

TAMPERE
TRAMWAY
LTD IN
2019



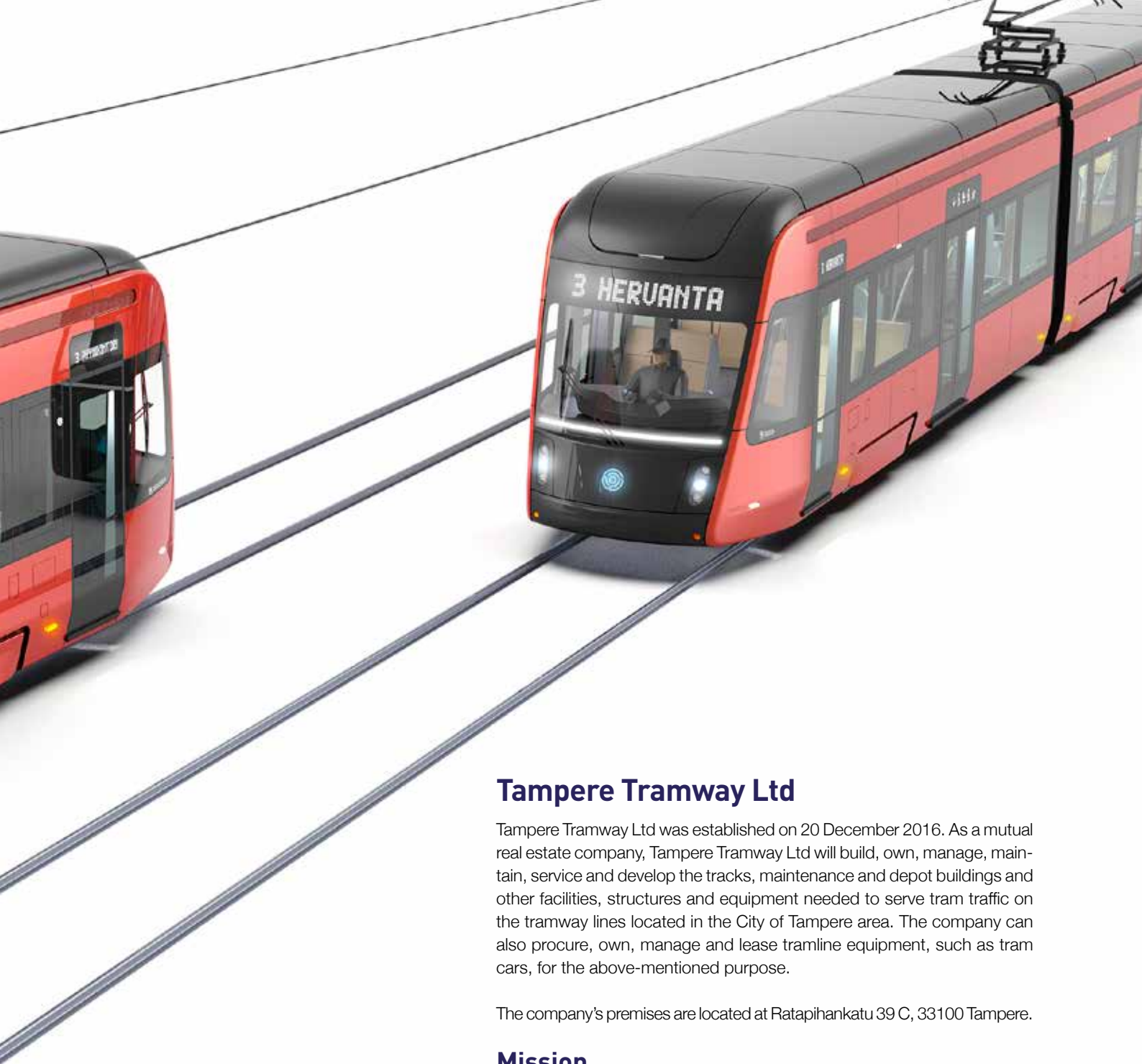
TAMPEREEN
RAITOTIE
OY



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TAMPERE TRAMWAY LTD'S ANNUAL REPORT

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Tampere Tramway Ltd

Tampere Tramway Ltd was established on 20 December 2016. As a mutual real estate company, Tampere Tramway Ltd will build, own, manage, maintain, service and develop the tracks, maintenance and depot buildings and other facilities, structures and equipment needed to serve tram traffic on the tramway lines located in the City of Tampere area. The company can also procure, own, manage and lease tramline equipment, such as tram cars, for the above-mentioned purpose.

The company's premises are located at Ratapihankatu 39 C, 33100 Tampere.

Mission

Tampere Tramway Ltd's mission is to serve as the service integrator, owner and track network manager for the entire tramline system.

As the client, the company is responsible for

- construction and maintenance of the tramline infrastructure,
- procurement and maintenance of the rolling stock,
- integration of the track, rolling stock and depot systems,
- commissioning and safety management of the tramline system,
- maintenance and functionality of the tramline system and development after traffic service has started,
- management of the tramline depot,
- supplier cooperation, and responsibility for tramline system procurements.

In the role of service integrator, the company will represent Tampere Public Transport in the Traffic Alliance and have responsibility for implementing traffic operations in accordance with the set targets.

**TAMPEREEN
RAITIO
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Pekka Sirviö
Chief Executive Officer



CEO's review

Implementation of the tramway system is a broad-based city development project with impacts on the City of Tampere and the entire Tampere region. Visible changes in the Tampere cityscape caused by construction of the tramway include the completion of construction work in several blocks of Hämeenkatu. The year 2019 was the second of the busiest tramway construction years, and approximately 14 kilometres of track was ready by the end of the year. The tram car depot in the Rusko district of Hervanta was also completed at the end of the year. In addition to construction, the company started the infrastructure maintenance development phase in 2019. This caused an increase in turnover in comparison to the previous year.

The Mock-up, which is a full-size model of the tram car, was presented to Tampere residents at Tampere Hall in late February and early March. The event attracted more than 15,000 visitors over a 6-day period. The visitors provided a lot of feedback, which was utilised to further develop the tram car. After this, the Mock-up was moved to the Rollikkahalli building, where more than 10,000 visitors had viewed it by the end of November. This means that over 25,000 people were able to experience the interior of the Tampere Tramway car and its cab in advance.

Detailed tram car design continued until nearly the end of the year. In terms of manufacturing, the modules for the first car came off the welding line and equipping of the first car began. Series production on the welding line began immediately after the first car.



Acceptance inspections for the tramline systems continued during the year. The depot buildings were received in December 2019. At that time, maintenance responsibility for the depot and its areas was transferred to Tampere Tramway Ltd.

Planning for commissioning of the tramline system continued as cooperation between different parties. A special focus was the integration of infrastructure and rolling stock tests, thus preparing for the arrival of the first tram car in Tampere in spring 2020.

An important step in commissioning the tramline system was taken when the voltage was turned on in the contact line at the end of the year. Consent must be obtained for working near the tramline, and Tampere Tramway Ltd also arranges Tramline Safety Training for people working close to the tramline.

The company's safety management system was developed during 2019 by compiling operating instructions and procedures for actors, and implementation of these practices also began in service providers' activities as well as among parties operating near the tramline area. The establishment of operating instructions and procedures included harmonisation of risk management procedures among different service providers, creation of a tramline system risk register, specification of job qualifications related to rolling stock management, specification of safety practices at the depot as a shared workplace, and compiling electrical, occupational and tramline safety instructions for work performed on and near the track as well as for traffic.



The year 2019 was the second of the busiest tramway construction years, and approximately 14 kilometres of track was ready by the end of the year.

Operating environment

Tampere Tramway Ltd is part of the City of Tampere Group, and it is 100% owned by the City of Tampere. The company is building a convenient and environmentally friendly public transport system supported by the tramline system in close cooperation with the Tampere City Region service unit and Tampere Region Public Transport.

Climate targets and urbanisation have made city rail transport a fast-growing trend in Finland and around the world. This is also a challenge for service providers with regard to ensuring sufficient competence for all city rail transport projects in Finland.

Central actors in Tampere Tramway Ltd's operating environment are the Tramway Alliance's service providers and rolling stock supplier and maintenance company as well as the suppliers and service providers associated with other procurements.

Personnel

The company hired two employees during 2019. Sari Mäkelä started as a communications expert on 1 February 2019, and Elli Räsänen began working as an administrative planner on 21 October 2019.

The company had 11 employees at the end of the financial year, 73% of whom were women and 27% men. Nine of the employment relationships were valid until further notice and two were fixed-term.

The aim of occupational well-being is to support the personnel's health and coping at work. The main focus of the activities is proactive occupational well-being. In cooperation with Pirte Healthcare, an occupational health care plan has also been compiled for Tampere Tramway Ltd's personnel for the period from 27 October 2017 to 31 December 2022.

The company provides its personnel with a lunch benefit and recreational benefit that can be used for culture and physical activity services.

The company also has a reward system for the entire personnel.



Back row: Sari Mäkelä, Communications Expert, Pekka Sirviö, CEO, Ali Huttunen, Head of Rolling Stock, Jonna Anttila, Safety and System Manager, Markus Keisala, Head of Track, Hanna Jartti, Project Engineer. Front row: Tuuli Paunonen, Executive Assistant, Karita Nimenmaa, Administrative Assistant, Niina Uolamo, Project Engineer, Mari Jokinen, Head of Finance and Administration, Elli Räsänen, Administrative Planner





Public transport plays an important role in shaping the city structure and building the city's image. The tramline is one part of a mobility system for the future that promotes public transport and reduces traffic emissions.



Corporate responsibility

Financial responsibility

For Tampere Tramway Ltd, financial responsibility means ensuring the profitability, efficiency and responsibility of the business operations. Well-managed finances make it possible to maintain and develop a modern tramline system and tram cars as well as continued investment in technology that is increasingly environmentally friendly. This also makes it possible to minimise environmental impacts in the future.

Risk management is a key part of the company's continuity management and safety management processes as well as project-specific activities and their supervision. Well-handled risk management reduces surprises, increases financial stability and improves the possibilities to assess the profitability development.

As the client, the company is responsible for construction and maintenance of tramline infrastructure, development of tramline infrastructure and rolling stock, supplier cooperation, and procurements for the tramline system. Pursuing a profit is not the company's primary task.

Environmental responsibility

The company has focused on environmental responsibility by favouring the principles of sustainable development in its solutions. The company emphasises life cycle thinking in its procurements. The environmental impacts of the consumption, reuse and destruction of a product or service are examined when making procurements. The company has arranged recycling at its premises and utilises electronic archiving and documentation. In market discussions related to competitive bidding for electricity, the company has adopted the principle that electricity must be renewable energy. Systems that assist the driver and encourage energy-saving driving have been designed for the tram cars.

Public transport plays an important role in shaping the city structure and building the city's image. The tramline is one part of a mobility system for the future that promotes public transport and reduces traffic emissions.

Social responsibility

The foundation for social responsibility involves providing a fair and safe working environment and ensuring that the personnel have a healthy work community. Tampere Tramway Ltd's aim when developing social responsibility is to continuously improve the personnel's occupational well-being and promote good operating methods.

Administration and management

Board of Directors

The company's board of directors has a minimum of five and a maximum of seven full members. In a meeting held on 12 April 2019, the company's annual general meeting decided to re-elect the following people as members of the board:

Asko Koskinen (chair)
Kari Neillimo (deputy chair)
Kirsi Koski
Pekka Pohjoismäki
Kari Ruuhonen
Elisa Saari
Jukka Terhonen

The board's term began at the end of the annual general meeting held on 12 April 2019 and it will expire at the end of the 2020 annual general meeting.

The annual general meeting decided to appoint KPMG Oy Ab as the auditing community.

The Board of Directors met 14 times in 2019. Participation in the meetings was outstanding, with an attendance rate of 97%.

The Board of Directors made a visit to Zaragoza, Spain at the beginning of October. The city has a 12.8-kilometre tramline, the first phase of which opened in 2011 and the latest in 2015. The main destination was the local public transport operator SEM Los Tranvías de Zaragoza. Managing Director Ana Moreno, Communications Manager Marcos Español and Technical Director Roberto Lagomarsino provided the Board of Directors with a comprehensive picture of Zaragoza's tramline system and depot functions. The board also witnessed a demonstration of the tram car wheel profiling machine and toured the factory of rolling stock manufacturer CAF. In addition, the trip included a strategy workshop, situational reviews of safety and infrastructure held by the management group, and a presentation of Smart Tram phases and digitality.

The Board of Directors performs a self-evaluation of its operations each year.

Audit Committee

The Audit Committee assists Tampere Tramway Ltd's Board of Directors with financial reporting, internal monitoring, risk management and supervisory tasks related to auditing and the auditor's work. Audit Committee activities are also intended to assist the Board of Directors in other tasks related to the committee's operations as specified by the board. The Audit Committee reports to the board of Tampere Tramway Ltd regarding its actions and the observations that it makes.

*Board of Directors, from left:
Kari Neillimo (deputy chair),
Kirsi Koski,
Kari Ruuhonen,
Pekka Pohjoismäki,
Asko Koskinen (chair),
Elisa Saarinen and
Jukka Terhonen.*



Each year, the Board of Directors of Tampere Tramway Ltd selects a three-member Audit Committee from its midst at the first board meeting following the annual general meeting. The board selects one member of the Audit Committee to chair the committee.

The Audit Committee meets a total of four times a year at the board meetings held prior to approval of the financial statements and the interim financial statements. If necessary, the committee can meet at additional meetings.

At its meeting on 23 April 2019, the Board of Directors decided to select Kari Neillimo as the chair of the Audit Committee and Kari Ruohonen and Elisa Saarinen as members.

The Audit Committee met seven times in 2019. Participation in the Audit Committee meetings was 96%.

Appointments and Remuneration Committee

The task of the Appointments and Remuneration Committee is to assist the Board of Directors in the appointment of the company's CEO and other management and the related remuneration matters. The committee also proposes, prepares and presents matters related to rewarding of the personnel and the remuneration system for approval by the Board of Directors.

In its meeting on 23 April 2019, the Board of Directors decided to select Kirsi Koski as chair of the Appointments and Remuneration Committee and Pekka Pohjoismäki and Kari Ruohonen as members.

The Appointments and Remuneration Committee met once during 2019. Participation in the meeting was 100%.

CEO and management team

Pekka Sirviö is the company's CEO.

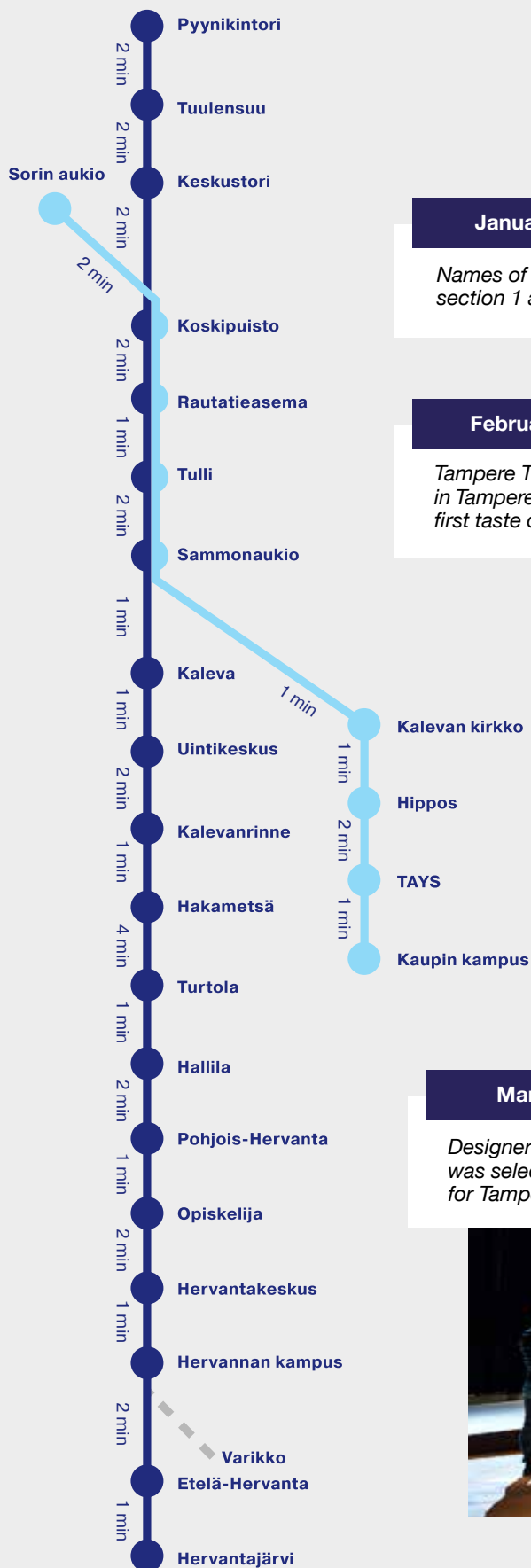
The other members of the management team during the financial year ending on 31 December 2019 were Markus Keisala (Head of Track), Ali Huttunen (Head of Rolling Stock), Jonna Anttila (Safety and System Manager) and Mari Jokinen (Head of Finance and Administration). The management team met 11 times in 2019.

The management team's strategic seminar was held in September in Riga, where the management group also learned about the local tramline system. In addition, the management group took part in the Zaragoza visit with the Board of Directors.



*Management team, from left:
Jonna Anttila,
Markus Keisala,
Pekka Sirviö (CEO),
Mari Jokinen and
Ali Huttunen*

Annual review 2019



January 2019

Names of the Tramway stops for section 1 are decided.

February 2019

Tampere Tram Mock-up Exhibition in Tampere Hall gives Tampere residents their first taste of Tampere Tramway's tram car.



March 2019

Designer (UAS) Laura Gröndahl was selected to design fabrics for Tampere Tram cars.





May 2019

The full-scale model of a Tampere tram car "Mock-up" is being displayed to media and public in an exhibition held at the Rollikkahalli building in Pyyynikki



April 2019

- Tampere City Board decided on the development phase for the Koskipuisto–Tampereen valtatie section on Hatanpään valtatie
- The decision on Linjasto2021 routes is made
- VR-Yhtymä was selected as the transit operator for Tampere Tramway



Annual review 2019

June 2019

- Tampere tramway track works in progress - ten kilometres of double-track railway built.
- The operating agreement for Tampere Tramway was signed.



September 2019

Tampere Tramway takes part to Tampere Day



October 2019

New Hämeenkatu is to complete with fast pace – Railway Station Block Party is held on 27 October.





August 2019

Hämeenkatu's first tramway block is ready – Tuulensuu Block Party is held on 24 August.



November 2019

The street and tramway construction on Sammonkatu and Teiskontie is completed – ahead of the original schedule



December 2019

- Construction work on the Tampere tram depot finished – Tampere Tramways receives versatile and modern home base.
- Recruitment of tramway traffic controllers' start

A brief summary of events during the financial year

Tampere Tramway Ltd signed an infrastructure maintenance alliance agreement on 12 February 2019. The infrastructure maintenance agreement consists of a development phase lasting until the end of May 2022 and maintenance periods to be ordered separately. The development phase involves preparation for the maintenance phase and setting the objective cost for the first maintenance period.

VR-Yhtymä was selected as the transit operator for Tampere Tramway in April 2019. Tramway traffic will begin with technical trial traffic during the period between April 2020 and March 2021 and commercial trial traffic between April 2021 and August 2021. According to plans, commercial traffic will begin on 9 August 2021. The tasks of Tampere Tramway's transit operator will be implemented as a service alliance. The City of Tampere is the service client. Tampere Tramway Ltd serves as the service integrator and client representative in the direction of the transit operator.

On 24 May 2019, Tampere Tramway Ltd signed an agreement with Tampere Tilapalvelu concerning facility service manuals and maintenance.

At its meeting on 23 April 2019, Tampere City Board decided on the development phase for the Koskipuisto–Tampereen valtatie section on Hatanpään valtatie. The outcome of the development phase was an objective cost for construction of the Hatanpää branch, and at its meeting on 25 November 2019 the City Council decided on its implementation by the current construction alliance.

In August, Tampere Tramway Ltd selected JCDecaux Finland Ltd to supply tram stop shelters by means of a right-of-use agreement. In accordance with the right-of-use agreement, JCDecaux Finland Oy will supply tram stop shelters and be responsible for their maintenance for an agreement period of 15 years and pay Tampere Tramway Oy a minimum rent for the entire agreement period. The right-of-use agreement gives JCDecaux Finland Oy the sole right for digital and static advertising in connection with the tram stop shelters. The City of Tampere will receive 20% of the digital advertising time for implementing city communications. The right-of-use agreement also includes maintenance of bus stop shelters in the City of Tampere area for the duration of the agreement period.

Assessment of probable future development

The first tram car will be delivered to Tampere in spring 2020. A separate test car delivered at the beginning of the year

can be used to start test runs before delivery of the actual tram car.

The first two tram cars will be handed over to Tampere Tramway Ltd in November, after the test period Tampere Tramway Ltd will then hand the cars over to the Traffic Alliance for technical trial traffic and driver training.

Commercial trial traffic should start on 1 April 2021, and at that time the company's role will gradually change from tramline system contractor and rolling stock client to more of a service integrator. Commercial traffic on both lines will begin on 9 August 2021.

Financial position and investments

The City of Tampere invested 2 million euros of share capital in the company in 2016.

Government support received for section 1 and 2 of the tramline will cover 30% of the project construction costs, but no more than 71 million euros so that the share for section 1 of tramline construction does not exceed 55.05 million euros and the share for section 2 does not exceed 15.95 million euros. The City of Tampere will apply for the government support and transfer it to Tampere Tramway Ltd as financial contributions.

Tampere Tramway Ltd has applied to Municipality Finance for a decision on a loan of 155 million euros. The European Investment Bank (EIB) supports business that promotes sustainable transport and has granted Tampere Tramway Ltd a loan of 150 million euros to build the first section of the tramline.

A decision concerning a discretionary government grant for implementation phase 1 was received on 8 January 2018. A total of 3.06 million euros in state support was granted for development phase 1 of tramline construction. The costs of the development phase were 10.5 million euros. Separate state support was also granted to cover 30% of the costs of development phase 2 of tramline construction. The total costs are an estimated 2.9 million euros, and approximately 0.87 million euros in support was received. The City of Tampere applied for the government support and will transfer it to Tampere Tramway Ltd as financial contributions.

During the development phase, a total cost estimate of 238.8 million euros was specified for section 1 of tramline construction by the Tramway Alliance. This consists of

- Section 1 development phase costs, 10.5 million euros
- Section 1 implementation phase costs, which is the binding objective cost for the Alliance service providers, 219.0 million euros
- The client's procurements for the Alliance, 4.2 million euros

Tampere Tramway harnesses art as part of the travel experience. The goal of Tramway's art is to create a high-quality entity that improves the comfort of the environment both during the construction of the tramway and during Tramway's operations. Kyytiläiset- light artwork on display on Hämeenkatu during the Tampere Festival of Light.

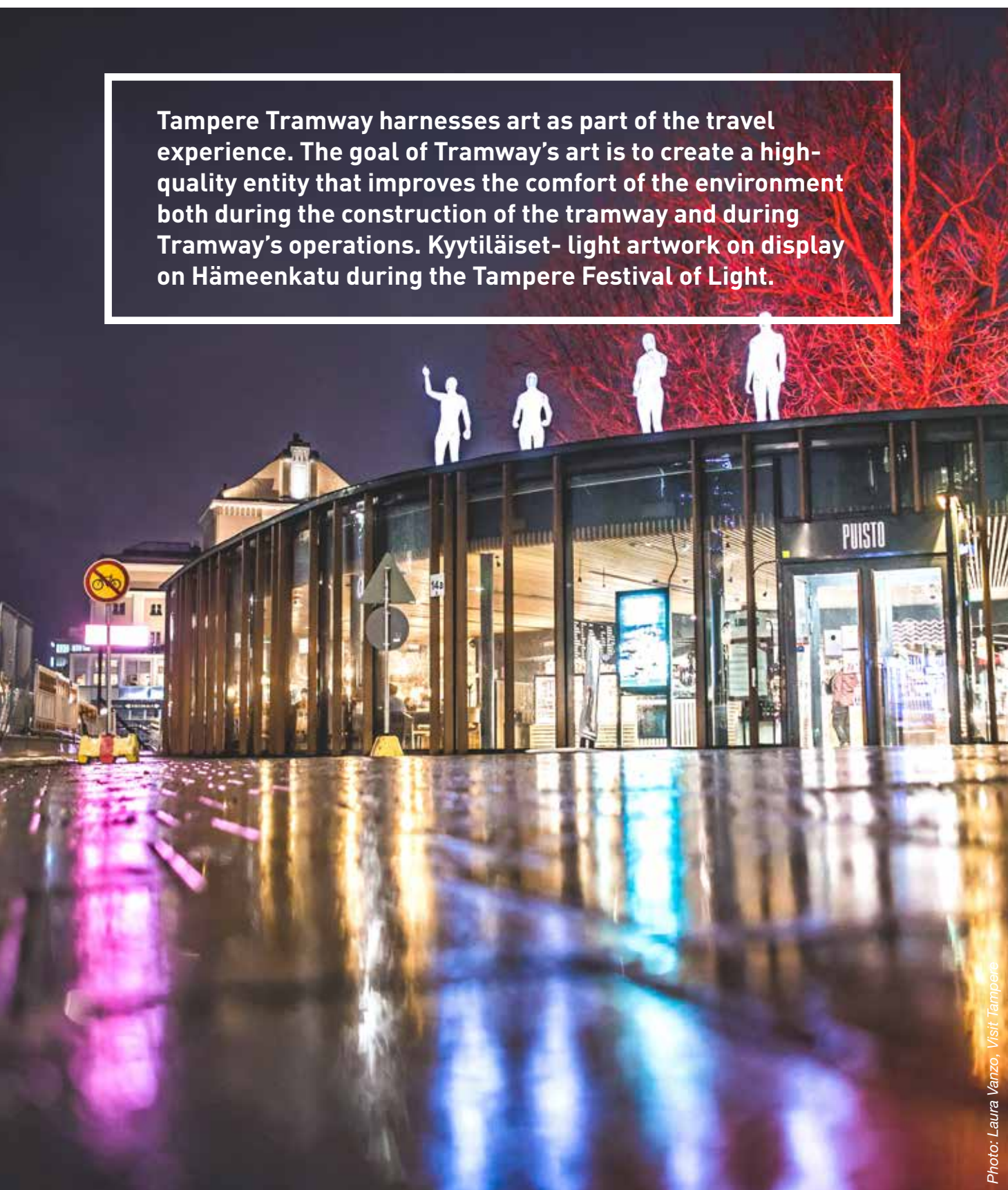


Photo: Laura Vanzo, Visit Tampere

- The client's risk reserve in Alliance procurement, 3.2 million euros
- The bonus pool budget reserve, 1.875 million euros

The bonus pool is an incentive system that specifies the amount of a bonus or penalty assigned to the service providers for the contract. The purpose of the incentive system is to steer the Alliance to commit to common targets. Success produces a bonus for the service providers and value that complies with the client's goals. The amount of the bonus pool for section 1 of tramline construction is 3.75 million euros. In terms of the budget reserve, it has been estimated that 50% of the bonus pool will be realised.

The objective cost has been calculated at the August 2016 price level. The Alliance's objective cost is affected by general cost changes in the construction industry and building materials, which are tied to sub-indices in the alliance agreement. An index adjustment is performed on the objective cost on a quarterly basis, thus decreasing or increasing the objective cost. Index changes are not included in the original cost estimate.

Expenses capitalised to the tramline are not included in the objective cost decided by the City Council. Such expenses include interests and salaries capitalised during the construction phase.

In addition, a decision was made in conjunction with construction of the tramway to implement content changes in the tramline system that increase the objective cost. The starting point for these changes is to improve the operational reliability and efficiency of the tramline system and minimise cityscape disturbances and administrative risks.

Tampere City Council decided on construction of the Hatanpää branch on 25 November 2019. In conjunction with construction of the Hatanpää branch, a decision was made to add 0.32 million euros to the client's procurements, 0.24 million to the client's risk reservation and 0.2 million to the bonus pool.

On 16 October 2017, the city signed an agreement with Škoda Transtech Oy for the procurement of rolling stock. An agreement was drawn up to transfer the tramline project responsibilities and obligations from the City of Tampere to Tampere Tramway Ltd and approved by the City Board on 20 November 2017. In accordance with the transfer agreement, Tampere Tramway Ltd is responsible for the procurement of tram cars.

Tampere Tramway Ltd has ordered 19 ForCity Smart Artic X34 tram cars. The company also has a rolling stock maintenance agreement of 10 years (options 10+10 years). Idis Design Oy is responsible for tram car design. Manufactur-

ing of the first car began at the end of 2018 and delivery to Tampere will be in early 2020. The remaining 18 tram cars will be delivered between September 2020 and May 2021. The cost of the rolling stock procurement is approximately 81 million euros, which includes exchange parts and spare parts among others.

Investments

The company's investments in tangible and intangible assets totalled 56.85 million euros. The majority of investments were advance payments for tram cars and unfinished tramline infrastructure.

Other costs

The other costs for Tampere Tramway Ltd business carried out during the financial year were approximately 1.17 million euros, consisting of compensation for general costs totalling 0.77 million euros and infrastructure compensation totalling 0.47 million euros

Bonuses

The company's Board of Directors has approved a bonus model for the company, the annual implementation of which the board will decide upon. Good performance is rewarded by means of bonuses, a systematic one-off premium system and systematic allocation of pay increases according to performance. The CEO and personnel are rewarded for joint achievements related to the long-term programme and, at the personal level, mainly for achievements in the annual programme.

The possible bonuses can be approximately 14% of annual pay, with about 50% related to the long-term goals and about 50% to the annual goals. The relative level of the possible bonuses is the same for everyone. The earning period for the short-term incentive programme is one calendar year, and the bonuses are paid in money once a year. The bonus principles and their focuses and the indicators used and their target values are specified and confirmed separately each year. The long-term incentive for October 2017–June 2021 is 25% of annual pay.

Rewarding of the CEO and personnel in 2019

Year	Bonuses
2019	€ 53,681

Risk management and internal monitoring

Tampere Tramway Ltd's aim in risk management is to ensure achievement of the company's strategic, operational and financial goals and to support management of all company functions and operative activities. Risk management is a key





part of the company's continuity management and safety management processes as well as project-specific activities and their supervision. Risk management is part of the company's internal monitoring.

A more extensive risk assessment of the entire company's operations is performed in the company twice a year. The risks will be processed on a monthly basis in the company's management group. The risks associated with procurements will also be processed in procurement follow-up meetings and separate risk management meetings. The Board of Directors of Tampere Tramway Ltd has specified that the board's Audit Committee will monitor the company's internal auditing and risk management and their effectiveness. In addition, an auditor will perform the tasks associated with auditing during internal monitoring. The company is also governed by the city's owner guidelines.

Tampere Tramway Ltd's key risks are related to procurements and managing the financial, functional and technical issues associated with them, use of service providers and subcontractors, personnel management as well as image risks related to the company and the entire tramline project.

The matters related to procurements and their risks are being managed by monitoring and supervising the progress of projects and by participating in resolution of the most important technical and functional questions in cooperation with the service providers.

The risks associated with personnel management are managed by monitoring the personnel's coping and the sufficiency of human resources at the management group level and among

the entire staff. Temporary human resources needs are handled by means of consultant work, and the long-term sufficiency of the company's personnel is assessed on a regular basis.

The risks related to managing agreements are handled by developing contractual management procedures, allocating time for compiling agreements, and performing agreement reviews in a risk-based manner.

If necessary, expertise from outside the company is sought to manage technical and functional and contractual risks. A special focus has been risks associated with the scheduling, cost and safety of the tramline system. Risks in these areas will be an even more important area in the future.

With regard to company financing, interest rate hedging has been arranged for nearly all the interest on loans. The objective cost for the section 1 construction phase is specified at the August 2016 price level. During the Alliance development phase, a decision was made to tie future cost changes to the sub-indices. The Alliance's objective cost will be checked 1-4 times per year or in conjunction with larger procurements to correspond to index changes, which will either increase or decrease the objective cost. The possible decrease or increase in the objective cost caused by the indices is not included in the total sum in the City Council's decision. All Alliance parties are committed to achieving the objective cost in construction phase 1. The risks and benefits of index-based cost changes lie with Tampere Tramway Ltd.

Shares and owners

Tampere Tramway Ltd is a mutual real estate company and



it belongs to the City of Tampere Group. The company is a subsidiary that is 100% owned by the City of Tampere.

The number of company shares on 31/12/2019 was 2,000. There are two types of shares. The A shares provide the right to control the tracks located in the City of Tampere area and the related facilities, building and other structures associated with the tram tracks. The V shares provide the right to manage the tram car depot located in the City of Tampere area and the related facilities, structures and devices. There were 1,720 A shares and 280 V shares on 31/12/2019.

Use of profits

The profit for the financial year is 9,477.68 euros. There have been no substantial changes in the company's financial situation after the end of the financial year, and a solvency assessment based on chapter 13, section 2 of the Limited Liability Companies Act does not affect the amount of assets eligible for distribution of profits.

The Board of Directors proposes to the Annual General Meeting that the assets be used as follows:

The company's result for the financial year of 9,477.65 euros will be recorded in the previous retained earnings account and no dividend will be paid.

Events after the financial year

In accordance with the Rail Transport Act and as the network manager of the tramline system, Tampere Tramway Ltd submitted a notification to the Finnish Transport and Communi-

cations Agency Traficom on 20 January 2020 regarding the commencement of operations.

Tampere Tramway Ltd has selected PunaMusta Oy to handle the design, implementation, maintenance and development of interior and exterior advertising for Tampere Tramway. The agreement was signed on 26 February 2020 and the contract period is five years. The agreement can also be extended by two years after this period.

The coronavirus epidemic that began in early winter has become a global pandemic that will have impacts on society and the economy. Tampere Tramway Ltd will assess the effects of coronavirus on the company's operations and take actions to minimise any negative impacts.

Court cases

Tampere Tramway Ltd requested a preliminary ruling on income taxation from the Tax Administration concerning whether Section 53 (1) (2) of the Income Tax Act applies to Infra and Depot in the company's taxation. The Tax Administration issued a negative preliminary ruling and the company submitted an appeal to Hämeenlinna Administrative Court concerning the decision. Hämeenlinna Administrative Court upheld the ruling. Tampere Tramway Ltd further appealed this decision to the Supreme Administrative Court. On 14 February 2020, the Supreme Administrative Court dismissed the application to appeal in decision 2693/2018. Tampere Tramway Ltd has launched a review of various options to either seek a new preliminary ruling or change the company structure so that it is sustainable in term of taxation.

Income statement

	1.1.2019–31.12.2019		20.12.2018–31.12.2018	
TURNOVER	1 831 350,04		1 264 689,34	
Production for own use	356,156.23		228,086.04	
Other property revenue	2,507.99		0.00	
Personnel expenses				
Salaries and remuneration	-810,078.01		-607,713.07	
Social security expenses				
Pension costs	-129,680.48		-94,710.97	
Other personnel expenses	-13,512.66		-11,388.68	
-953,271.15			-713,812.72	
Depreciations and reductions in value				
Depreciations according to plan	-29,666.66		-19,754.34	
-29,666.66			-19,754.34	
Other costs	-1,173,558.27		-708,366.15	
PROFIT (-LOSS)	33,518.18		50,842.17	
Financial income and expenses				
Other interest and financial income				
From companies in the same Group	38,596.55		30,335.16	
From others	2,087.23		3,985.23	
40,683.78			34,320.39	
Interest expenses and other financing expenses				
To companies in the same Group	-10,729.27		-14,980.95	
To others (-)	-53,019.67		-59,077.63	
-63,748.94			-74,058.58	
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	10,453.02		11,103.98	
Income taxes				
Taxes for the financial year (-)	-975.37		0.00	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	9,477.65		11,103.98	

Balance sheet

Assets	31.12.2019		31.12.2018	
NON-CURRENT ASSETS				
Intangible assets	68,498.36		77,848.36	
Tangible assets	173,795,237.63		117,126,270.74	
Investments	193,377.60		0.00	
TOTAL NON-CURRENT ASSETS	174,057,113.59		117,204,119.10	
CURRENT ASSETS				
Long-term receivables				
Other receivables	21,129.60	21,129.60	21,129.60	21,129.60
Short-term receivables				
Sales receivables	237,868.17		915,807.97	
Receivables from the municipality	21,450,550.32		22,551,134.14	
Other receivables	22,034,363.52		3,939,450.23	
Prepayments and accrued income	187,064.65	43,909,846.66	106,989.82	27,513,382.16
TOTAL CURRENT ASSETS	43,930,976.26		27,534,511.76	
Total assets	217,988,089.85		144,738,630.86	
Liabilities	31.12.2019		31.12.2018	
CAPITAL AND RESERVES				
Share capital	2,000,000.00		2,000,000.00	
Profit (loss) for previous financial years	-10,616.19		-21,720.17	
Profit (loss) for the financial year	9,477.65		11,103.98	
TOTAL CAPITAL AND RESERVES	1,998,861.46		1,989,383.81	
LIABILITIES				
Long-term				
Loans	190,000,000.00		125,000,000.00	
Short-term				
Accounts payable	7,062,892.36		9,464,478.04	
Other liabilities	610,066.86		283,074.28	
Accrued expenses and deferred income	18,316,269.17	25,989,228.39	8,001,694.73	17,749,247.05
TOTAL LIABILITIES	215,989,228.39		142,749,247.05	
Total liabilities	217,988,089.85		144,738,630.86	

Indirect cash flow statement

	1.1.2019–31.12.2019	20.12.2018–31.12.2018
Cash flow from business operations		
Profit (loss) before taxes	10,453.02	11,103.98
Adjustments to operating profit (+/-)		
Depreciations according to plan	29,287.12	19,754.34
Financial income and expenses	23,065.16	39,738.19
Cash flow before changes in working capital	62,805.30	70,596.51
Change in working capital:		
Increase/decrease in short-term interest-free operating receivables	-17,497,048.32	10,173,448.80
Increase/decrease in short-term interest-free liabilities	- 4,757,976.11	4,847,644.53
Cash flow from business operations before financial items and taxes	-22,192,219.13	15,091,689.84
Increase/decrease in Group accounts receivable	-18,899,416.18	25,632,551.92
Interest paid and payments from other business financing expenses	-63,748.94	-74,058.58
Interest received from business operations	40,683.78	34,320.39
CASH FLOW FROM BUSINESS OPERATIONS	- 41,114,700.47	40,684,503.57
Cash flow from investments:		
Investments in tangible and intangible assets	(-) -44,467,937.86	-85,684,503.57
	20,776,015.93	0.00
Purchases of other investments (-)	-193,377.60	0.00
CASH FLOW FROM INVESTMENTS	-23,885,299.53	-85,684,503.57
Cash flow from financing:		
Long-term loans	65,000,000.00	45,000,000.00
CASH FLOW FROM FINANCING	65,000,000.00	45,000,000.00
Change in liquid assets, increase (+) / decrease (-)	0.00	0.00
Liquid assets at the start of the start of the financial year	0.00	0.00
Liquid assets at the start of the end of the financial year	0.00	0.00

Notes to the financial statements

Accounting policies

Basic information

Tampere Tramway Ltd.

2802791-8

Domicile: Tampere

Ratapihankatu 39 C

33100 Tampere, Finland

Financial year 1.1.2019-31.12.2018

The balance sheet book must be retained for at least 10 years from the end of the financial year, or until 31 December 2029.

The voucher material for the financial year must be retained for at least 6 years from the end of the year in which the financial year concluded, or 31/12/2025.

The City of Tampere (0211675-2) is the parent company of Tampere Tramway Ltd. Tampere Tramway Ltd's financial statements will be combined with the City of Tampere's financial statements. A copy of the City of Tampere's financial statements is available at Aleksis Kiven katu 14–16, 33100 Tampere.

Information about the codes used to compile the financial statements

The financial statements have been compiled in accordance with Chapters 2 and 3 concerning small undertakings in the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking.

Valuation and matching principles and procedures

Valuation of non-current assets

Intangible fixed assets

Intangible fixed assets are depreciated using straight-line depreciation.

User rights to computer programs 10 years

Tangible fixed assets

Tangible fixed assets are valued according to the original acquisition cost. The direct costs resulting from acquisition of the fixed asset are also included in the acquisition cost.

Machines and equipment 25% are depreciated using declining balance depreciation (Act on the Taxation of Business Profits and Income from Professional Activity, 30§)

Comparability of information from the previous financial year

The financial years are not fully comparable. The company's operations are moving towards traffic in phases, and the infrastructure maintenance development phase beginning in 2019. For example, this phase did not exist in 2018. Turnover consisted of compensation for general costs in 2018 and compensation for general costs and infrastructure in 2019.

Notes to the income statement

Notes concerning the personnel

The average number of personnel during the financial year was 10.

The company's personnel expenses during the financial year were 953,271.15 euros, with salaries and bonuses paid to the management accounting for 205,527 euros.

	31.12.2019	31.12.2018
CAPITAL AND RESERVES		
Restricted capital and reserves		
Share capital on 01.01	2 000 000,00	2 000 000,00
Share capital on 31.12.	2 000 000,00	2 000 000,00
TOTAL RESTRICTED CAPITAL AND RESERVES	2 000 000,00	2 000 000,00
Unrestricted capital and reserves		
Profit from previous financial years 31.12	-10 616,19	-21 720,17
Profit (loss) for the financial year	9 477,65	11 103,98
TOTAL UNRESTRICTED CAPITAL AND RESERVES	-1 138,54	-10 616,19
TOTAL CAPITAL AND RESERVES	1 998 861,46	1 989 383,81

NOTES TO THE BALANCE SHEET LIABILITIES		
Liabilities that mature in more than five years		
	31.12.2019	31.12.2018
Loans from financial institutions	164 836 314,50	110 096 140,00
	164 836 314,50	110 096 140,00

COLLATERAL AND CONTINGENT LIABILITIES		
Amounts due for leasing agreements		
	31.12.2019	31.12.2018
To be paid in the next financial year	4 544,92	1 841,08
To be paid later	7 906,84	1 841,08
	12 451,76	3 682,16

Other contingent liabilities

The company has a fixed-term rental agreement for facilities that is valid until 30 April 2021.

RENTAL LIABILITY FOR OFFICE SPACE	31.12.2019		31.12.2018
To be paid in the next financial year	52 575,21		77 253,68
To be paid later	19 118,26		122 342,62
Total	71 693,47		199 569,30

The company has 10 rental agreements for land areas. Four of the agreements are valid until 2047. Three of the agreements are valid until 2048 and one agreement is valid until 2057. One agreement can be terminated subject to a six-month period of notice and one is subject to a three-month period of notice.

RENTAL LIABILITY FOR LAND AREAS	31.12.2019		31.12.2018
To be paid in the next financial year	95 619,32		93 685,64
To be paid later	3 515 647,16		2 682 761,35
Total	3 611 266,47		2 776 446,99

GROUP LIMIT	31.12.2019		31.12.2018
limit granted	10 000 000,00		10 000 000,00
	31.12.2019		31.12.2018
limit used	0,00		0,00
	0,00		0,00

The company has also committed to a 10-year rolling stock maintenance agreement. The value of the agreement will be estimated in more detail in 2020.

The company has corporate mortgages with a combined value of 380 million euros. The company has pledged its corporate mortgages, at a combined value of 380 million euros, to the City of Tampere.

Notes to hedging and hedged assets and liabilities

The company has an interest rate swap agreement with one bank that will take effect on 31 December 2020. The interest rate swap agreement ends on 29/12/2045.

This agreement is intended to hedge loans related to future investments. The derivative is used to change a floating-rate loan to a fixed-rate loan.

The interest rate swap agreement includes an option for early termination. The market value confirmed by the opposite party at the time of reporting will be used for valuation.

Interest rate swap agreement taking effect in the future	31.12.2019		31.12.2018
Fair value	-27 375 279,00		-7 903 279,00
Value of underlying asset	155 000 000,00		155 000 000,00

Signatures to the financial statements

In Tampere on the 23rd of March, 2020

Asko Koskinen
Chair of the Board

Kari Neilimo
Deputy Chair of the Board

Kirsi Koski
Board Member

Pekka Pohjoismäki
Board Member

Kari Ruuhonen
Board Member

Elisa Saarinen
Board Member

Jukka Terhonen
Board Member

Pekka Sirviö
Chief Executive Officer

Auditor's note

A report concerning the completed audit of the accounts has been submitted today

In Tampere, on the th of , 2020

KPMG Oy Ab, auditing firm

Assi Lintula
KHT

LIST OF ACCOUNTING BOOKS, VOUCHER TYPES AND THEIR FORMS OF RETENTION

General ledger		electronic
Journal		electronic
Bank vouchers	voucher type 6A	electronic
Fixed asset entries	voucher type AA	electronic
Depreciation entries	voucher type AF	
Purchase invoices	voucher type KR	electronic
Memo vouchers	voucher type SA	electronic
Vouchers for financial statement events	voucher types ZC and ZG	electronic
Payment entry vouchers	voucher type ZP	electronic
Payroll accounting and vouchers	voucher type 6D	electronic
Accounts payable specifications		electronic
Accounts receivable specifications		electronic
Fixed assets accounting specifications		electronic
Note vouchers	voucher type LT	electronic

Accounting material archived in electronic format in accordance with the Ministry of Trade and Industry decision 47/1998 is stored on a server owned by Monetra Pirkanmaa Oy, which handles the company's accounting on behalf of the City of Tampere. The server is located in Tampere. All other accounting material is stored in the company office.



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Audit report

To the Annual General Meeting of Tampere Tramway Ltd

Audit of the financial statements

Opinion

We have audited the financial statements of Tampere Tramway Ltd (Business ID 2802791-8) for the financial year of 1 January 2019–31 December 2019. The financial statements comprise the balance sheet, income statement and notes.

In our opinion, the financial statements provide a true and fair picture of the financial performance and financial position of the company in accordance with the valid regulations governing financial statements in Finland and meets the statutory requirements.

Grounds for the opinion

We conducted the audit in accordance with good auditing practice in Finland. Our obligations in accordance with good auditing practice are described in more detail in the Responsibility of the Auditor when auditing financial statements section. We are independent of the company in accordance with the ethical requirements observed in Finland that apply to the audit conducted by us, and we have fulfilled our ethical obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of the Board of Directors and the CEO concerning the financial statements

The Board of Directors and the CEO are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements in Finland and fulfil the statutory requirements. The Board of Directors and the CEO are also responsible for the appropriate arrangement of such internal control that is considered necessary in order to prepare financial statements that contain no misstatements due to fraud or error.

When preparing the financial statements, the Board of Directors and the CEO are obliged to assess the company's ability to continue its operations and, in applicable cases, pres-

ent the factors associated with the continuity of operations and whether the financial statements were prepared on the basis of continuity of operations. The financial statements are compiled on the basis of continuity of operations unless the intention is to dissolve the company or terminate its operations, or if no other realistic alternative exists.

Responsibility of the Auditor when auditing the financial statements

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report that contains our audit opinion. Reasonable assurance provides a high level of certainty, but it does not guarantee that a material misstatement is always detected during an audit conducted in accordance with good auditing practice. Misstatements can be caused by fraud or error, and they are always considered material if they could reasonably be expected – either alone or in combination – to affect economic decisions made by the users on the basis of the financial statements.

An audit conducted in accordance with good auditing practice means that we use our professional judgement and maintain an element of professional scepticism throughout the audit. Furthermore:

— We identify and assess the risks of material misstatement in the financial statements due to fraud or error, we plan and perform audit procedures relevant to these risks, and we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion. The risk that material misstatement due to fraud remains unobserved is greater than the risk that misstatement due to error remains unnoticed, because fraud can be related to collaboration, forgery, intentional failure to present information, presentation of incorrect information, or even disregard for internal control.

— We develop an understanding of the relevant internal control in relation to the audit in order to plan appropriate audit procedures for the circumstances, but not for the purpose

of issuing an opinion on the effectiveness of the company's internal control.

— We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management as well as the presentation of information derived from them.

— We draw a conclusion regarding whether it was appropriate for the Board of Directors and CEO to compile the financial statements on the basis of an assumption of continuity of operations and, based on the audit evidence we obtained, draw a conclusion concerning whether there is material uncertainty associated with events or circumstances that can cast significant doubt on the company's ability to continue its operations. If we conclude that material uncertainty exists, our audit opinion must call the reader's attention to the information in the financial statements that is related to this uncertainty or, if sufficient information regarding the uncertainty does not exist, change our audit opinion. Our conclusion is based on the audit evidence obtained by the date of issue of the audit report. However, events or circumstances contrary to this may mean that the company is unable to continue its operations.

— We assess the overall presentation, structure and content of the financial statements, including all of the information presented in the financial statements, and whether the financial statements provide a true and fair description of the business and events that provide the basis for it.

We communicate with the governing bodies concerning, for example, the planned scope and timing of the audit and concerning material audit observations, including any deficiencies in internal control that we identify during the audit process.

annual review. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, it is our responsibility to read the other information and, when 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. Our responsibility also includes considering whether the annual review has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the annual review is consistent with the information in the financial statements and the annual review has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the annual report, we are required to report that fact. We have nothing to report in this regard.

Tampere, 29 April 2020

KPMG OY AB



Assi Lintula
KHT

Other reporting requirements

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the

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