



VR

Credit Investor Presentation
November 2023

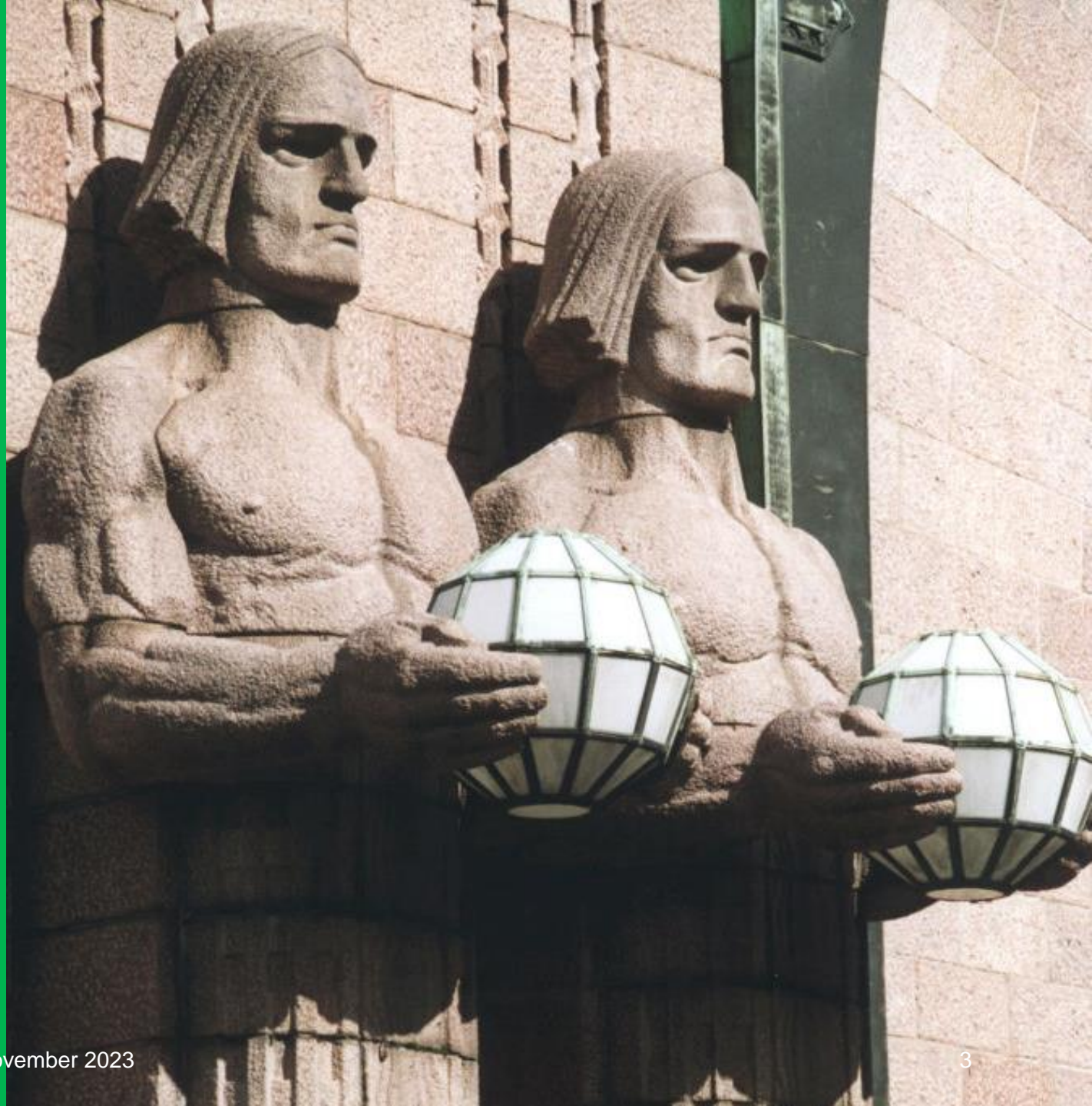
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Content

- VR Group in brief
- Strategy update
- Key financials
- Financing structure
- Appendices



VR Group in brief

VR creates the future of sustainable transport in Finland and Sweden. We are a travel, logistics and maintenance service company owned by the Finnish state.

VR Group has kept the society moving for more than 160 years.

VR Group key figures (last 12 months*)

1,238 M€

Net sales

232 M€

Comparable
EBITDA

2,266 M€

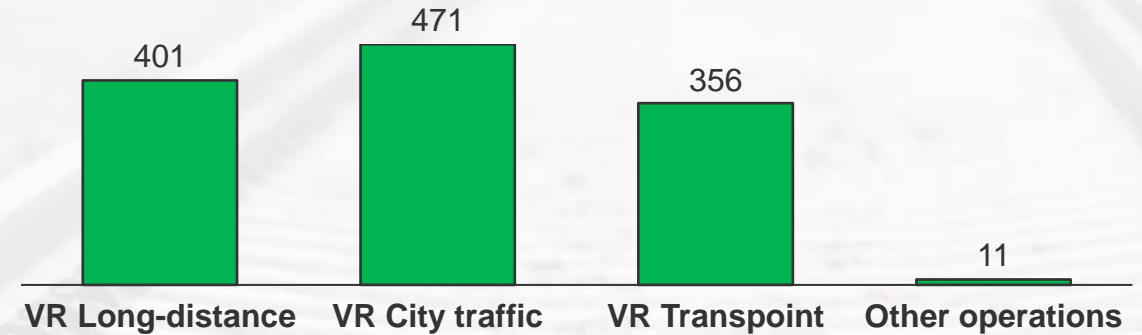
Total assets

7,696

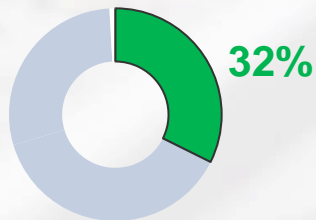
Average
personnel
(FTE)

A+ (stable) S&P Global rating

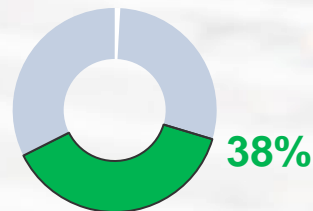
Net sales, M€



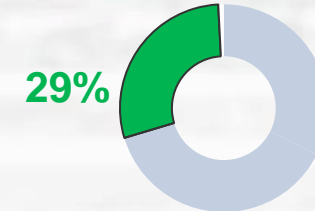
VR Long-distance traffic



VR City traffic



VR Transpoint



Versatile and well-balanced business portfolio

VR Long-distance traffic



Business-to-Consumer

Long-distance train journeys in Finland, restaurant and café services on trains and railway stations.

Open access markets since 2021, VR currently as the sole operator.

Revenue based on own ticket sales.

Rolling stock owned by VR.



VR City traffic



Business-to-Government-to-Consumer

Tendered commuter rail, tram and bus transport in Finland and Sweden.

Revenue stems from long-term contracts with Public Transport Authorities.

Rolling stock provided by the PTAs, bus fleet owned by VR.



VR Transpoint



Business-to-Business



Strategic partner to industry in logistics services on rail and road.

Main customers from forest, metal and chemical industry.

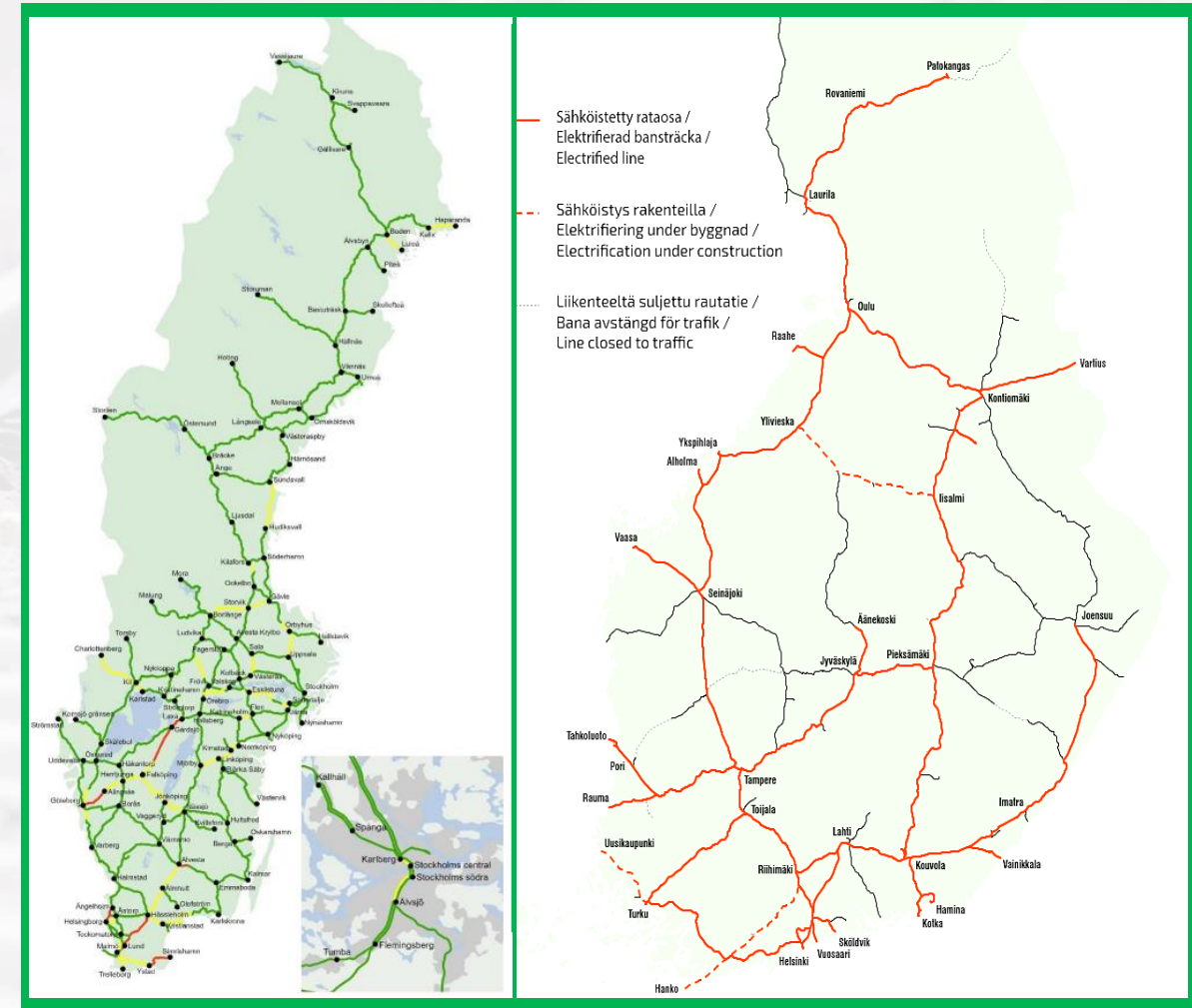
Rolling stock owned by VR, truck fleet owned both by VR and subcontractors.



VR is an operator, other parties are responsible for infra

Rail network	Finland 	Sweden 
	5 900 km	10 900 km
Responsibility	Finnish Transport Infrastructure Agency (Väylävirasto)	Swedish Transport Administration (Trafikverket)
Financing (2021)	0.8 bn €	3.1 bn €
Electrified	56 %	75 %
Single-track	90 %	76 %
Share of passenger transportation	6 %	12 %

- Fintraffic in Finland and Trafikverket in Sweden are responsible for **controlling and managing railway traffic**.
- **Train stations** in Finland are mainly owned by municipalities and government-owned entities such as Väylävirasto and Senate Properties, in Sweden mainly by Jernhusen.
- VR owns 25 train stations in Finland which have been announced to be sold in the coming years



Sources: Finnish Transport Infrastructure Agency (Väylävirasto) 2022, Swedish Transport Administration (Trafikverket) 2022

Strategy update

Our purpose: Getting there together for a better world

VR Group

Wide customer base of millions of individuals, multiple industrial companies and PTA's*

Targeting 250MEUR profit improvement actions by 2027

Close to 8,000 employees and over 160 years of railway experience

Strategy

Happy customers bring growth

Efficiency enables a profitable future

Committed people create success

Financial targets

Comparable return on capital employed
> 7%

Net debt to comparable EBITDA
< 3.0x

Profit distribution
Long-term target 50-80% of the previous year's net profit

Values

We care

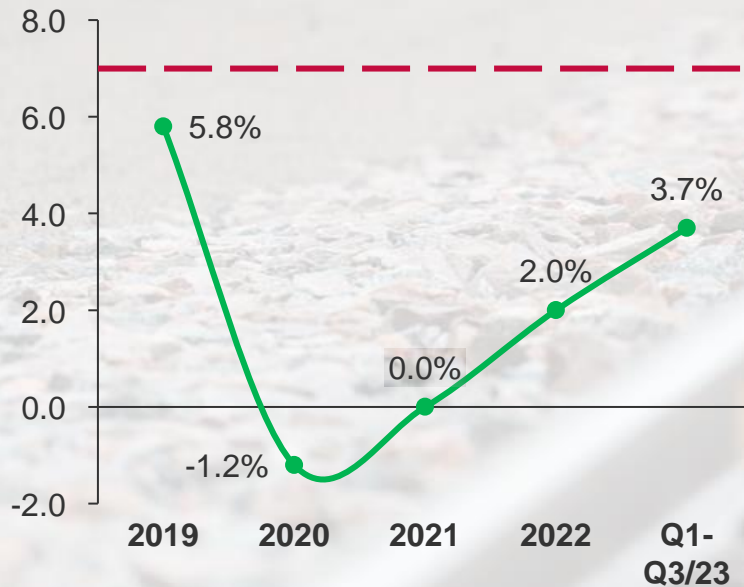
We work together

We drive improvement

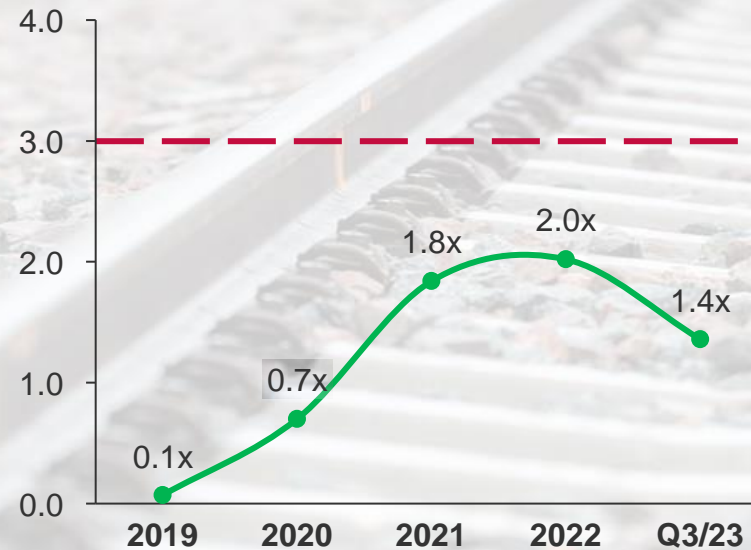
Key KPI development last years and Q1-Q3/23

Financial targets

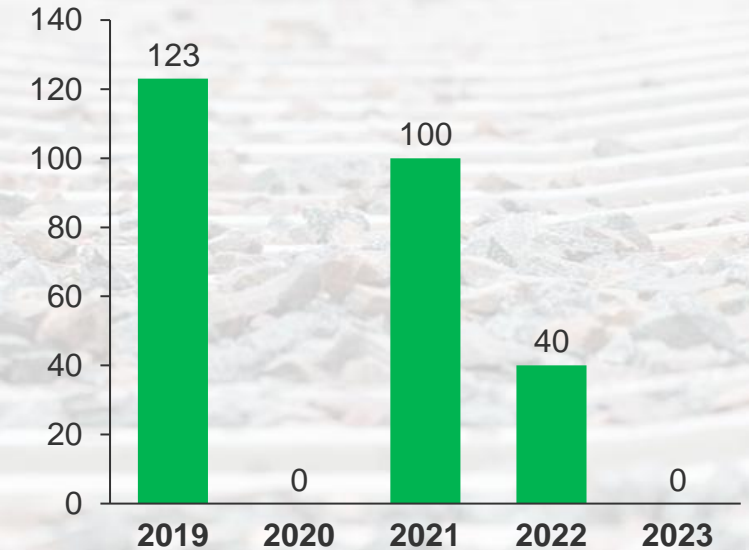
Comparable return on capital employed,
target min. 7.0 %



Net debt / comparable EBITDA,
target max. 3.0x



Dividends and equity repayments*
(M€)



*Dividend policy: 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.



Our journey together towards a better world needs sustainable transport.

Transport plays a significant role in reducing greenhouse emissions

Growing cities need well-functioning public transport

In countries with long distances, the train is a comprehensive, easily accessible option

Logistics connects supply chains, industry and customers

VR is committed to promoting green transition



20 %

of Finland's
green house
gas emissions
are caused by
domestic
transportation



1 %

of all traffic
emissions
come from
railway
transportation



95 %

of VR's
passenger
rail traffic is
electrified



80 %

of VR's
freight rail
traffic is
electrified



22 %

market
share of
Finland's
freight traffic
on railways



6 %

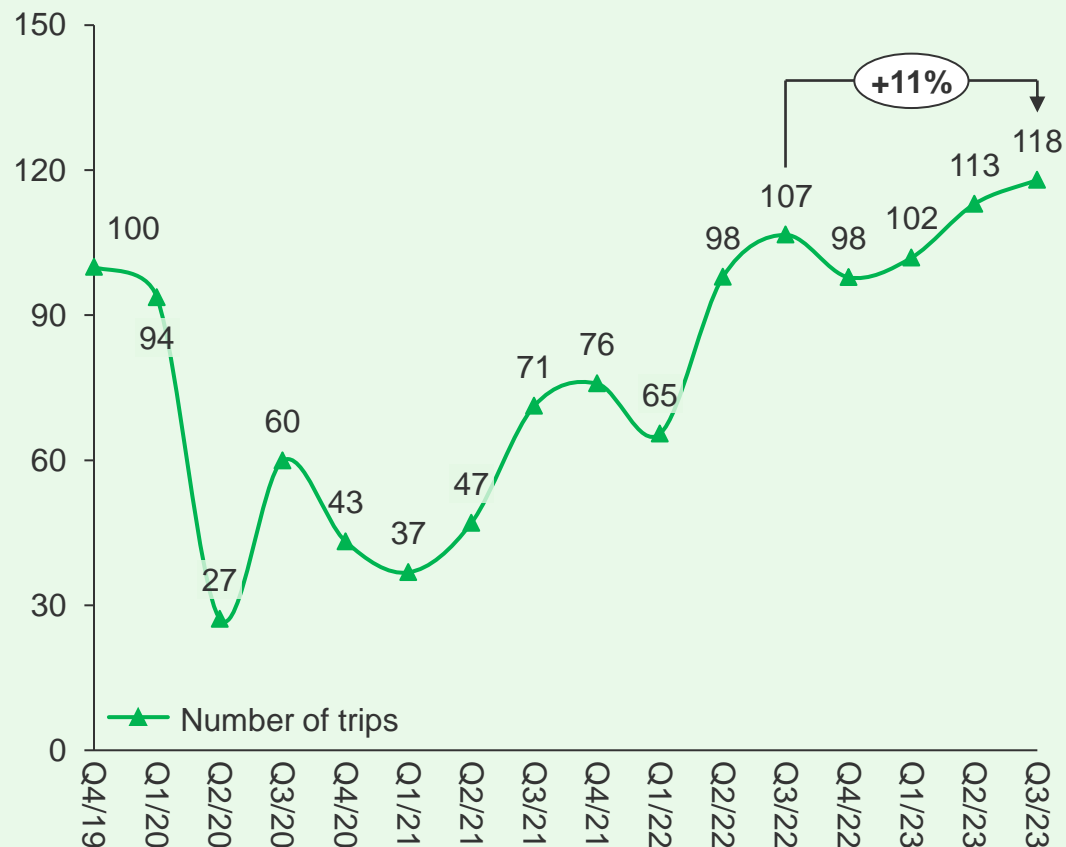
market
share of
Finland's
passenger
traffic on
railways

The background of the slide is a photograph taken from inside a train, looking out of a window. The view shows a calm lake on the left, a dense forest of tall evergreen trees on the right, and a bright blue sky with scattered white clouds. The train's interior frame and window edge are visible on the right side of the image.

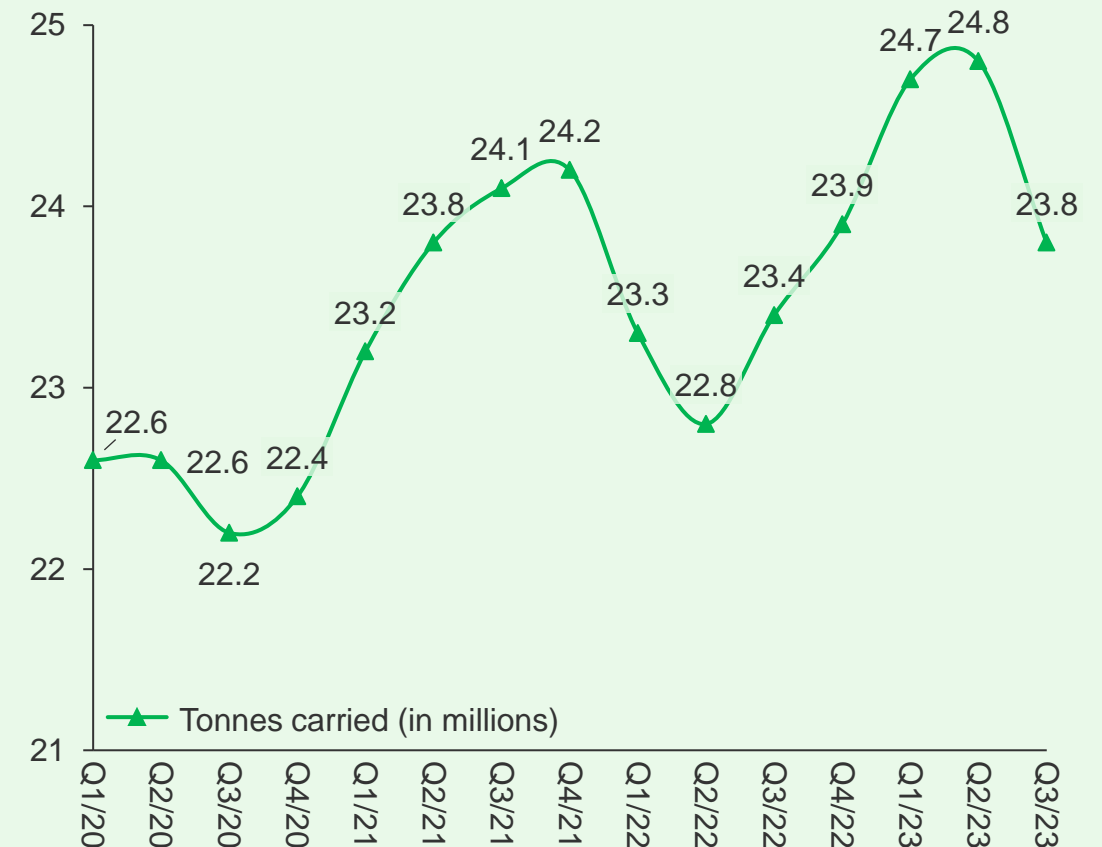
Key financials

Long-distance traffic well above pre-pandemic levels – Discontinuation of Eastern traffic and weak business cycle affecting logistics volumes

Long-distance traffic in Finland, indexed 2019=100

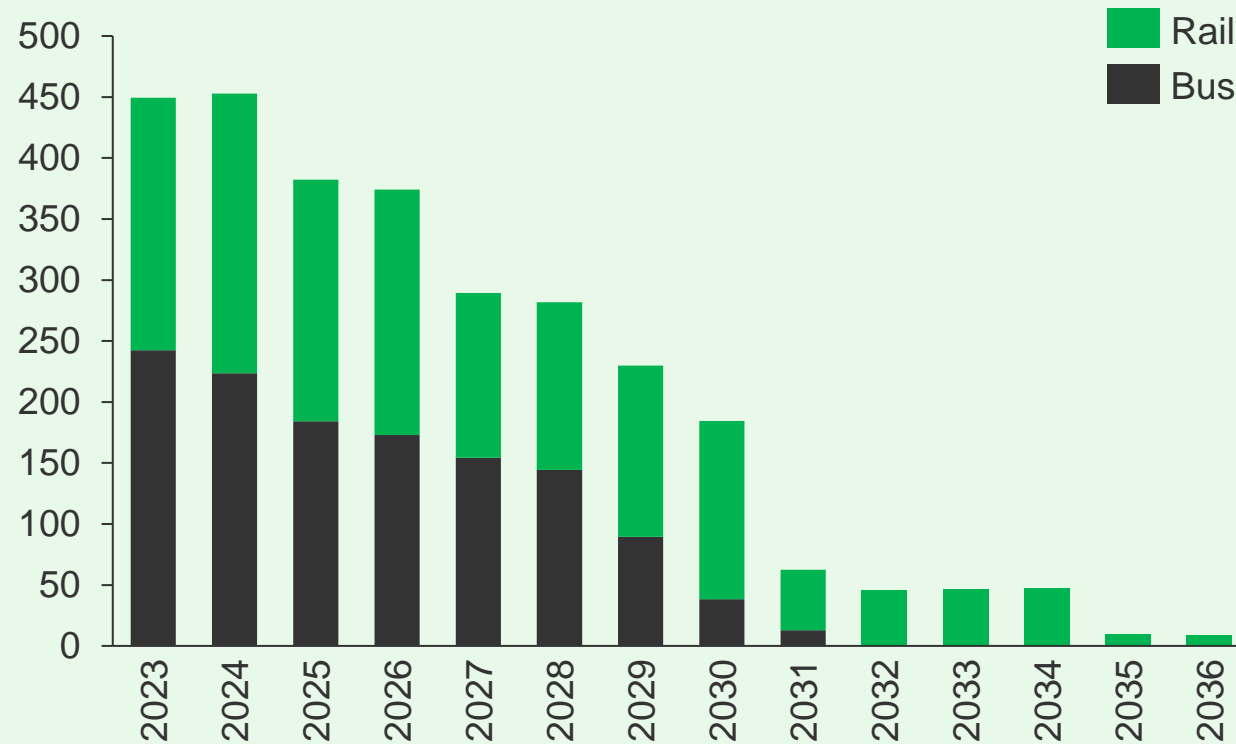


Railway logistics in Finland, rolling 12 months



Expanding to Sweden doubled City traffic's contract portfolio

City Traffic's contractual revenue* in MEUR



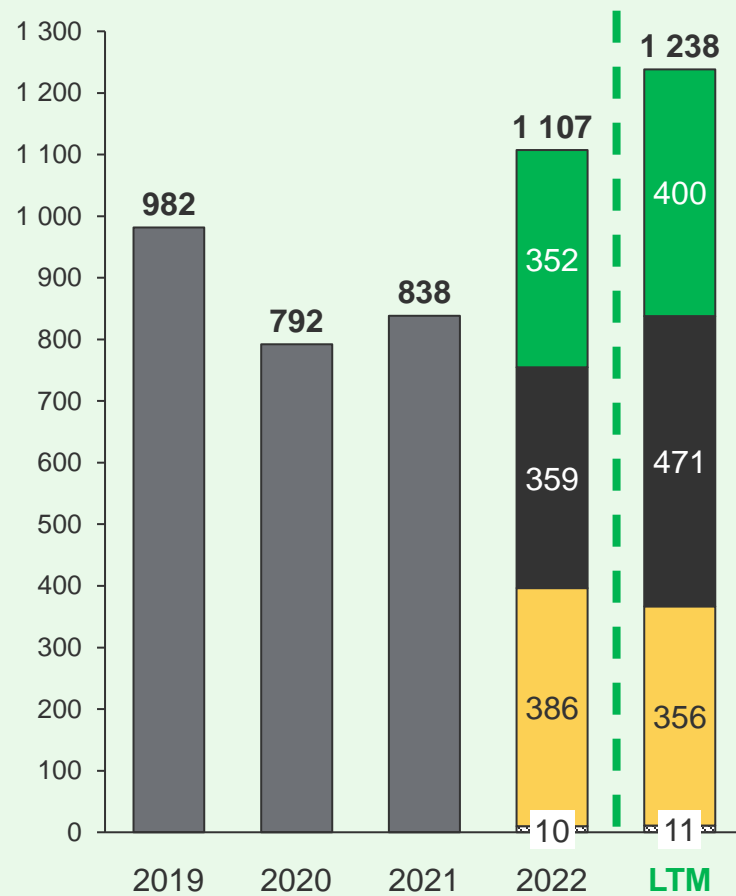
- Strong tender pipeline in Sweden in the coming years
- Target to win more contracts that will mature
- Already two rail contracts won in Sweden

*current / awarded contracts, option years not included

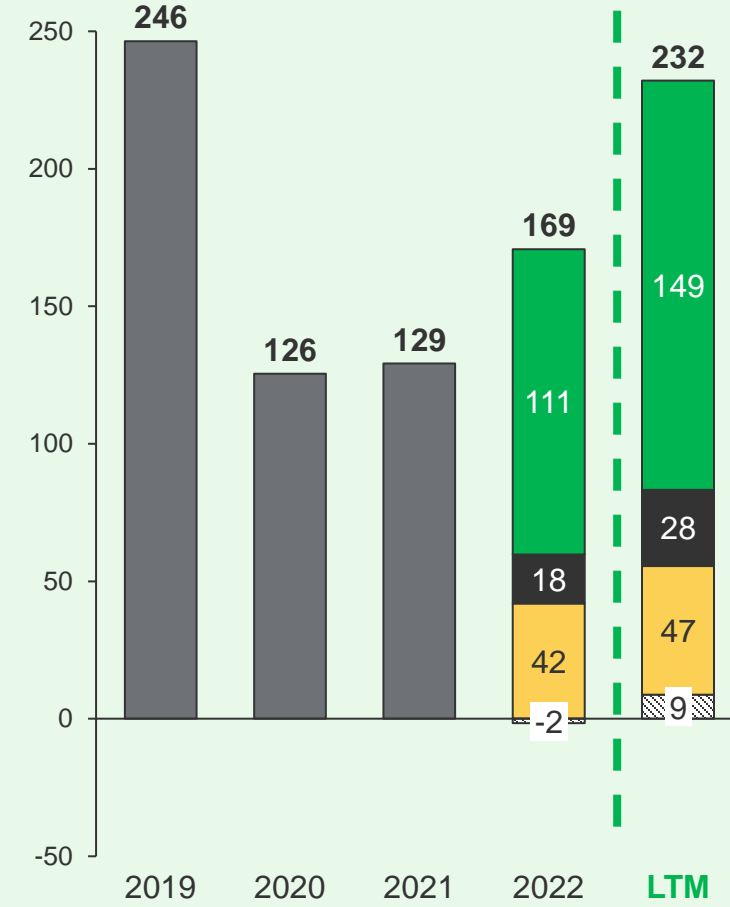
Financial performance 2019-Q3/2023

Long-distance travel volumes have exceeded 2019 levels in 2023

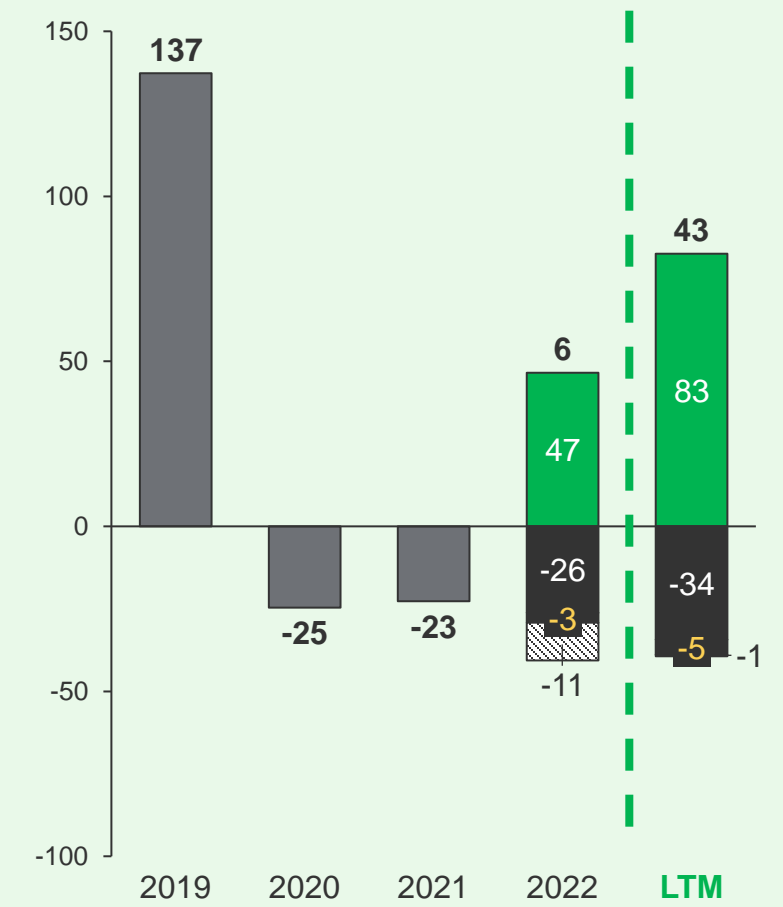
Revenue 2019-Q3/2023, M€



Comparable EBITDA 2019-Q3/2023, M€



Comparable EBIT 2019-Q3/2023, M€



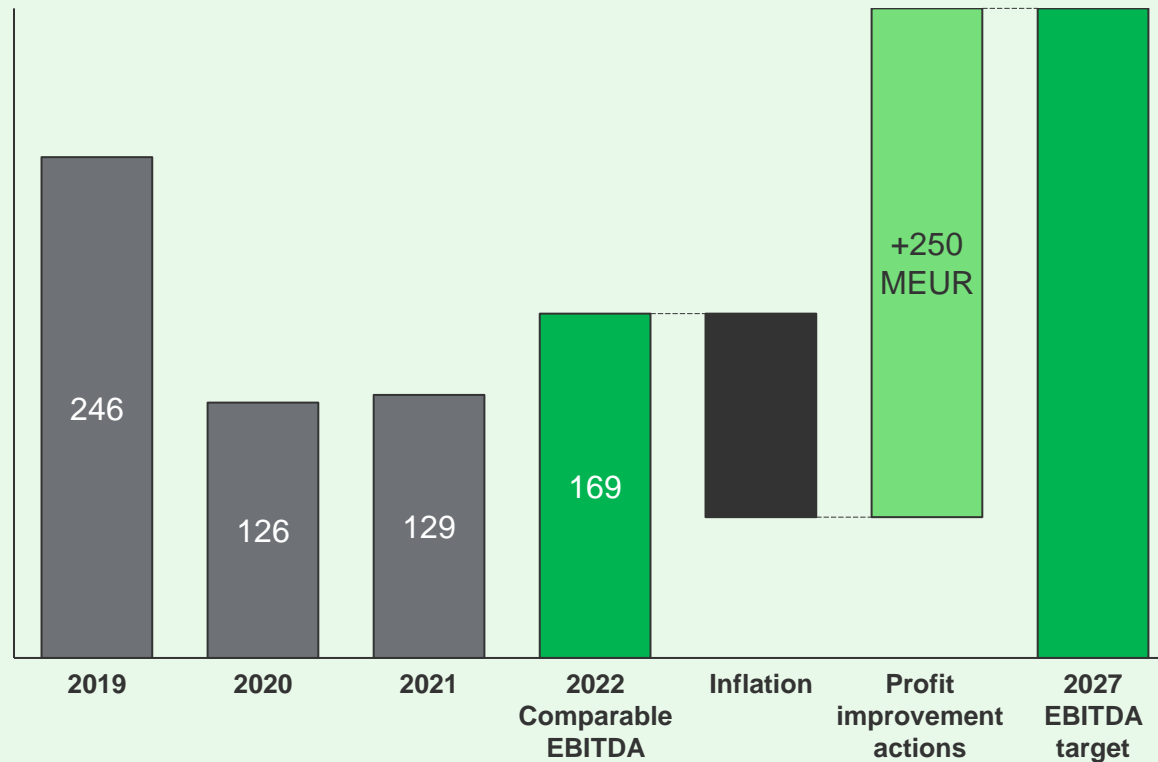
VR Group VR Long-distance traffic VR City traffic VR Transpoint Other operations

LTM = last twelve months

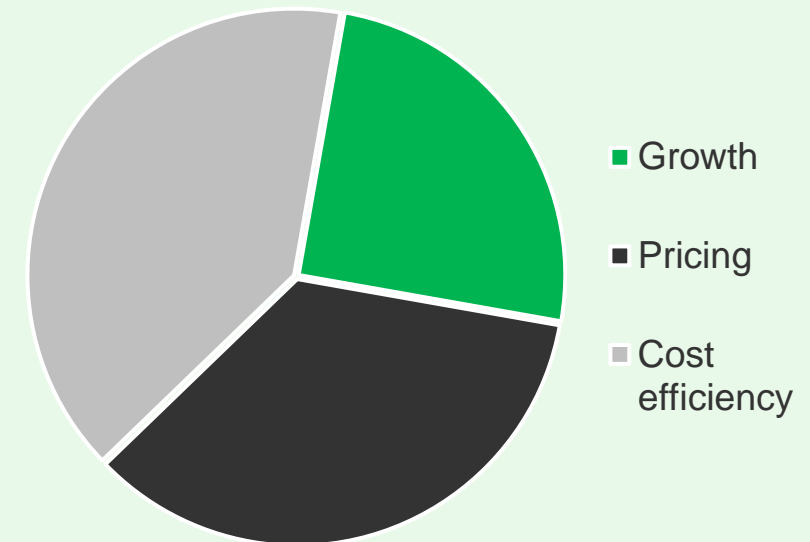


Targeting 250MEUR profit improvement actions by 2027 to ensure competitiveness

M€



Actions to enable profit improvement



Investments remain on a high level due to fleet renewal

Operative cashflow at pre-pandemic level

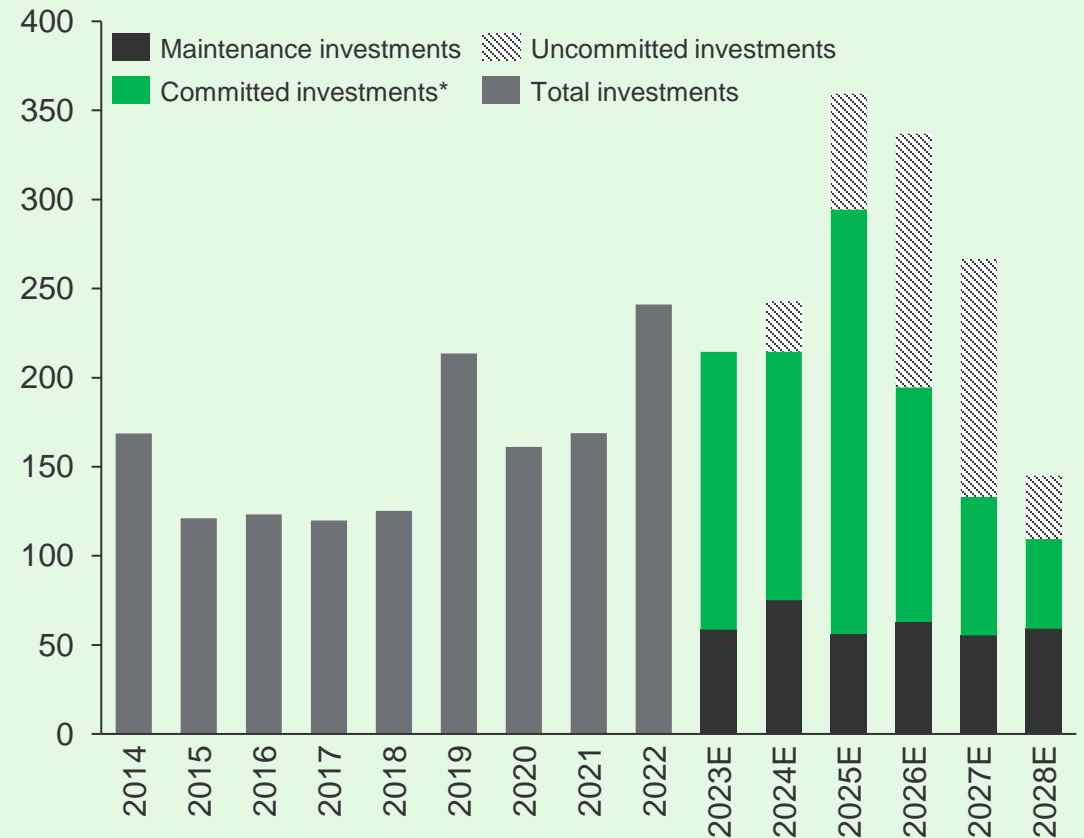
Balance sheet overview

Balance sheet	2019	2020	2021	2022	Q3/23
Cash & equivalents	291	199	66	274	240
Equity	1449	1274	1279	1246	1257
Interest-bearing liabilities	308	286	304	616	556
Total equity and liabilities	2209	2010	1938	2365	2266
Net Debt	17	87	238	342	316

Cash Flow statement overview

Cash flow statement	2019	2020	2021	2022	LTM
Cash flow from operative activities	214	100	138	180	220
Cash flow from net investing activities	13	-160	-143	-241	-132
Cash flow from financing activities	-151	-31	-128	220	-41
Change in cash	75	-92	-133	159	47

Investments (m€)



* Including outstanding rail fleet investment commitments during the period of 2023-2028: (i) Sr3 Electric locomotives (ii) Dr19 Diesel locomotives (iii) SmX Commuter trains (iv) 9 sleeper coaches and 8 car-carrier coaches

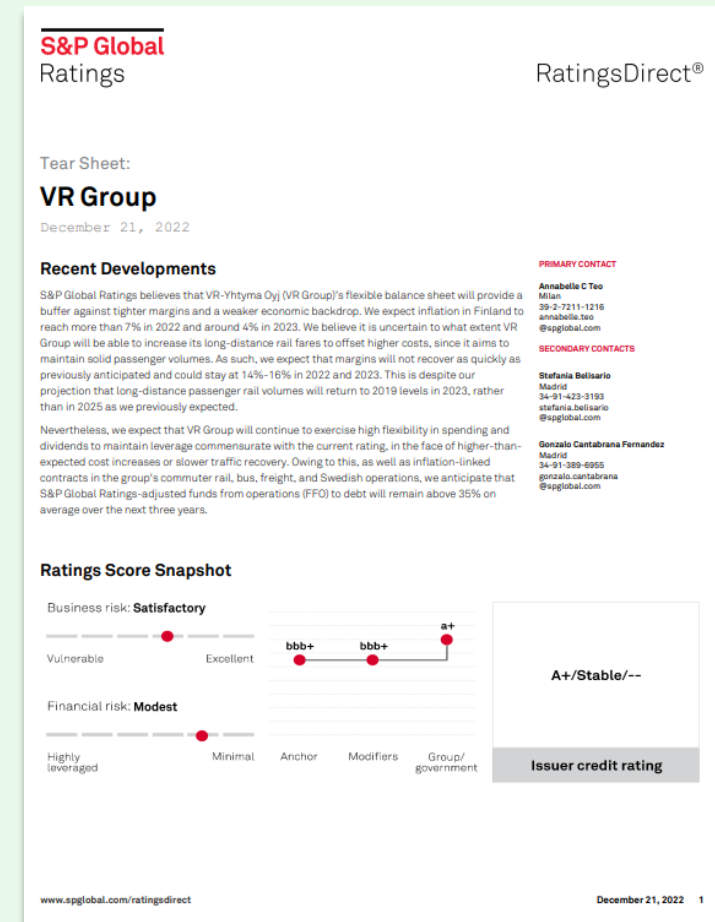
Financing structure

VR is committed to maintain its high investment grade rating

- Strong credit rating A+ with stable outlook since 2018
- The rating on VR Group is supported by Government of Finland ownership. This is based on S&P's view of a high likelihood that Finland will provide sufficient and timely extraordinary support to VR Group if needed.
- The stable outlook reflects S&P's expectation that VR Group's capital structure can accommodate a potentially softer operational environment than expected, given its historically low leverage levels and flexibility in shareholder distributions and capital spending.

Key strengths

- ✓ Dominant competitive position as the dominant rail passenger and freight services provider in Finland.
- ✓ Dividend and investment flexibility, non-volume-exposed contracts, and diversification in freight operations provide some buffer in a weaker operational environment.
- ✓ High likelihood of government support from the Finnish government if faced with financial distress.



[Full report available here](#)

Stable ownership

- **VR is 100% owned by the Finnish State.**
 - Parliament's approval is needed for any reduction in the ownership as long as Finnish State is the only owner.
- VR Group is listed by the State **as a strategic interest company**, meaning that in addition to shareholder interest, there are other interests that make it advisable for the State to remain in a strong ownership position for the time being.¹
 - **Definition of the strategic interest:** Ensuring the continuity of sufficient railway traffic.
- According to VR's financing agreements the ownership of Finnish State must be maintained at a level which carries more than 50% of voting rights ("Change of Control").

¹⁾ Source: <https://vnk.fi/en/government-ownership-steering/companies>

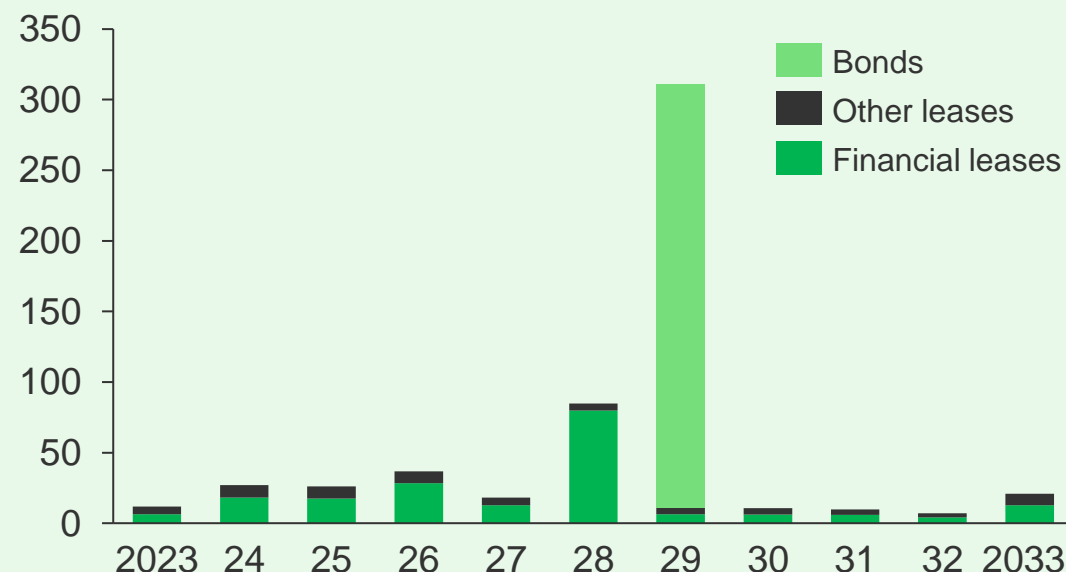


No significant debt maturities in the coming years

First (green) bond issued in May 2022

- Approx. 556m€ debt portfolio consists mainly of financial leases from Nordic banks and one unsecured 300m€ bond issue.
- Unsecured 300m€ commercial paper programme covers short-term financing needs – currently unused.
- Unsecured 200m€ sustainability-linked revolving credit facility (matures in 2026) creates extra liquidity – currently unused.

Debt maturity profile, M€ 30.9.2023



Short-term debt	7 % of total	40 M€
Long-term debt	93 % of total	516 M€
Total debt		556 M€

Key figures	30.9.2023
Weighted average debt maturity	5.1 years
Hedge ratio of net interest-bearing debt portfolio	60 %
Cash sources to cash uses (next 12 months)	2.5x

Green Finance Framework dated May 2022

Green financing helps to achieve the environmental targets



Use of Proceeds

Clean Transportation: Locomotives, train sets, wagons; other clean transportation solutions; control systems

Renewable Energy: Solar power systems for buildings owned by VR Group and solar power plants

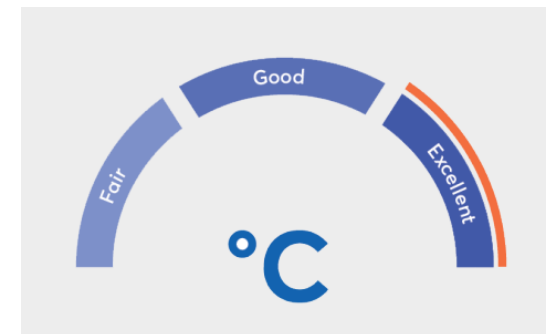
Energy Efficiency: Energy efficiency for VR Group owned or operated buildings



°CICERO
Dark Green

“Aligned with the Green Bond Principles and Green Loan Principles”

*“CICERO Shades of Green finds the **governance procedures** in VR’s framework to be **Excellent**”*



Eligible Projects under Green Finance Framework

Close to 100% under category Clean Transportation

Examples



Electric commuter trains (SmX)

20 units orders with deliveries starting in 2026. Option to order 50 additional units.
Total investment for ordered units ca. EUR 250 million.



Electric buses

Currently 192 units in use, 86 units ordered with deliveries in 2023-25.



To be allocated to EUR 300 million green bond maturing in 2029

Electric locomotives (Sr3)

Currently 58 units in use, in total 80 units ordered with deliveries in 2017-2026.
Total investment ca. EUR 300 million.

Key investment highlights

Long-distance passenger volumes have recovered above pre-pandemic levels

Versatile business portfolio

Leading market position

A+ / stable credit rating

100% owned by the Finnish state

Together
towards a better world



Appendices

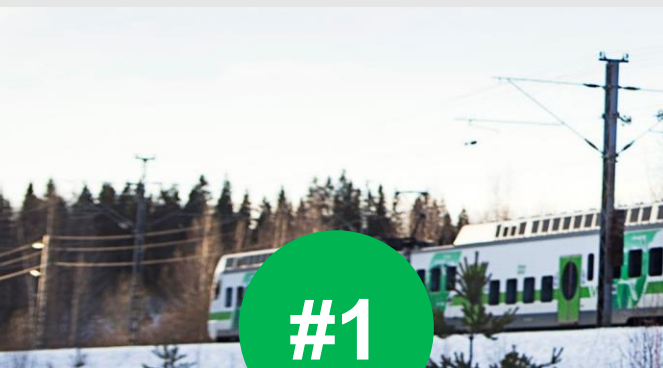


Credit Investor Presentation – November 2023

Leading market position



Long-distance Traffic



Sole service provider of commuter and long-distance rail traffic in Finland.

There are significant barriers to enter the market such as need for own fleet in long-distance traffic, limited rail capacity and high requirements for rail operation expertise.



City Traffic



VR City Traffic is the sole service provider in tendered commuter rail in Finland. Pohjolan Liikenne, a subsidiary of VR Group, is the 3rd largest bus operator in Finland.

VR Sverige is the 3rd largest commuter rail and 4th largest bus operator in Sweden



Logistics



Market share in rail logistics is 86 %.

There are few smaller competitors in rail logistics, but the barrier to enter the market is high as the investment needs are substantial and the business requires high level of expertise in rail operations.

In road logistics, the market is fragmented and there are many competitors.



Fleet maintenance

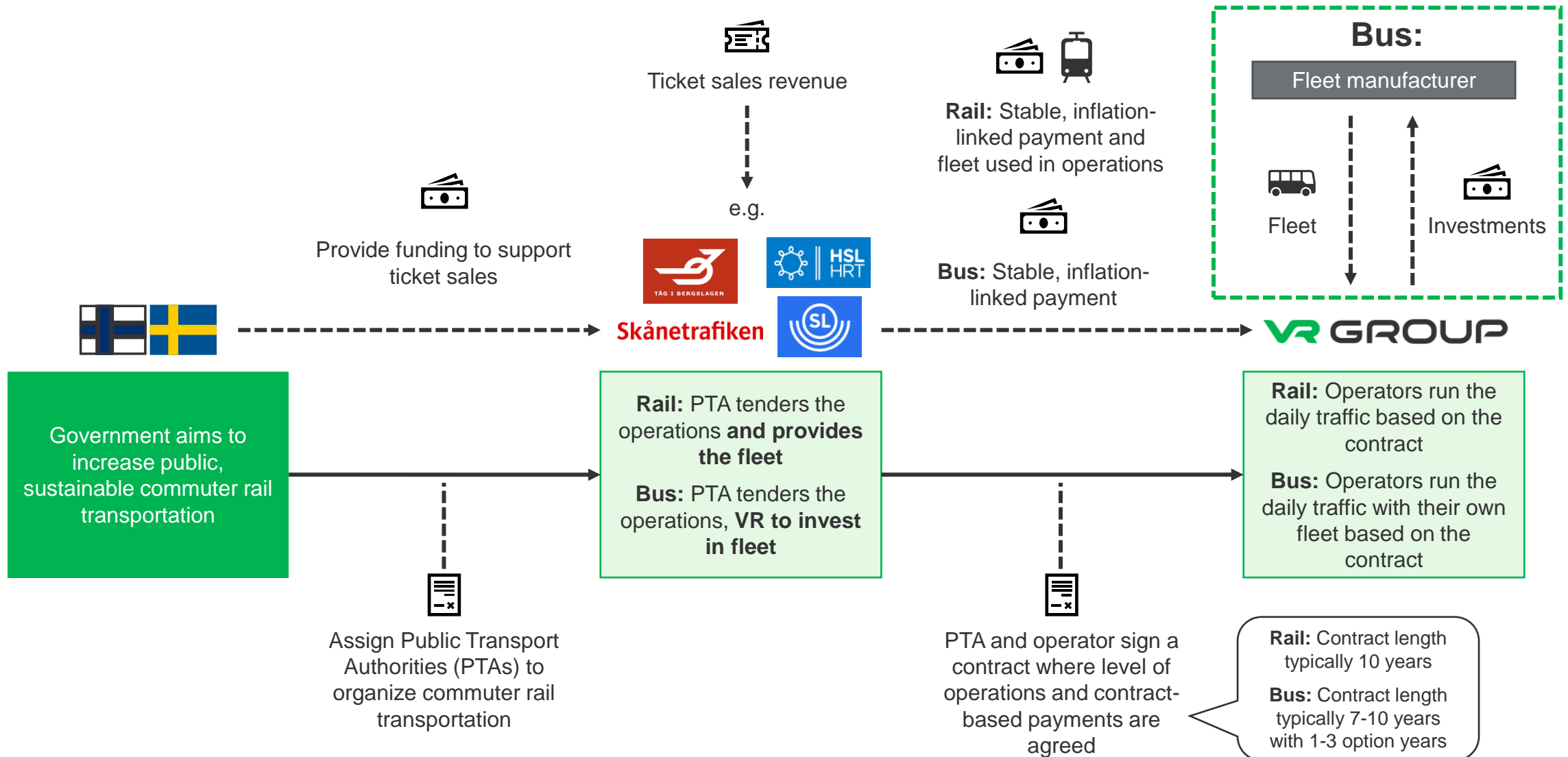


Market share is around 80%.

Liberalisation has taken place in the Finnish rail market but there are lack of real market opportunities for foreign competitors.

VR FleetCare is well placed in the competition with continuous efficiency improvements and focus on customer satisfaction.

City traffic provides stable contractual revenue



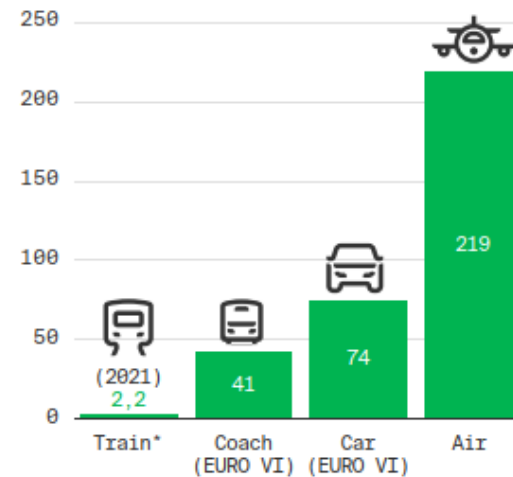
VR's contribution to Climate Change Mitigation

Speeding up to reach the goal of a carbon neutral Finland by 2035

- In general, **rail traffic with the lowest emissions** plays a crucial role in curbing climate change.
- VR's target is to increase the market share of train transport to
 - >10 % in passenger traffic (6 % in 2019) and
 - >30 % in freight traffic (22 % in 2022)
- Only emission-free electricity used
- **Of VR's passenger rail traffic around 95% is electrified** and around **80% of rail logistics is electrified**
 - VR **offsets the greenhouse gas emissions** of its passenger service routes on which emission-free energy cannot be used by investing in Gold Standard certified voluntary emissions trading projects.
 - In freight traffic, track electrifications are progressing. **New innovative solutions are needed** for zero-carbon freight traffic and that requires also customers' commitment to enable sustainable transition.

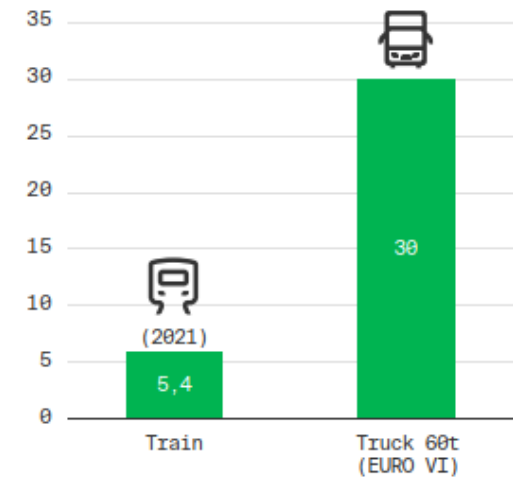
Rail traffic is the most energy-efficient mode of transport in Finland

Travel
g-CO₂e / pkm



*Fully compensated as of 2019





Freight
g-CO₂e / ntkm



Source: VR (Train), VTT Lipasto (Coach [EURO VI], Car [EURO VI]), Air and Truck 60t [EURO VI])

Environmental goals as the first step towards zero-carbon traffic

Environmental goals for 2021–2025

<div>13 CLIMATE ACTION</div> <div></div> <div>Reducing emissions</div> <div>Goal: Decreasing the Group’s greenhouse gas emissions by 15 per cent per performance* from 2019 level.</div>	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div></div> <div>Increasing energy efficiency</div> <div>Goal: Decreasing the Group’s consumption of energy by 15 per cent per performance* from 2019 level.</div>
<div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div></div> <div>Increasing material efficiency</div> <div>Goal: Increasing the recycling rate to 80 per cent (from 60% in 2019).</div>	<div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div></div> <div>Chemical safety</div> <div>Goal: No significant leaks in the transport of dangerous goods or when handling chemicals.</div>

*Emissions and energy consumption per passenger- and tonne-kilometres



Green Finance Framework dated May 2022

Aligned with the Green Bond Principles and Green Loan Principles



Use of Proceeds

Clean Transportation: Locomotives, train sets, wagons; other clean transportation solutions; control systems

Renewable Energy: Solar power systems for buildings owned by VR Group and solar power plants

Energy Efficiency: Energy efficiency for VR Group owned or operated buildings



Project evaluation & selection

The three-step process is designed and implemented to ensure that projects are aligned with the disclosed eligibility criteria

Green Finance Committee

CFO acts as chair with other members consisting across the company including management, sustainability and fleet management



Management of Proceeds

A Green Finance Register will monitor the Eligible Assets and Projects and the allocation of the net proceeds from Green Finance. The Green Finance Register will form the basis for the impact and allocation reporting.



Reporting

VR will publish a report on the allocation and impact of Green Bonds issued under this framework on an annual basis

Allocation report

- List of Eligible Assets and Projects funded
- Case studies and descriptions
- Amounts invested in each category

Impact report

Impact reporting may include data across all investment categories, incl. GHG emissions avoided



°CICERO
Dark Green

*“Framework is found in **alignment with the principles**”*

*“CICERO Shades of Green finds the **governance procedures** in VR’s framework to be **Excellent**”*



Green Bond report 2022*

Sr3 attributes and impact analysis

Summary of realised positive environmental impacts 2018–2022

- Savings in electricity consumption range from 26 to 40 GWh, depending on the specific consumption coefficients used.
- The Last Mile feature has reduced emissions by approximately 655 tCO₂e.
- Reductions in energy consumption and emissions per invested funds:
 - Electricity consumption as much as 184 MWh / EUR million
 - Emissions 3.0 tCO₂e / EUR million



The Sr3 is our most efficient and ecological locomotive

- Maximum output: 6,400 kW (8,700 hp).
- The Last Mile feature (two diesel engines for running on non-electrified railway sections) reduces emissions.
- About 20% more energy-efficient than the previous Sr2 model.
- Recyclability rate: 98%.

Technical attributes related to energy efficiency

- The Sr3 features a more efficient regenerative braking system than Sr2 locomotive. When electric braking is used, it transforms the braking energy into electricity and feeds it into the electrical network.
- Electricity consumption in standby mode is lower and less waste heat is generated than in Sr2.
- The Sr3 features LED lighting technology that uses electricity conservatively.
- Metering enables the monitoring and analysis of energy consumption.

Analysis of the energy consumption of the Sr3

- The first assessments of selected trains indicate a reduction in electricity consumption of as much as 20% compared to the Sr2 locomotive. According to a preliminary analysis of data at the monthly level, the Sr3's electricity consumption is, on average, 10% lower than that of the Sr2. A more comprehensive consumption analysis will be conducted in 2023.
- Electricity consumption depends on speed, train type, route, weather conditions and whether electric braking can be utilised.
- The savings in electricity consumption in 2018–2022 have been calculated in two ways:
 - Using the manufacturer's specific consumption factors: 26 GWh
 - Using the specific consumption factors obtained from a preliminary data analysis: 40 GWh
- The Last Mile feature has reduced the use of fossil light fuel oil by 250,000 litres, or 2.4 GWh, which corresponds to a reduction in emissions of approximately 655 tCO₂e (2018–2022).

Green Bond report 2022*

Key information on the bond and asset allocation

Key information on the bond

Issuer	VR Group Plc
Issuer's credit rating	A+ (stable), S&P
Second Party Opinion	Dark green by CICERO
Bond type	Senior unsecured green
Listing	Nasdaq Helsinki
Nominal value	EUR 300 million
ISIN	FI4000523287
Bond rating	A+ by S&P
Issue date	30 May 2022
Maturity date	30 May 2029
Tenor	7 years
Coupon	2.375% fixed
Unallocated proceeds	EUR 82.5 million / 28%
Allocated proceeds	EUR 217.5 million / 72%
Refinancing	EUR 189.0 million
Financing	EUR 28.5 million

*Part of VR's [Corporate Responsibility Report 2022](#)

Categories used (EUR million)	Allocated	Unallocated	Total
Clean transportation			
Sr3 electric locomotives	217.5	74.6	292.1
Heavy maintenance of Sr3 electric locomotives	0,0	7.9	7.9
Total	217.5	82.5	300.0

Expected annual allocation (EUR million)

