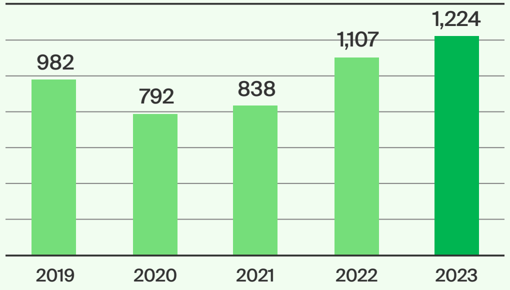
# FINANCIAL REVIEW

# Key figures

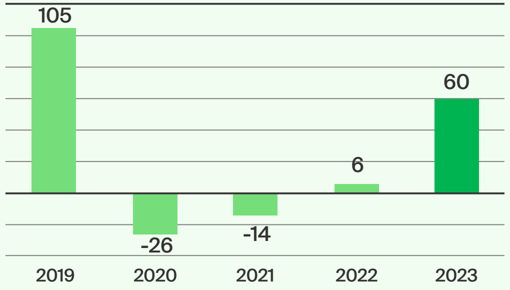
## Comparable net sales

EUR million



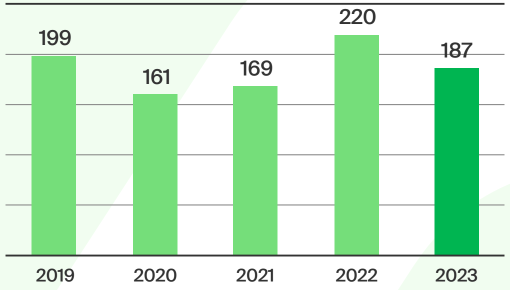

## Comparable operating profit

EBIT, EUR million

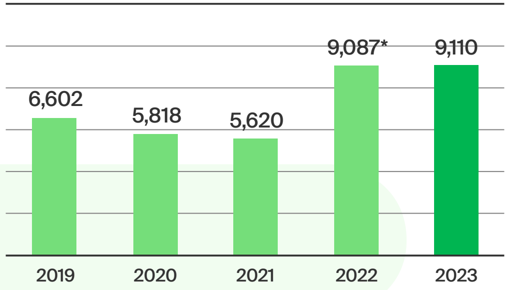



## Investments

EUR million



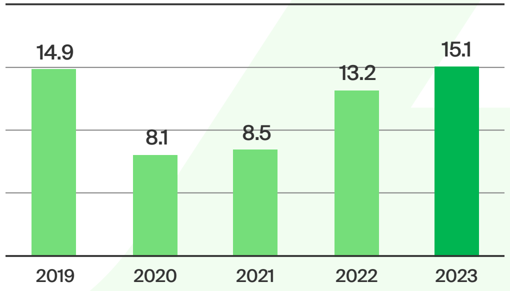

## Personnel




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

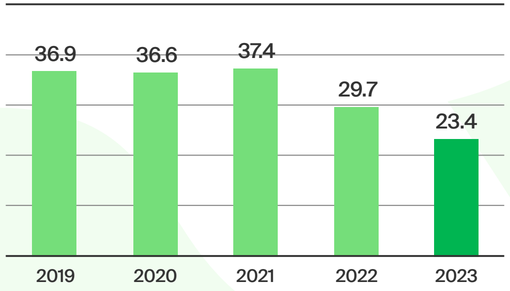
## Long-distance train journeys

million journeys




## Tonnes transported by rail logistics

million tonnes



# 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') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Economic Activities | | 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') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Code | CapEx | Proportion of CapEx, 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.) CapEx, year 2022 | Category enabling activity | Category transitional activity |
| Economic Activities | | 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 | 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') | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| Economic Activities | | 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<br>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 |

## 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 |

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.

## 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 environmental 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 environmental 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)<br>**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.

### 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:

| Company | Domicile | Group holding (%) 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.<br><br>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.<br><br>We have evaluated the internal control arrangements and tested the controls related to the approval of investments and purchase invoices.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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**

**Ari Eskelinen**
Authorized Public Accountant, KHT

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