nominal amounts, total	Less than 12 months	1-5 years	Over 5 years
Electricity derivatives	1,114 GWh	518 GWh	596 GWh	–

		Maturity (nominal amounts)		
Currency risk	Nominal amounts, total	Less than 12 months	1-5 years	Over 5 years
Currency derivatives	18,315	6,785	11,530	–

2022 (EUR 1,000)

		Maturity (nominal amounts)		
	Nominal amounts, total	Less than 12 months	1-5 years	Over 5 years
Price risk				
Electricity derivatives	1,043 GWh	482 GWh	562 GWh	

Balance sheet values of derivatives subject to hedge accounting and the items recognised to the income statement

2023 (EUR 1,000)

	At year-end Balance sheet value			During the year Transferred to the income statement	
Cash flow hedges	Receivables	Liabilities	Net, cash flow hedging reserve	To interest expenses	Included in materials and services
Electricity derivatives	5,972	4,109	1,863		4,559
Currency derivatives		461	-461		50

2022 (EUR 1,000)

	At year-end Balance sheet value			During the year Transferred to the income statement	
Cash flow hedges	Receivables	Liabilities	Net, cash flow hedging reserve	To interest expenses	Included in materials and services
Electricity derivatives	39,510	157	39,353		35,949

Balance sheet values of derivatives subject to hedge accounting and the items recognised to the income statement.

7. Income tax

The tax expense for the period on the income statement is comprised of tax based on the taxable income for the period, income tax on previous financial years and changes in deferred tax liabilities and receivables. Income taxes are recognised through profit or loss, except for taxes associated with other comprehensive income or items recognised directly in equity. In these cases, the income tax is recognised through either comprehensive income or equity according to the items concerned.

Recognition of taxable income

VR Group calculates the tax on taxable income for the period in each country in which it operates on the basis of the taxable income specified in respective legislation and valid tax rate. The taxable income for the period is adjusted or any taxes associated with previous financial years. Only tax rates (and laws) prescribed or practically approved by the closing date of the reporting period are taken into consideration in calculating the taxes for the financial year. Other taxes, such as property and other local taxes, are included in other operating expenses.

The Group's taxable income does not directly equal the net profit reported on the consolidated financial statements, as some income or expense items can be taxable or tax deductible in different years. In addition, certain income items are not necessarily taxable at all, while some expense items are not eligible for deduction in taxation.

Recognition of deferred taxes

Deferred taxes are generally recognised:

- For temporary differences between the book values and taxable values of assets and liabilities on the closing date, and
- Unused tax losses and unused tax rebates.

Deferred tax liabilities are generally recognised on the balance sheet in full. However, a deferred tax liability is not recognised if it is due to:

- Initial recognition of goodwill, or
- Initial recognition of an asset or liability if it is not a business combination and the transaction will not have an impact on the accounting profit or taxable income during its time of materialisation.

A deferred tax receivable is recognised for tax-deductible temporary differences only up to an amount by which it is probable that there will be future taxable income against which VR Group can utilise the temporary difference. A deferred tax receivable can be recognised or not recognised on the balance sheet. Their treatment differs as follows:

- Deferred tax receivables recognised on the balance sheet: the amount of these deferred tax receivables and the probability of their utilisation is re-evaluated at the end of each reporting period. If the Group no longer considers the tax benefit in question probable, a corresponding decrease is recognised for the book value of the deferred tax receivable.
- Deferred tax receivables not recognised on the balance sheet: these items are re-evaluated at the end of each period. They are recognised on the balance sheet up to the amount that it is probable that the said receivables can be utilised against future taxable income.

At VR Group, the most significant temporary differences result from provisions, defined-benefit pensions and depreciation difference. Deferred taxes are not recognised for non-tax-deductible impairment losses of goodwill, and neither for the undistributed earnings of subsidiaries to the extent that the difference is not likely to be cancelled in the foreseeable future. Taxes are recognised for undistributed earnings of foreign subsidiaries only if they are known to result in tax consequences. Deferred tax receivables and liabilities are offset (netted) when they are related to taxes collected by the same taxation authority and can be legally offset under an enforceable right.

VR Group determines the deferred tax receivables and liabilities using the tax rates (and tax laws) which will probably be valid in the period during which the asset will be liquidated or otherwise utilised or the liability will be paid. The tax rate used is the tax rate in force on the closing date of the reporting period or tax rates for the year following the financial year if they have been approved in practice by the closing date of the reporting period.

Pillar II - Future regulation on global minimum tax

VR Group has estimated potential impacts of Pillar II, i.e. global minimum tax, on the Group's future taxpaying position. The new regulation is applied for the first time during tax year 2024. Based on the estimation, the regulation should not have an impact on payable taxes.

The management of VR Group has made assumptions and used certain estimates regarding the tax consequences for future years due to differences between the book values recognised on the financial statements and their taxable values. The key assumptions concern, for instance, the utilisation period of estimated deductible confirmed tax losses remaining unchanged and the tax laws and rates in force remaining unchanged in the near future. The usability of deferred tax receivables is assessed on each closing date, and if the circumstances indicate that no taxable income will be generated in the future against which the temporary difference could be utilised, the deferred tax receivable is cancelled up to the amount that can be used.

No changes have taken place in the corporate tax rates of the countries in which VR Group operates during the current or reference period.

VR Group does not have any uncertain tax positions.

The table below presents the amount of income tax recognised through profit or loss for the 2023 and 2022 financial years.

Amount of income tax recognised through profit or loss (EUR 1,000)

	2023	2022
Tax based on the taxable income for the financial year	**-2,132**	-29
Taxes for previous financial years	**36**	707
Change in deferred taxes	**-15,492**	-1,646
Total	**-17,588**	-968

The tax expenses included in the consolidated income statement differ from the tax calculated according to Finland's nominal tax rate of 20.0 per cent (20.0) as follows:

	2023	2022
Profit (loss) before income taxes	**69,954**	-46,448
Taxes calculated using the domestic tax rate	**13,991**	9,290
Differing tax rates of foreign subsidiaries	**-91**	24
Income taxes for previous years	**-36**	-707
Unrecognised deferred tax receivables for tax losses amd use of tax losses unrecognized on previous years.	**2,512**	-1,280
Non-deductible expenses	**11,741**	443
Tax-free income	**-452**	-238
Other items	**-746**	247
Adjustments concerning consolidation	**-9,403**	-9,751
Income taxes on the income statement, total	**-17,588**	-968
Effective tax rate, %	**25%**	(2)%

The tax rate of VR Group's parent company in Finland was 20.0 per cent (20.0). Corporate tax rate in Sweden is 20.6%. Between 2023 and 2022, there were no changes in the Russian corporate tax rate, and the tax rate in both years was 20.0%, so the tax changes had no impact on the deferred tax receivables and liabilities of the subsidiaries operating in the country.

The table below presents taxes recognised in other comprehensive income

Taxes recognised in other comprehensive income (EUR 1,000)

	2023			2022		
Items that may be reclassified to profit or loss	Before taxes	Tax expense (-) / Tax benefit (+)	After taxes	Before taxes	Tax expense (-) / Tax benefit (+)	After taxes
Translation differences	-364	–	-364	305	–	305
Cash flow hedging	-39,327	9,420	-29,907	37,100	-7,420	29,680
Items that will not be reclassified to profit or loss						
Items from remeasurements of defined-benefit plans	7,400	-1,480	5,920	62,600	-12,520	50,080
Financial assets at fair value through other comprehensive income	-5,596	0	-5,596	-13,819	-11,802	-25,620
Total	**-37,887**	**7,940**	**-29,948**	**86,186**	**-31,741**	**54,445**

The table below presents changes in deferred tax receivables and liabilities

2023 (EUR 1,000)

Deferred tax receivables	1 January 2023	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences and other changes	31 December 2023
Consolidation	1,001	-78			923
Leases *	0			50,856	50,856
Provisions	15,409	1,416		-402	16,423
Hedging	2,002	1,554	1,329		4,886
Other items	14,827	-12,017		48	2,858
Total	**33,239**	**-9,125**	**1,329**	**50,502**	**75,946**
Netted to deferred tax liabilities	-33,239	9,125	-1,329	-50,502	-75,946
Deferred tax receivables on the balance sheet	**0**	**0**	**0**	**0**	**0**
Deferred tax liabilities					
Consolidation	2,622	-2,102		37	556
Leases *	0			50,856	50,856
Provisions	11,465	-2,811		-402	8,252
Pension obligations	24,811	792	1,480		27,083
Depreciation difference	98,456	11,285			109,740
Hedging	748		-8,090		-7,342
Other items	12,558	253		-1,007	11,804
Total	**150,660**	**7,416**	**-6,610**	**49,484**	**200,950**
Netted from deferred tax assets	-33,239	9,125	-1,329	-50,502	-75,946
Deferred tax receivables on the balance sheet	**117,420**	**16,541**	**-7,940**	**-1,018**	**125,004**

*In accordance of amended IAS 12 - standard deferred tax asset and deferred tax liability arising from IFRS 16 lease liability and Right-of-use asset are recognised separately

2022 (EUR 1,000)

Deferred tax receivables	1 January 2022	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences and other changes	31 December 2022
Consolidation	916			85	1,001
Provisions	9,382	2,374		3,653	15,409
Hedging	2,704	-123	-579		2,002
Other items	32,710	-6,157	-11,802	75	14,827
Total	**45,712**	**-3,906**	**-12,381**	**3,813**	**33,239**
Netted to deferred tax liabilities	-45,712	3,906	12,381	-3,813	-33,239
Deferred tax receivables on the balance sheet	**0**	**0**	**0**	**0**	**0**
Deferred tax liabilities					
Consolidation	1,674	-410		1,358	2,622
Provisions	7,875			3,590	11,465
Pension obligations	16,359	-4,068	12,520		24,811
Depreciation difference	98,124	332			98,456
Investment properties		748			748
Other items	4,460	-712	6,841	1,969	12,558
Total	**128,492**	**-4,110**	**19,361**	**6,917**	**150,660**
Netted from deferred tax assets	-45,712	3,906	12,381	-3,813	-33,239
Deferred tax receivables on the balance sheet	**82,780**	**-205**	**31,742**	**3,103**	**117,420**

8. Group structure

8.1. Group structure

The consolidated financial statements include the parent company VR-Group Ltd and all of the subsidiaries over which the parent company has control. The Group has control when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. VR Group's control is based on voting power. The consolidation of a subsidiary begins when VR Group obtains control and ends when control ceases to exist. Changes in holdings that do not result in losing control are treated as equity transactions.

In preparing the consolidated financial statements, intra-Group transactions, receivables, liabilities and unrealised margins and internal distribution of profit are eliminated.

VR Group consolidates acquired or established subsidiaries in the consolidated financial statements using the acquisition method. In this case, the consideration given, the Group's existing investment in the acquiree and the identifiable assets and liabilities of the acquiree are measured at air values at the time of acquisition. The consideration given in conjunction with acquisitions includes any assets given, liabilities emerging with the acquiring party to the previous owners of the acquiree and issued equity interests. Acquisition-related expenses are recognised as expenses through profit or loss, except for expenses resulting from the issue of debt or equity instruments.

Any conditional consideration (earn-out) is measured at fair value at the time of acquisition. An earn-out classified as a liability is measured at fair value on the closing date of each reporting period.

Non-controlling interest in the acquiree is measured at fair value or an amount corresponding to the non-controlling interests' proportional share of the identifiable net assets of the acquiree.

Associated companies

At VR Group, associated companies are companies over which the Group exerts considerable influence. Considerable influence is considered to emerge if the Group holds a minimum of 20 per cent of votes in the company or when the Group otherwise has considerable influence on the company, but not control. Associated companies are consolidated using the equity method.

If the Group's share of the losses of the associated company exceed the book value of the investment, the investment is recognised at zero value on the balance sheet. Losses exceeding the book value are not consolidated, unless the Group has committed itself to fulfill the obligations of the associated companies. The investment in an associated company includes the goodwill arising from its acquisition. The Group's share of profit in associated companies, based on the Group's holding in the companies, is shown on the income statement under operating profit (EBIT). The Group's share of changes recognised in other comprehensive income of the associated company is shown in the Group's other comprehensive income.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control involves the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Arrangements subject to joint control are classified as either a joint venture or a joint operation.

A joint venture is an arrangement in which the parties sharing joint control have rights to the net assets of the arrangement. A joint operation is an arrangement in which the parties sharing joint control have rights to assets and obligations for liabilities.

All of the Group's joint arrangements, such as the alliance, Karelian Trains Ltd and mutual real estate companies, are joint operations. The Group consolidates its share of the assets and liabilities and income and expenses of the joint operations line by line on the balance sheet and income statement. The rolling stock company Oy Karelian Trains Ltd was established in November 2006 to acquire high-speed rolling stock for the Helsinki–St. Petersburg route. The company is domiciled in Helsinki. The company is owned by VR-Group Ltd and Russian Railways OAO RZD with equal holdings. 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.

The management has exercised discretion in classifying the nature of VR's holding in Karelian Trains and the joint operation. In particular, the agreed decision-making mechanism, legal structure and funding of the arrangement are reviewed in determining the classification

Group structure

VR Group includes the following companies:

		Group holding (%)		
Company	**Domicile**	**2023**	**2022**	**Segment**
Oy Pohjolan Liikenne Ab	Helsinki	**100**	100	VR City Traffic
Avecra Oy	Helsinki	**100**	100	VR Long-distance Traffic
VR FleetCare Ltd	Helsinki	**100**	100	Other operations
K-Trains Finance Oy	Helsinki	**100**	0	VR Long-distance Traffic
Kiinteistö Oy Helsingin Päärautatieasema	Helsinki	**100**	0	Other operations
SeaRail Oy	Tampere	**100**	100	VR Transpoint
Transitar Oy	Kuopio	**100**	100	VR Transpoint
Limited Liability Company Finnlog	Russia	**100**	100	VR Transpoint
VR Sverige AB	Sweden	**100**	0	VR City Traffic
VR Service AB	Sweden	**100**	0	VR City Traffic
VR Tåg AB	Sweden	**100**	0	VR City Traffic
VR Östgötapendeln AB	Sweden	**100**	0	VR City Traffic
Botniatåg AB	Sweden	**60**	0	VR City Traffic
VR Group Sverige AB	Sweden	**100**	0	VR City Traffic
SIA VR Services Latvia	Latvia	**100**	0	Other operations
VR Norge AS	Norway	**100**	100	VR City Traffic

VR Sverige operates as a local transport operator in the Stockholm region, the Östragötland region and southern Sweden, the Skåne region.

VR Östgötapendeln AB is a wholly owned subsidiary of VR Sverige AB, which operates train services in Eastern Götaland. The company is responsible for the planning and operation of the traffic, but it does not own the rolling stock needed for the operation, which is owned by the public transport authority.

VR Service AB is a wholly owned subsidiary of VR Sverige AB, which is responsible for the maintenance and cleaning of rail rolling stock, buses and transport infrastructure. The company offers its services internally to other Swedish companies owned by VR. The services to be provided are defined as part of the tenders submitted to the public transport authorities. The company has operations, for example, in the Stockholm and Skåne regions.

VR Tåg AB is a wholly owned subsidiary of VR Sverige AB, established for the operation of train services. The company was liquidated in 2023.

Botniatåg AB is a joint venture between VR Östgötapendeln AB and SJ AB, whose field of business is rail transport. VR Östgötapendeln AB owns 60% of the company and SJ AB owns 40%. The company was liquidated in 2023.

SIA VR Services Latvia provides internal IT services for the group.

VR Norge AB is a Norwegian subsidiary established in 2021 to participate in the tender process. The company was liquidated on July 31, 2023.

Pohjolan Liikenne operates bus services in the Helsinki metropolitan area and operates charter and contract services in Finland.

VR FleetCare Ltd is a subsidiary of VR-Group, which is responsible for and takes care of the maintenance of the rolling stock. The company has depots and workshops in Helsinki, Tampere, Kouvola, Joensuu, Oulu and Pieksämäki, as well as offices in Kotka, Hamina and Imatra. VR FleetCare Ltd also provides expert services related to rolling stock and rail infrastructure and their systems to customers outside the VR-Group.

SeaRail offers terminal and material handling services for Metsä Board's Tako paperboard mill in Tampere and operates as part of VR Transpoint's road logistics.

Avecra offers restaurant, café and kiosk services at train stations and on long-distance trains.

Limited Liability Company Finnlog operates in import traffic between Russia and Finland. As part of the discontinuation of the Eastern traffic, the company's business operations have been discontinued and the company has been placed in liquidation.

K-Trains Finance Oy was established on June 16, 2023. The company acquired a security interest in Allegro trains. The purpose of the company is to own and lease railway rolling stock.

Kiinteistö Oy Helsingin Päärautatieasema was founded in 2023 with its main task being property management.

Associated companies

Information about the Group's associated companies is presented in the table below:

		Group holding (%)		Book value (EUR 1,000)		
Company	**Domicile**	**2023**	**2022**	**2023**	**2022**	**Segment**
Elielinaukion Kehitys Oy	Helsinki	**20**	–	**–**	837	Other operations
Oy ContainerTrans Scandinavia Ltd.	Helsinki	**50**	50	**715**	826	VR Transpoint
Varkauden Keskusliikenneasemakiinteistö Oy	Varkaus	**33.3**	33.3	**208**	208	Other operations
Associated companies, total				**923**	**1,871**	

Elielinaukion Kehitys Oy's business sector is real estate management.

Freight One Scandinavia Ltd. is a logistics company specialising in railway transport between Finland, Russia and the CIS countries. Freight One Scandinavia was dissolved through liquidation and delisted from the Trade Register on 16 August 2023.

Oy ContainerTransScandinavia Ltd. (CTS) is a joint venture established by VR and JSC TransContainer in 2007, specialising in rail transport of container goods. As part of the discontinuation of the Eastern traffic VR Group is in a process of exiting its ownership in CTS associated company.

Varkauden keskusliikenneasema Oy is owned by the City of Varkaus, Matkahuolto Oy and VR-Group Ltd. The station is located in the city of Varkaus, and it serves train, bus and taxi passengers.

The Group considers the associated companies not to be independently major. Below is a summary of the financial data of the associated companies.

(EUR 1,000)	2023	2022
Group's share of the profit for the financial period	**-167**	54
Group's share of other comprehensive income	**0**	0
Group's share of comprehensive income	**-167**	54

Joint arrangements

Information about the Group's joint arrangements, all of which are joint operations, is presented below:

		Group holding (%)	
Company	**Domicile**	**2023**	**2022**
Oy Karelian Trains Ltd	Helsinki	**50**	50

Joint operations

VR Group consolidates Oy Karelian Trains Ltd as a joint operation. The company's operations have been disrupted since spring 2022 due to the Russian invasion of Ukraine. The company was established to procure and lease high-speed rolling stock for the operators of the service between Helsinki and St. Petersburg. The operators are VR in Finland and RZD in Russia. The line of business of Oy Karelian Trains Ltd is to procure, lease, own and manage rolling stock.

VR's share of Karelian Trains' income and expenses and assets, liabilities and shares of the company's joint items are consolidated into VR Group's consolidated financial statements in accordance with the principles agreed upon in the shareholders' agreement. VR Group's interest in the share capital of the arrangement is 50 per cent.

VR Group implements planning service and rail traffic operation services in Tampere via an alliance. The alliance is based on the parties' agreement on implementing services in cooperation. The parties to the arrangement are jointly liable for the liabilities and obligations of the alliance.

8.2. Consolidation

Acquired subsidiaries are consolidated using the acquisition method. The consideration given and the identifiable assets and liabilities of the acquiree are measured at fair value at the time of acquisition. The consideration given includes any assets given and liabilities emerging with the acquiring party to the previous owners of the acquiree.

Acquisition-related expenses, such as expert fees, are recognised as expenses for the period during which the expenses occur and services are received. Goodwill is recognised at the amount by which the consideration transferred and previous holding in the acquiree at fair value exceed the net identifiable assets and liabilities of the acquiree.

9. Off-balance sheet items

9.1. Contingent liabilities, contingent assets and commitments

A contingent liability arises for VR Group when there is a possible obligation that arises from past events whose existence will be confirmed only by a future event not within the control of the Group. The Group has a present obligation that arises from past events but either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the Group cannot measure the amount of the obligation with sufficient reliability. Contingent liabilities are not recognised in the balance sheet, but are reported in notes of the financial statement, unless it is very improbable that the payment obligation will materialise.

A contingent asset arises for VR Group if future economic benefit to the Group is probable but not certain in practice and depends on an events that is not wholly within the control of the Group. Contingent assets are reported in notes. If the materialisation of the income item is practically certain, it is recognised.

9.1.1. Securities

EUR 1,000	2023	2022
Guarantees given on own behalf		
Mortgages on properties	**36,100**	6,100
Contract and agreement guarantees	**145,751**	138,952
Rental commitments	**634**	629
Other commitments given	**475**	475
Commitments given, total	**182,960**	146,156

9.1.2. Commitments and other open liabilities

Contractual liabilities on fleet procurement

VR-Group Plc has made contracts on deliveries on locomotives and electric trains with consortium formed by Siemens Oy and Siemens AG, and with Stadler Rail Valencia S.A.U, as well as Stadler Bussnang AG, and with Škoda Transtech. The contracts include, in addition to the locomotive and electric train deliveries, their documentation, spare parts, tools and training related to the new fleet. The contracts include options in addition to the amounts shown below.

2023	Quantity		Contractual liability, MEUR		Estimated execution time of the remaining liability, MEUR		
	Ordered	Deli-vered	Liability on contract signing date	Remai-ning liability 31 Dec 2023	Under 12 months	1-5 years	Over 5 years
Siemens, delivery of electric locomotives	80	58	314.5	78.4	30.6	47.8	0
Stadler, delivery of 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, junanvaunuja	17	0	50.6	41,3	17.1	24.2	0

2022	Quantity		Contractual liability, MEUR		Estimated execution time of the remaining liability, MEUR		
	Ordered	Deli-vered	Liability on contract signing date	Remai-ning liability 31 Dec 2022	Under 12 months	1-5 years	Over 5 years
Siemens, delivery of electric locomotives	80	55	314.5	108,2	29.2	79.0	0
Stadler, delivery of 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	207,8	0

9.1.3. 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.

In connection with the environmental accident in Mäntyharju at Kinni's standstill in 2018, a dispute regarding damages is pending in the Etelä-Savo district court.

10. Events after the closing date of the reporting period

No significant events occurred after the reporting period.

Parent company financial statements (FAS)

Parent company income statement (EUR 1,000)

	Note	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Net sales	1	**792,914**	773,921
Other operating income	2	**151,032**	89,296
Materials and services	3	**-136,290**	-168,286
Personnel expenses	4	**-235,990**	-220,650
Depreciation, amortisation and impairment losses	5	**-148,755**	-126,638
Other operating expenses	6	**-332,863**	-326,652
Expenses, total		**-853,897**	-842,226
Operating result (EBIT)		**90,049**	20,991
Financial income and expenses	7	**-38,122**	-2,728
Result before appropriations and taxes		**51,927**	18,263
Change in depreciation difference	8	**-55,696**	9,902
Group contributions	9	**-19,700**	–
Income taxes	10	**-1,610**	237
Result for the year		**-25,078**	28,402

Parent company balance sheet (EUR 1,000)

Assets

	Note	12/31/23	12/31/22
Non-current assets			
Intangible assets	11	**19,180**	26,662
Tangible assets	11	**1,303,161**	1,342,771
Investments	12		
Holdings in Group companies		**203,594**	91,766
Holdings in associated companies		**255**	1,273
Other investments		**13,920**	19,518
Non-current assets, total		**1,540,109**	1,481,989
Current assets			
Inventories	13	**1,066**	1,114
Non-current receivables	14	**44,991**	67,759
Current receivables	14	**198,340**	192,977
Financial securities	15	**–**	50,000
Cash and cash equivalents		**223,405**	212,869
Current assets, total		**467,802**	524,718
Assets, total		**2,007,911**	2,006,708

Equity and liabilities

	Note	12/31/23	12/31/22
Equity	16		
Share capital		**370,013**	370,013
Fair value reserve		**-12,824**	21,896
Invested non-restricted equity reserve		**336,228**	336,228
Retained earnings		**59,699**	31,297
Net result for the year		**-25,078**	28,402
Equity, total		**728,038**	787,836
Appropriations	17	**512,172**	456,476
Provisions	18	**43,068**	30,492
Liabilities			
Non-current liabilities	19	**466,212**	472,566
Current liabilities	19	**258,422**	259,338
Liabilities, total		**724,633**	731,903
Equity and liabilities, total		**2,007,911**	2,006,708

Parent company cash flow statement (EUR 1,000)

Cash flow from operating activities	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Operating result (EBIT)	**90,049**	20,991
Planned depreciation, amortisation and impairment losses	**148,755**	126,638
Sales profit from the disposal of fixed assets and other adjustments (1)	**-49,337**	24,012
Change in inventories	**47**	-277
Change in current receivables	**9,319**	-13,876
Change in current liabilities	**-37,292**	26,951
Interest received	**11,961**	8,763
Interest paid and payments for other financial transactions	**-33,109**	-11,627
Dividends received	**6**	153
Income taxes paid	**-9,984**	8,003
Net cash from operating activities	**125,088**	189,732

(1) Non-cash flow items and items shown elsewhere in the cash flow.

Cash and cash equivalents includes cash, bank account balances, short-term commercial papers and deposits, with a maturity of maximum of three months.

Cash flow from investing activities	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Capital expenditure on fixed assets	**-141,223**	-127,620
Disposal of fixed assets	**54,736**	13,744
Shares in subsidiaries sold	**636**	600
Subsidiaries acquired	**-55,284**	-81,306
Change in investment receivables	**68,522**	-33,695
Net cash from investing activities	**-72,613**	-228,878
Cash flow before financing activities	**52,474**	-39,146
Cash flow from financing activities		
Change in bond	**0**	298,527
Change in non-current liabilities	**0**	-1,000
Repayment of lease liabilities	**-20,108**	-14,367
Group contributions	**0**	5,300
Dividends and returns of invested capital paid	**0**	-40,000
Change in funds transferred to Group accounts	**-21,830**	-52,906
Net cash from financing activities	**-41,938**	195,554
Change in cash and cash equivalents	**10,537**	156,409
Cash and cash equivalents 1 Jan	**212,869**	56,460
Cash and cash equivalents 31 Dec	**223,405**	212,869

Accounting principles

The parent company, VR-Group Plc, financial statements are prepared in accordance with the Finnish Accounting Act of 30 December 1997 (1336).

Comparability of the parent company´s financial statements

The comparison period figures are from accounting period 1 Dec-31 Jan 2022, 12 months. The periods are comparable.

Valuation principles

Fixed assets are capitalised at direct acquisition costs.

Inventories are valued at average cost with principle of prudence. Production for own use, included in inventories, is valued at direct production costs. Work in progress includes variable costs accrued on the balance sheet date. Production for own use, included in inventories, includes also a portion of fixed costs.

Financial securities are valued at acquisition cost.

Transactions in foreign currencies are recorded at the exchange rate of the transaction date. Receivables and liabilities denominated in foreign currencies, outstanding on the balance sheet date are valued at the average exchange rate of closing date of the European Central Bank.

Leases

Parent company has applied Chapter 5, Section 5 b of the Finnish Accounting Act, according to which assets acquired under financial leasing can be recognised in the financial statements in accordance of IFRS 16 - Leases standard. The accounting principles for leases are described in the Group financial statements, Note 4.2.

Derivatives

Parent company has applied Chapter 5, Section 2 a of the Finnish Accounting Act, according to which derivatives can be, under certain conditions, recognised on the balance sheet at fair value. The fair values are based either on market prices on the balance sheet date or on the net present value of future cash flows by using interest rates at the balance sheet date.

Changes in the fair value of derivatives are recorded on the balance sheet in the fair value reserve under restricted equity when the conditions for the hedge accounting are met and the hedges are effective. If the hedge accounting principles are not applicable or the hedges are not effective, the changes in fair values are recorded in the income statement.

The effectiveness of the hedges is tested annually with sensitivity analysis.

Pensions

The statutory pension security under the Employees Pensions Act (TyEL) is arranged through an external pension insurance company. Pension costs are expensed as incurred.

Some of the employees have been provided with supplementary pension plan at VR Pension Fund. The Pension Fund was closed on 1 July 1995. The Pension Fund administers supplementary pension benefits for 75 employees at the end of 2023. In 2023, no contributions were paid to the VR Pension Fund.

The Group's pension commitments are fully covered.

Deferred taxes

Deferred tax liabilities and receivables are calculated for temporary differences between taxation and the financial statements using the tax rate for the following years as confirmed on the balance sheet date. Deferred tax liabilities are recognised in their entirety and deferred tax receivables are recognised only to the extent of the probable future tax benefit.

Parent company has not recognised deferred taxes.

Notes to the parent company's financial statement

1. Net sales by sector and geographical area (EUR 1,000)

Net sales by sector	2023	2022
VR		
Rail services	**467,504**	408,322
VR Transpoint		
Rail services	**262,984**	291,531
Road transport	**62,425**	74,068
Total	**792,914**	773,921

Net sales by geographical area		
Finland	**792,914**	773,921
Total	**792,914**	773,921

2. Other operating income (EUR 1,000)

	2023	2022
Rental income	**48,046**	49,307
Profit on sale of non-current assets	**61,593**	5,436
Other income	**41,392**	34,553
Total	**151,032**	89,296

3. Materials and services (EUR 1,000)

Materials and supplies (goods)	2023	2022
Purchases during the year	**-58,730**	-82,484
Change in inventories	**-47**	277
External services purchased	**-77,512**	-86,079
Total	**-136,290**	-168,286

4. Employees and personnel expenses

During the accounting period, the average number of VR-Group Plc's employees by sector was as follows:

	2023	2022
VR City Traffic	**631**	633
VR Long-distance Traffic	**488**	476
VR Transpoint	**813**	946
Train operations	**990**	1,113
Other Group services	**217**	218
Total	**3,139**	3,386

Personnel expenses (EUR 1,000)

	2023	2022
Wages and salaries	**-196,042**	-199,738
Pension expenses	**-32,748**	-13,262
Other personnel related expenses	**-7,200**	-7,650
Total	**-235,990**	-220,650

5. Depreciation, amortisation and impairment losses (EUR 1,000)

	2023	2022
Planned depreciation and amortisation (1)		
Intangible assets	**-9,922**	-10,840
Buildings and structures	**-14,251**	-21,037
Locomotives and wagons	**-111,103**	-82,784
Other machinery and equipment	**-8,807**	-8,858
Other tangible assets	**-4,672**	-3,119
Total	**-148,755**	-126,638

(1) Breakdown of right-of-use assets are presented in the Note 11

Planned depreciation periods and methods are:

Intangible rights	5 years	straight-line depreciation
Other long-term expenses	3–10 years	straight-line depreciation
Buildings	4–7%	declining
Structures	20%	declining
Locomotives	30 years	straight-line depreciation
Electric trains	25 years	straight-line depreciation
Wagons	15–30 years	straight-line depreciation
Other machinery and equipment	5–15 years	straight-line depreciation
Other tangible assets	5–30 years	straight-line depreciation

Planned depreciation is calculated using the above stated depreciation method from the acquisition cost, based on the economic useful lives of the assets, excluding buildings.

6. Other operating expenses (EUR 1,000)

	2023	2022
Track access fees and track taxes	**-36,033**	-39,912
Rents and other real estate expenses	**-50,981**	-47,952
Travel and other personnel expenses	**-14,266**	-20,614
Telecommunication and information management expenses	**-34,380**	-31,334
Other operation-related expenses	**-19,588**	-17,283
Administration and other expenses	**-177,615**	-169,558
Total	**-332,863**	-326,653

Auditors' fees (EUR 1,000)

	2023	2022
Auditing fees	**-181**	-156
Other services	**-317**	-46
Total	**-498**	-202

7. Financial income and expenses (EUR 1,000)

Dividend income	2023	2022
From Group companies	–	–
From associated companies	–	150
From others	6	3
Dividend income, total	**6**	**153**
Other current interest and financial income		
From Group companies	5,416	1,482
From others	9,648	25,741
Interest and other financial income, total	**15,669**	**27,222**
Interest expenses and other financial expenses		
Impairment losses from investments in non-current assets	-5,596	-13,819
Impairment losses from financial securities in current assets	-29,114	–
Interest expenses of lease liabilities	-5,327	-1,491
To Group companies	-91	-51
To others	13,669	-14,743
Interest and other financial expenses, total	**-26,460**	**-30,104**
Financial income and expenses, total	**-10,694**	**-2,728**

8. Change in depreciation difference (EUR 1,000)

Difference between planned depreciation and depreciation in taxation

	2023	2022
Change in depreciation difference (increase -, decrease +)	-55,696	9,902

9. Group contributions (EUR 1,000)

	2023	2022
Group contributions received	300	–
Group contributions given	-20,000	–
Total	**-19,700**	**–**

10. Income taxes (EUR 1,000)

	2023	2022
Income tax on operating activities	-1,610	237
Other income taxes	–	–
Total	**-1,610**	**237**

11. Non-current assets (EUR 1,000)

	Intangible assets		Tangible assets					
2023	Intangible rights and other capitalised long-term expenses	Total	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1 Jan	137,003	137,003	23,323	395,800	2,142,294	36,068	144,712	2,742,197
Increases	928	928	823	268	95,027	112	59,780	156,010
Decreases	-383	-383	-9,881	-77,011	-21,676	-3,025		-111,593
Reclassifications	1,377	1,377	-574	13,310	45,397	1,527	-61,018	-1,358
Acquisition cost 31 Dec	**138,925**	**138,925**	**13,690**	**332,368**	**2,261,042**	**34,682**	**143,475**	**2,785,256**
Accumulated depreciation 1 Jan	-110,340	-110,340	–	-233,605	-1,341,004	-25,775	–	-1,600,384
Accumulated depreciation for decreases		–	–	29,706	19,737	2,247	–	51,691
Depreciation and impairment losses for the financial year	-9,405	-9,405	–	-10,594	-111,586	-2,677	–	-124,857
Reclassifications		–	–		-19		–	-19
Acquisition cost 31 Dec	**-119,744**	**-119,744**	**–**	**-214,493**	**-1,432,871**	**-26,205**	**–**	**-1,673,569**
Book value 31 December	**19,180**	**19,180**	**13,690**	**117,874**	**828,171**	**8,476**	**143,475**	**1,111,687**
2022								
Acquisition cost 1 Jan	136,241	136,241	30,321	403,120	2,022,913	14,544	115,951	2,586,848
Increases	601	601	182	6,487	88,975	170	73,432	169,245
Decreases	-702	-702	-7,837	-4,450	-359	-341	-54	-13,042
Reclassifications	863	863	658	-9,357	30,765	21,695	-44,616	-856
Acquisition cost 31 Dec	**137,003**	**137,003**	**23,323**	**395,800**	**2,142,294**	**36,068**	**144,712**	**2,742,196**
Accumulation depreciation 1 Jan	-99,833	-99,833	–	-233,362	-1,254,252	-9,741	–	-1,497,355
Accumulated depreciation for decreases	332	332		2,777	176	241		3,193
Depreciation and impairment losses for the financial year	-10,840	-10,840		-17,908	-86,920	-1,387		-106,215
Reclassifications		–		14,888	-8	-14,888		-8
Accumulated depreciation 31 Dec	**-110,340**	**-110,340**	**–**	**-233,605**	**-1,341,004**	**-25,775**	**–**	**-1,600,384**
Book value 31 Dec	**26,662**	**26,662**	**23,323**	**162,195**	**801,290**	**10,292**	**144,712**	**1,141,812**

11. Non-current assets (EUR 1,000)

2023	The right-of-use assets, tangible assets Land and water areas	Buildings and structures	Machinery and equipments	Total
Acquisition cost 1 Jan	17,471	40,338	195,883	253,692
Increases	1,887	2,480	125	4,491
Decreases	-1,285	-11,767	-32	-13,084
Reclassifications			-19	-19
Acquisition cost 31 Dec	**18,073**	**31,051**	**195,957**	**245,080**
Accumulated depreciation 1 Jan	-2,870	-11,255	-38,609	-52,733
Accumulated depreciation for decreases	212	1,902	32	2,146
Depreciation of the financial year	-923	6,209	-8,324	-3,038
Reclassifications			19	19
Accumulated depreciation 31 Dec	**-3,580**	**-3,144**	**-46,882**	**-53,606**
Book value 31 Dec	**14,493**	**27,906**	**149,075**	**191,474**

2022	The right-of-use assets, tangible assets Land and water areas	Buildings and structures	Machinery and equipments	Total
Acquisition cost 1 Jan	17,445	36,588	195,626	249,658
Increases	26	3,751	283	4,060
Decreases			-18	-18
Reclassifications			-8	-8
Acquisition cost 31 Dec	**17,471**	**40,338**	**195,883**	**253,692**
Accumulated depreciation 1 Jan	-1,138	-8,126	-30,199	-39,463
Accumulated depreciation for decreases			6	6
Depreciation of the financial year	-1,732	-3,129	-8,424	-13,285
Reclassifications			8	8
Accumulated depreciation 31 Dec	**-2,870**	**-11,255**	**-38,609**	**-52,733**
Book value 31 Dec	**14,601**	**29,082**	**157,274**	**200,959**

12. Investments (EUR 1,000)

2023	Holdings in group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost 1 Jan	91,766	1,272	92,443	**185,482**
Increases	111,830		–	**111,830**
Decreases	-2	-500	-2	**-504**
Acquisition cost 31 Dec	**203,594**	**773**	**92,441**	**296,807**
Accumulated depreciation 1 Jan	–	–	-72,925	**-72,925**
Impairment losses	–	-518	-5,596	**-6,114**
Accumulated depreciation 31 Dec	**–**	**-518**	**-78,521**	**-79,038**
Book value 31 Dec	**203,594**	**255**	**13,920**	**217,769**

2022	Holdings in group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost 1 Jan	66,596	1,272	92,503	**160,372**
Increases	25,170		–	**25,170**
Decreases			-61	**-61**
Acquisition cost 31 Dec	**91,766**	**1,272**	**92,443**	**185,481**
Accumulated depreciation 1 Jan	–	–	-59,106	**-59,106**
Decreases	–	–	–	**–**
Impairment losses	–	–	-13,819	**-13,819**
Accumulated depreciation 31 Dec	**–**	**–**	**-72,925**	**-72,925**
Book value 31 Dec	**91,766**	**1,272**	**19,518**	**112,557**

12. Investments

Shares owned by VR-Group Plc

	ownership %	
Group companies	**2023**	**2022**
Avecra Oy, Helsinki	**100.0**	100.0
Oy Pohjolan Liikenne Ab, Helsinki	**100.0**	100.0
K-Trains Finance Oy	**100.0**	–
Kiinteistö Oy Helsingin Päärautatieasema	**100.0**	–
SeaRail Oy, Tampere	**100.0**	100.0
Transitar Oy, Kuopio	**100.0**	100.0
VR Fleetcare Ltd, Helsinki	**100.0**	100.0
SIA VR Services Latvia, Latvia	**100.0**	100.0
VR Norge As, Norway	**–**	100.0
VR Sverige Ab, Sweden	**100.0**	100.0
VR Group Sverige Ab, Sweden	**100.0**	100.0
Limited Liability Company Finnlog, Russia	**99.9**	99.9

13. Inventories (EUR 1,000)

	2023	2022
Materials and supplies	**1,066**	1,114
Total	**1,066**	1,114

14. Receivables (EUR 1,000)

Non-current receivables

Receivables from Group companies	2023	2022
Derivative receivables	**302**	–
Loan receivables	**36,505**	56,414
Receivables from Group companies, total	**36,807**	56,414
Receivables from others		
Non-current derivative receivables	**5,686**	9,181
Non-current loan receivables	**–**	–
Other receivables	**2,498**	2,164
Receivables from others, total	**8,184**	11,345
Non-current receivables, total	**44,991**	67,759

Current receivables

Receivables from Group companies	2023	2022
Accounts receivable	**3,654**	1,907
Loan receivables	**714**	122
Other receivables	**101,305**	66,043
Prepaid expenses and accrued income	**2,931**	1,104
Receivables from Group companies, total	**108,604**	69,176
Receivables from associated companies		
Accounts receivable	**–**	97
Receivables from associated companies, total	**–**	97
Receivables from others		
Accounts receivable	**54,391**	68,045
Current loan receivables	**–**	367
Other receivables	**2,655**	47
Prepaid expenses and accrued income	**32,689**	55,612
Receivables from others, total	**89,736**	123,704
Current receivables, total	**198,340**	192,977

Material items in prepaid expenses and accrued income

	2023	2022
Accrued income	**15,675**	13,474
Derivative receivables	**1,358**	36,142
Other prepaid expenses	**18,587**	7,101
Prepaid expenses and accrued income total	**35,620**	56,717

15. Financial securities (EUR 1,000)

The financial securities include investment certificates and certificates of deposit issued by banks, funds, commercial papers and the part of corporate and government bonds maturing within a year.

	2023	2022
Replacement value	–	50,000
Book value	–	50,000
Difference	–	–

16. Equity (EUR 1,000)

Restricted equity	2023	2022
Share capital 1 Jan	**370,013**	370,013
Share capital 31 Dec	**370,013**	370,013
Fair value reserve 1 Jan	**21,896**	-16,515
Increases		38,411
Decreases	**-34,720**	–
Fair value reserve 31 Dec	**-12,824**	21,896
Restricted equity, total	**357,189**	391,909
Non-restricted equity		
Invested non-restricted equity reserve 1 Jan	**336,228**	376,228
Return of invested equity		-40,000
Invested non-restricted equity reserve 31 Dec	**336,228**	336,228
Retained earnings 1 Jan	**59,699**	31,297
Retained earnings 31 Dec	**59,699**	31,297
Net result for the year	**-25,078**	28,402
Non-restricted equity, total	**370,848**	395,927
Equity, total	**728,038**	787,836

Calculation of distributable funds (EUR 1,000)

	2023	2022
Retained earnings from previous financial years	**59,699**	31,297
Net result for the financial year	**-25,078**	28,402
Invested non-restricted equity reserve	**336,228**	336,228
Received fuel contributions	**–**	-82
Total	**370,848**	395,844

The received fuel contributions in 2022 reduced the distributable funds, unless the company returns the received contributions to the state prior the approval of the financial statements. (Law: Laki kuljetusalan yritysten määräaikaisesta polttoainetuesta 763/2022 9 §).

17. Depreciation difference (EUR 1,000)

	2023	2022
Book value 1 Jan	**456,476**	466,378
Change in the income statement	**55,696**	-9,902
Book value 31 Dec	**512,172**	456,476

Deferred tax liabilities related to the depreciation difference MEUR 102.4 (MEUR 91.3)

18. Provisions (EUR 1,000)

	2023	2022
Provisions	**43,068**	30,492

The provisions consist of provisions for environmental and onerous contract obligations.

19. Liabilities (EUR 1,000)

Non-current liabilities

Liabilities to others	2023	2022
Bond	**298,757**	298,527
Non-current lease liabilities	**162,664**	173,210
Non-current derivative liabilities	**4,153**	157
Other liabilities	**638**	672
Liabilities to others, total	**466,212**	472,566
Non-current liabilities, total	**466,212**	472,566
Liabilities due after five years		
Non-current lease liabilities	**113,228**	116,994
Non-current derivative liabilities	**–**	

Current liabilities

Liabilities to Group companies	2023	2022
Accounts payable	**9,078**	20,181
Accrued expenses and prepaid income	**75,168**	17,087
Other liabilities	**18,347**	6,048
Liabilities to Group companies, total	**102,592**	43,316
Liabilities to associated companies		
Accounts payable	**14**	–
Liabilities to associated companies, total	**14**	–
Liabilities to others		
Current lease liabilities	**14,494**	14,253
Accounts payable	**34,163**	48,245
Accrued expenses and prepaid income	**80,389**	128,371
Other liabilities	**4,956**	6,808
Advances received	**21,814**	18,345
Liabilities to others, total	**155,815**	216,022
Current liabilities, total	**258,422**	259,338

Material items in accrued expenses and prepaid income

	2023	2022
Personnel related liabilities	**43,278**	42,289
Accrued income and expenses	**29,383**	81,223
Other items	**82,895**	21,946
Total	**155,556**	145,459

20. Leases

VR-Group Plc has applied the IFRS 16 Leases standard. According to the IFRS 16 standard, lessees must enter all lease contracts as right-of-use assets and lease liabilities on the balance sheet, excluding short-term and low value assets and leases in which the lease payments are based on the lessee's performance.

The right-of-use assets with regard to fixed-term contracts are recorded as equal to the liability.

Lease liability is valued at the present value of future rentals. The right-of-use assets is valued at acquisition cost and the depreciation are recorded according to the IAS 16 standard as straight-line depreciation.

In addition, VR Group has made use of the exemption permitted by the standard to exclude short-term and low-value leases.

Due dates of lease liabilities (EUR 1,000)

	2023	2022
Within one year	**14,494**	14,220
Between one year and five years	**47,316**	54,128
After five years	**113,228**	116,994
Total	**175,038**	185,342

21. Contingent liabilities (EUR 1,000)

Liabilities with the parent company's payment guarantee

	2023	2022
Financial lease liabilities	**57,876**	70,410
Value of commitments given	**57,876**	70,410
Other financial liabilities	**–**	28,075
Value of commitments given	**–**	28,075
On whose behalf the commitments were given:		
On behalf of Group companies	**57,876**	70,410
On behalf of others	**–**	28,075
Total	**57,876**	98,485

Commitments given on behalf of others in 2022 included a parent company guarantee given by VR-Group Plc regarding joint venture Oy Karelian Trains Ltd's external loan. To avoid bankruptcy of Oy Karelian Trains Ltd, on 27th June 2023 VR paid back the share of the joint venture's external loan it had guaranteed, redeemed the rest of Oy Karelian Trains Ltd's external loans and received related rights of pledge regarding trains from Finnish lenders who had financed the trains.

Other commitments given

On own behalf	2023	2022
Mortgages in real estate on the basis of land leases	**36,100**	6,100
Contract and agreement guarantees	**53,105**	53,070
Rental commitments	**587**	582
Other commitments given	**475**	475
On own behalf, total	**90,267**	60,227
On behalf of Group companies		
Contract and agreement guarantees	**92,646**	85,502
Rental commitments	**47**	47
Other commitments given	**–**	293
On behalf of Group companies, total	**92,693**	85,842
Other commitments given, total	**182,960**	146,069
Commitments given, total	**240,836**	244,554

Leasing- and rental commitments

	2023	2022
Due in the next accounting period	**128**	269
Due in later accounting periods	**66**	116
Leasing- and rental commitments, total	**194**	385

Rental and leasing commitments include leases of less than 12 months' duration as well as low-value and usage-based leases.

Pension commitments

The VR Pension Fund's pension commitments amounted to EUR 228.4 (244.7) million at the end of 2023 and were fully covered. The VR Pension Fund has 1.5 (1.4) times more assets than liabilities. VR-Group Plc has rented two land areas from the VR Pension Fund with 30-year leases.

Other commitments

Contractual liabilities for fleet purchases

VR-Group Plc has made contracts on deliveries on locomotives and electric trains with consortium formed by Siemens Oy and Siemens AG, and with Stadler Rail Valencia S.A.U, as well as Stadler Bussnang AG, and with Škoda Transtech. The agreements cover the procurement of locomotives and trains, as well as documentation, spare parts, tools and training related to the new rolling stock. In addition to the amounts presented below, the agreements include options for additional purchases.

2023	Quantity		Contractual liability, MEUR		Estimated execution time of the remaining liability, MEUR		
	Ordered	Delivered	Liability on contract signing date	Remaining liability 31 Dec 2023	Under 12 months	1-5 years	Over 5 years
Siemens, delivery of electric locomotives	80	58	314.5	78.4	30.6	47.8	0
Stadler, delivery of 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		Contractual liability, MEUR		Estimated execution time of the remaining liability, MEUR		
	Ordered	Delivered	Liability on contract signing date	Remaining liability 31 Dec 2022	Under 12 months	1-5 years	Over 5 years
Siemens, delivery of electric locomotives	80	55	314.5	108.2	29.2	79.0	0
Stadler, delivery of 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

22. Derivatives

In line with its Treasury Policy, VR-Group Plc uses interest and commodity derivatives to reduce the interest rate and commodity risks arising from the company's financial leasing liabilities in the balance sheet as well as its future electricity and fuel purchases. In addition, the company may use currency derivatives to hedge foreign currency denominated internal loans purchases or sales that expose the company to foreign currency risk.

Derivatives are recorded on the balance sheet at fair value on the closing date, pursuant to Chapter 5, Section 2 a of the Finnish Accounting Act. The fair values of derivatives are based on observable prices whereby the instruments could be sold or bought for on the balance sheet date. The fair values of derivatives are defined as presented below.

The fair values of all derivatives are calculated using the interest rates and quoted commodity prices on the balance sheet date. The fair values of fuel and electricity derivatives are calculated as the net present value of future cash flows. The fair values of interest rate swaps are calculated as the net present value of future cash flows.

VR-Group Plc uses interest rate swaps to reduce the interest rate risk related to payments on floating-rate loan agreements. Interest rate swaps are used in changing floating interest rates into fixed interest rates. These derivatives have been entered into for hedging purposes, but not all of them are subject to hedge accounting. Changes in the fair value of derivatives are recognised on the balance sheet in the cash flow hedging reserve under restricted equity when hedge accounting principles are applicable and the hedges are effective. If the hedge accounting principles are not applicable or the hedges are not effective, the changes in fair values are recorded in the financial items of the income statement.

At the end of May 2022, VR-Group Plc issued its first unsecured fixed-rate Green Bond, which was pre-hedged with interest rate swaps. These swaps under cash flow hedge accounting were terminated at the time of the bond issuance, and realised result is accrued until maturity 2029.

VR-Group Plc uses OTC commodity derivatives to hedge the price risk of electricity and light fuel oil used in trains. Fuel price risk is almost totally hedged with index-linked customer contracts, therefore fuel is not hedged with derivative agreements.

Currency risk refers to the uncertainty of cash flow and profit that arises from changes in exchange rates. VR Group Plc uses OTC- currency derivatives to hedge currency risk. According to Group's Treasury Policy all committed significant foreign currency cash flows are hedged. Hedge accounting is applied mainly to currency hedging in large projects. Changes in the fair value of derivatives under hedge accounting are recognised in the fair value reserve of equity when they are effective and meet the hedge accounting requirements. Interest portion of currency derivatives is recognised in profit or loss.

VR-Group Plc applies IFRS hedge accounting principles when hedging future cash flows (cash flow hedge). These principles are applied when hedging fuel and electricity price risks and interest payments on loans.

Changes in the fair value of derivatives are recognised on the balance sheet in the fair value reserve under restricted equity when the contracts meet hedge accounting requirements and are effective. With regard to the interest rate hedges maturing in 2026-2028 , it was decided on 30 June 2019 that the hedges no longer meet the requirements for hedge accounting and were therefore excluded from hedge accounting. With regard to the interest rate hedge maturing in 2033, it was decided on 30 June 2020 that the hedge no longer meets the requirements for hedge accounting and was therefore excluded from hedge accounting The negative market value accumulated in the fair value reserve of equity until the moment of transfer will be amortised through profit or loss over the original maturity of the contracts. Interest rate swaps that were excluded from hedge accounting on June 30th 2019 and June 30th 2020, were terminated during financial year 2022.

For commodity derivatives, all contracts in VR-Group Plc are considered to meet the hedge accounting requirements and their related fair value changes are fully recognised in the fair value reserve of equity.

The nominal values and fair values of the derivatives are described in the table below. All derivatives of the VR Group are classified at level 2 of the fair value hierarchy. The fair values of level 2 instruments are based on, to a significant extent, inputs other than the quoted prices included in the level 1 but still based on information that can be observed for the asset or liability in question either directly (as a price) or indirectly (derived from prices).

22. Derivatives (EUR 1,000)

	2023				2022			
		Fair values				Fair values		
	Nominal value	Positive	Negative	Net	Nominal value	Positive	Negative	Net
Commodity derivatives								
Electricity derivatives, GWh	1,114	5,972	-4,109	1,863	1,043	39,510	-157	39,353
Commodity derivatives, total		**5,972**	**-4,109**	**1,863**		**39,510**	**-157**	**39,353**
Currency derivatives								
Currency derivatives	36,630	461	-461	–	–	–	–	–
Currency derivatives, total		**461**	**-461**	**0**	**–**	**–**	**–**	**–**
Items in hedge accounting, total		**6,433**	**-4,570**	**1,863**		**39,510**	**-157**	**39,353**
Items outside hedge accounting								
Interest rate swaps	–	–	–	–	22,371	–	-626	-626
Currency derivatives	33,781	214	-2860	-2,646	41,994	62	–	61
Items outside hedge accounting, total		**214**	**-2,860**	**-2,646**		**62**	**-626**	**-564**
Derivatives, total		**6,647**	**-7,429**	**-783**		**39,572**	**-783**	**38,789**

23. Public service obligation

According to the Public Service Contract Regulation (EC 1370/2007), a service operator must separate the accounts of services subject to the public service obligation. Pursuant to the Act on Transport Services (320/2017), the profit and loss accounts pertaining to the separate accounts are included in the Notes of the operator's financial statements.

Income and expenses have been allocated by using internal accounting according to the matching principle. The income and expenses pertaining to the separated business operations also include intra-group items.

Income statement (EUR 1,000)

	1 Jan-31 Dec 2023	1 Jan-31 Dec 2022
Net sales	**181,500**	161,453
Other operating income	**3,575**	4,831
Materials and services	**-1,803**	-1,064
Personnel expenses	**-59,749**	-62,556
Depreciation, amortisation and impairment losses	**-28,123**	-26,974
Other operating expenses	**-110,489**	-110,678
Expenses, total	**-200,165**	-201,272
Operating result (EBIT)	**-15,091**	-34,988

2022 figures corrected

24. Separation of the business operations of running railway traffic and managing the rail network

The financial statements of VR-Group Plc have been prepared in accordance with the Finnish Accounting Act, and the audited financial statements for the year 2023, along with its principles of preparation, were published on March 19, 2024.

According to Section 185(2) of the Rail Traffic Act, VR-Group Plc must adhere to relevant EU legislation and national legislation in its accounting. VR Group is required to present separate income statements and balance sheets for railway operations and business related to railway network management. In addition, separate income statements and balance sheets must be presented for passenger and freight transport operations on Finnish railways. Furthermore, pricing for the railway network and associated services must be reasonable and fair. The allocation calculations are based on the audited financial statements.

Accounting policies

The segregation related to operating railway traffic and managing the railway network has been implemented through internal accounting based on the principle of causality. Income statement and balance sheet items which cannot be directly allocated to business activities in accordance with the matching principles are allocated using a method based on the scope of business activities. Following the allocation of all the balance sheet items allocated under the matching principles and the allocation principles based on the scope of business activities, the remaining balance sheet difference is balanced out under the balance sheet items "Cash and cash equivalents".

Income statement (EUR 1,000)

	Passenger transport	Rail transport	Railway traffic total	Managing the rail network
NET SALES	459,455	262,984	722,439	
Other operating income	8,591	8,144	16,736	2,664
Materials and services	-36,723	-20,036	-56,759	
Personnel expenses	-105,141	-96,593	-201,735	
Depreciations, amortisations and impairment losses	-58,742	-32,284	-91,026	-2,133
Other operating expenses	-204,528	-122,528	-327,056	-1,176
OPERATING RESULT	62,912	-313	62,599	-644
Financial income and expenses	-4,889	-125	-5,014	–
RESULT BEFORE APPROPRIATIONS AND TAXES	58,023	-438	57,585	-644
Change in depreciation difference	3,589	5,783	9,372	817
Group contributions			–	
Income taxes	-12,322	-1,069	-13,391	-34
NET RESULT FOR THE YEAR	49,290	4,276	53,566	138

Balance sheet (EUR 1,000)

	Passenger transport	Rail transport	Railway traffic total	Managing the rail network
Non-current assets	**769,080**	**364,770**	**1,133,850**	**7,530**
Intangible assets	9,466	7,122	16,588	
Tangible assets	759,614	357,638	1,117,252	7,530
Land and water areas	12,659	5	12,663	
Buildings and structures	2,578	3,132	5,710	
Machinery and equipment	673,639	287,704	961,343	
Other tangible assets	70,739	66,797	137,536	7,530
Investments		11	11	
Current assets	**121,647**	**100,635**	**222,282**	**0**
Inventories			0	
Receivables	17,637	40,413	58,050	
Financial securities			0	
Cash and cash equivalents	104,010	60,222	164,232	
Assets, total	**890,727**	**465,405**	**1,356,132**	**7,530**
Equity	**498,951**	**271,333**	**770,285**	**7,069**
Appropriations	**2,228**	**63,166**	**1,356,132**	**145**
Provisions	**14,243**	**818**	**15,061**	
Liabilities	375,305	130,087	505,391	315
Loans from financial institutions	139,025	80,534	219,559	
Liabilities to group companies	38,964	20,208	59,172	
Other liabilities	197,316	29,345	226,660	315
Equity and liabilities, total	**890,727**	**465,405**	**1,356,132**	**7,530**

25. Major events after the end of the financial year

No major events occurred after the end of the financial year.

Auditor's Report

To the Annual General Meeting of VR-Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VR-Group Plc (business identity code 1003521-5) for the year ended 31 December 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

1. the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
2. the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4. to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of tangible assets (consolidated accounting principles and note 4.1.)	
The value of tangible assets in the balance sheet was EUR 1,328 million (approx. 58% of the consolidated balance sheet total) and depreciations according to plan are EUR 127 million. The company's annual investments are significant. Determining the economic useful life for tangible asset items and the depreciation accounting based on it, involving management judgment, which is why the valuation of tangible assets is considered a key audit matter.	We gained an understanding of the investment-related processes and assessed the appropriateness of the economic useful lives of the assets, the valuation and the fulfillment of the capitalization criteria. We have evaluated the internal control arrangements and tested the controls related to the approval of investments and purchase invoices. We have tested the control environment of the information system used in the asset register for fixed asset accounting and performed substantive procedures to ensure the reliability of the fixed asset accounting. We have also evaluated the appropriateness of the notes to the financial statements related to the presentation of tangible assets.
Revenue recognition (consolidated accounting principles and note 2.2.)	
Sales revenue is mainly generated from the sale of passenger services, logistics and restaurant services. Sales revenue from these is recognized when the service has been provided to the customer. The IT-system environment related to the accounting for sales transactions consists of several different subsystems and the number of transactions is large. In addition, the company has numerous customer sales contracts. The accuracy and timely registration of sales revenue requires effective controls relating to system environment and sales processes, which is why revenue recognition is considered as a key audit matter.	We gained an understanding of the revenue recognition process and evaluated the controls of the information systems related to revenue recognition and tested their effectiveness. We tested received payment transactions to sales revenue entries made in the accounting and tested selected sales contracts and delivery documents from different business areas with a sample to ensure revenue is recognized accurately when the service has been provided. We have also evaluated the appropriateness of the accounting principles used and the appropriateness of the notes related to the presentation of net sales.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 17 March 2022 and our appointment represents a total period of uninterrupted engagement of two year.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements or our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit for the financial period 2023 is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 19 March 2024

KPMG Oy Ab

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Authorized Public Accountant, KHT

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