

1.2.2019

## VR Group's result for 2018 was excellent – rail traffic volumes increased

Financial details for 2018 presented in this press release are unaudited FAS figures. The figures in brackets refer to the corresponding period in the previous year, unless indicated otherwise.

### January–December 2018 in brief

- The Group's net sales increased by 2.0 per cent to EUR 1,276.6 (1,251.5) million.
- VR Transpoint's net sales grew and, in passenger services and VR Track, net sales remained at the same level as in the previous year.
- Operating profit (EBIT) was EUR 151.7 (110.3) million, or 11.9 (8.8) per cent of net sales.
- Operating profit (EBIT) includes EUR 63.8 (16.4) million in profits on the sale of assets and EUR -15.8 (-5.1) million in other non-recurring items.
- In long-distance traffic, travel increased by 4.4 per cent, with a total of 13.6 (13.0) million journeys made.
- VR Transpoint's railway transport volume grew by 2.7 per cent to EUR 39.4 (38.4) million tonnes.
- The selling of VR Track to the Norwegian NRC Group was announced in October 2018. The transaction was completed on 7 January 2019.
- In May 2018, VR-Group Ltd received the credit rating of A+, with a stable outlook, from Standard & Poor's.

VR Group, key figures	1–12/2018	1–12/2017	Change %
Net sales (EUR million)	1,276.6	1,251.5	2.0
Operating profit (EBIT) (EUR million)	151.7	110.3	37.5
Operating profit % (EBIT-%)	11.9	8.8	
Journeys in passenger service (millions)	123.7	126.9	-2.5
* Long-distance traffic	13.6	13.0	4.4
* Commuter traffic	73.9	72.7	1.7
* Pohjolan Liikenne	36.2	41.2	-12.2
Passenger-kilometres in train traffic (millions)	4,535	4,271	6.2
VR Transpoint's tonnes (millions)	44.4	43.7	1.7
* Railway logistics	39.4	38.4	2.7
* Road logistics	5.0	5.3	-5.3
Balance sheet total (EUR million)	1,843.8	1,817.8	1.4
Equity, total	1,233.4	1,200.8	2.7
Interest-bearing net liabilities	21.3	71.5	-70.1
Equity ratio, %	68.1	67.4	
Gearing, %	1.7	6.0	
Average number of personnel	7,573	7,540	0.4

1.2.2019

**Rolf Jansson, President and CEO:**

"Good market conditions and investments in customer experience boosted the net sales growth in 2018. The Net Promoter Score (NPS), an indicator of customer satisfaction, was good in all of our business operations, i.e. our customers are willing to recommend our services. This encourages us to continue the improvement of our service level. The overall result of the #Fiilis 2018 personnel commitment survey was also better than before. It is delightful to see that our personnel's view of VR Group's future is now more positive.

In 2018, net sales were EUR 1,276.6 (1,251.5) million, which is an increase of 2 per cent compared to 2017. Rail traffic volumes were growing briskly in both passenger services and freight traffic. The most positive development was witnessed in long-distance traffic in passenger services, with the main routes achieving a growth rate of 6.4 per cent. The amount of tonnes transported by VR Transpoint in domestic freight traffic was also increasing at a good pace, 7.6 per cent.

Boosted by our determined actions and significant capital gains, VR Group's operating profit (EBIT) for 2018 grew to EUR 152 (110.3) million. Our operational result excluding capital gains and other non-recurring items also grew by 5 per cent to EUR 104 (99) million, or 8.1 (7.9) per cent of net sales. We will continue our determined work to improve both profitability and competitiveness.

The financial statements for 2018 include a total of approximately EUR 64 (16) million in profits on the sale of assets, mainly related to real estate transactions carried out during the year. The most significant of these was the selling of our head office at Helsinki Central Railway Station. Operating profit (EBIT) includes approximately EUR -16 (-5) million in non-recurring items related mainly to business restructuring. The non-recurring items also include the cost effects of the unfortunate environmental accident that took place on the Kinni stop in Mäntyharju in spring 2018. In the accident, 35 tonnes of methyltertbutylether (MTBE) leaked from a broken tank wagon to the ground. VR Group has taken and is still taking major preventive and restorative measures in the accident area in close cooperation with authorities.

During the year, we made significant structural arrangements that shift VR Group's focus towards the role of a traffic operator. In October, we announced that the Norwegian NRC Group and VR Track would join forces to form the leading Nordic rail infrastructure company. The corporate acquisition was completed on 7 January 2019. The value of the transaction (Enterprise Value) was EUR 225 million. The price was paid partly in cash and partly in NRC Group's shares, making VR Group NRC Group's largest shareholder. The capital gain from the transaction will be recorded under the first quarter of 2019. Towards the end of the year, we also carried out arrangements required for incorporating our rolling stock maintenance function, and VR Maintenance Oy began its operations on 1 January 2019.

Helsinki Region Transport (HSL) launched the competitive tendering for capital region commuter traffic in February 2018, and VR Group decided to participate in it. The winner of the tendering will be announced in spring 2020 and competitively tendered HSL commuter traffic will begin in 2021. VR Group also participates in the competitive tendering for operating the Tampere tramway. According to the preliminary schedule, the tendering decision will be made in April 2019 and the aim is to begin commercial operation in 2021.

1.2.2019

Safety is one of VR Group's values. We work systematically with a long-term perspective to develop railway safety and occupational safety and to prevent accidents. Indeed, the accident rate development has been constantly positive since 2010. In 2018, the Group's railway safety management system and operating processes were adjusted to the requirements of the changing legislation. After the accident in Kinni, we launched several railway safety development projects associated with, for instance, the securing of rolling stock and the handling of rolling stock that transports dangerous goods.

VR-Group Ltd had its credit rating level assessed for HSL's competitive tendering. In May 2018, the international credit rating agency Standard & Poor's (S&P) announced that it had awarded a credit rating of A+, with a stable outlook, to VR-Group Ltd.

We expect the general economic development to slow down slightly during the year, but rail traffic is supported by many other trends, such as urbanisation, increasing climate awareness and digitalisation. The capacity and poor condition of the railway network maintained by the Finnish Transport Infrastructure Agency have a negative impact on the delivery reliability and punctuality of our services. In this environment, we seek profitable growth by investing in serving our customers and improving our competitiveness.

### **Major events after the end of the financial year**

On 11 October 2018, VR Group announced that it would sell VR Track Ltd to the Norwegian NRC Group. The transaction was completed on 7 January 2019.

VR-Group Ltd's rolling stock maintenance function was incorporated and turned into a separate maintenance company within VR Group. VR Maintenance Oy began its operations on 1 January 2019.

State administration aims at centralising city centre development to one real estate owner. As a part of this, VR Group's properties in 20 locations were transferred to Senaatti-kiinteistöt in a real estate transaction on 31 January 2019.

### **Publication of the report of the Board of Directors and the financial statements**

VR Group's report of the Board of Directors, including the statement of non-financial information, as well as its financial statements, corporate governance statement and remuneration statement will be published at the latest on 15 March 2019 at [www.vrgroup.fi](http://www.vrgroup.fi).

### **Further information:**

VR Group Mediadesk, p. 030 70123, [viestinta@vr.fi](mailto:viestinta@vr.fi)

Appendix: Tables

1.2.2019

The information in the tables is unaudited.

**CONSOLIDATED INCOME STATEMENT JAN 1 - DEC 31, 2018**

(M€)	10-12/2018	10-12/2017	Change-%	1-12/2018	1-12/2017	Change-%
Net sales	341.1	328.0	4.0	1 276.6	1 251.5	2.0
Production for own use	9.9	4.0	151.4	25.4	17.1	48.6
Other operating income	59.3	22.6	162.5	108.9	56.5	92.9
Materials and services	-116.3	-100.4	15.8	-388.1	-362.2	7.1
Personnel expenses	-124.6	-121.4	2.6	-470.1	-463.0	1.5
Depreciations, amortisations and impairment losses	-33.8	-32.8	3.0	-130.3	-131.1	-0.6
Other operating expenses	-77.8	-72.1	7.9	-270.7	-258.4	4.8
Expenses, total	-352.5	-326.7	7.9	-1 259.3	-1 214.8	3.7
<b>Operating profit</b>	<b>57.9</b>	<b>27.8</b>	<b>108.3</b>	<b>151.7</b>	<b>110.3</b>	<b>37.5</b>
Financial items	-2.3	-4.0	-42.1	-12.4	-12.2	1.2
Profit after financial items	55.6	23.8	133.6	139.3	98.0	42.1
Taxes	-11.1	-4.4	151.4	-28.4	-20.1	41.5
Minority interest	0.0	0.0		0.0	0.1	
<b>Net profit</b>	<b>44.5</b>	<b>19.4</b>	<b>129.2</b>	<b>110.9</b>	<b>78.0</b>	<b>42.2</b>

**CONSOLIDATED BALANCE SHEET DEC 31, 2018**

(M€)	31.12.2018	31.12.2017	Change-%
<b>Non-current assets</b>			
Intangible assets	46.5	46.7	-0.4
Goodwill on consolidation	4.9	5.5	
Tangible assets	1 278.5	1 311.0	-2.5
Investments	13.5	23.1	-41.6
<b>Current assets</b>			
Inventories	77.2	73.8	4.5
Receivables	209.2	181.4	15.3
Cash, cash equiv. and fin. securities	213.9	176.2	21.4
<b>Assets, total</b>	<b>1 843.8</b>	<b>1 817.8</b>	<b>1.4</b>
Equity	1 233.4	1 200.8	2.7
Minority interests	1.7	1.9	-12.5
Provisions	13.1	12.0	8.9
Long-term liabilities	339.1	345.4	-1.8
Short-term liabilities	256.5	257.7	-0.5
<b>Equity and liabilities, total</b>	<b>1 843.8</b>	<b>1 817.8</b>	<b>1.4</b>

**CONSOLIDATED CASH FLOW STATEMENT**

(M€)	1-12/2018	1-12/2017
Cash flow from operating activities		
Operating profit	151.7	110.3
Adjustments to operating profit	50.4	97.6
Change in net working capital	7.9	0.9
Financial items and taxes	-52.2	-23.0
<b>Net cash flow from operating activities</b>	<b>157.8</b>	<b>185.8</b>
<b>Net cash flow from investing activities</b>	<b>-19.9</b>	<b>-109.0</b>
Cash flow from financing activities		
Change in long-term receivables	0.0	0.1
Dividends paid	-100.0	-90.0
Capital repayment	0.0	-100.0
Dividends paid to minority interests	0.0	-1.8
Change in liabilities	-0.1	0.0
<b>Net cash flow from financing activities</b>	<b>-100.1</b>	<b>-191.7</b>
<b>Change in cash and cash equivalents</b>	<b>37.8</b>	<b>-114.9</b>
Cash and cash equivalents Jan 1	176.2	291.0
Cash and cash equivalents Dec 31	213.9	176.2

1.2.2019

**Group external net sales by function**

(M€)	10-12/2018	10-12/2017	Change-%	1-12/2018	1-12/2017	Change-%
Passenger services	<b>138.9</b>	137.9	0.7	<b>553.4</b>	548.3	0.9
Rail services	<b>103.5</b>	102.1	1.4	<b>417.0</b>	412.1	1.2
Road services	<b>25.1</b>	25.9	-3.1	<b>95.9</b>	99.0	-3.1
Catering and restaurant services	<b>10.2</b>	9.9	3.6	<b>40.5</b>	37.2	8.8
VR Transpoint	<b>101.9</b>	102.1	-0.2	<b>407.9</b>	392.9	3.8
Rail services	<b>81.8</b>	81.9	-0.1	<b>326.8</b>	312.0	4.8
Road services	<b>20.1</b>	20.2	-0.5	<b>81.1</b>	80.9	0.2
VR Track	<b>94.4</b>	85.7	10.1	<b>302.0</b>	302.1	0.0
Other services	<b>6.0</b>	2.3	161.4	<b>13.3</b>	8.2	62.2
<b>Total</b>	<b>341.1</b>	328.0	4.0	<b>1 276.6</b>	1 251.5	2.0

**Group operating profit by function**

(M€)	10-12/2018	10-12/2017	Change-%	1-12/2018	1-12/2017	Change-%
Passenger services	<b>10.5</b>	7.7	36.4	<b>55.8</b>	54.0	3.4
VR Transpoint	<b>3.5</b>	5.9	-41.2	<b>29.5</b>	32.4	-8.9
VR Track	<b>8.9</b>	7.1	25.8	<b>17.7</b>	16.8	5.0
Group and other functions	<b>35.0</b>	7.1		<b>48.6</b>	7.0	
<b>Total</b>	<b>57.9</b>	27.8	108.3	<b>151.7</b>	110.3	37.5

**Transport volumes**

	10-12/2018	10-12/2017	Change-%	1-12/2018	1-12/2017	Change-%
Journeys in passenger service (millions)						
Rail services	<b>23.4</b>	22.7	2.9	<b>87.5</b>	85.7	2.1
Long-distance traffic	<b>3.5</b>	3.5	1.3	<b>13.6</b>	13.0	4.4
Commuter traffic	<b>19.8</b>	19.2	3.1	<b>73.9</b>	72.7	1.7
Road services	<b>9.4</b>	10.8	-13.1	<b>36.2</b>	41.2	-12.2
<b>Total</b>	<b>32.8</b>	33.5	-2.3	<b>123.7</b>	126.9	-2.5
Passenger-kilometres in train traffic (millions)	<b>1 216</b>	1 158	5.1	<b>4 535</b>	4 271	6.2
VR Transpoint's tonnes (millions)						
Rail services	<b>10.2</b>	10.3	-0.6	<b>39.4</b>	38.4	2.7
Domestic	<b>6.4</b>	5.9	6.8	<b>24.3</b>	22.6	7.6
International	<b>3.9</b>	4.3	-10.8	<b>15.1</b>	15.8	-4.4
Road services	<b>1.2</b>	1.3	-3.8	<b>5.0</b>	5.3	-5.3
<b>Total</b>	<b>11.4</b>	11.5	-1.0	<b>44.4</b>	43.7	1.7
Tonne-kilometres in train traffic (millions)	<b>2 877</b>	2 866	0.4	<b>11 030</b>	10 319	6.9

**Group's personnel by function**

(average)	1-12/2018	1-12/2017	Change-%
Passenger services	<b>2 503</b>	2 428	3.1
VR Transpoint	<b>1 217</b>	1 249	-2.6
VR Track	<b>1 582</b>	1 623	-2.5
Maintenance	<b>935</b>	888	5.3
Train operations	<b>1 068</b>	1 046	2.1
Other Group services	<b>269</b>	306	-12.0
<b>Total</b>	<b>7 573</b>	<b>7 540</b>	<b>0.4</b>

**Calculation of key figures**

$$\text{Equity ratio} = \frac{(\text{Equity} + \text{minority interest}) * 100}{\text{Balance sheet total} - \text{short-term and long-term advance payments received}}$$

$$\text{Net-gearing} = \frac{(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) * 100}{\text{Equity}}$$