



FINTRAFFIC

**Report by the Board of Directors
and financial statements 2020**

Towards the world's safest, smoothest and most environmentally friendly traffic

We provide and develop traffic control and management services for all modes of transport. We help people and goods to arrive safely, smoothly and with respect for the environment. Intelligent traffic control services, digital services for businesses and consumers, and up-to-date traffic data will help Finland become a pioneer in sustainable transport and logistics.

We want to offer an excellent and attractive workplace for top experts. We employ 1,100 professionals.

Parent company

Traffic Management Company Fintraffic Ltd

Subsidiaries

- Fintraffic Air Navigation Services Ltd is responsible for air navigation services.
- Fintraffic Vessel Traffic Services Ltd is responsible for vessel traffic services.
- Fintraffic Railway Ltd is responsible for rail traffic control and management.
- Fintraffic Road Ltd is responsible for road traffic control and management.

How to read the report package



Annual Report 2020

Strategy, key events of 2020, and a review of responsibility and sustainability. [Read the report here.](#)



Governance and Remuneration Report 2020

Information about the company's governance and steering system, and the remuneration paid to the CEO and members of the Board of Directors. [Read the report here.](#)



Report of the Board of Directors and Financial Statements

A description of the company's operations in 2020 and a summary of its financial results and financial position.

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Report of the Board of Directors

Fintraffic – General

Traffic Management Company Fintraffic Ltd (formerly Traffic Management Finland Ltd) is a wholly state-owned special assignment company steered by the Ministry of Transport and Communications. The company's task is to provide advanced air, road, rail and vessel traffic control and management services, and to responsibly ensure safe and smooth-running traffic in all modes of transport. As part of its special assignment, the company is responsible for collecting, managing and utilising traffic-related information, and also for making it equally available to other operators to enable new business.

The names of Traffic Management Finland Ltd and its subsidiaries changed on 31 December 2020. The Group is now known as Traffic Management Company Fintraffic. The name changes seek to provide traffic services under a more easily recognisable and memorable name as a more unified traffic management company.

Traffic Management Company Fintraffic Ltd is the Group's parent company (formerly Traffic

Management Finland Oy) and is responsible for providing the ecosystem and Group shared services. Fintraffic Air Navigation Services Ltd is responsible for air navigation services (formerly Air Navigation Services Finland Ltd), Fintraffic Railway Ltd is responsible for rail traffic management services (formerly Finrail Ltd), Fintraffic Vessel Traffic Services Ltd is responsible for vessel traffic management services (formerly Vessel Traffic Services Finland Ltd), and Fintraffic Road Ltd is responsible for road traffic management services (formerly Intelligent Traffic Management Finland Ltd).

The road, rail and vessel traffic control and management services provided by the Finnish Transport Infrastructure Agency (formerly the Finnish Transport Agency) were incorporated into the wholly state-owned traffic management group on 1 January 2019. This incorporation was based on the Act on incorporating the traffic control and management services of the Finnish Transport Agency into a limited liability company (574/2018 and Government Proposal 34/2018). The Finnish State trans-

ferred the road, rail and vessel traffic management functions that were incorporated from the Finnish Transport Agency, as well as the shares of Fintraffic Rail Ltd (rail traffic management) and Fintraffic Air Navigation Services Ltd (air navigation), to the Group's newly established parent company, Traffic Management Company Fintraffic Ltd. The latter then transferred traffic control and management functions to Fintraffic Road Ltd (for road traffic), Fintraffic Vessel Traffic Services Ltd (for vessel traffic) and Fintraffic Railway Ltd (for rail traffic).

Traffic Management Company Fintraffic Ltd is wholly owned by the Finnish State. All of the aforementioned subsidiaries are wholly owned by the parent company, Traffic Management Company Fintraffic Ltd. Finlogic Ltd, which is owned by Fintraffic Railway Ltd, is also part of the Group. This is the Group's second financial year.

As the owner, the State has a special interest in the company, which has a state-defined task related to social, economic, security and traffic

policy. Fintraffic provides the traffic control and management services that are required by society, the economy and the authorities to ensure safe and smooth-running traffic, and to guarantee the reliable operation of traffic control and management under all circumstances. As part of its special assignment, it is the company's duty to provide, maintain and develop traffic control and management services for defence and security authorities, to the extent that is justified for carrying out their statutory tasks. The company is responsible for collecting, managing and utilising traffic-related information, and also for making it equally available to other operators to enable new business.

In accordance with the Government Resolution on State-ownership Policy issued on 8 April 2020, the State is seeking the best possible overall financial and social benefit from the management of its assets. Fintraffic's overall financial result is assessed on the basis of how well and at what cost the company fulfils its social service assignment. The company aims to enhance the cost-effectiveness of its business operations

and to ensure that its business is profitable as a whole. The company's social impact is manifested in a number of ways, such as more efficient travel and transport, better traffic flow, improved traffic safety, and a reduction in traffic emissions. It is also the company's task to enhance the utilisation of traffic data, thereby promoting the emergence of new traffic services on a market basis.

The State Shareholdings and Ownership Steering Act (1368/2007) specifies the steering powers held by Parliament, the Government and the Ministries. The State's key ownership policies are laid down in the Government Resolution on State-ownership Policy (2020) and other government guidelines. The company's operations comply with the Government Resolution on State-ownership Policy (VNK/2020/48). In its remuneration, the company complies with the current Government Resolution on State-ownership Policy. The company is also subject to the Corporate Governance Code for limited liability companies steered by the Ministry of Transport and Communications issued on 1 January 2019. The company complies with the applicable sections of the Corporate Governance Code for Finnish listed companies issued by the Securities Market Association (2020) and the OECD Principles of Corporate Governance. The general aim with re-

gard to the company's governance and decision-making is to develop and maintain good corporate governance. The Ministry of Transport and Communications approved the company's owner strategy guidelines on 16 October 2019.

Fintraffic works in close cooperation with an extensive network of customers and partners. The company's traffic management services are purchased by the Finnish Transport Infrastructure Agency (road, rail and vessel), and Finavia and airlines (air navigation). Other key stakeholders include the Finnish Transport and Communications Agency (Traficom), defence and security authorities, cities, public transport operators, research institutions, and companies in a variety of sectors.

On 31 December 2020, the Group had operations in Helsinki, Vantaa, Tampere, Turku, Oulu and 24 other municipalities.

Key events of the financial year

The coronavirus pandemic and its impacts

2020 was marked by the impacts of the coronavirus pandemic on international travel, and in particular on air traffic volumes and thereby on income from air navigation services. Fintraffic Air Navigation Services Ltd's (formerly ANS Finland Ltd) revenue declined by about 39% as a result of the collapse in traffic volumes.

Major operations and cost reduction measures were implemented in air navigation services. Since March 2020, a significant proportion of personnel were temporarily laid off for the rest of the year, and efforts were also made to reduce other operating costs. Despite of these major adjustments, air navigation services made a considerable financial loss. As a result, the entire Group's operating result was negative, even though the budgeted profit was achieved in road, rail and vessel traffic management operations.

It is primarily the Finnish Transport Infrastructure Agency that orders road, rail and vessel traffic services. Although traffic volumes declined, a normal level of service was maintained in traffic control to ensure safety, smooth traffic flow, and security of supply.

In early March, the Group introduced a number of contingency measures aimed at ensuring minimum disruption to service during the coronavirus pandemic. These measures were successful, as the coronavirus pandemic's impact on the company's services has been minimal, even though most personnel have had to work on location at traffic centres. Those doing office work primarily worked remotely. Thanks to these comprehensive precautions, no work-related coronavirus infections were reported at the company's locations.

New customer relationship management model with the Finnish Transport Infrastructure Agency

The Group introduced a new customer relationship management model with the Finnish Transport Infrastructure Agency, and also launched a new partnership development project. These measures have streamlined daily cooperation, increased transparency in both directions, improved operational planning, and helped with the allocation of limited operating costs on the basis of effectiveness. The Group introduced service-specific cost monitoring and reporting. The aim of this close partnership model is to ensure that the agency's transport network and the company's traffic management services are developed as a joint effort that will serve the development of the entire traffic system in the best possible way.

Organisational development

The Group continued to develop its organisation and operating processes in 2020. Shared services were centralised to the parent company at the beginning of the year with the aim of achieving a better service level and greater efficiency. During the year, more resources were acquired in legal services, procurement services, and information services and cybersecurity. In August 2020, the Centre for Eco-

conomic Development, Transport and the Environment for Southeast Finland transferred telematics for road traffic control and management, including personnel, to Fintraffic Road Ltd (GP 34/2020).

On 15 December 2020, Fintraffic Railway Ltd launched employee negotiations related to the renewal of its rail traffic control centres. The plan was to merge the centres in Kouvolaa and Helsinki, as per the company's new operating model and in accordance with the strategy adopted by the Group and the Board of Directors. On 16 February 2021, the company announced that it is not currently able to merge these control centres. In accordance with its strategy, the company will continue to develop its traffic control functions and structure to further enhance traffic safety, flow, reliability and efficiency. The achievement of these targets will be supported by investing in the modernisation and digitalisation of traffic control systems, enhancing operating processes, developing personnel competence, reorganising operations at control centres, and providing appropriate working conditions for personnel.

Group strategy

The Group's vision is for Finland to have the world's safest, smoothest-running and most environmentally friendly traffic. Its strategic

objectives include a safe, smooth-running and optimised transport system; high-quality, reliable and effective traffic control services; even better services for both passengers and logistics with the aid of traffic data and platform solutions; increased added value for customers and stakeholders; and an excellent and continually evolving working community.

The company is developing its traffic management functions to further improve the safety, flow, reliability and efficiency of traffic. The achievement of these targets will be supported in a number of ways, such as investing in the modernisation and digitalisation of traffic control systems, enhancing operating processes, and developing personnel competence.

The Group is developing the entire transport ecosystem and its service offering for both existing customers and new customer groups. Its goal is to increase the proportion of services ordered by other customers. Currently, the State is by far the dominant client for road, rail and vessel traffic management services in particular. The end users of traffic management services are all traffic users.

Improving cost-effectiveness

The continuous improvement of cost-effectiveness is one of Fintraffic's strategic objectives and was also one of the main objectives of the incorporation of traffic management

to a single state-owned entity. In line with its strategic ownership policies, Fintraffic is committed to improving its service level and social impact, and to boosting the efficiency of its traffic management services by increasing effectiveness by 30M€ over the coming years. If the operating model is not renewed, it may be difficult to develop the service level, improve safety and increase automation with current funding. By using its resources wisely and sustainably, the Group will be able to provide the best possible support for the sustainable renewal of Finnish traffic system and enhance traffic sectors employment potential.

Business development projects

In 2020, Fintraffic fast-tracked projects to support the development of the Finnish transport ecosystem, at both traffic system and mode of transport level. The transport system consists of passenger and cargo traffic for all modes of transport, as well as the transport networks, telecommunication connections, data, services, vehicles and control systems that support it. Together with other operators in the sector, Fintraffic seeks to combine data and services to ensure optimal traffic flow and benefits for both service providers and end users. Concrete cooperation agreements have been made with other industry operators:

open working groups will define a vision, objectives and a roadmap for the transport ecosystem, so that they can jointly utilise traffic data to provide new services for end users.

The use of open data provided by the company increased. Thanks to new collaboration with Bauer Media's radio channels, Radio Nova's traffic programmes began using the Traffic Situation service. This increased not only the service's visibility, but also the number of people using the company's traffic data.

In spite of the coronavirus pandemic, *Fintraffic Air Navigation Services* continued to progress with its spearhead projects as planned during the year. The company continued to implement the FINEST project in collaboration with Estonian Air Navigation Services (EANS). The project is currently scheduled for completion in 2022. The project seeks to provide airspace users with a standardised, dynamic, competitive and cost-effective cross-border air navigation service from 2022 onwards.

Preparatory work for a remote control concept, Multi-ROT, continued in 2020. Fintraffic Air Navigation Services and Finavia are jointly planning to acquire a remote control system for selected airports in Finland. If the service is introduced, it would mean that air traffic control services could be flexibly provided from a single location for one or more airports.

The proliferation of unmanned aerial vehicles (that is, drones) in the air transport market has increased the need for new kinds of traffic management services. Preparatory work for an online service for drone operators was carried out in cooperation with Traficom during 2020, and the service was introduced in early 2021. The system also supports the digitalisation of general aviation and forms part of the air navigation service.

Fintraffic's rail traffic management continued with its development projects as planned. Digirail, one of its spearhead projects, progressed well and became one of the top national transport projects. The company also cooperated with 5G operators to enable the use of 5G technology in rail traffic. Efficiency, safety and resilience all improved. Work to duplicate the rail traffic remote control system continued during the year. The aim is to increase the resilience level: in the event of a disruption, different control areas will be able to provide services more flexibly. The renewal of the Southeast Finland centralised traffic control system progressed during the year. The project, which was launched in 2017, has progressed as planned towards its scheduled full deployment in 2022.

The Finnish Transport Infrastructure Agency ordered a new Situation Manager service for Helsinki and Tampere. This service will enable traffic to be quickly restored in the event of damage or an accident and will also handle the appropri-

ate safety procedures. It is expected to reach the production phase in early 2021.

A new capacity control function was launched in November. The capacity control function was commissioned by the Finnish Transport Infrastructure Agency and will operate at Helsinki Railway Station and Ilmala railway yard.

In late 2020, the company began work to renew its control centre functions over the next few years. Developments in rail traffic management seek to ensure even safer, smoother-running and more environmentally friendly train services.

The goal of *Fintraffic's road traffic management* is to be an enabler for Finland's evolving road traffic ecosystem. Its spearhead product and service development projects progressed as planned during the year. Good progress was made towards creating a digital twin of the road network and a real-time picture of the situation with regard to infrastructure, road conditions, weather conditions and traffic. A revamped version of the TLOIK platform was launched to promote progress in these areas. The platform combines all of the road network control systems, communications and maintenance management tools for the entire Finnish road network, advanced automated recommendations based on weather and traffic conditions, and a situational information package. It also utilises hundreds of cameras, road weather stations and other devices.

Several pilot projects were also launched to develop road weather services. Fintraffic developed the interfaces and capabilities of its road traffic weather condition service, so that data generated by external providers can now be received for analysis and further processing. In late 2020, a revamped version of the WebKeli service was launched for road network stakeholders. Thanks to the improvements made in road transport, users will be able to receive almost up-to-date information about road maintenance.

One of the most significant events in road infrastructure was the opening of the Highway 12 Lahti Southern Ring Road to traffic in December. The Tampere–Kangasala section of Highway 12 was completed in June, and the company was renewing traffic control devices for these.

Fintraffic Vessel Traffic Services worked in close cooperation with the authorities, ports and shipping companies during the year. Port operators are now better informed about ship arrivals. The aim is to promote the safety, economy and performance of international shipping. The company also joined the One Sea ecosystem in March. This ecosystem promotes the development of autonomous vessel transport.

The company also continued its close cooperation in a number of EU-level projects. For example, the Sea Traffic Management Efficient Flow project has provided Finnish ports with a new harbour application whose nationwide

introduction is now in the pipeline. This harbour application can be introduced at all Finnish ports as a service that will provide end users with real-time picture of the traffic situation data and a picture of the current situation. The service will enable the exchange of port-specific information between port operators and will also enhance information exchange with Fintraffic.

Business acquisition

In late 2020, the Finnish State and its representative, the Finnish Transport Infrastructure Agency, made a business acquisition with a fair value of EUR 29.6 million with the Group's parent company, Traffic Management Company Fintraffic Ltd. In this transaction, assets of projects completed by 31 October 2020 were transferred from the Finnish Transport Infrastructure Agency to the company in accordance with Government Proposal 34/2018. The government plenary session on 10 December 2020 authorised the Finnish Transport Infrastructure Agency to divest these business operations to the company. Subsequent transactions immediately transferred these business operations to the subsidiaries responsible for each of the operations in question. Assets of EUR 19.9 million were transferred to Fintraffic Road Ltd, and assets of EUR 9.7 million to Fintraffic

The Group's key indicators for 2020

	2020	2019
Revenue (EUR million)	182.4	221.9
Operating result (EUR million)	-8.0	21.3
Operating margin (%)	-4.4	9.6
Result after taxes (EUR million)	-9.4	14.7
Investments (EUR million)	63.0	26.2
Cash flow from investment activities (EUR million)	61.7	22.8
Interest-bearing net debt (EUR million)	15.0	0
Equity ratio (%)	69.8	71.6
Gearing (%)	-1.4	-40.8
Personnel (average)	1,125	1,091

Railway Ltd. These assets consisted of un-completed traffic management projects that had remained in the agency's possession at the time Fintraffic was established. During the incorporation process, it was agreed that the company would have a pre-purchase right on any of the Finnish Transport Infrastructure Agency's traffic management assets that were incomplete on 1 January 2019, and this right could be exercised on completion of these asset. An initial plan has been made for the same parties to make a similar transaction in 2021, in which the State would transfer most of its remaining assets from incomplete projects. The value of this transaction will be higher than that of 2020, and one of

the larger assets to be transferred is traffic control and management for the tunnels on the Highway 12 Lahti Southern Ring Road, which is valued at about EUR 21 million.

Revenue and result 2020

The Fintraffic Group's revenue for its second financial year totalled EUR 182.4 (221.9) million. The financial year ending on 31 December 2019 was the Group's first and was longer than normal (19 September 2018–31 December 2019). The length of the financial year does not affect the comparability of the figures, as the Group only launched actual operations at the beginning of 2019 and the only costs incurred during 2018 related to the es-

tablishment of the Group's new companies. The majority of the Group's revenue was generated by road, rail and vessel traffic management services ordered by the Finnish Transport Infrastructure Agency, which had a sales value of EUR 132 (141) million as per the service agreement. Sales of air navigation services collapsed, with revenue totalling EUR 49.3 (80.2) million. Revenue was increased by a EUR 5 million regulatory adjustment based on EU legislation, that is, the EU's traffic risk-sharing mechanism. (In 2019, revenue was reduced by a EUR 9.1 million regulatory adjustment.)

The operating result was a loss of EUR -8.0 million (a profit of EUR 21.3 million in 2019), with an operating profit margin of -4.4% (+9.6%). The loss after taxes for the financial year was EUR -9.4 (+14.7) million. The weakening of the Group's result was largely due to the sharp fall in income from air navigation services, which were loss-making after the collapse in air traffic volumes resulting from the pandemic. The result was also affected by the weakening of profitability in other modes of transport to a moderate level in line with targets after an exceptionally good result for the first year of operation. The Group is expected to make a profit again in 2021.

The balance sheet remains strong, despite of weakened cash flow in 2020. The Group's cash flow weakened due to reduced revenues in air navigation services and increased investments of EUR 61.7 million compared to EUR 22.8 million in previous year. EUR 29.6 million of these investments resulted from the business acquisition between the company and the Finnish Transport Infrastructure Agency. At the end of the year, the Group raised interest-bearing bank loans for the first time in connection with the aforementioned transaction. The Group's debt is expected to rise, as cash flow from air navigation services is expected to remain weak in 2021. At the same time, the Group's investments are expected to remain at a high level, as there are plans to transfer incomplete traffic management assets from the Finnish Transport Infrastructure Agency in 2021 as well. Investments will also be made in developing, maintaining and boosting the efficiency of operations.

Due to EU legislation, a significant portion of the profit from air navigation services will be returned to airlines at a lower unit price in the future. The total liabilities related to this have been taken into account in the consolidated balance sheet as accrued expenses of EUR 12.7 (17.7) million.

Key indicators for business functions 2020 (2019)

	Air navigation services	Rail traffic management	Road traffic management	Vessel traffic management
Revenue (EUR million)	49.3 (80.2)	69.6 (74.4)	43.5 (44.0)	18.1 (21.7)
Operating result (EUR million)	-16.1 (5.9)	4.4 (8.3)	2.8 (4.1)	1.0 (2.6)
Operating margin, %	-32.6 (7.3)	6.3 (11.2)	6.5 (9.3)	5.5 (11.8)
Personnel (average)	443 (441)	465 (464)	80 (71)	101 (99)

Air navigation services

The result was greatly affected by the collapse in air traffic volumes caused by the COVID-19 pandemic. This led to a sharp decline in revenue from air navigation (EUR -31 million) and a loss of EUR 16.1 (+5.9) million for the air navigation service. Air navigation operating costs were reduced by about EUR 6 million on the previous year by temporary lay-offs and reduction of other operating expenses on other expenses. These measures were only partially able to cover the loss of income from air navigation services. However, an adequate service level was maintained under all circumstances in air navigation to ensure safe air traffic.

EU legislation, in the form of the traffic risk-sharing mechanism, had a significant impact on air navigation and the Group's result. Under normal circumstances, the mechanism works in such a way that, if traffic falls below

the forecast in the draft performance plan, air navigation charges will rise in two year's time in accordance with the performance and charging schemes. Due to the drastic change in the market environment in the air transport sector, the traffic risk-sharing mechanism will not be applied normally in 2020 and 2021. Emergency legislation seeks to prevent any sharp fluctuations in traffic charges, taking into account airlines solvency, and ensuring that air navigation providers are able to operate. Revenue was increased by a EUR 5 million regulatory adjustment from 2018 based on EU legislation, that is, the EU's traffic risk-sharing mechanism. (In 2019, revenue was reduced by a EUR 9.1 million regulatory adjustment.)

Road, rail and vessel traffic management

Finnish Transport Infrastructure Agency orders majority of the company's road, rail and vessel traffic management services, ecosys-

tem services, and customer services. Invoicing from the service agreement between the Finnish Transport Infrastructure Agency and Traffic Management Company Fintraffic Ltd totalled EUR 131.8 (141) million, which was a decrease of EUR 9.2 million compared to previous year. The companies responsible for road, rail and vessel traffic management made profit at budgeted level. The new commercial model that was agreed for 2020 noticeably lowered companies' profits compared to the previous year. The commercial model for 2019 was based on a fixed price. In 2019, the company provided services much more efficiently than planned, which led to an exceptionally good operating result. The commercial model and invoicing for 2020 were based on a 5% margin added to the cost of service. This corresponds to the moderate profitability required for the company. The commercial model also included an incentive to improve operational efficiency.

The operating margin for the services provided to the Finnish Transport Infrastructure Agency averaged about 6% and profitability was in line with the targets, but was clearly lower than in the previous year (11%).

Streamlining

Cost effectiveness of Air navigation services have been improved for years in accordance with EU legislation. Fintraffic Air Navigation Services Ltd is one of the most efficient providers of air navigation services in Europe. 2020 was an exceptional year: air traffic volumes collapsed as a result of the coronavirus pandemic, which led to extensive adjustment measures. These measures will also continue in 2021, as the business environment remains challenging.

The company has streamlined its operations and was able to provide the road, rail and vessel traffic management services covered by its service agreement with the Finnish Transport Infrastructure Agency more efficiently in 2020 than in 2019. In 2019, the company was able to provide traffic management services for about EUR 7 million less than in the business plan drawn up in connection with the incorporation. In 2020, these services were provided for EUR 3 million less than in 2019 based on company's estimate. As the level of activity also rose, the actual increase in efficiency was even greater.

When taking this increased level of activity into account, the group has been able to achieve a significant cumulative increase in efficiency in both 2019 and 2020. The level of activity has risen as a result of the company taking control of new road traffic assets such as tunnels and weather stations; investments in operative systems for traffic management services; the provision of new services; and investments in, for example, information and cybersecurity capabilities. At the same time, efforts have also been made to boost the efficiency of procurement through competitive tendering, centralising Group services, operations, and investing in improved technology that can enable both a better service level and more efficient operating methods. Service-specific cost monitoring and planning were significantly developed during 2020, as were measuring of efficiency and the level of activity. A year-on-year fall of about EUR 9 million was seen in total invoicing for ecosystem services, customer services, and road, rail and vessel traffic management services covered by the company's service agreement with the Finnish Transport Infrastructure Agency.

Assessment of significant operational risks and uncertainties

Fintraffic's most important mission is ensuring safety in all of its operations. Operational risks have been identified and managed as part of

Group companies' risk management systems. The company seeks to maintain high standards in both safety culture and traffic control and management services, and to safeguard operational continuity under all circumstances. The company systematically develops its management of safety and security risks. Fintraffic engages in proactive, systematic and comprehensive risk management. According to the management system approved by the Board of Directors, the company must be managed professionally and in accordance with healthy and prudent business practices.

It pays particular attention to the security of trade secrets and any information that has been classified as confidential by the authorities. Effective, high-level data security is ensured in all activities.

The company makes sure that the hardware, information systems and software it uses are reliable and secure. It prepares for cyber threats in a number of ways, such as enhancing its data asset management and enabling extensive and adequate investments in improved information security.

Safety- and security-related observations are regularly reported to the Board of Directors of both the Group and its subsidiaries throughout the course of the year. Risk management forms part of the company's business strategy and operative targets. The Boards of Directors

of both the Group and its subsidiaries handle the most significant risks and uncertainty factors associated with their operations. The identification and management of risks is part of Group companies' management systems.

The main operational risks relate to serious accidents and threats to information and cybersecurity. A third key risk factor that emerged during the year is the coronavirus, which could lead to sickness absences among personnel and thereby reduce the company's capacity to provide traffic control services and, in the worst-case scenario, temporarily halt rail or air traffic. There is always the potential for human error as well.

From a financial perspective, the greatest risk for 2021 is the continuation of the coronavirus pandemic and its impact on air traffic volumes, and therefore to the revenues and profitability of air navigation services. In 2020, Fintraffic Air Navigation Services Ltd made a loss of EUR 16.1 million with revenue of only EUR 49.3 million (decreased by -39%). Fintraffic Air Navigation Services Ltd is currently obliged to provide the State with services and include the costs of their provision in en route charges. However, as income from en route charges has fallen significantly as a result of the pandemic, the costs of providing these services have mainly been borne by the company itself. These services include Aeronautical Information Services,

airspace management, air rescue services, and services for the State's aviation operations at combined civil and military airports. The company has held discussions with the Ministry of Transport and Communications as to the possibility of government purchases relating to these services. The Group estimates that air traffic volumes in 2021 will be about half of those in 2019 and will gradually start to increase over the coming years.

Another major financial uncertainty concerns how much additional funding the Finnish Transport Infrastructure Agency will receive in the State budget to purchase traffic management services in light of the challenging economic situation caused by the coronavirus pandemic. This will impact the company's ability to make investments and develop its business.

In spite of the aforementioned risks, the consolidated financial result is expected to be profitable in 2021.

Personnel, remuneration and competence

Fintraffic had an average of 1,125 (1,091) employees during 2020. The number of personnel totalled 1,129 at the end of the year. At the end of December, 96% of employment contracts were permanent and 4% were fixed-term. The average age of the Group's employees was 45. Men accounted for 78 per cent and women for 22 per

cent of employees. Overall personnel turnover stood at approximately 8.5%, and at 2.0% for those who resigned. The average length of employment contracts was 13 years.

Salaries and bonuses paid during the financial year amounted to EUR 72.0 (77.6) million. Personnel expenses totalled EUR 85.8 (93.4) million (44% of all expenses). All personnel fall within the scope of the performance incentive scheme approved by the company's Board of Directors. A personnel fund has been established for personnel, and personnel may transfer the bonus payable to them into this fund, either wholly or in part. The incentive scheme rewards personnel for achieving targets and good performance that benefits the company.

In accordance with the Board of Directors' decision, no performance bonuses were paid due to the Group's negative financial result. As operative personnel demonstrated flexibility and commitment during exceptional circumstances, and were not able to work remotely, a separate incentive payment of EUR 200,000 was made to operative personnel.

This one-off payment was distributed equally among employees on the joint payroll of Fintraffic Railway Ltd, Fintraffic Road Ltd and Fintraffic Vessel Traffic Services Ltd. Although Fintraffic Air Navigation Services Ltd's personnel also did excellent work during exceptional circumstances, the company's

heavily negative financial result did not enable a similar one-off payment. For those eligible for personal bonuses, a one-off bonus was paid for exceptional performance that strongly developed the company's operations in line with its strategy in 2020. Due to the nature of this bonus, it was paid to about 10% of those employees who did not receive the previously mentioned one-off payment for operative personnel.

A job satisfaction survey covering all personnel and all group companies was conducted in August 2020. The overall response rate was 66% and the results were at a good level. According to the survey, personnel are satisfied with their working atmosphere, their colleagues, and supervisory work. On a scale of 1–5, the average score for these questions was 4.

The company's occupational health and safety activities focused on successfully managing the coronavirus pandemic and associated Group-wide precautions. Only seven coronavirus infections were detected during the year, and none of these led to mass exposures or caused any difficulties with the availability of control centre personnel. There were no work-related coronavirus infections at Fintraffic workplaces.

The sickness absence rate in proportion to theoretical working hours was low throughout the Group (2.8%). Absence is typically related

to musculoskeletal diseases and mental health. The safety of employees is important to the company and a great deal of attention is paid to factors such as ergonomics. In 2020, there were three accidents at work and two commuting accidents that resulted in sick leaves lasting at least one day.

The Group's strategic spearhead projects include harnessing and developing competence, good leadership, and a corporate culture that supports renewal. Personnel are provided with a diverse range of support for competence development. Competence is developed via on-the-job learning, guidance and support, and training and study.

Personnel regularly attend development, target setting and performance discussions that go through the type of competence development support that each person needs in order to achieve their goals.

During the year, managerial and leadership training was organised on topics such as working capacity management, the new Working Hours Act, key terms and conditions of employment, and managing remote and decentralised work. A total of about 60 supervisors participated in managerial and leadership training. The Group continued its service development training programme in the form of apprenticeships. A total of 18 experts took part in this programme. During the year, monthly training in legal and procure-

ment was arranged for those working with contracts and procurement. English language training was also arranged.

About 80 per cent of personnel work in operative positions. They received training specific to their mode of transport, such as air navigation training, simulation exercises, training for on-the-job trainers and work coaches, traffic control training, and traffic safety training.

Safety

Fintraffic's line of business is particularly safety-critical: a potential accident may cause severe harm to people, the environment and the economy. Extensive safety efforts are undertaken in traffic control, and the company develops safety systematically and ambitiously across all modes of transport. Traffic control plays a significant role in guaranteeing the safety of air and rail traffic in particular: Fintraffic is, with respect to its own services, responsible for planes and trains reaching their destinations safely. Road and vessel traffic control actively monitors traffic flow, provides situational information, and addresses any incidents or threats to safety, either proactively or by resolving them in close cooperation with the authorities.

The safety level of traffic control remained good throughout the year across all modes of transport. There were no serious accidents caused by traffic control. Targets for significant

deviations in safety were achieved in all modes of transport except rail traffic control. The number of serious dangerous incidents also decreased significantly in rail traffic control. No significant deviations or breaches in information or cybersecurity were reported during the year. Vessel traffic control prevented nine vessels from running aground.

Safety in all modes of transport includes incident management, risk management, system resilience, information and cybersecurity, corporate security, and the management of safety deviations. Safety work is based on solid operational expertise and the continuous development of the required capabilities, working methods, systems and processes supported by performance assessment.

The significance of information and cybersecurity continued to grow during the year, and considerable investments were made in this area. The company established an information and cybersecurity management team, created an information and cybersecurity management system, updated its operating plan, and strengthened its expertise by, for example, hiring an information and cybersecurity architect.

Each of Fintraffic's subsidiaries is responsible for its own safety through appropriate practices, methods and procedures. The company also has a joint safety management system that is synchro-

nised via its subsidiaries' operating methods and their own safety management systems.

Environment

Traffic has a major impact on climate change. Traffic accounts for approximately 20 per cent of Finland's carbon dioxide emissions, and road traffic accounts for 90 per cent of these emissions.

Fintraffic's services promote smooth traffic flow in various modes of transport, and thereby impact emissions. The company seeks to be an active influencer and advocate of more environmentally friendly transport. Preventing all kinds of traffic environmental damage and accidents is one of Fintraffic's basic tasks. All state-owned companies must be carbon neutral by 2035. Fintraffic is also committed to achieving this target.

In 2020, the company updated its environmental strategy and created the foundation for its own environmental management system. The company also established an environmental management team that started up in the middle of the year. The Management Team led work to create a roadmap for Fintraffic's environmental objectives and key areas for development.

During the year, the company developed its environmental indicators and reporting, and launched the creation of an environmental information system. This system will be introduced

in early 2021 and will enable both data collection and effective reporting. In the future, the company aims to report on its own eco-efficiency, such as water and electricity consumption, material use, and waste generation.

The parent company, Traffic Management Company Fintraffic Ltd, in 2020

Traffic Management Company Fintraffic Ltd is the Group's parent company, and wholly owns its key subsidiaries. In 2020, the parent company further developed Group-level organisations and processes by consolidating shared services to the parent company. Personnel from subsidiaries were transferred to various functions, such as the HR unit, the legal and procurement function, finance, communications and IT services. During the year, more resources were acquired, in particular, in legal services, procurement services and, information and cybersecurity. The majority of the Group's shared services have been centralised in the parent company since the beginning of 2020, including customer, ecosystem and technology services.

Traffic Management Company Fintraffic Ltd's revenue totalled EUR 140.1 (147.5) million. In 2020, the parent company's revenue was generated by customer and ecosystem services,

internal Group services, and road, rail and traffic management services ordered by the Finnish Transport Infrastructure Agency.

Revenue decreased as expected, as a result of the new commercial model for the service agreement between the parent company and the Finnish Transport Infrastructure Agency. This model was based on a margin added to the cost of service and an incentive to improve efficiency. A notable decrease was seen in both the company's revenue and result. Going forward, the parent company will provide an increasing volume of ecosystem services also to other customers. The parent company purchased traffic management services from its subsidiaries.

In late 2020, Traffic Management Company Fintraffic Ltd made a business acquisition with the Finnish State in which assets with a fair value of EUR 29.6 million were transferred to the company from the State's representative, the Finnish Transport Infrastructure Agency. These assets consisted of uncompleted traffic management projects that had remained in the agency's possession at the time Fintraffic was established. Immediately after the transaction, these assets were transferred to two of the parent company's wholly owned subsidiaries: Fintraffic Road Ltd, which is responsible for operative

road traffic management, and Fintraffic Railway Ltd, which is responsible for operative rail traffic management.

The company's operating profit for 2020 totalled EUR 0.3 (1.0) million, with an operating margin of 0.2 (0.7) per cent. Operating profit mainly consists of the margin from ecosystem and customer services. The company's result after taxes for the financial year totalled EUR 0.0 (0.4) million. The equity ratio was 76.8 (66) per cent. The company had an average of 36 (16) employees during the financial year. This growth in personnel was mainly a result of centralising the Group's shared services to the parent company in 2020.

The Group's financial position and result

The Group's financial position remains good, even though it made a financial loss in 2020. The Group's financial position is indicated in the income statement and balance sheet. The result for the financial year after taxes of EUR 1,017,337.54 (6,039,730.01) was a loss of EUR -9,435,154.24 (+14,723,455.63). The equity ratio was 69.8 (71.6) per cent.

Outlook for the future

Fintraffic's strategy specifies clear strategic objectives. The company will continue the systematic implementation of its strategic spearhead projects at traffic system level in

all modes of transport and will also further develop the sustainability of its operations. The Group's strategic spearhead projects are systematically improving traffic safety, updating the operating model for traffic management, creating a world-class ecosystem, creating a real-time picture of the traffic situation (a.k.a. a digital twin), harnessing and developing competence, good leadership, and a corporate culture that supports renewal.

The coronavirus pandemic will continue to have a major impact on the business environment in 2021, and particularly on air navigation services. Air traffic volumes are not expected to improve until the second half of the year. If income from air navigation improves and the EU's traffic risk-sharing mechanism works, the company expect to see a clear improvement in the result for the air navigation service. The Group believes that the profitability of road, rail and vessel traffic management will remain stable. The Group's result for 2021 is expected to be profitable. The Group's indebtedness will continue to rise, due to planned investments and continued weak cash flow from air navigation. The balance sheet will, however, remain strong.

As traffic volumes continue to rise, Fintraffic promotes safe, smooth-running and environmentally friendly traffic. The company is involved in promoting traffic innovations and

growth in the transport services market by providing platform and information services for the transport ecosystem. By increasing the degree of automation, the company seeks to further enhance traffic safety and provide traffic management services even more cost-effectively. The company utilises procurement synergies and operational synergies between different modes of transport, and operates profitably in all areas.

Events after the end of the financial year

On 16 February 2021, Fintraffic announced that it had concluded the employee negotiations that ran from 15 December 2020 to 28 January 2021 related to the renewal of its rail traffic control centres. The plan was to merge the centres in Kouvola and Helsinki, as per the company's new operating model and in accordance with the strategy adopted by the Boards of Directors of the Group and the company. The company announced that it is not currently able to merge these control centres. In accordance with its strategy, the company will continue to develop its traffic control functions and structure to further enhance traffic safety, flow, reliability and efficiency.

In accordance with its strategy, Fintraffic has begun work to strengthen cooperation between various operators in the transport ecosystem. At a meeting organised by Fintraffic

in January 2021, industry operators agreed on concrete measures to define a shared vision, objectives and operating model for the ecosystem. The goal is to boost business and joint service development in the sector, and to provide even better services in both passenger and logistics chains.

In early 2021, Fintraffic Vessel Traffic Services will be launching commercial cooperation with Traficom to build a vessel traffic notification system. The notification system will be a national "single window" for sending vessel traffic notifications. The service is based on an EU regulation that seeks to harmonise notifications within the EU. The service is scheduled for completion in 2025, when it will replace the existing Portnet service. Traficom intends to purchase the implementation of the required system services and their associated support service from Fintraffic.

Preparatory work for Fintraffic's remote control concept for air navigation, Multi-ROT, progressed in early 2021 with the signing of a letter of intent with Finavia. The next target is to work with Finavia to plan the most sensible way of organising the service. If the service is introduced, it would mean that air traffic control services could be flexibly provided from a single location to selected airports specified by Finavia.

In January 2021, a register of drone operators was introduced in collaboration with Traficom. The register itself belongs to the authority, but Fintraffic Air Navigation Services Ltd has developed a user interface for the drone registrations. From the beginning of 2021, it will be compulsory for drone operators to register, familiarise themselves with the learning materials and successfully complete an online drone flying test.

Management and auditing

At the beginning of 2020, Traffic Management Company Fintraffic's Board of Directors consisted of Pertti Korhonen as Chair and Sauli Eloranta, Teemu Penttilä, Seija Turunen and Katriina Vainio as members.

On 7 January 2020, as the representative of the Finnish State and the company's only shareholder, the Ministry of Transport and Communications appointed Seija Turunen as Chair of the Board of Directors to succeed Pertti Korhonen, who took up the position of acting CEO and subsequently CEO as of 9 March 2020. The Ministry also re-elected Sauli Eloranta, Teemu Penttilä and Katriina Vainio as members and elected Juha Majanen and Kirsi Nuotto as new members of the Board. The Annual General Meeting of 26 May 2020 elected the same persons to the Board of Directors. The Board of Directors has two commit-

tees: the Audit Committee and the Personnel Committee.

Traffic Management Company Fintraffic Ltd's Board and its Committees convened 22 (26) times during the financial year. The members of the Board of Directors were paid fees totalling EUR 224,400 (211,400) for Board and Committee work.

In 2020, Pertti Korhonen was acting CEO until 8 March 2020, and the Board of Directors appointed him CEO on 9 March 2020.

All four subsidiaries of Traffic Management Company Fintraffic Ltd have Boards of Directors that are chaired by the Group CEO and whose members comprise the Group CFO and two external members. The Group's HR Director also acts as an expert member of the Board of Directors.

The auditor for the Group's companies was Ernst & Young Oy, Authorised Public Accountants, with Mikko Rytilahti (APA, CPFA) as Chief Auditor.

Company shares

The State holds all 6,210,388 shares and 6,210,388 votes in Traffic Management Company Fintraffic Ltd., that is, a holding of 100%. The company has one series of shares. The Ministry of Transport and Communications is responsible for ownership steering.

Board of Directors' proposal for the distribution of profit

In the financial statements dated 31 December 2020, the distributable assets of Traffic Management Company Fintraffic Ltd totalled EUR 155,207,757.11 (155,200,336.35). The Board of Directors proposes that no dividends be distributed and that the profit for the financial year, EUR 7,420.76 (374,311.66), be carried over to retained earnings.

Separate reports

The Annual Report is aimed at the Group's stakeholders and contains several separate reports, namely the Report of the Board of Directors and Financial Statements, an annual review that includes the CEO's review, a review of the Group's strategy and changes in the operating environment, information about the Group's business functions, and a corporate social responsibility report. The Group also publishes a Governance and Remuneration Report.

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Group income statement

EUR mill.	1.1.2020–31.12.2020	19.9.2018–31.12.2019
Revenue	182.4	221.9
Other operating income	3.9	0.6
Materials and services		
Purchases	-2.1	-2.4
External services	-44.8	-43.0
	-46.9	-45.4
Personnel expenses		
Wages and salaries	-72.0	-77.6
Social security expenses		
Pension expenses	-11.5	-13.5
Other social security expenses	-2.4	-2.4
	-85.8	-93.4
Depreciation and amortisation		
Depreciation according to plan	-30.4	-30.8
	-30.4	-30.8
Other operating expenses	-31.3	-31.5
Operating profit (loss)	-8.0	21.3
Financial income and expenses		
Other interest and financial income		
From others	0.0	0.0
Interest and other financial expenses		
To others	-0.4	-0.6
	-0.4	-0.5
Profit (loss) before appropriations and taxes	-8.4	20.8
Income taxes		
Taxes for the financial period	-1.0	-6.0
	-1.0	-6.0
Profit (loss) for the financial period	-9.4	14.7

Group balance sheet

EUR mill.	31.12.2020	31.12.2019
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	3.9	5.5
Intangible rights	37.8	33.0
Other intangible assets	6.0	9.4
Advance payments	6.8	3.5
	54.5	51.3
Tangible assets		
Land and water areas	0.0	0.0
Buildings and constructions	42.9	40.3
Machinery and equipment	57.0	43.5
Other tangible assets	13.9	1.9
Advance payments and construction in progress	11.1	11.6
	124.9	97.5
Total non-current assets	179.4	148.8
Current assets		
Long-term receivables		
Accrued income	3.1	3.6
	3.1	3.6
Short-term receivables		
Accounts receivable	7.5	8.0
Loans receivable	0.0	0.0
Other receivables	2.0	1.5
Accrued income	20.9	6.2
	30.4	15.7
Cash and cash equivalents	17.3	69.5
Total current assets	50.8	88.8
Total assets	230.1	237.6

Group balance sheet

EUR mill.	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
Equity		
Share capital	0.5	0.5
Reserve for invested unrestricted equity	154.8	154.8
Retained earnings	14.7	0.0
Result for the period	-9.4	14.7
Total equity	160.6	170.0
Provisions		
Other provisions	0.0	0.1
Other provisions total	0.0	0.1
Liabilities		
Non-current liabilities		
Loans from financial institutions	15.0	0.0
Deferred tax liabilities	2.4	1.3
Accruals and deferred income	4.2	12.7
Total non-current liabilities	21.5	14.1
Current liabilities		
Accounts payable	16.0	19.1
Other liabilities	3.7	4.2
Accruals and deferred income	28.3	30.0
Total current liabilities	48.0	53.3
Total equity and liabilities	230.1	237.6

Group cash flow statement

EUR mill.	1.1.2020–31.12.2020	19.9.2018–31.12.2019
Cash flow from operating activities		
Result before extraordinary items	-8.4	20.8
Adjustments for		
Depreciation according to plan	30.4	30.8
Other non-cash transactions	-0.1	-0.1
Financial income and expenses	0.4	0.5
Gains and losses on sale of non-current assets	-	-
Operating profit before changes in working capital	22.2	51.9
Changes in working capital		
Change in trade and other receivables	-14.2	-1.7
Change in inventories	-	-
Change in short-term liabilities	-11.8	25.3
Cash flow from operating activities before financial items and taxes	-3.8	75.6
Interest and financial expenses paid for operating activities	-0.4	-0.5
Interest received from operating activities	0.0	0.0
Income taxes paid	-2.2	-3.9
Cash flow from operating activities	-6.4	71.1
Cash flow from investing activities		
Investments in tangible and intangible assets	-61.7	-22.8
Proceeds from sale of tangible and intangible assets	-	-
Investments in subsidiaries	-	-
Investments in subsidiaries less acquired cash	0.9	26.1
Cash flow from investing activities	-60.8	3.3
Cash flow from financing activities		
Share issue	-	0.0
Withdrawal of long-term loans	15.0	-
Repayment of long-term loans	-	-5.0
Cash flow from financing activities	15.0	-5.0
Change in cash and cash equivalents	-52.2	69.5
Cash and cash equivalents at beginning of period	69.5	-
Change in cash and cash equivalents	-52.2	69.5
Cash and cash equivalents at end of period	17.3	69.5

Parent company income statement

EUR mill.	1.1.2020–31.12.2020	19.9.2018–31.12.2019
Revenue	140.1	147.5
Materials and services		
Purchases	0.0	0.0
External services	-131.2	-140.2
	-131.2	-140.2
Personnel expenses		
Wages and salaries	-3.3	-2.3
Social security expenses		
Pension expenses	-0.5	-0.3
Other social security expenses	-0.1	0.0
	-3.9	-2.7
Depreciation and amortisation		
Depreciation according to plan	-0.3	0.0
	-0.3	0.0
Other operating expenses	-4.4	-3.6
Operating profit (loss)	0.3	1.0
Financial income and expenses		
Other interest and financial income		
From others	0.0	0.0
Interest and other financial expenses		
To others	-0.2	-0.5
	-0.2	-0.5
Profit (loss) before appropriations and taxes	0.1	0.5
Appropriations		
Change in depreciation difference	0.0	0.0
Group contribution	-0.1	0.0
Income taxes		
Taxes for the financial period	0.0	-0.1
	0.0	-0.1
Profit (loss) for the financial period	0.0	0.4

Parent company balance sheet

EUR mill.	31.12.2020	31.12.2019
ASSETS		
Non-current assets		
Intangible assets		
Intangible rights	1.2	0.4
Advance payments	0.2	0.2
	1.4	0.6
Tangible assets		
Machinery and equipment	0.0	0.0
	0.0	0.0
Investments		
Holdings in Group companies	157.3	158.2
	157.3	158.2
Total non-current assets	158.7	158.8
Current assets		
Short-term receivables		
Accounts receivable	0.3	0.0
Receivables from Group companies	12.1	7.5
Other receivables	0.0	0.4
Accrued income	14.3	0.2
	26.7	8.2
Cash and cash equivalents	17.2	68.7
Total current assets	44.0	76.9
Total assets	202.7	235.8

Parent company balance sheet

EUR mill.	31.12.2020	31.12.2019
EQUITY AND LIABILITIES		
Equity		
Share capital	0.5	0.5
Reserve for invested unrestricted equity	154.8	154.8
Retained earnings	0.4	0.0
Result for the period	0.0	0.4
Total equity	155.7	155.7
Accumulated appropriations		
Accumulated depreciation difference	0.0	0.0
Total accumulated appropriations	0.0	0.0
Liabilities		
Non-current liabilities		
Loans from financial institutions	15.0	0.0
Total non-current liabilities	15.0	0.0
Current liabilities		
Accounts payable	1.4	1.9
Liabilities to Group companies	29.5	77.1
Other liabilities	0.1	0.1
Accruals and deferred income	0.9	1.0
Total current liabilities	32.0	80.1
Total equity and liabilities	202.7	235.8

Parent company cash flow statement

EUR mill.	1.1.2020–31.12.2020	19.9.2018–31.12.2019
Cash flow from operating activities		
Result before extraordinary items	0.1	0.5
Adjustments for		
Depreciation according to plan	0.3	0.0
Other non-cash transactions	0.0	-
Financial income and expenses	0.2	0.5
Gains and losses on sale of non-current assets	-	-
Operating profit before changes in working capital	0.6	1.0
Changes in working capital		
Change in trade and other receivables	-9.8	-8.2
Change in inventories	-	-
Change in short-term liabilities	13.0	3.8
Cash flow from operating activities before financial items and taxes	3.8	-3.3
Interest and financial expenses paid for operating activities	-0.4	-0.5
Interest received from operating activities	0.0	0.0
Other financial items from operating activities	-66.2	73.1
Income taxes paid	-0.1	-
Cash flow from operating activities	-62.9	69.3
Cash flow from investing activities		
Investments in tangible and intangible assets	-1.2	-0.5
Proceeds from sale of tangible and intangible assets	-	-
Investments in subsidiaries	-1.0	0.0
Payments made in connection with business acquisitions	29.6	-
Proceeds from business sales	-29.6	-
Cash flow from investing activities	-2.1	-0.5
Cash flow from financing activities		
Share issue	0.0	0.0
Withdrawal of long-term loans	15.0	-
Repayment of short-term loans	-1.5	-
Cash flow from financing activities	13.5	0.0
Change in cash and cash equivalents	-51.5	68.7
Cash and cash equivalents at beginning of period	68.7	-
Change in cash and cash equivalents	-51.5	68.7
Cash and cash equivalents at end of period	17.2	68.7

Notes to the financial statements

Valuation principles and methods of valuation

Non-current assets are valued at the acquisition cost less depreciation according to plan.

Current assets are valued at nominal value or at a lower probable value.

Liabilities are valued at nominal value.

Depreciation according to plan – principles and changes

The acquisition cost of the intangible and tangible assets has been decreased by depreciation according to plan. The depreciation according to plan has been calculated on a straight-line basis over the economic lifetimes of the assets. Depreciation starts at the month of deployment of the asset. The depreciation time of the assets are:

Goodwill	8–10 years
Intangible rights	5–15 years
Other intangible assets	5–15 years
Buildings and constructions	10–40 years
Machinery and equipment	3–15 years
Other tangible assets	15–30 years

The goodwill on consolidation is amortized in 10 years due to the long-term nature of business contracts, the economic life of

the fixed assets and the licensing practices of the operations. The goodwill that arose through the transfer of assets on 1 January 2019 is amortized in eight years based on existing business agreements.

Pensions

The mandatory pension cover of the employees has been arranged through a pension insurance company.

The comparability of the data from previous year

The reference period 2019 was the first financial period and it lasted 15 months. The length of the financial period does not affect the comparability of the figures since the group started its actual business in 2019. In 2018 only costs regarding the founding of the new companies incurred.

Calculation principles of the cash flow statement

The cash flow statement is based on the guidelines of the Accounting Board (KILA). The statement of cash flows is presented using the indirect method. The reduction of EUR 66.2 million in the cash pool accounts of the group (2019 an addition of EUR 72.5 million) has been presented in the cash flow statement in Other financial items from

operating activities. The parent company's cash pool accounts of the group debt to other group subsidiaries are distributed as follows:

	2020	2019
Fintraffic Road Ltd	-6.5	15.4
Fintraffic Vessel Traffic Services Ltd	4.5	8.1
Fintraffic Railway Ltd	5.5	23.2
Fintraffic Air Navigation Services Ltd	2.8	25.8
	6.3	72.5

Consolidation principles

The consolidated financial statements include all the subsidiaries. The consolidated financial statements are prepared based on the acquisition calculation method. The difference between acquisition cost of subsidiaries and the acquired share of the equity is presented as goodwill on consolidation. The goodwill on consolidation is depreciated in 10 years.

The group internal transactions, receivables and liabilities have been eliminated. The depreciation difference less deferred tax liability, a total of EUR 4.2 million is included in the equity.

Notes to the income statement

Revenue

The revenue of 2020 is improved by a regulation adjustment of EUR 5.0 million. During 2018 accumulated debt based on the SES legislation requirements is paid by lower en route charges and Helsinki Airport air navigation fees. The adjustment incorporates the traffic risk mechanism, inflation adjustment, capacity incentives as well as repayment of the EU subsidies. Adjustments possibly arising in 2020 have not been considered, since the handling of the performance plan (RP3) is still going on. Revenue of the financial year 2019 is decreased with a regulation adjustment of EUR 9.1 million.

EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Personnel expenses				
Management salaries and fees				
Chief Executive Officers	1.2	1.4	0.3	0.6
Members of the Board of Directors	0.4	0.4	0.2	0.2
Total	1.6	1.8	0.5	0.8
Average number of personnel				
During the financial year the company had on average				
Staff	1,125	1,091	36	16
Depreciation, amortisation and reduction in value				
Depreciation and amortisation according to plan:				
Goodwill	0.7	0.7	0.0	0.0
Intangible rights	9.8	7.9	0.3	0.0
Other intangible assets	3.9	5.0	0.0	0.0
Buildings and constructions	6.4	6.5	0.0	0.0
Machinery and equipment	9.3	10.6	0.0	0.0
Other tangible assets	0.3	0.0	0.0	0.0
Total	30.4	30.8	0.3	0.0
Auditor's fees				
Ernst & Young Oy				
Audit fees	0.1	0.1	0.0	0.0
Other services	0.1	0.2	0.1	0.2
Total	0.2	0.3	0.1	0.2
Group contribution				
Group contributions received			2.1	0.0
Group contributions made			-2.2	0.0
Total			-0.1	0.0
Income taxes				
Income taxes on operations	0.0	4.9	0.0	0.1
Income taxes from previous years	0.0	0.0	0.0	0.0
Change in deferred tax liability	1.0	1.1	0.0	0.0
Total	1.0	6.0	0.0	0.1

Notes to the assets

Intangible assets, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Goodwill				
Acquisition costs at the beginning of the financial period	0.7	0.0	0.0	
Goodwill on consolidation	5.5	0.0	0.0	0.0
Additions / reductions:				
Goodwill	0.0	0.7	0.0	0.0
Goodwill on consolidation	-0.9	5.5	0.0	0.0
Accumulated depreciations at the beginning of the financial period	-0.7	0.0		
Depreciation 01.01.–31.12. goodwill	-0.2	-0.2	0.0	0.0
Depreciation 01.01.–31.12. goodwill on consolidation	-0.5	-0.5	0.0	0.0
Book value 31.12.	3.9	5.5	0.0	0.0
Intangible rights				
Acquisition costs at the beginning of the financial period	40.9	0.0	0.4	0.0
Additions during the financial period	14.6	40.9	1.1	0.4
Acquisition cost 31.12.	55.5	40.9	1.5	0.4
Accumulated depreciation and reduction in value at the beginning of the financial period	-7.9	0.0	0.0	0.0
Depreciation 01.01.–31.12.	-9.8	-7.9	-0.3	0.0
Accumulated depreciation and reduction in value 31.12.	-17.7	-7.9	-0.3	0.0
Book value 31.12.	37.8	33.0	1.2	0.4
Other intangible assets				
Acquisition costs at the beginning of the financial period	14.4	0.0	0.0	0.0
Additions during the financial period	0.5	14.4	0.0	0.0
Acquisition cost 31.12.	14.9	14.4	0.0	0.0
Accumulated depreciation and reduction in value at the beginning of the financial period	-5.0	0.0	0.0	0.0
Depreciation 01.01.–31.12.	-3.9	-5.0	0.0	0.0
Accumulated depreciation and reduction in value 31.12.	-8.9	-5.0	0.0	0.0
Book value 31.12.	6.0	9.4	0.0	0.0
Advance payments for intangible assets				
Acquisition costs at the beginning of the financial period	3.5	0.0	0.2	0.0
Additions / deductions during the financial period	3.3	3.5	0.0	0.2
Book value 31.12.	6.8	3.5	0.2	0.2
Intangible assets total	54.5	51.3	1.4	0.6

The table continues on the next page.

Tangible assets, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Land and water areas				
Acquisition costs at the beginning of the financial period	0.0	0.0	0.0	0.0
Additions during the financial period	0.0	0.0	0.0	0.0
Book value 31.12.	0.0	0.0	0.0	0.0
Buildings and constructions				
Acquisition costs at the beginning of the financial period	46.8	0.0	0.0	0.0
Additions during the financial period	9.0	46.8	0.0	0.0
Acquisition cost 31.12.	55.8	46.8	0.0	0.0
Accumulated depreciation and reduction in value at the beginning of the financial period	-6.5	0.0	0.0	0.0
Depreciation 01.01.–31.12.	-6.4	-6.5	0.0	0.0
Accumulated depreciation and reduction in value 31.12.	-12.9	-6.5	0.0	0.0
Book value 31.12.	42.9	40.3	0.0	0.0
Machinery and equipment				
Acquisition costs at the beginning of the financial period	54.2	0.0	0.0	0.0
Additions during the financial period	22.8	54.2	0.0	0.0
Deductions during financial period	0.0	-0.1	0.0	0.0
Acquisition cost 31.12.	76.9	54.2	0.0	0.0
Accumulated depreciation and reduction in value at the beginning of the financial period	-10.6	0.0	0.0	0.0
Depreciation 01.01.–31.12.	-9.3	-10.6	0.0	0.0
Accumulated depreciation and reduction in value 31.12.	-19.9	-10.6	0.0	0.0
Book value 31.12.	57.0	43.5	0.0	0.0
Other tangible assets				
Acquisition costs at the beginning of the financial period	1.9	0.0	0.0	0.0
Additions during the financial period	12.3	1.9	0.0	0.0
Acquisition cost 31.12.	14.2	1.9	0.0	0.0
Accumulated depreciation and reduction in value at the beginning of the financial period	0.0	0.0	0.0	0.0
Depreciation 01.01.–31.12.	-0.3	0.0	0.0	0.0
Accumulated depreciation and reduction in value 31.12.	-0.3	0.0	0.0	0.0
Book value 31.12.	13.9	1.9	0.0	0.0
Advance payments and construction in progress				
Acquisition costs at the beginning of the financial period	11.6	0.0	0.0	0.0
Additions / deductions during the financial period	-0.6	11.6	0.0	0.0
Book value 31.12.	11.1	11.6	0.0	0.0
Tangible assets total	124.9	97.5	0.0	0.0

Investments, EUR mill.	Parent company 31.12.2020	Parent company 31.12.2019
Shares in Group companies		
Acquisition costs at the beginning of the financial period	158.2	0.0
Additions / deductions	-0.9	158.2
Acquisition costs at the end of the financial period	157.3	158.2
Book value 31.12.	157.3	158.2
Ownership in other companies		
	Group share of ownership %	Parent company share of ownership %
Group Companies		
Fintraffic Air Navigation Services Ltd, Vantaa	100	100
Fintraffic Road Ltd, Helsinki	100	100
Fintraffic Vessel Traffic Services Ltd, Helsinki	100	100
Fintraffic Railway Ltd, Helsinki	100	100
Finlogic Oy, Helsinki	100	0
Receivables, EUR mill.		
	Parent company 31.12.2020	Parent company 31.12.2019
Short-term receivables		
Receivables from group companies		
Accounts receivable	1.8	0.9
Other receivables	10.3	6.6
	12.1	7.5

The Group other receivables include the balance of the group's cash pool accounts of EUR 6.5 million.

Receivables from others, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Accounts receivable	7.5	8.0	0.3	0.0
Other receivables	2.0	1.5	0.0	0.4
Prepayments and accrued income	24.0	9.9	14.3	0.2
Total	33.5	19.3	14.6	0.6
Short-term receivables total	33.5	19.3	26.7	8.2

Accrued income, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Accrued income from net sales	15.6	4.4	14.3	0.0
Contributions and subsidies	6.8	3.8	0.0	0.0
Receivables from occupational health care	0.4	0.4	0.0	0.0
Taxes	0.0	0.2	0.0	0.0
Other	1.1	1.0	0.0	0.2
Total	24.0	9.9	14.3	0.2

Notes to the equity and liabilities

Equity, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Restricted equity				
Share capital at the beginning of the financial period	0.5	0.0	0.5	0.0
Share issue 1.10.2018	0.0	0.0	0.0	0.0
Share issue 1.1.2019	0.0	0.5	0.0	0.5
Share capital at the end of the financial period	0.5	0.5	0.5	0.5
Unrestricted equity				
Reserve for invested unrestricted equity at the beginning of the financial period	154.8	0.0	154.8	0.0
Addition 4.10.2018	0.0	0.0	0.0	0.0
Share issue 1.1.2019	0.0	154.8	0.0	154.8
Reserve for invested unrestricted equity at the end of the financial period	154.8	154.8	154.8	154.8
Retained earnings	14.7	0.0	0.4	0.0
Profit (loss) for the financial period	-9.4	14.7	0.0	0.4
Retained earnings at the end of the financial period	5.3	14.7	0.4	0.4
Equity total	160.6	170.0	155.7	155.7
Distributable equity				
Retained earnings	14.7	0.0	0.4	0.0
Profit (loss) for the financial period	-9.4	14.7	0.0	0.4
Reserve for invested unrestricted equity	154.8	154.8	154.8	154.8
Total	160.1	169.5	155.2	155.2

The amount of company shares by share class and the main orders of the bye-laws concerning each share

	2020	2019
The share capital is divided by share class as follows:		
Shares (1 vote/share)	6,210,388	6,210,388
Total	6,210,388	6,210,388

Shares have an equal right to dividends and company assets.

Provisions, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Provisions				
Other provisions	0.0	0.1	0.0	0.0

A EUR 0,1 million reservation relating to a business acquisition was included in a subsidiary at the beginning of the financial period. During the financial period this amount has been decreased by EUR 0.1 million and reversed from the reserves by EUR 0.1 million.

Non-current liabilities, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Non-current liabilities				
Payables to others				
Loans from financial institutions	15.0	0.0	15.0	0.0
Accrued expenses	4.2	12.7	0.0	0.0
Total	19.2	12.7	15.0	0.0

Payables falling due after more than five years	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Accruals and deferred income-regulation adjustment	4.2	4.3	0.0	0.0
	4.2	4.3	0.0	0.0

The portion of the over five-year-maturity of the regulation adjustments is connected to the client refunds of EU investment subsidies.

Deferred tax liabilities				
From appropriations	2.4	1.3		
Total	2.4	1.3		

The appropriations consist of accumulated depreciation difference.

Current liabilities, EUR mill.	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Payables to others				
Accounts payable	16.0	19.1	1.4	1.9
Other liabilities	3.7	4.2	0.1	0.1
Accrued expenses and deferred income	28.3	30.0	0.9	1.0
Total	48.0	53.3	2.5	2.9

Amounts owed to group companies	Parent company 31.12.2020	Parent company 31.12.2019
Accounts payable	0.0	1.1
Accrued expenses	14.5	0.2
Other liabilities	15.0	74.0
Share subscription liability	0.0	1.9
Total	29.5	77.1

The balance of the group's cash pool accounts EUR 12.8 million is presented in Other liabilities.

Essential items in accrued expenses and deferred income:	Group 31.12.2020	Group 31.12.2019	Parent company 31.12.2020	Parent company 31.12.2019
Wages and social security expenses	16.9	19.4	0.8	0.7
Interests	0.0	0.0	0.0	0.0
Taxes	0.0	2.0	0.0	0.1
Regulation liability	8.6	5.0	0.0	0.0
Other	2.8	3.7	0.2	0.1
Total	28.3	30.0	0.9	1.0

Commitments and contingencies, EUR mill.	Group 2020	Group 2019	Parent company 2020	Parent company 2019
Leasing contracts				
Payables from leasing contracts				
Payables next financial year	0.6	0.8	0.0	0.0
Payables later	1.1	1.1	0.1	0.0
Total	1.7	1.9	0.1	0.0
Other contingent liabilities				
Payables next financial year	25.0	26.1	0.0	0.0
Payables in further financial years	15.7	13.9	0.0	0.0
Total	40.7	40.0	0.0	0.0
Fixed-term rental agreements				
Payables next financial year	2.8	2.2	0.0	0.0
Payables later	11.3	13.0	0.0	0.0
Total	14.1	15.2	0.0	0.0
Pension obligations				
Obligations to supplementary pensions	0.3	0.3	0.0	0.0
Total	0.3	0.3	0.0	0.0
Rental commitments, deposits and other guarantees				
Guarantee deposits	0.0	0.2	0.0	0.0
Rental guarantees	0.1	0.1	0.0	0.0
Bank guarantees	1.2	0.0	1.2	0.0
Total	1.4	0.3	1.2	0.0

In 2021, a business transaction like the one completed in 2020, is planned with the State and its representative, Finnish Transport Infrastructure Agency and the group's parent company Traffic Management Company Fintraffic Ltd. The value of the transaction has been very tentatively estimated to approximately EUR 34 million, the estimate will be updated during 2021. In addition, a similar business transaction is to be made with the parent company and Fintraffic Road Ltd, the subsidiary responsible for road traffic control. The largest assets to be transferred is the traffic control and management for the tunnels on the Highway 12 Lahti Southern Ring Road, which is valued at about EUR 21 million.

Financing

At the end of 2020, the group has withdrawn a total of EUR 15 million worth of bank loans. The group has credit facilities for financing of investments and working capital totaling EUR 154 million. Uncommitted long-term facilities represent EUR 30 million and committed long-term facilities EUR 100million. The group raised in December 2020 bank credit totaling EUR 15 million related to the business acquisition. In addition, the group has EUR 20 million in cheque account overdraft facilities and approximately EUR 4 million in lease financing limits.

Transactions with related parties

The majority of the group's turnover consists of invoicing of Finnish Transport Infrastructure Agency.

Transactions between group companies and the group's related parties have similar terms to transactions with other parties.

During the financial year, the parent company has acquired fixed assets represented in intangible assets, from subsidiaries worth EUR 0.5 million euros.

Signatures for the Financial statements 31.12.2020

Helsinki, 5 March 2021

Seija Turunen
Chairman of the Board of Directors

Sauli Eloranta
Member of the Board of Directors

Juha Majanen
Member of the Board of Directors

Kirsi Nuotto
Member of the Board of Directors

Teemu Penttilä
Member of the Board of Directors

Katriina Vainio
Member of the Board of Directors

Pertti Korhonen
CEO

The Auditor's note

A report on the audit has been issued today.

Helsinki, 5 March 2021

Ernst & Young Oy, Authorized Public Accountant Firm
Mikko Rytilahti, APA, CPFA

Auditor's report (Translation of the Finnish original)

TO THE ANNUAL GENERAL MEETING OF TRAFFIC MANAGEMENT COMPANY FINTRAFFIC LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Traffic Management Company Fintraffic Ltd (business identity code 2942108-7) (former Traffic Management Finland Ltd) for the year ended 31 December, 2020. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our

report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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 financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in ag-

gregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated finan-

cial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in 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. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 5.3.2021

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant,
Chartered Public Finance Auditor

