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## VR Group's business review for January–December 2021 – Rail travel was focused on leisure travel, freight traffic volumes at a good level

VR Group's net sales developed positively during 2021, but the operating profit was still negative. The was in large part due to the COVID-19 pandemic and related restrictions, which had a large impact on travel demand. VR Transpoint's transport volumes continued to increase.

### January–December 2021 in brief:

- VR Group's net sales increased by 5.9 per cent to EUR 838.3 (791.9) million. The COVID-19 pandemic continued to have a significant impact on VR's passenger traffic volumes, and the recovery in demand was slow. However, the impact of the pandemic on freight traffic remained moderate.
- VR Group's operating profit (EBIT) from January to December was EUR –22.7 (–24.6) million. Comparable operating profit (EBIT), i.e. operating profit excluding profits and losses from sale of fixed assets and other material one off items, improved to EUR –14.1 (–26.1) million. VR Group's loss for the financial year amounted to EUR –13.7 (–33.1) million.
- The number of journeys on VR Passenger Services' long-distance trains increased by 5.1 per cent from January to December, to a total of 8.5 (8.1) million journeys made. This was due to a growth in leisure travel, as work-related commuting still clearly fell short of the period before the pandemic.
- VR Transpoint's railway transport volume remained at a good level and grew to EUR 37.4 (36.6) million tonnes during the period under review.

### President and CEO Lauri Sipponen:

“The prolonged coronavirus pandemic continued to have a significant impact on rail travel and thus on VR Group's entire business during 2021. Although the demand for VR Passenger Services did not recover to the pre-pandemic level, it is nevertheless positive that long-distance travel volumes increased as a result of leisure travel. In freight traffic, however, transport volumes remained at a good level and VR Transpoint's performance was particularly important to our company as a whole in 2021. At VR FleetCare, the pandemic had a particular impact through the development of passenger traffic volumes and the need for fleet maintenance. The whole Group has experienced tough times during this exceptional pandemic period, but our employees have nevertheless made valuable efforts to keep Finnish society moving.

VR Passenger Services' travel volumes followed the undulations of the pandemic and the development of restrictions during 2021. Travel was mainly focused on leisure travel, as extensive remote working reduced everyday commuting. In the spring, the number of passengers on trains had to be limited for a limited period of time, and the restaurant cars were also closed for part of the year. Train traffic between Finland and Russia was interrupted for most of the year. VR Passenger Services ensured safety by using extra train capacity when possible and, for instance, by implementing enhanced cleaning measures. When the situation so required, a mask mandate was in place on trains and COVID-19 passports were required in restaurant cars. In addition, customers were offered additional services related to the pandemic situation, such as the possibility to reserve an empty adjacent seat or order portions from the restaurant car to their own seat.

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Our company took a significant step forward in June 2021, when commuter train service under the new HSL contract started in the capital region. We had won the historic tender earlier, in the spring of 2020, and other forms of passenger transport were opened up to competition on 1 January 2021, when VR's exclusive rights to long-distance traffic expired. The background to the situation was a contractual arrangement between VR and the Ministry of Transport and Communications, concerning the purchase of contract traffic on routes, which were not profitable on market terms. In 2021, we negotiated a new contract traffic agreement with the Ministry of Transport and Communications for the years 2022–2030. At the end of the summer of 2021, we took another important step forward, when tram traffic in Tampere started on 9 August 2021, and at the same time, we started as a tram operator.

The COVID-19 pandemic had a relatively minor impact on freight traffic in 2021. VR Transpoint's market situation was positive because the global economy was on a growth track and Finland's economic and export performance was favourable. In Finland, especially in the forest and metal industry, the demand for transport was at a good level; however, there was variation in Eastern traffic volumes. VR Transpoint signed significant contracts during the year. As an example, Metsä Group chose VR Transpoint as its logistics partner for the transport of roundwood to the bioproduct mill to be constructed in Kemi. VR Transpoint also strengthened its position as a logistics operator in the circular economy with the acquisition of Transitar Oy.

Our maintenance subsidiary VR FleetCare continued in 2021 to actively seek new business opportunities and customers. VR FleetCare signed a contract with Norwegian company Vy Tog AS to modernise eight sleeper cars. The company will also begin maintenance on Pohjolan Liikenne's e-buses in Tampere and will continue the maintenance and lifecycle services of Allegro trains operating to St. Petersburg for 20 years.

We ensure future success with significant investments in environmentally friendly rolling stock and customer experience. For VR Passenger Services, we reported progress in the acquisition of new commuter and night trains in 2021. The procurement of commuter trains will initially involve approximately 25 new electric trains, replacing the old fleet, and the night train procurement consists of 9 sleeper cars and 8 car-carrier wagons. Additionally, Pohjolan Liikenne brought more e-buses to the roads. With the new contract with the bioproduct mill in Kemi, VR Transpoint is investing in new raw wood wagons. The supply of Sr3 electric locomotives continued during the review period, and new, lower-emission diesel locomotives are also coming in, especially for freight traffic use. In total, it is planned that we will invest a total of approximately EUR 1 billion in rail transport stock in Finland over the next six years. The bulk of the sum is allocated for the procurement of new electric locomotives, electric trains and diesel locomotives, as well as for the maintenance of existing rolling stock.

Electronic rail and urban transport is at the core of our business. We believe that in the longer term, megatrends from climate awareness to urbanisation will support our travel, logistics and maintenance business. However, it is clear that, with the prolonged pandemic, we as a society must turn our attention to public transport, which is threatened by a decline in service levels and development. The prerequisites for sustainable mobility also include the good condition of the rail network and sufficient track capacity, both of which affect the punctuality of rail traffic, the security of supply and can, if neglected, limit future growth. At VR Group, we are working to ensure that more and more business and private customers choose trains as their mode of transport and that the usage share of sustainable modes of transport grows. It is not only a question of smooth

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everyday traffic and efficient industrial transport, but also of achieving the climate goals of society as a whole.”

### Events after the period under review:

VR-Group Ltd and the Ministry of Transport and Communications signed a nine-year contract on the procurement of contract passenger train services for the period 1 February 2022 to 31 December 2030. The state acquires traffic from VR Group on routes where ticket revenue is insufficient to cover commercially viable services. The total value of the contract (including VAT) is EUR 313.8 million, i.e. the annual compensation for operation is EUR 34.9 million.

Russian attack on Ukraine has led to economic sanctions against Russia by the West. VR co-operates with the Russian Railways RZD in passenger and freight transport in the border traffic between Finland and Russia. Oy Karelian Trains Ltd, a 50/50 joint venture between VR and RZD, owns the Allegro rolling stock that operates between Helsinki and St. Petersburg. The RZD is listed on the EU-US sanctions list, and the sanctions imposed are on finance and infrastructure. RZD's rail transport business is not subject to sanctions.

### Outlook for this year

The development of the COVID-19 pandemic and the war in Ukraine will have a visible impact on VR Group's short-term outlook and operations. There is a great deal of uncertainty about when train traffic will begin to recover from the pandemic and how much the global political situation will reflect on freight transport.

The Omicron variant and the increase in the number of infections tightened official restrictions again at the turn of the year, which affected traffic and reduced the number of journeys in VR Passenger Services. The deteriorating COVID-19 situation reflected on commuter traffic in particular. The effects also extended to restaurant services. At the beginning of the year, market-based workday traffic had to be reduced and negotiations on possible staff layoffs had to be held. The restrictions are currently being lifted, which is expected to have a positive impact on travel demand. However, the evolution of the pandemic and related restrictions remain very uncertain.

The effects of the corona crisis on logistics have remained moderate. Demand for VR Transport's transports has remained at a good level, but the labor market situation in Finland has had a negative impact on transport volumes at the beginning of the year. Changes in the industrial production facility network and world market prices, the intensifying competition in rail transport and global political uncertainty may also be reflected in transports. Overall, freight volumes are expected to be lower than last year. To VR FleetCare's operations, the pandemic situation is reflected on the development of passenger traffic volumes in particular and, consequently, the need to maintain the fleet. Global component shortages and rising material costs also have an impact.

Russia's attack on Ukraine has led to economic sanctions against Russia by the West, and it is expected that Russia will take counter-sanctions. In addition to financial market turmoil and the collapse of the ruble, the conflict has pushed up already high energy prices. In the beginning of the year, the record high prices of electricity and fuel have had a negative impact on VR Group's profitability. The threat is that a prolongation of the war will accelerate inflation, hamper access to

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funding and weaken overall economic growth. Crisis-related sanctions can also affect logistics volumes.

VR Group expects profitability to decline in the beginning of the year 2022 compared to the second half of 2021. Comparable operating profit is expected to be negative during the beginning of 2022. Due to these uncertainties, it is hard to predict what the result of the whole 2022 will be.

In the longer term, VR Group's business is supported by megatrends in environmental awareness and urbanisation. At the societal level, the attitude towards rail and public transport is positive and customers are increasingly seeking to use environmentally friendly modes of traffic and transport. Nevertheless, in the midst of a protracted pandemic, it is important to ensure the conditions for sustainable mobility in the future.

### Publication of the annual report

VR Group's Annual Report and Financial Statements for 2021, Responsibility Report and GRI Index, Remuneration Report and Remuneration Policy and Corporate Governance Statement were published today on the following website: <https://2021.vrgroupraportti.fi/en/annual-report-2021/>

### Key figures

VR Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures in brackets refer to the corresponding time period in the previous year, unless otherwise stated.

<b>VR Group's key figures</b>	<b>2021</b>	2020
Net sales	<b>838.3</b>	791.9
Operating profit (EBIT)	<b>-22.7</b>	-24.6
% of net sales	<b>-2.7</b>	-3.1
Comparable operating profit (EBIT)	<b>-14.1</b>	-26.1
% of net sales	<b>-1.7</b>	-3.3
Net profit for the financial year	<b>-13.7</b>	-33.1
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Cash flow from operating activities	<b>138.1</b>	99.5
Investments	<b>168.8</b>	161.2
Capital invested at the end of the period	<b>1583.1</b>	1560.7
Return on investment, %	<b>-0.5</b>	-1.1
Comparable return on investment, %	<b>0.0</b>	-1.2
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Interest-bearing net debt at the end of the period	<b>238.1</b>	87.6
Gearing, %	<b>18.6</b>	6.9

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Average number of personnel	<b>5,620</b>	5,818
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