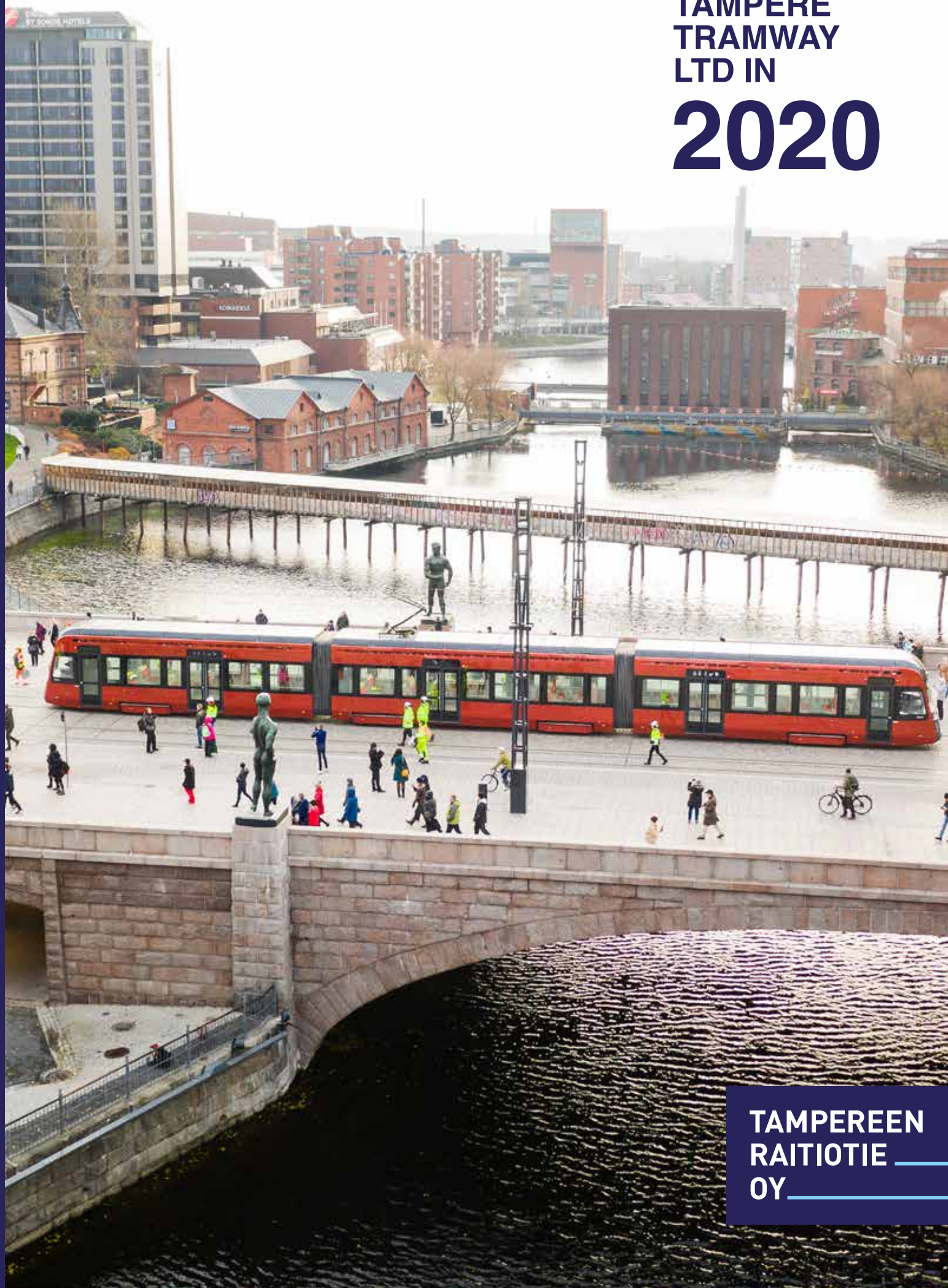


TAMPERE TRAMWAY LTD IN 2020



TAMPEREEN
RAITOTIE
OY



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TAMPERE TRAMWAY LTD.

Tampere Tramway Ltd was established on 20 December 2016. 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 Hämeenkatu 14 C, 33100 Tampere and at Kauhakorvenkatu 2, 33720 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 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
CEO

CEO's review

The coronavirus pandemic that affected the entire world made 2020 an exceptional year in many ways. The rapid spread of the coronavirus and restrictions put in place to prevent it closed many production plants and caused uncertainty regarding the delivery of goods and services.

Despite the exceptional year, tramway construction continued at the planned level and the readiness rate for section 1 (Hervanta-City Centre-Tampere University Hospital and Hatanpään valtatie) was over 90% in December. In accordance with tramline system commissioning, the first joint use test was successfully carried out in October 2020. This test verified readiness of the tramway's Operation Control Center before the premises was handed over to the Traffic Alliance. Successful actions to minimise the coronavirus pandemic ensured that infrastructure test runs, tram car commissioning and type tests on the Tampere track network were carried out throughout the latter part of the year.

Commissioning of Tampere's tram depot began successfully. The company personnel as well as infrastructure and rolling stock maintenance staff were able to move into the completed multi-operator environment in spring 2020. Some Traffic Alliance functions moved to the depot in late 2020, and the goal is to move all operations to the depot in early 2021. As the employer with primary control of the depot, Tampere Tramway Ltd convened six occupational safety meetings at the depot during 2020. These meetings involved

evaluating occupational safety and track safety risks in the depot area and processing safety observations and deviations in the depot area. During 2020, a joint substance abuse prevention programme was compiled for the depot as well as a target and plan for turning the depot area into a non-smoking environment. The occupational safety meetings also dealt with the depot's rescue plan, training related to the depot area, chemical storage, coronavirus restrictions, the results of the fire inspection, and implementation of further measures made necessary by those results.

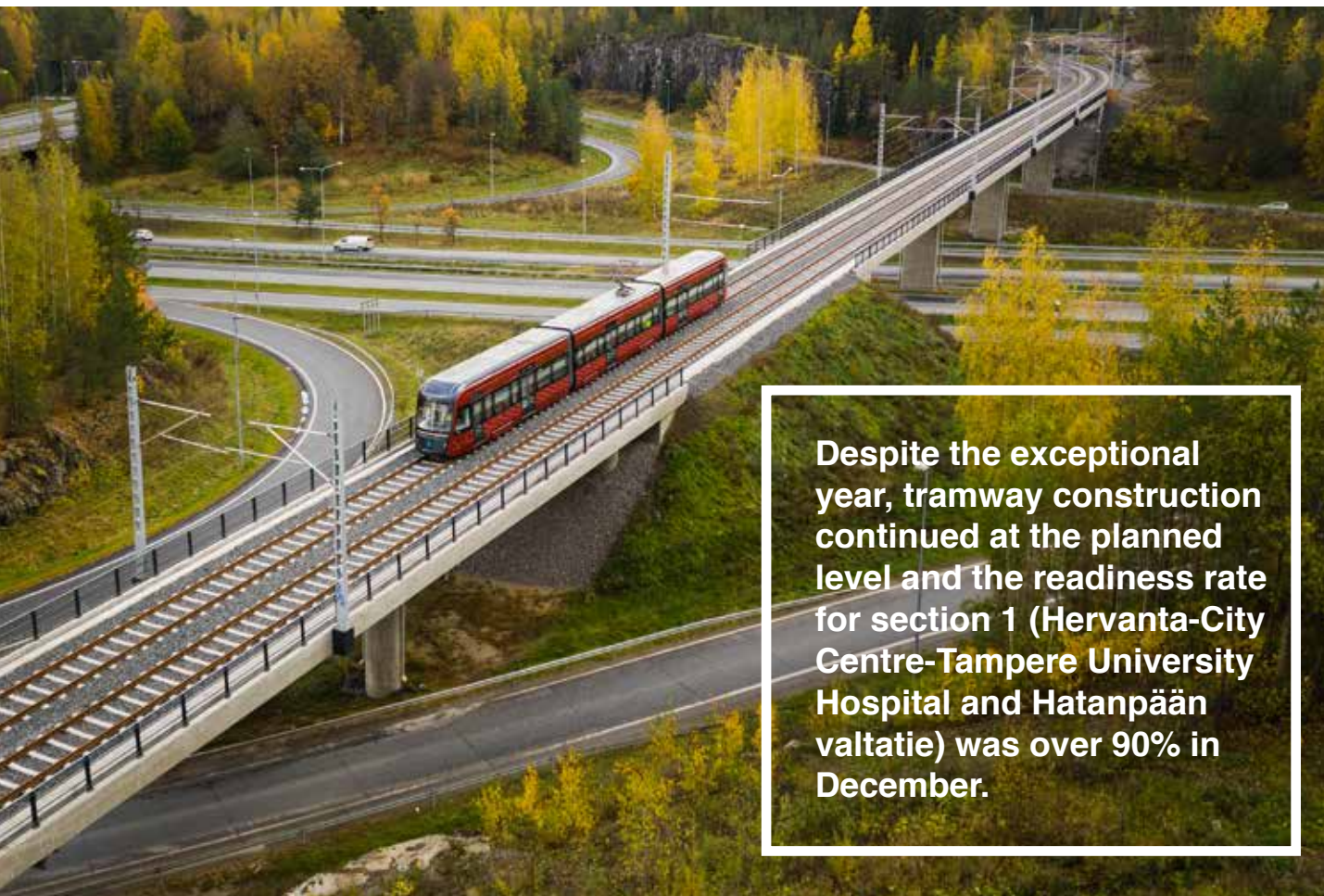
In spring 2020, Tampere Tramway Ltd participated in a project led by Traficom that created a national, harmonised safety deviation classification system for tramline systems. This allows, for example, the comparison of statistics on the national level. Tampere Tramway Ltd began using the deviation classification when it was completed. Tampere Tramway Ltd's deviation management system was implemented in stages so that all key operators were using the system at the beginning of November to report safety deviations and safety observations. The system is also used by infrastructure maintenance operators to make safety measurements.

The safety risks related to Tampere's tramline system are managed by all tramway actors in a joint risk management system. This takes place as open cooperation between all operators. The risk management system was also implemented in stages for all actors during 2020. During the year, five risk assessment workshops were held for all the actors.

During 2020, safety instructions that apply to all tramway actors were introduced in more than 10 information security, rail traffic safety, risk management and safety deviation areas. The most significant of these was the first version of the traffic instructions, which took effect in November.

Use of the teaching simulator used by the Operation Control Center to train traffic controllers and tram car drivers began early in the year. As planned, Tampere Tramway Ltd also received three tram cars at the end of the year. These cars were subsequently handed over to the Traffic Alliance, which used them to provide traffic controllers with driver training and for technical trial traffic. Content for tram car driver training was compiled on the basis of the training for traffic controllers. The maintenance service included in the rolling stock procurement agreement began when the first tram cars arrived.

Driving on Tampere's track network requires either driver certification granted by the service operator or service driver certification granted by the track network manager. Tampere Tramway Ltd granted a total of 10 service driving qualifications during 2020 for rolling stock and infrastructure maintenance personnel, which authorised them to perform tram



Despite the exceptional year, tramway construction continued at the planned level and the readiness rate for section 1 (Hervanta-City Centre-Tampere University Hospital and Hatanpään valtatie) was over 90% in December.

car test runs and service driving, and to drive railway work machines. The final specification of the service driving qualification in the traffic phase will continue in early 2021.

Tampere Tramway Ltd is developing digital systems in, for example, the areas of tramline system maintenance and risk management to serve all actors. Tampere Tramway Ltd utilises technical data about the tram cars and traffic and is preparing to collect customer data. Tampere's new tramway system will make it possible to build an innovation cluster in the area of rail traffic-based transport services. One of Tampere Tramway Ltd's future tram cars will be used to link research organisations, companies and city residents together into an inclusive, internationally unique development and testing environment for sustainable urban transport. The goal is to ensure that the City of Tampere's major tramway investment provides the maximum service benefit for city residents with regard to supporting public transport. At the same time, the changing nature of transport services and digitalisation offer new opportunities to create convenient door-to-door services. All this is connected to business

opportunities that are attractive to – above all – domestic, but also international corporate operators.

In October 2020, Tampere City Council made a decision to implement section 2 of the tramway. Section 2 includes the section from Pyyrikintori to Lentävänniemi via the districts of Santalahti, Hiedanranta and Niemenranta. Construction of Section 2 was planned in phases so that section 2 A (Pyyrikintori-Santalahti) will be completed and traffic can start in 2023. Construction on section 2 B Santalahti-Lentävänniemi can begin once the permit for filling a body of water needed to build Näsisaari is legally valid. The aim is for section 2 B to be ready in 2024, at which time tramway traffic to Lentävänniemi can also begin.

The health and safety of our employees and partners is important to us. Special attention has been paid to ensuring healthy and safe working conditions. I would like to thank our employees and partners for their outstanding work during this challenging year.



In its meeting on 19 October 2020, Tampere City Council made a decision to build Section 2 of the tramway. Implementation of Section 2 was planned in phases so that section 2 A from Pynikintori to Santalahti will be completed in 2023 and Section 2 B from Santalahti to Lentävänniemi will be completed in 2024.



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 three employees during 2020. Aleksi Rauhala started as a trainee in the areas of track infrastructure, tram car equipment and track network management on 9 March 2020, Emmiina Lindfors began working as communications coordinator on 15 April 2020, and Jarkko Voutilainen was hired as a safety expert starting on 3 August 2020.

The company had 14 employees at the end of the financial year, 64% of whom were women and 36% men. Ten of the employment relationships were valid until further notice and four 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 plan was supplemented on 13 August 2020 concerning coronavirus testing.

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.

Corporate responsibility

The company has compiled a corporate responsibility report, which is available on the company website (only in Finnish). The Head of Finance and Administration is responsible for the company's compliance activities.





Pekka Sirviö
CEO



Jonna Anttila
Safety and System
Manager



Ali Huttunen
Head of Rolling Stock



Mari Liiro
Head of Finance and
Administration



Markus Keisala
Head of Track



Hanna Jartti
Project Engineer



Emmiina Lindfors
Communications Coordinator



Sari Mäkelä
Communications Specialist



Karita Niemenmaa
Administrative Assistant



Tuuli Paunonen
Executive Assistant



Aleksi Rauhala
Trainee



Elli Räsänen
Administrative Planner



Niina Uolamo
Project Engineer

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 29 April 2020, 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 Ruohonen
Elisa Saarinen
Jukka Terhonen.

The board's term began at the end of the annual general meeting held on 29 April 2020 and it will expire at the end of the 2021 annual general meeting.

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

The Board of Directors met 13 times in 2020. Participation in the meetings was outstanding, with an attendance rate of 100%.

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.

Each year, the Board of Directors of Tampere Tramway Ltd selects a three-member Audit Committee from its midst at

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



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 25 May 2020, 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 2020. Participation in Audit Committee meetings was 100%.

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 25 May 2020, 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 three times during 2020. The participation rate 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 2020 were Markus Keisala (Track Manager), Ali Huttunen (Rolling Stock Manager), Jonna Anttila (Safety and System Manager) and Mari Liiro (Head of Finance and Administration). The management team met 20 times in 2020.

The management team's strategy seminar was held in October at Varala Sports Institute in Tampere.



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

Annual review 2020



JANUARY 2020

- Construction work begins on Hatanpään valtatie.
- Recruiting of traffic controllers ends with over 600 applications received.

FEBRUARY 2020

- Tampere Tram's full-scale model, known as the Mock-up, is modified to serve as a training simulator for tramway traffic controllers and drivers.
- The Tampere Tramway test car, manufactured in 1981, arrives from Germany.



MARCH 2020

- Tampere Tramway test runs begin on the tram car depot and Hervanta area.
- Hämeensilta bridge prepares for track laying.





APRIL 2020

- Tampere Tram performs the first test runs at a maximum speed of 70 km / h on Hervannan valtaväylä.

JUNE 2020

- Recruiting of tram drivers begins and almost 600 applications are received by the deadline.



MAY 2020

- The very first Tampere Tram arrives in Tampere.
- Tampere Tramway traffic controllers begin their training.





JULY 2020

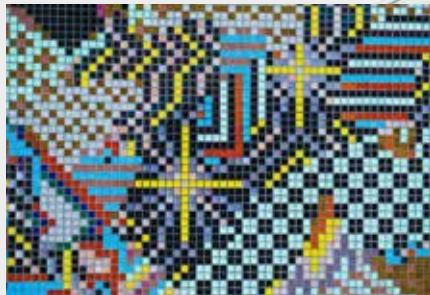
- The very first Tampere tram car in test runs between Hervanta and Turtola area.
- The first landmark piece of Tramway's art, Movement no 1, designed by Katarina Löfström, is completed on the Kekkosen tie bridge.





AUGUST 2020

- The second landmark piece of Tramway's art, "Palaisinpa kukkana", designed by Jan Anderzén, is completed on the Turtola tram stop.



SEPTEMBER 2020

- The second tram car arrives in Tampere fully-equipped and includes e.g. the selected bench pattern. The tram car is presented to the public via video.
- Tampere Tramway test runs reach Kaleva and Tammela area.

OCTOBER 2020

- All Tampere Tramway rails from Pyynikintori to Hervanta and from Tampere University Hospital to Hatanpään valtatie have been installed.
- The third tram car arrives in Tampere.
- Tampere City Council decides on construction of section 2 of the tramway from Pyynikintori to Lentävänniemi.

NOVEMBER 2020

- Construction begins on the section 2 of Tampere Tramway (Pyynikintori-Santahti-Lentävänniemi).
- VR takes over as the tramway operator and Nysse begins the recruitment of test passengers.
- Tampere Tramway's test runs expand to Pyynikintori.
- The fourth tram car arrives in Tampere.

DECEMBER 2020

- The fifth tram car arrives in Tampere.



A brief summary of events during the financial year

On 26 February 2020, Tampere Tramway Ltd signed a right-of-use agreement with PunaMusta Oy concerning interior and exterior tram car advertising. The agreement covers the period from 1 April 2021 to 8 August 2026.

The very first Tampere tram car was delivered to Tampere in May 2020. Functions related to tram car acceptance, depot operations as well as track infrastructure and the related systems were tested in late February and early March after a test car used in Hannover since 1981 arrived in Tampere.

In its meeting on 19 October 2020, Tampere City Council made a decision to build Section 2 of the tramway. Implementation of Section 2 was planned in phases so that section 2 A from Pyynikintori to Santalahti will be completed in 2023 and Section 2 B from Santalahti to Lentävänniemi will be completed in 2024. The agreement for the implementation of Section 2A was signed on 29 October 2020, and construction work began at the beginning of November.

Tampere Tramway Ltd took delivery of its first tram cars in early November and they were handed over to the Traffic Alliance. A total of three tram cars were received during 2020.

Assessment of probable future development

The focus in terms of tram car deliveries at the factory will be on the early part of 2021. The remaining 17 cars will arrive by the end of August 2021. After acceptance, the cars will be handed over to the tram operator.

Acceptance tests on the track infrastructure will be performed as completion of the infrastructure progresses, and tram car type tests will be performed in April-May 2021, after the winter. Construction of Section 2 will continue.

Tram car maintenance procedures will become established. The RAMS monitoring procedures that are part of the procurement agreement will begin in spring 2021.

Commercial traffic will begin on all parts of Section 1 of the tramway on 9 August 2021.

The general plan for the Seuturatikka (Tampere's regional

tramway) describes the expansion of the tramway from Tampere to the Pirkkala, Kangasala and Ylöjärvi directions. The Tampere tramline system is being designed for expansion in phases until the 2040s. Construction of the tramway has been planned so that one branch line will be implemented at a time. In this case, the Koilliskeskus-Pirkkala line could be built in 2025-2028, Hiedanranta-Ylöjärvi in 2029-2032, Koilliskeskus-Lamminrahka in 2033-2036, Hatanpää-Vuores in the 2030s, and Hervanta-Saarenmaa in the 2040s. Municipal decisions on expanding the tramway have not been made yet.

Financial position and investments

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

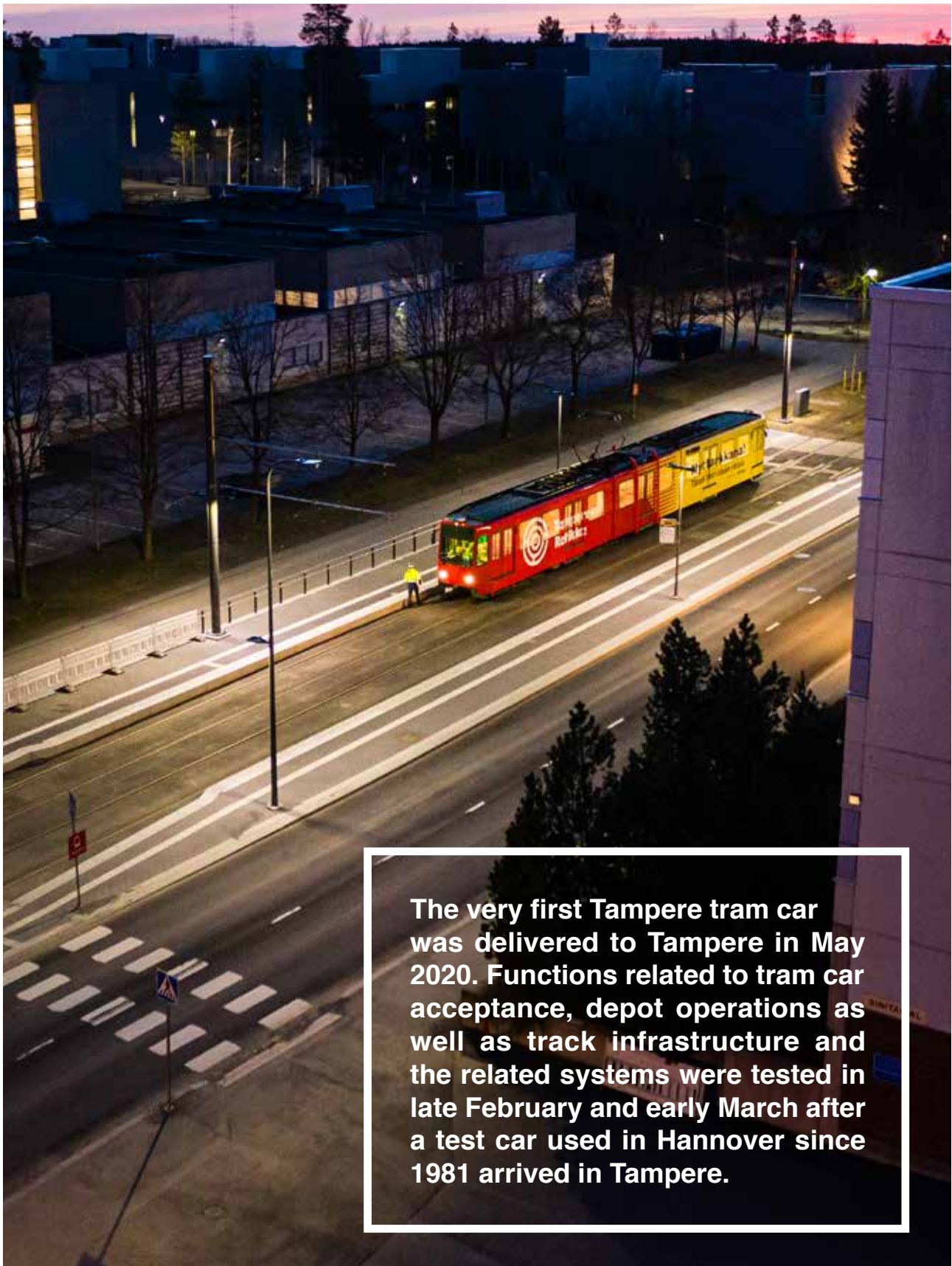
Government support received for section 1 and 2 of the tramline will cover 30% of the project construction costs, but no more than 71 million euros so that the share for section 1 of tramline construction does not exceed 55.05 million euros and the share for section 2 does not exceed 15.95 million euros. The City of Tampere applied for the government support and will 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 10.48 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 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 billion euros



The very first Tampere tram car was delivered to Tampere in May 2020. Functions related to tram car acceptance, depot operations as well as track infrastructure and the related systems were tested in late February and early March after a test car used in Hannover since 1981 arrived in Tampere.

- The client's procurements for the Alliance, 4.2 million euros
- 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 incentive system has three parts and it includes

- a decrease/increase in the objective cost for distribution as agreed among the parties.
- a bonus/penalty for performance in agreed key results areas, including safety, disturbances to other traffic, and
- a catastrophic event mechanism that reduces the remuneration or bonus paid.

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 current forecast indicates that the bonus pool will be realised at a higher level than budgeted due to the efficient operations of the Tramway Alliance.

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 20 ForCity Smart Artic X34 tram cars. The company also has a rolling stock maintenance agreement of 10 years (options 10+10 years). The cost of the rolling stock procurement is approximately 81 million euros, which includes exchange parts and spare parts among others.

The company also invested approximately 6 million euros in depot machinery and equipment.

Investments

The company's investments in tangible and intangible assets totalled 45 million euros. The majority of investments were advance payments for tram cars and unfinished tramline infrastructure.

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 2020

Year	Bonuses
2020	€ 44,603





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 in 2020 were related to delivery, scheduling and personnel risks caused by the coronavirus pandemic as well as risks related to tramway test runs. Other key risks for the company are contractual and key personnel risks.

The risks associated with the coronavirus pandemic were managed by cooperating with suppliers to assess delivery chain management and by implementing remote solutions for working and for delivery inspections. The risks associated

with tramway test runs were managed by designing good information flow and meeting practices among the different actors, and by maintaining an agile continuous improvement model when creating and developing operating models.

Contractual risks were managed via development and supervision of contract management procedures. This involved utilising technical solutions in contract management and allocating sufficient time for contract management procedures.

The risks associated with key personnel were managed by monitoring the personnel's coping and the sufficiency of human resources at the management group level and among the entire staff. Two new recruiting decisions were made in 2020 after the construction decision concerning section 2 was confirmed.

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 objective cost for the section 2 construction phase is linked to the average score indices for March-June 2020.

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 for section 1 or section 2. All Alliance parties are committed to achieving the objective cost in construction phase 1 and 2. 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 December 2020 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 December 2020.

Use of profits

The profit for the financial year is 0.00 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 0.00 euros will be recorded in the previous retained earnings account and no dividend will be paid.

Events after the financial year

Training for tram car drivers was scheduled to begin in December 2020, but the Ministry of Education and Culture only granted Tampere Vocational College Tredu the right to organise training for urban tramway drivers on 1 January 2021. The first two driver courses began simultaneously in January 2021 in order to make up for the delay and meet the need for drivers when open trial traffic begins on 1 April 2021.

The Tramway Alliance has advanced the hand-over schedule for the Hervantajärvi section. This means that the entire line 3 will be available for use when open trial traffic begins on 1 April 2021.

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 2693/2/18. Tampere Tramway Ltd participated in an pre-emptive discussion with the Large Taxpayers' Office on 11 September 2020. The aim of this meeting was to discuss the market terms of compensation between Tampere Tramway Ltd and its shareholders. The instructions from the Tax Administration state that Tampere Tramway Ltd can, with regard to preliminary work as referred to in section 31 of the Taxation Procedures Act (1558/1995), be considered a non-profit company.

Financial statements

	1.1.2020–31.12.2020		1.1.2019–31.12.2019	
TURNOVER	5,056,113.72		1,831,350.04	
Production for own use	410,910.59		356,156.23	
Other business revenue	6,594.00		2,507.99	
Materials and services				
Materials, supplies and goods				
Increase (+) or decrease (-) in stocks	272,078.71		0.00	
External services	-1,859,698.20	-1,587,619.49	0.00	0.00
Personnel expenses				
Salaries and remuneration	-914,215.01		-810,078.01	
Social security expenses				
Pension costs	-143,637.37		-129,680.48	
Other personnel expenses	-26,643.55		-13,512.66	
-953,271.15				
Depreciations and reductions in value				
Depreciations according to plan	-154,566.37		-29,666.66	
-29,666.66				
Other costs	-1,216,590.25		-1,173,558.27	
PROFIT (-LOSS)	1,430,346.27		33,518.18	
Financial income and expenses				
Other interest and financial income				
From companies in the same Group	58,787.69		38,596.55	
From others	2,957.75		2,087.23	
40,683.78				
Interest expenses and other financing expenses				
To companies in the same Group	-19,704.47		-10,729.27	
To others (-)	-302,143.26		-53,019.67	
-63,748.94				
PROFIT (LOSS)				
BEFORE APPROPRIATIONS AND TAXES	1,170,243.98		10,453.02	
Appropriations				
Increase (-) or decrease (+) in depreciation difference	-1,170,151.68		0.00	
0.00				
Income taxes	-92.30		-975.37	
PROFIT (LOSS) FOR THE FINANCIAL YEAR	0.00		9,477.65	

Balance sheet

Assets	31.12.2020		31.12.2019	
NON-CURRENT ASSETS				
Intangible assets	376,205.30		68,498.36	
Tangible assets	218,800,003.91		173,795,237.63	
Investments	193,377.60		193,377.60	
TOTAL NON-CURRENT ASSETS	219,369,586.81		174,057,113.59	
CURRENT ASSETS				
Current assets				
Materials and supplies	803,915.98	803,915.98	0.00	0.00
Long-term receivables				
Other receivables	21,129.60	21,129.60	21,129.60	21,129.60
Short-term receivables				
Sales receivables	0.00		237,868.17	
Receivables from the municipality	58,084,375.61		21,450,550.32	
Other receivables	4,241,756.93		22,034,363.52	
Prepayments and accrued income	229,671.68	62,555,804.22	187,064.65	43,909,846.66
TOTAL CURRENT ASSETS	63,380,849.80		43,930,976.26	
Total assets	282,750,436.61		217,988,089.85	
Liabilities	31.12.2020		31.12.2019	
CAPITAL AND RESERVES				
Share capital	2,000,000.00		2,000,000.00	
Profit (loss) for previous financial years	-1,138.54		-10,616.19	
Profit (loss) for the financial year	0.00		9,477.65	
TOTAL CAPITAL AND RESERVES	1,998,861.46		1,998,861.46	
Accumulation of appropriations				
Difference in depreciation	1,170,151.68		0.00	
TOTAL ACCUMULATION OF APPROPRIATIONS	1,170,151.68		0.00	
LIABILITIES				
Long-term				
Loans	264,286,552.85		190,000,000.00	
Accounts payable	1,296,887.01		0.00	
Short-term				
Loans	5,713,447.15		0.00	
Accounts payable	7,335,187.95		7,062,892.36	
Debts to the municipality	122,516.13		0.00	
Other liabilities	46,306.01		610,066.86	
Accrued expenses and deferred income	780,526.37	13,997,983.61	18,316,269.17	25,989,228.39
TOTAL LIABILITIES	279,581,423.47		215,989,228.39	
Total liabilities	282,750,436.61		217,988,089.85	

Indirect cash flow statement

	1.1.2020–31.12.2020	1.1.2019–31.12.2019
Cash flow from business operations		
Profit (loss) before taxes	1,170,151.68	10,453.02
Adjustments to operating profit (+/-)		
Depreciations according to plan	154,566.37	29,287.12
Financial income and expenses	260,102.29	23,065.16
Cash flow before changes in working capital	1,584,820.34	62,805.30
Change in working capital:		
Increase/decrease in short-term interest-free operating receivables	16,182,716.78	-17,497,048.32
Increase/decrease in current assets	-803,915.98	0.00
Increase/decrease in short-term interest-free liabilities	-17,704,691.93	-4,757,976.11
Cash flow from business operations before financial items and taxes	-741,070.79	-22,192,219.13
Increase/decrease in Group accounts receivable	-35,751,733.18	-18,899,416.18
Interest paid and payments from other business financing expenses	-321,847.73	-63,748.94
Interest received from business operations	61,745.44	40,683.78
CASH FLOW FROM BUSINESS OPERATIONS	-36,752,906.26	-41,114,700.47
Cash flow from investments:		
Investments in tangible and intangible assets (-)	-62,264,644.97	-44,467,937.86
Investment support received	19,017,551.23	20,776,015.93
Purchases of other investments (-)	0.00	-193,377.60
CASH FLOW FROM INVESTMENTS	-43,247,093.74	-23,885,299.53
Cash flow from financing:		
Long-term loans	80,000,000.00	65,000,000.00
CASH FLOW FROM FINANCING	80,000,000.00	65,000,000.00
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

Kauhakorvenkatu 2
33720 Tampere, Finland

Financial year 1.1.2020–31.12.2020

The balance sheet book must be retained for at least 10 years from the end of the financial year, or until 31 December 2030.

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 December 2026.

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

Depreciations according to plan are deducted from the acquisition cost of intangible and tangible assets entered in the balance sheet. The variable costs resulting from acquisition and manufacturing are included in the acquisition cost.

Depreciations according to plan are calculated as straight-line depreciations based on the economic retention period for the intangible and tangible assets. Depreciations are made starting from the month the asset is taken into use.

The depreciation periods are:

Other intangible assets 10 years

Machinery and equipment 15-30 years straight-line depreciation and 25% declining balance depreciation

Comparability of information from the previous financial year

The financial years are not fully comparable. The company's activities are moving towards traffic in stages, and during 2020 tram car equipment and infrastructure maintenance equipment were transferred to company ownership in 2020. Turnover consisted of compensation for general costs and infrastructure in 2019. In 2020, the company's turnover consisted of compensation for general costs, infrastructure and the depot as well as rent for equipment.

Notes to the income statement

Notes concerning the personnel

The average number of personnel during the financial year was 13.

The company's personnel expenses during the financial year were 1,084,495.93 euros, with salaries and bonuses paid to the management accounting for 295,177 euros.

Notes to the balance sheet liabilities

	31.12.2020	31.12.2019
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	-1,138.54	-10,616.19
Profit (loss) for the financial year	0.00	9,477.65
TOTAL UNRESTRICTED CAPITAL AND RESERVES	-1,138.54	-1,138.54
TOTAL CAPITAL AND RESERVES	1,998,861.46	1,998,861.46

Liabilities that mature in more than five years

	31.12.2020	31.12.2019
Loans from financial institutions	224,680,670.53	164,836,314.50
	224,680,670.53	164,836,314.50

COLLATERAL AND CONTINGENT LIABILITIES

Amounts due for leasing agreements

	31.12.2020	31.12.2019
To be paid in the next financial year	22,284.74	4,544.92
To be paid later	29,150.53	7,906.84
	51,435.27	12,451.76

Other contingent liabilities

The company has a fixed-term rental agreement for facilities that is valid until 31 December 2022.

RENTAL LIABILITY FOR OFFICE SPACE	31.12.2020	31.12.2019
To be paid in the next financial year	30,000.00	52,575.21
To be paid later	30,000.00	19,118.26
TOTAL	60,000.00	71,693.47

The company has 11 rental agreements for land areas. Five 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	31.12.2020	31.12.2019
To be paid in the next financial year	97,570.03	95,619.32
To be paid later	3,381,443.84	3,515,647.16
TOTAL	3,479,013.87	3,611,266.47

GROUP LIMIT	31.12.2020	31.12.2019
limit granted	10,000,000.00	10,000,000.00
	31.12.2020	31.12.2019
limit used	0.00	0.00
	0.00	0.00
LEASING LIMIT	31.12.2020	31.12.2019
limit granted	5,000,000.00	5 000 000,00
	31.12.2020	31.12.2019
limit used	7,801.96	0.00
	7,801.96	0.00

The company has also committed to a 10-year rolling stock maintenance agreement. The value of the agreement is approximately 30,000,000 euros.

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 took effect on 31 December 2020. The interest rate swap agreement ends on 29 December 2045.

This agreement is intended to hedge loans related to existing and 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	31.12.2020	31.12.2019
Fair value	-44,010,099.00	-27,375,279.00
Value of underlying asset	155,000,000.00	155,000,000.00

Signatures to the annual review and the financial statements

In Tampere on the 22nd of March, 2021

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 date of electronic signature

KPMG Oy Ab, auditing firm

Assi Lintula
KHT

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

General ledger	electronic
Journal	electronic
Financial statements	electronic
Balance sheet specifications	electronic
Sales invoices	electronic archive
Purchase invoices	electronic archive of voucher entries
E-invoices (purchase invoices)	electronic archive
Travel and expense invoices, memos	electronic archive
Salaries	electronic archive
Bank statements, receipts	electronic archive
VAT calculations	electronic archive

Original purchase invoices received on paper are stored by the accountable entity in paper format. If a paper invoice has been scanned, the invoice is only stored in electronic format in the paperless archive.

The original vouchers appended to travel and expense invoices are stored by the accountable entity in paper format. If a paper invoice or its appendices has been scanned, they are only stored in electronic format in the paperless archive.



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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 2020–31 December 2020. 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 abil-

ity to continue its operations and, in applicable cases, present 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.

Other reporting requirements

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the 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, 16 April 2021

KPMG OY AB



Assi Lintula
KHT

TAMPEREEN
RAITIOTIE
OY