

LAHTI

FINANCIAL STATEMENTS 2019 SUMMARY

CITY OF LAHTI



LAHTI

**FINANCIAL STATEMENTS
2019
SUMMARY**

City Board 30.3.2020

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KEY OPERATIONAL AND FINANCIAL EVENTS

MAYOR'S REVIEW

Lahti is aiming to grow as a bold, business-friendly and eco-friendly city. Becoming a university city has made Lahti a more dynamic and vibrant place. Lahti's quest to become carbon-neutral by 2025 is an ambitious goal by global standards. Lahti has all the tools to become a progressive and innovative city with a real community spirit in the 2020s.

Sights set on European Green Capital status

On 20 June 2019, Lahti became the first city in Finland to be nominated the European Green Capital. The European Commission's Green Capital Award is granted to cities with a track record of pioneering environmental action and developing innovative solutions that can be used by all cities to tackle the environmental challenges we all face. The selection of Lahti is important both from a regional, national and international aspect.

Lahti will become carbon neutral as early as in 2025 as the first major city in Finland. In April 2019, Lahti performed a U-turn with regard to energy by stopping the use of coal. Lahti is spending approximately EUR 180 million on the new bioenergy plant of Lahti Energia Oy.

An attractive city with holding power

The population of Lahti is currently around 120,000. The population growth has slowed down, and Lahti is competing for residents with other major urban areas. The key factors are new companies and jobs, a pleasant city centre and diverse residential environments.

The importance of the attractive, developing city centre has grown. In October 2019, the city council of Lahti unanimously approved the alteration of the city plan for the Ranta-Kartano area. Not a single complaint was lodged regarding the plan – the result of participatory urban planning.

Ranta-Kartano connects the urban centre to the Vesijärvi waterfront area. There are residential blocks, a hotel and a water sports centre under construction in the parking lot of the old

bus station. Distinctive and energy-efficient, the design of Ranta-Kartano is based on the construction of urban centres.

Lahti's nuclear centre is also spreading to the Radanvarsi area. The new residential area provides commuters with the option of living in a city centre for less than what you would pay in the Helsinki metropolitan area and still be able to reach the capital region in less than an hour.

Financial challenges and investments in service provision

For municipal economies, 2019 was a tough year throughout Finland. Lahti's revenues took a clear nosedive compared to the previous year. That said, the city's bottom line was more than EUR 10 million more positive than budgeted. The annual margin was around EUR 26 million, with the result of the financial year clearly negative. Lahti was able to adapt its operations. The tax revenues, which were lower than anticipated – partly due to the government's actions – were covered by savings in operational economy and an overshoot of the operating income.

The greatest single factor influencing Lahti's financial performance was the exceeding of the share of payment of Päijät-Hämeen hyvinvointiyhtymä (PHHYKY). PHHYKY has launched a wide-scale programme to improve its operations and finances.

The investments of the City of Lahti continue to be at a high level, more than EUR 100 million. Lahti is building new community centres, which will change the way things are done and improve the level of services. One of the most interesting new destinations is the art, design and poster museum, which will be opened in the old Mallasjuoma property in 2021. The biggest municipal engineering construction site is the ring road to the south of Lahti, which will be finished in 2020.

Mayor
Pekka Timonen

CITY OF LAHTI STATEMENTS
PROFIT AND LOSS STATEMENT

CITY OF LAHTI PROFIT AND LOSS STATEMENT	1.1.-31.12.2019	1.1.-31.12.2018
Income from operations		
Sales revenue	23,865,714.58	22,307,721.74
Revenue from fees	16,825,537.93	16,549,928.31
Aid and assistance	8,168,949.35	9,149,229.05
Rent revenue	30,366,100.85	30,289,277.92
Other income from operations	14,056,587.64	12,976,557.95
	<u>93,282,890.35</u>	<u>91,272,714.97</u>
Production for own use	997,562.54	1,340,847.44
Operating expenses		
Personnel expenses		
Salaries and fees	-123,291,528.47	-119,361,398.81
Social security expenses		
Pension expenses	-34,692,517.49	-35,580,957.01
Other social security	-3,838,935.61	-4,323,153.26
Services purchased	-504,871,361.03	-479,685,734.16
Materials, supplies, and goods	-15,826,627.60	-16,220,153.72
Assistance and subsidies	-40,755,131.82	-37,607,062.59
Other operating expenses	-22,480,852.01	-22,046,387.62
	<u>-745,756,954.03</u>	<u>-714,824,847.17</u>
Operating margin	-651,476,501.14	-622,211,284.76
Tax revenue	475,355,719.56	465,138,991.43
State aid	193,870,635.00	191,367,148.00
Financial income and expenses		
Interest income	8,477,921.96	9,134,667.46
Other financial income	18,932,775.29	15,908,621.55
Interest paid	-13,116,980.13	-13,025,898.51
Other financial expenses	-5,600,601.49	-643,518.95
Total financial income/expenses	<u>8,693,115.63</u>	<u>11,373,871.55</u>
Annual margin	26,442,969.05	45,668,726.22
Depreciation and write-downs		
Planned depreciation	-44,882,789.55	-45,125,464.27
Write-downs	-3,043,773.09	-21,164.55
	<u>-47,926,562.64</u>	<u>-45,146,628.82</u>
Extraordinary items		
Extraordinary incomes	941,263.68	0.00
Extraordinary expenses	0.00	0.00
	<u>941,263.68</u>	<u>0.00</u>
Result for the financial year	-20,542,329.91	522,097.40
Increase(-)/decrease(+) in depreciation	227,061.39	227,061.39
Increase(-)/decrease(+) in funds	0.00	-115,268.50
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR	-20,315,268.52	633,890.29

CASH FLOW STATEMENT

CITY OF LAHTI CASH FLOW STATEMENT (all figures are in euros)

	2019	2018
Cash flow from operations		
Annual margin	26,442,969.05	45,668,726.22
Extraordinary items	941,263.68	0.00
Adjustment to retained earnings	<u>-1,428,318.84</u>	<u>-5,038,513.01</u>
	25,955,913.89	40,630,213.21
Cash flow from investments		
Investment expenses	-102,365,324.28	-117,710,613.98
Financial contribution toward investments expenses	627,626.49	652,989.45
Revenue from sale of fixed assets	<u>9,595,382.97</u>	<u>15,606,213.10</u>
	-92,142,314.82	-101,451,411.43
Cash flow from operations and investments	-66,186,400.93	-60,821,198.22
Financing cash flow		
Change in lending		
Increase in loan receivables	-54,850,000.00	-37,693,000.00
Decrease in loan receivables	<u>40,291,470.71</u>	<u>35,838,359.62</u>
	-14,558,529.29	-1,854,640.38
Change in borrowing		
Increase in long-term debt	90,000,000.00	110,000,000.00
Decrease in long-term debt	-44,601,000.00	-61,600,000.00
Change in short-term debt	<u>-771,193.69</u>	<u>-6,254,679.99</u>
	44,627,806.31	42,145,320.01
Other changes in liquidity		
Change in assignment assets and capital	209,027.38	-457,644.26
Change in current assets	36,838.44	15,912.52
Change in receivables	-16,174,173.48	-7,399,748.53
Change in non-interest-bearing debt	<u>4,310,302.61</u>	<u>10,765,891.94</u>
	-11,618,005.05	2,924,411.67
Financing cash flow	18,451,271.97	43,215,091.30
Change in liquid assets	-47,735,128.96	-17,606,106.92
Change in liquid assets		
Liquid assets 31.12.	40,300,906.90	88,036,035.86
Liquid assets 1.1.	<u>88,036,035.86</u>	<u>105,642,142.78</u>
	-47,735,128.96	-17,606,106.92

BALANCE SHEET**CITY OF LAHTI BALANCE SHEET (all figures are in euros)**

ASSETS	2019	2018
LONG-TERM ASSETS		
Intangible assets		
Intangible rights	43,733.95	3,384.37
Other long-term expenditure	4,737,904.46	5,614,974.53
Advance payments and work in progress	<u>812,228.39</u>	<u>0.00</u>
	5,593,866.80	5,618,358.90
Tangible assets		
Land and water areas	133,209,475.65	134,337,075.07
Buildings	279,784,219.59	270,308,609.10
Fixed structures and equipment	188,773,193.24	186,237,691.67
Machinery and equipment	3,324,243.07	3,657,429.83
Other tangible assets	54,665.39	55,749.16
Advance payments and work in progress	<u>106,758,410.02</u>	<u>65,357,233.68</u>
	711,904,206.96	659,953,788.51
Investments		
Stock and shares	204,832,281.09	205,137,717.28
Other loan receivables	<u>478,109,360.54</u>	<u>463,550,831.25</u>
	682,941,641.63	668,688,548.53
ASSIGNMENT ASSETS		
Special margins for donation funds	<u>187,786.24</u>	<u>247,786.24</u>
	187,786.24	247,786.24
SHORT-TERM ASSETS		
Current assets		
Materials and supplies	30,910.53	67,748.97
Receivables		
Long-term receivables		
Accounts receivable	540,152.58	443,823.04
Loan receivables	14,902,536.60	16,428,943.61
Other receivables	496,000.00	651,000.00
Short-term receivables		
Accounts receivable	5,319,393.31	7,639,324.65
Loan receivables	50,419,183.73	31,045,645.03
Other receivables	3,340,817.44	3,291,739.95
Deferred assets	<u>8,152,229.81</u>	<u>7,495,663.71</u>
	83,170,313.47	66,996,139.99
Marketable securities		
Stock and shares	<u>6,496,021.78</u>	<u>39,479,140.74</u>
	6,496,021.78	39,479,140.74
Cash and bank receivables	33,804,885.12	48,556,895.12
TOTAL ASSETS	1,524,129,632.53	1,489,536,066.20

LIABILITIES	2019	2018
EQUITY		
Original capital	437,196,267.29	437,196,267.29
Revaluation reserve	80,009.68	80,009.68
Other own reserves	10,560,636.82	10,560,636.82
Surplus from previous financial years	151,719,005.81	151,085,115.52
Surplus (deficit) for the financial year	<u>-20,315,268.52</u>	<u>633,890.29</u>
	579,240,651.08	599,555,919.60
DEPRECIATION DIFFERENCE AND VOLUNTARY RESERVES		
Depreciation difference	1,315,452.77	1,542,514.16
STATUTORY RESERVES		
Pension reserves	3,664,200.00	4,328,600.00
Other statutory reserves	<u>9,349,725.94</u>	<u>2,636,566.00</u>
	13,013,925.94	6,965,166.00
ASSIGNMENT CAPITAL		
Donation fund capital	<u>2,888,815.39</u>	<u>2,739,788.01</u>
	2,888,815.39	2,739,788.01
EXTERNAL CAPITAL		
Long-term		
Debentures	60,000,000.00	0,00
Loans from financial and insurance institutions	704,750,000.00	715,050,000.00
Other loans	20,000.00	65,805.60
Deferred liabilities	<u>3,652,996.45</u>	<u>5,643,188.54</u>
	768,422,996.45	720,758,994.14
Short-term		
Loans from financial and insurance institutions	40,300,000.00	44,600,000.00
Other loans	36,719,538.16	37,445,926.25
Advances received	1,194,085.36	976,502.05
Accounts payable	45,715,002.44	39,509,458.30
Other debt	2,773,166.86	2,513,764.60
Deferred liabilities	<u>32,545,998.08</u>	<u>32,928,033.09</u>
	159,247,790.90	157,973,684.29
TOTAL LIABILITIES	1,524,129,632.53	1,489,436,066.20

CITY OF LAHTI KEY FIGURES

CITY OF LAHTI

KEY FIGURES	2019	2018
Profit and loss statement key figures		
Operating income/Operating expense, %	12.5 %	12.8 %
Annual margin/Depreciation, %	55.2 %	101.2 %
Annual margin, in euros/resident	221	381
Inhabitants*	119,875	119,951
Number of staff	3,626	3,573
Cash flow statement key figures		
Accrued cash flow from operations and investments over 5 years, in euros	-158,319,180	-115,620,642
Internal financing of investments, %	26.0 %	39.0 %
Debt coverage ratio	0.7	0.8
Deferred loan servicing margin	0.3	0.5
Cash sufficiency, days	15.2	34
Balance sheet key figures		
Solvency ratio, %	38.1 %	40.4 %
Relative indebtedness, %	121.5 %	117.4 %
Accrued surplus/deficit, in 1 000 euros	131,403,737	151,719,006
Accrued surplus/deficit, in euros/resident	1,096	1,265
Debt, in euros/resident	7,022	6,646
Total borrowing	841,789,538	797,161,732
Total borrowing as of 31.12., 1 000 euros	841,790	797,162
Loans and rental liabilities, 31 December	926,233,445	862,412,809
Loans and rental liabilities, €/resident	7,727	7,190
Loan receivables as of 31.12., 1 000 euros	478,109	463,551

LAHTI-GROUP STATEMENTS**PROFIT AND LOSS STATEMENT**

LAHTI-GROUP

	1.1.–31.12.2019	1.1.–31.12.2018
Income from operations	616,971,448.92	630,994,670.08
Operating expenses	-1,177,824,246.20	-1,145,545,970.52
Share in profit (loss) of affiliated entities	-9,335.80	-11,444.66
OPERATING MARGIN	-560,862,133.09	-514,562,745.10
Tax revenue	471,650,086.97	460,249,394.56
State aid	229,519,486.34	225,412,936.45
<u>Financial income and expenses</u>		
Interest income	511,503.93	1,738,259.76
Other financial income	6,813,670.33	2,162,468.16
Interest paid	-20,120,991.15	-19,083,121.97
Other financial expenses	-4,002,972.23	-1,036,986.90
Total financial income/expenses	-16,798,789.11	-16,219,380.96
ANNUAL MARGIN	123,508,651.11	154,880,204.95
<u>Depreciation and write-downs</u>		
Planned depreciation	-114,652,915.71	-127,474,562.71
Ownership elimination difference	-2,252,663.19	-184,791.23
Write-downs	-453,244.23	-21,396.95
Depreciation and write-downs	-117,358,823.13	-127,680,750.89
Extraordinary items	-414,910.40	3,105,976.68
RESULT FOR THE FINANCIAL YEAR	5,734,917.58	30,305,430.74
Adjustments	-2,950.98	-121,949.42
Income taxes paid from operations	-5,493,295.88	-6,640,165.82
Deferred taxes paid from operations	-2,396,964.12	-3,618,637.73
Minority interest	-893,665.83	-43,302.99
SURPLUS FOR THE FINANCIAL YEAR	-3,051,959.22	19,881,374.77

CASH FLOW STATEMENT

LAHTI-GROUP

CASH FLOW STATEMENT	1.1.2019-31.12.2019	1.1.2018-31.12.2018
Cash flow from operations		
ANNUAL MARGIN	123,508,651.11	154,880,204.95
Extraordinary items	-414,910.40	3,105,976.68
Taxes	-5,493,295.88	-6,640,165.82
Adjustment to retained earnings	-3,971,927.83	-23,191,384.83
	113,628,517.00	128,154,630.97
Cash flow from investments		
Investment expenses	-253,955,573.64	-273,024,862.99
Financial contribution toward investment ex- penses	627,626.49	652,989.45
Revenue from sale of fixed assets	41,846,158.10	43,411,772.46
Cash flow from investments	-211,481,789.06	-228,960,101.08
Cash flow from operations and investments	-97,853,272.06	-100,805,470.11
Financing cash flow		
<u>Change in lending</u>		
Increase in loan receivables	-25,331.35	-161,300.00
Decrease in loan receivables	544,161.22	569,862.79
Change in lending	518,829.87	408,562.79
<u>Change in borrowing</u>		
Increase in long-term debt	95,691,005.82	171,747,608.93
Decrease in long-term debt	-64,160,740.57	-80,939,404.31
Change in short-term debt	15,696.65	-27,422,269.49
Change in borrowing	31,545,961.90	63,385,935.13
<u>Change in equity</u>		
Change in equity	0.00	-501,342.19
Change in minority interest	-62,160.01	-1,587,648.63
	-62,160.01	-2,088,990.82
<u>Other changes in liquidity</u>		
Change in assignment assets and capital	-56,945.71	-324,523.55
Change in current assets	5,667,352.00	6,441,279.21
Change in receivables	-1,459,120.11	10,731,951.12
Change in non-interest-bearing debt	-3,979,970.72	7,486,268.48
	171,315.45	24,334,975.26
Financing cash flow	32,173,947.22	86,040,482.36
Change in liquid assets	-65,679,324.84	-14,764,987.75
Liquid assets at end of period	78,156,761.45	143,836,086.29
Liquid assets 1.1.	143,836,086.29	158,601,074.07
Change in liquid assets	-65,679,324.84	-14,764,987.78
Cash flow statement key figures		
Accrued cash flow from operations and invest- ments over 5 years, 1 000 euros	-349,659	-284,164
Internal financing of investments, %	48.8 %	56.9 %
Debt coverage ratio	1.7	1.7
Deferred loan servicing margin	0.8	1.1
Cash sufficiency, days	18.7	34.4

BALANCE SHEET

(all figures are in euros)

LAHTI-GROUP

BALANCE SHEET	31.12.2019	31.12.2018
ASSETS		
LONG-TERM ASSETS		
<u>Intangible assets</u>		
Intangible rights	8,081,780.40	9,331,329.50
Other long-term expenditure	8,560,951.24	10,329,983.83
Advance payments and work in progress	1,650,291.11	272,919.28
Intangible assets	18,293,022.75	19,934,232.61
<u>Tangible assets</u>		
Land and water areas	151,932,665.31	150,844,941.79
Buildings	783,631,331.36	783,062,028.01
Fixed structures and equipment	387,590,944.40	381,479,866.38
Machinery and equipment	144,553,389.09	154,291,049.04
Other tangible assets	3,323,828.49	3,234,966.70
Advance payments and assets under construction	319,802,814.21	216,196,797.39
Tangible assets	1,790,834,972.86	1,689,109,649.31
<u>Investments</u>		
Stock and shares in affiliated entities	1,437,747.35	303,769.24
Other stock and shares and revaluation of shares	96,368,740.74	96,234,671.02
Other loan receivables	23,246,540.54	23,790,701.76
Other receivables	108,331.94	83,000.60
Investments	121,161,360.57	120,412,142.61
LONG-TERM ASSETS	1,930,289,356.18	1,829,456,024.54
ASSIGNMENT RESERVES	373,755.13	906,606.84
SHORT-TERM ASSETS		
Current assets	10,610,677.24	16,278,029.23
Long-term receivables	6,050,899.10	7,148,144.48
Short-term receivables	91,847,488.64	89,350,809.17
Receivables	97,898,387.74	96,498,953.66
Marketable securities	12,362,909.95	48,781,179.94
Cash and bank receivables	65,793,851.50	95,054,906.35
SHORT-TERM ASSETS	186,665,826.43	256,613,069.18
ASSETS	2,117,328,937.73	2,086,975,700.56

LAHTI-GROUP

BALANCE SHEET	31.12.2019	31.12.2018
LIABILITIES		
EQUITY		
Original capital	437,196,267.29	437,196,267.29
Original capital of associations and foundations	12,614.10	74,002.69
Revaluation reserve	1,447,279.39	2,046,398.87
Other own reserves	11,771,983.69	11,979,816.33
Surplus (deficit) from previous periods	180,014,923.54	160,133,548.78
Surplus (deficit) for the financial year	-3,051,959.22	19,881,374.77
EQUITY	627,391,108.79	631,311,408.72
MINORITY INTERESTS	13,227,088.26	12,347,398.53
CONSOLIDATION DIFFERENCE	0.00	0.00
<u>STATUTORY RESERVES</u>		
Pension reserves	3,664,200.00	4,328,600.00
Other statutory reserves	19,755,741.35	15,015,827.26
STATUTORY RESERVES	23,419,941.35	19,344,427.26
ASSIGNMENT CAPITAL	4,247,538.63	4,837,336.06
EXTERNAL CAPITAL		
Long-term interest-bearing debt	1,130,328,644.39	1,097,740,273.54
Long-term non-interest-bearing debt	69,453,805.27	66,716,590.63
Short-term interest-bearing debt	62,621,695.23	63,664,104.19
Short-term non-interest-bearing debt	186,639,115.78	191,014,161.61
EXTERNAL CAPITAL	1,449,043,260.67	1,419,135,129.97
LIABILITIES	2,117,328,937.69	2,086,975,700.54

LAHTI GROUP KEY FIGURES

KEY FIGURES	2019	2018
Profit and loss statement key figures		
Operating income/Operating expense, %	52.4 %	55.1 %
Annual margin/Depreciation, %	107.3 %	121.5 %
Annual margin, in euros/resident	1,030	1,291
Inhabitants*	119,875	119,951
Number of staff	9,573	9,700
Cash flow statement key figures		
Accrued cash flow from operations and investments over 5 years, 1 000 euros	-349,659	-284,164
Internal financing of investments, %	48.8 %	56.9 %
Debt coverage ratio	1.7	1.7
Deferred loan servicing margin	0.8	1.1
Cash sufficiency, days	18.7	34.4
Balance sheet key figures		
Solvency ratio, %	30.4 %	30.9 %
Relative indebtedness, %	109.4 %	107.3 %
Accrued surplus/deficit, in 1 000 euros	176,963	180,015
Accrued surplus/deficit, in euros/resident	1,476	1,501
Loans and rental liabilities, 31 December	1,524,724	1,161,404
Loans and rental liabilities, €/resident	12,719	9,682
Total borrowing as of 31.12., 1 000 euros	1,192,950	1,161,404
Total borrowing as of 31.12., in euros/resident	9,952	9,682
Loan receivables as of 31.12., 1 000 euros	23,247	23,791

* 2019 population based on Statistics Finland's estimate; the 2018 figure is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the preparation of the financial statements

Valuation principles and methods; allocation principles and methods

Valuation of fixed assets

Tangible and intangible fixed assets have been reported at acquisition cost less planned depreciation and financial contribution received towards investment expenses. The planned depreciations have been calculated according to a depreciation plan prepared in advance. The calculation of planned depreciations and their bases are described in the notes to the profit and loss statement under "Bases of planned depreciations."

Valuation of investments

Investments in fixed assets are valued at acquisition cost or lower. The valuation is based on the future income likely to be accrued from the asset or its value in service production.

Valuation of current assets

Current assets are valued at the weighted average cost price or likely acquisition cost or likely sale price, whichever is lower.

Valuation of financial assets

Receivables are valued at their nominal or likely value, whichever is lower. Financial securities are valued at their acquisition cost or likely sales price, whichever is lower.

Treatment of derivative contracts

Derivative contracts are used to manage the interest rate risk of borrowing with the purpose of offsetting the impact of changes in interest rates, predicting cash flows and lowering the interest cost. Derivative contracts include interest rate swaps, interest rate and currency swaps and interest rate swaps with a right to extend, where the City of Lahti is the seller of the right of option. The maximum duration of derivative contracts extends to 2055. Some of the derivative contracts form entities, which include an interest swap agreement and a closely related option agreement with a right of continuation, the terms and conditions of which are interdependent.

All derivative contracts have been entered into with the purpose of hedging the City's current or future borrowings. On the basis of the new guidelines pertaining to the financial statements and accounting practices of derivative contracts, an interest swap agreement due to enter into force in the distant future for which there is no loan with corresponding terms at the time of the financial statements, has been classified in the financial statements as non-protective and, in addition to

presenting it in the appendices, the negative market value of the agreement has been entered in mandatory provisions in accordance with the prudence principle. The City of Lahti will specify other agreements as protective in the financial statements and only present them in the appendices to the financial statements.

Based on the interest and exchange contract, the SEK borrowing has been converted into EUR. Based on the exchange contract, the exchange rates have been fixed to both the withdrawal date and due date of the loan, so there is no exchange rate risk.

Allocation principles

Revenue and expenditure are reported on an accrual basis. In contrast, tax revenue is reported based on the time of payment during the financial year, and interest income on the subordinated loans granted to the following company:

- Kuntien Tiera Oy, in 2019, EUR 12,673.61, in total EUR 73,645.83
- Lahden Työn Paikka Oy, in 2019, EUR 30,416.67, in total EUR 103,333.33
- Kiinteistö Oy Lahden Varaani, in 2019, EUR 1,025.94, in total EUR 17,646.28

Treatment of subsidies

Financial assistance received for the acquisition of fixed tangible assets is recorded as a deduction of the acquisition price of the asset in question.

Handling of an error pertaining to previous financial years in the financial statements

The following items have been corrected in the financial year's financial statements

- The sale of land property that was not dissolved in connection with the Lahti–Nastola municipal merger was EUR 0.072 million, with a short-term debt of EUR 0.296 million.
- Adjustment of the family care member municipality invoicing of EUR 1.1 million.
- Adjustment of the emergency care member municipality invoicing of EUR 0.106 million between 2010 and 2017.

The adjustments have been entered in the previous financial years' surplus, and the reference data have also been adjusted accordingly.

NOTES TO THE PROFIT AND LOSS STATEMENT

CITY OF LAHTI	12/2019	12/2018
OPERATING INCOME BY BUSINESS FUNCTION		
Social and health services	3,166,945.98	3,412,773.60
Education and cultural services	19,284,640.82	18,941,278.58
Utilities	38,230,552.56	36,727,665.35
Housing and real estate services	17,319,108.32	16,950,801.93
Other services	15,281,642.67	15,240,195.51
Total income from operations	93,282,890.35	91,272,714.97
TAX REVENUE		
Municipal tax revenue	403,836,946.99	396,744,393.83
Share in corporate tax revenue	29,403,019.70	27,427,101.58
Real estate tax	42,115,752.87	40,967,496.02
Total tax revenue	475,355,719.56	465,138,991.43
STATE AID		
State's share of basic municipal services	168,136,446.00	164,322,566.00
Adjustment of state's share based on tax revenue	31,293,186.00	31,118,995.00
State's share of education and cultural services	-5,558,997.00	-4,074,413.00
Total state aid	193,870,635.00	191,367,148.00
SERVICES PURCHASED ITEMISED		
Customer services purchased	396,431,877.28	377,800,909.20
Other services purchased	108,439,483.75	101,884,824.96
Total municipal services purchased	504,871,361.03	479,685,734.16
AID TO COUNCIL GROUPS		
Left Alliance, Lahti	5,000.00	4,771.00
National Coalition Party, Lahti	15,168.98	15,798.97
Centre Party	0.00	2,696.55
Greens, Lahti	6,806.49	7,371.19
Social Democrats, Lahti	21,000.00	21,000.00
Christian Democrats, Lahti	2,502.59	3,668.43
Finns Party, Lahti	3,435.19	3,819.00
TOTAL AID TO COUNCIL GROUPS	53,913.25	59,125.14
CHANGE IN STATUTORY RESERVES		
Pension reserve 1.1.	4,328,600.00	5,505,600.00
Decrease	-664,400.00	-1,177,000.00
Pension reserve 31.12.	3,664,200.00	4,328,600.00

Other statutory reserves

Reserve for environmental liabilities, 1.1.	0.00	0.00
Increase	1,131,000.00	0.00
Reserve for environmental liabilities, 31.12.	1,131,000.00	0.00
Other statutory reserves, 1.1.	2,636,566.00	2,101,424.00
Decrease	0.00	0.00
Increase	5,582,159.94	535,142.00
Other statutory reserves 31.12.	8,218,725.94	2,636,566.00
Total other statutory reserves, 31.12.	9,349,725.94	2,636,566.00

Total reserves	13,013,925.94	6,965,166.00
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CAPITAL GAINS AND LOSSES FROM FIXED ASSETS**Other income from operations**

Capital gains from land and water areas	7,387,054.54	4,596,758.68
Capital gains from buildings	125,604.87	21,845.36
Other capital gains	0.00	1,090,387.59
Total capital gains	7,512,659.41	5,708,991.63

Other operating expenses

Capital losses from buildings	1,172.47	276,662.09
Capital losses from land properties	34,408.16	946,772.55
Other capital losses	0.00	88,901.98
Total capital losses	35,580.63	1,312,336.62

INCOME AND EXPENDITURE**Extraordinary income**

Settlement compensation	941,263.68	0.00
Total extraordinary income	941,263.68	0.00

Total extraordinary items	941,263.68	0.00
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DIVIDEND INCOME AND INTEREST ON SHARE CAPITAL, ITEMISED

Dividend income from Group companies	15,457,920.00	14,594,481.00
Dividend income and interest on share capital from others	2,572,533.26	469,396.73
Total	18,030,453.26	15,063,877.73

ACCOUNT ON THE BASES USED FOR PLANNED DEPRECIATIONS

Depreciations were determined based on a depreciation plan prepared in advance. Planned depreciations have been calculated on the basis of the useful life of tangible and intangible fixed assets, estimated based on their acquisition cost.

Estimated depreciation times and methods:

	City of Lahti's depreciation plan until 31.12.2012	City of Lahti's depreciation plan 1.1.2013–31.12.2015 unless applied for exemption	Nastola municipality's de- preciation plan until 31.12.2015	Depreciation plan for fixed assets acquired since 1.1.2016 unless applied for exemption	%
Fixed assets					
Intangible assets					
Development expenditure	-	2	—	2	50%
Intangible rights	5	5	5	5	20%
Goodwill	-	2	—	2	50%
Other long-term expenditure	5	2	3	2	50%
Computer software					
Other	3	2	—	2	50%
Tangible assets					
Land and water areas					
Buildings and constructions					
Administrative and institutional build- ings					
	30	20	30	20	5%
Industrial and production buildings					
	20	20	20	20	5%
Outbuildings					
	7	10	15	10	10%
Recreational buildings					
	25	20	20	20	5%
Residential buildings					
	40	30	30	30	3.30%
Fixed structures and equipment					
	20	15	Net expenditures 15%	15	6.70%
Streets, roads, market squares, parks					
	20	10	Net expenditures 15%	10	10%
Bridges, piers, swimming pools					
	20	15	Net expenditures 10%	15	6.70%
Other land and water constructions					
	30	—	Net expenditures 8%	30	3.30%
Water distribution network					
	—	—	Net expenditures 8%	30	3.30%
Sewer system					
	—	—	—	15	6.70%
Electric wires, transformer stations, outdoor lighting					
	10	15	—	15	6.70%
Other pipelines and cable networks					
	—	—	Net expenditures 20%	15	6.70%
Institutional machines and equipment for electricity, water, etc.					
	—	—	Net expenditures 20%	10	10%
Traffic control equipment					
	10	10	—	10	10%
Other fixed machinery, equipment and structures					
	15	10	—	10	10%
Building overhauls					
	Useful economic life calc. separately for each in- vestment	Useful economic life calc. separately for each invest- ment	—	Useful economic life calc. separately for each invest- ment	
Machinery and equipment					
	5	4	5	4	25%
Other transport equipment					
	5	5	5	5	20%
Other mobile machinery					
	10	10	—	10	10%
Other heavy machinery					
	10	5	—	5	20%
Other light machinery					
	10	5	5	5	20%
Hospital, health care and similar equip- ment					
	3–5 years	3	3	3	33.30%
Computer equipment					
	3–15 years	3	3	3	33.30%
Other equipment and fixtures					
	3–15 years	3	3	3	33.30%
Other tangible assets					
Natural resources					
	depreciation based on use no write-off period	depreciation based on use no write-off period	depreciation based on use no write-off period	depreciation based on use no write-off period	
Art and valuables					
	no write-off period	no write-off period	—	no write-off period	
Advances and assets under construction					
	no write-off period	no write-off period	—	no write-off period	
Investment in fixed assets					
Stocks and shares					
	no write-off period	—	no write-off period	no write-off period	—

Acquisitions of less than 10,000 euros (VAT 0%) are included in annual expenditure.

Derivative contracts

The City's management of borrowing and financial risks follows the guidelines set in the City's financial policy. Financial risks are managed by diversifying loans in accordance with the market situation at the time of drawing, taking account of the existing loan portfolio, the determination of the new loan's interest rate, currency and maturity, or by separate derivative contracts.

Derivative contracts are used to hedge against interest rate and currency risks. The management of the interest rate risk aims at offsetting the adverse impact of changes in interest rates, improving the predictability of cash flows, and reducing interest cost. Derivative contracts are used to change the interest rate and/or currency allocation of fixed- and floating-rate loans on the basis of cyclical conditions and interest rate expectations. The City aims to hedge against any additional cost arising from interest rate movements and to keep the financial burden resulting from borrowing as light and predictable as possible. Uncertainty associated with the exchange rate changes related to loans denominated in foreign currencies – i.e. currency risk – is eliminated using currency and interest rate swaps at the time of the drawing of the loan.

The City of Lahti will use derivative contracts to protect existing loans using agreements to reduce the interest rate risk of individual loans. In addition to the protection of individual loans, derivative contracts have been used to protect the future loan portfolio without loan-specific connections. The basis for these protective measures is that because of the need for refinancing resulting from overdue bullet loans and estimated long-term investment needs, the size of Lahti's loan portfolio will also be kept at a reasonable level in the future.

One interest rate swap agreement for which there was no loan with equivalent terms at the time of the financial statements and the starting date of which is in the significantly distant future, was classified in the financial statements as non-protective, and the agreement's negative market value has been entered in the mandatory provisions in accordance with the prudence principle. The City of Lahti will specify other agreements as protective and only present them in the appendices to the financial statements.

Below is a list of derivative contracts that is current as of the end of the financial year (1-8). For each contract, the purpose of the hedge has been described. Some of the derivative contracts form fixed contract packages wherein the interest rate risk has been hedged against by means of a combination of several contracts, while efforts have been made at the same time to keep the financing cost reasonable and predictable. There were two such packages at the end of the year. Derivative contracts forming a package have been denoted with the letter 'A' and 'B'. Agreements included in the derivative contracts belonging to one entity are processed in the same way in the financial statements. The market values for derivatives are shown in the notes as reported by the bank and include accrued interest.

Interest rate swaps

Interest rate swap 1

Notional principal amount	EUR 63,000,000.00
Market value as of 31.12.2019	EUR -3,437,579.00
Market value as of 31.12.2018	EUR -2,321,110.16
Interest paid	0.875%
Interest received	3-month Euribor
Instalment plan	Bullet
Commencement date	11 December 2014
Maturity date	11 December 2024

Interest rate swap 1 was entered into to hedge against the interest rate risk of a single loan: The contract was used to change a variable rate into a fixed rate. The principal value, maturity and interest-payment dates of the loan are equivalent to those of the interest rate swap. The terms of the loan are equivalent to those of the interest rate swap with the exception that the interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can. The annual interest cost of the loan will not exceed 0.875% plus the margin paid for the variable rate loan plus, should the Euribor rate be negative, the portion of the variable interest on the interest rate swap. The variable interest rate was negative at the time of the closing of the accounts. Approximately EUR 800,000 of additional costs had been incurred as a result of the negative interest rate by the end of the financial year, and a further approximately EUR 700,000 of additional costs are expected to be incurred before the maturity date, based on the latest interest rate forecasts at the time of the closing of the accounts. Both the derivative contract and the loan are long-term arrangements, and the interest market can be expected to change during the contract term, i.e. for the variable rate to turn positive and the City to begin receiving variable interest revenue on the basis of the interest rate swap. Although no interest rate floor has been set for the interest rate swap, the contract can be deemed to be protective from a risk management perspective. Purchasing a 0% interest rate floor for the remainder of the term of the interest rate swap would result in a one-off cost of approximately EUR 1,400,000 (at February 2020 prices).

Interest rate swap 2

Notional principal amount	EUR 20,000,000.00
Market value as of 31.12.2019	EUR -745,071.00
Market value as of 31.12.2018	EUR -1,428,710.00
Interest paid	3.36%
Interest received	6-month Euribor
Instalment plan	Bullet
Commencement date	24 April 2013
Maturity date	15 September 2020

Interest rate swap 2 was entered into to hedge against the interest rate risk of a single loan: Through the contract, the variable interest rate loan (amount EUR 20,000,000.00 December 2016) is changed into a fixed rate until 2020. The capital of the loan and the interest rate swap agreement and the interest determination and payment dates will correspond with each other from 15 March 2017 to 15 September 2020. The terms of the loan are equivalent to those of the interest rate swap with the exception that the interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can. Although no interest rate floor has been set for the interest rate swap, the contract can be deemed to be protective from a risk management perspective. The annual interest cost of the loan of EUR will not exceed 3.36% (EUR 672,000) plus the margin paid for the variable-rate loan plus, should the Euribor rate be negative, the portion of the variable interest on the interest rate swap. The variable interest rate was negative at the time of the closing of the accounts and forecast to remain negative until the contract matures. Approximately EUR 200,000 of additional costs had been incurred as a result of the negative interest rate by the end of the financial year, and a further approximately EUR 100,000 of additional costs are expected to be incurred before the maturity date, based on the latest interest rate forecasts at the time of the closing of the accounts. Although the derivative contract is due to mature in the next couple of years, the loan charge has not been entered into statutory reserves as it is not a material item.

Interest rate and currency swaps

Interest rate and currency swap 3

Notional principal amount	EUR 30,000,000.00 / SEK 270,000,000.00
Market value as of 31.12.2019	EUR -4,055,377.00
Market value as of 31.12.2018	EUR -3,615,107.00
Interest paid	12-month Euribor + margin
Interest received	1-month STIBOR + margin
Instalment plan	Bullet
Commencement date	10 June 2011
Maturity date	10 June 2021

By means of interest rate and currency swap 3, a currency loan was converted into euros at the drawing and will carry interest at a rate linked to the 12-month Euribor. Currency risk associated with currency fluctuations has been eliminated. The principals, maturities and interest payment dates under the contracts are equivalent in value.

Package A

Interest rate swap 4

Notional principal amount	EUR 15,000,000.00
Market value as of 31.12.2019	EUR 182,720.00
Market value as of 31.12.2018	EUR 365,493.00
Interest paid	12-month Euribor
Interest received	1-month Euribor + margin
Instalment plan	Bullet
Commencement date	7 October 2010
Maturity date	7 April 2020

Interest rate swap 5 with right to extend

Notional principal amount	EUR 37,000,000.00
Market value as of 31.12.2019	EUR - 11,784,104.00
Market value as of 31.12.2018	EUR -5,351,600.00
Seller of the option	City of Lahti
Buyer of the option	Bank
Interest paid	2.20%
Interest received	6-month Euribor
Instalment plan	Bullet
Commencement date	7 April 2020
Maturity date	7 April 2040

Package B consists of interest rate swaps 4 and 5 (with the right to extend): This package has been used to reduce the interest cost of a fixed-rate loan in 2010–2020. At the same time, future rates have been changed into fixed rates for 2020–2040, provided that the bank will exercise its option.

Interest rate swap 4 has been used to reduce the interest cost of a fixed-rate loan (amount EUR 15,000,000.00) by the margin applied to the swap until maturity in 2020. The principal and interest-payment dates of the loan are equivalent to those of interest rate swap. The maturity date for both is in 2020.

Interest rate swap 5 with the right to extend is used to change the variable interest rate of future loans into a fixed rate for 2020–2040, which requires that the City has an outstanding loan of an equivalent amount with an interest rate linked to the 6-month Euribor. Interest rate swap 7 with the right to extend gives the bank the right to exercise the interest rate swap underlying the option. If the 20-year swap on the expiry date of the option, 3 April 2020, is lower than 2.20%, the bank will exercise its option and the interest rate swap with notional principal of EUR 37 million will enter into force. After this, until 2040, the annual interest cost of the loan of EUR 37 million will not exceed 2.20% plus the margin paid for the variable rate loan plus, should the Euribor

rate be negative, the portion of the variable interest on the interest rate swap. If the 20-year swap is higher than 2.20%, the option expires, the interest rate swap will not be exercised.

The agreement as a whole is protective because it implements interest rate risk management in accordance with the City of Lahti's financing policy. With the help of the agreements, the interest charges of the loan are reduced for a ten-year period. According to the existing plans, the need for refinancing resulting from Lahti's planned investments and the maturity of bullet loans in 2020 will exceed the amount of the interest rate swap agreement with the right of continuation. Should the bank use the right of option, floating rate loans will be turned into fixed interest rate loans using the interest rate swap agreement with the right of continuation, in which case the financing costs for EUR 37 million in 2020-2040 will be known in advance. If the right of option is not used, Lahti can protect the interest rate risk with new agreements.

Package B

Interest rate swap 6

Notional principal amount	EUR 17,000,000.00
Market value as of 31.12.2019	EUR 886,125.59
Market value as of 31.12.2018	EUR 1,177,665.75
Interest paid	12-month Euribor
Interest received	12-month Euribor + margin
Instalment plan	Bullet
Commencement date	26 August 2013
Maturity date	26 August 2022

Interest rate swap 7 with right to extend

Notional principal amount	EUR 40,000,000.00
Market value as of 31.12.2019	EUR - 16,726,618.65
Market value as of 31.12.2018	EUR -9,201,898.33
Seller of the option	City of Lahti
Buyer of the option	Bank
Interest paid	2.84%
Interest received	6-month Euribor
Instalment plan	Bullet
Commencement date	26 August 2022
Maturity date	26 August 2042

Package B consists of interest rate swaps 6 and 7 (with the right to extend): This package has been used to reduce the interest cost of a fixed-rate loan in 2013–2022. At the same time, the rate on future loans has been changed into a fixed rate for 2022–2042, provided that the bank will exercise its option.

Interest rate swap 6 has been used to reduce the interest cost of a fixed-rate loan by the margin applied to the swap until maturity, in 2022. The principal and interest payment dates of the loan are equivalent to those of the interest rate swap. The maturity date for both is in 2022.

Interest rate swap 7 with the right to extend is used to change the variable interest rate of future loans into a fixed rate for 2022–2042, which requires that the City has an outstanding loan of an equivalent amount with an interest rate linked to the 6-month Euribor. Interest rate swap 9 with the right to extend gives the bank the right to exercise the interest rate swap underlying the option. If the 20-year swap on the expiry date of the option, 24 August 2022, is lower than 2.84%, the bank will exercise its option and the interest rate swap with notional principal of EUR 40 million will enter into force. After this, until 2042, the annual interest cost of the loan of EUR 40 million will not exceed 2.84 plus the margin paid for the variable rate loan plus, should the Euribor rate be negative, the portion of the variable interest on the interest rate swap. If 20-year swap is higher than 2.84%, the option expires, the interest rate swap will not be exercised.

The agreement as a whole is protective because it implements interest rate risk management in accordance with the City of Lahti's financing policy. With the help of the agreements, the interest charges of the loan are reduced for a nine-year period. According to the existing plans, the need for refinancing resulting from Lahti's planned investments and the maturity of bullet loans in 2022 will exceed the amount of the interest rate swap agreement with the right of continuation. Should the bank use the right of option, floating rate loans will be turned into fixed interest rate loans using the interest rate swap agreement with the right of continuation, in which case the financing costs for EUR 40 million in 2022-2042 will be known in advance. If the right of option is not used, Lahti can protect the interest rate risk with new agreements.

Derivative contracts recorded in mandatory provisions

Interest rate swap 8

Notional principal amount	EUR 20,000,000.00
Market value as of 31.12.2019	EUR - 5,983,578.00
Market value as of 31.12.2018	EUR -2,636,566.00
Interest paid	2.46 %
Interest received	6-month Euribor
Instalment plan	Bullet
Commencement date	25 May 2035
Maturity date	25 May 2055

The interest rate swap agreement no. 8, which will enter into force in the future, will change the floating rate of the loan(s) into a fixed rate for the 2035-2055 period, which requires that the City of Lahti has raised an equivalent amount of loan for the aforementioned period tied to a 6-month Euribor interest rate with an interest rate determination date and payment date corresponding with the interest rate swap agreement.

Each contracting party has an optional right to prematurely accelerate the interest rate swap agreement on 25 May 2025, 25 May 2035 or 25 May 2045. The counterparty who accelerates the agreement shall pay the other contracting party the current negative market value of the agreement.

The agreement, which will enter into force in the significantly distant future, has been interpreted in the financial statements as non-protective, and the negative market value at the time of the financial statements has been entered in the mandatory provisions.

Interest rate sensitivity of derivative contracts

The following table shows the interest rate sensitivity of interest rate and currency swaps, i.e. how a change in interest rates impacts the market values of contracts. Sensitivity has been calculated for cases where the interest rate changes from the end of the year by -0.5, +0.5, +1 or +2 percentage points. The timing of negative cash flows of derivative contracts in the future has been estimated based on the yield curve at the end of the year.

City of Lahti's derivative contracts, sensitivity analysis

No.	Derivative contract	Notional principal amount	Maturity date	Negative cash flows of the contracts based on the yield curve at 31.12.2019	Calculated market value as per 31.12.2019	Impact of interest rate changes on calculated market values of 31.12.2019 Change by percentage points from the level of 31.12.2019				
						-1,0 %	-0,5 %	0,5 %	1,0 %	2,0 %
1	Interest rate swap	63 000 000	11.12.2024	Until 05/2024	-3 437 579	-5 956 098	-4 126 896	-489 988	1 317 716	4 911 620
2	Interest rate swap	20 000 000	15.9.2020	Until the maturity date	-745 070	-846 736	-795 935	-694 142	-643 150	-540 978
3	Interest rate swap and currency swap	30 000 000	10.6.2021	Until the maturity date	-4 055 337	-4 181 376	-4 117 749	-3 992 067	-3 930 004	-3 807 412
4	Interest rate swap	15 000 000	7.4.2020	Positive cash flow	182 720	183 212	182 967	182 476	182 232	181 743
5	Interest rate swap with right to extend (sold)	37 000 000	7.4.2040	Until the maturity date	-11 784 104	-20 944 578	-16 143 520	-7 835 720	-4 316 549	-539 511
6	Interest rate swap	17 000 000	26.8.2022	Positive cash flow	886 126	901 124	893 565	878 683	871 358	856 934
7	Interest rate swap with right to extend (sold)	40 000 000	26.8.2042	Until the maturity date	-16 726 619	-27 862 560	-21 993 127	-12 208 568	-8 262 951	-2 684 315
8	Interest rate swap	20 000 000	25.5.2055	Until the maturity date	-5 983 578	-9 407 852	-7 693 694	-4 277 521	-2 575 549	815 959
	Total	242 000 000			-41 663 441	-68 114 864	-53 794 388	-28 436 847	-17 356 897	-805 960
	Difference with the calculated market values					-26 451 423	-12 130 947	13 226 594	24 306 544	40 857 481

CITY OF LAHTI	2019	2018
NOTES TO PERSONNEL		
City staff 31.12		
General administration	228	274
Education	2,741	2,655
Cultural and recreational services	216	215
Technical administration	187	178
Total	3,372	3,322
Balance sheet units		
Facility centre	44	46
Lahti Symphony Orchestra	77	73
Lahti City Theatre	133	132
Total	254	251
Total City	3,626	3,573
Fees charged and settled from the fee of the person in a position of trust		
Häme National Coalition Party	986	1,209
Social Democrats of Häme	1,152	1,384
Christian Democrats mun. chapter, Lahti	4,897	4,419
Centre Party, Päijät-Häme	384	528
Centre Party mun. chapter, Lahti	6,950	7,137
National Coalition Party mun. chapter, Lahti	25,474	20,350
The Finns Party of Lahti	3,698	3,998
Social Democrats, Lahti	41,058	40,435
The Green Party, Lahti	11,007	10,254
The Green Party of Päijät-Häme	411	544
Left Alliance, Nastola	24	24
Communist Party of Finland	290	210
Left Alliance mun. chapter, Lahti	10,740	11,828
Total fees settled for persons in position of trust	107,071	102,320
Auditor fees		
KPMG Julkishallinnon Palvelut Oy		
Auditing fees	30,851.60	24,503.46
Acquisition audit	1,246.00	1,958.00
Total fees	32,097.60	26,461.46
Total auditing fees	32,097.60	26,461.46

NOTES TO THE GROUP FINANCIAL STATEMENTS

Notes to the preparation of the Group financial statements

Group structure

All of the subsidiaries and municipal federations in which Lahti holds control are included in the consolidated financial statements. At the end of 2019, the city Group comprised 44 subsidiaries and 1 foundation, which have been merged with the municipal Group either directly or via the consolidated financial statements of the subgroups. The consolidated financial statements also include 3 municipal federations and 2 municipal federation Groups of which Lahti is a member. Via the municipal federation Groups, 3 subsidiaries of municipal federation Groups have been merged with the municipal Group. The Group companies are shareholders in 11 affiliated entities, of which 4 affiliated entities have been consolidated in the subgroup's figures. The rest of the affiliated entities are insignificant for the Group and, as small companies, they have not been consolidated (ABO 6:3.1).

The consolidation includes five following subgroups. Consolidated statements have been prepared for these companies and included in the Lahti Group figures.

Entities included in the Group financial statements: 2019	
Subsidiaries	
Corporations	
– Housing, real estate and housing corporations	16
– Corporations active in municipal business	20
– Other corporations	7
Foundations	1
Municipal federations	5
Affiliated and other holding participations	3
Non-consolidated entities	8
Total	60

Elimination of mutual ownership

The eliminations of the mutual ownership of Lahti and its subsidiaries as well as the municipal federations have been carried out in accordance with the Accounting Board's municipal sub-committee's general Group guidelines using the so-called applied acquisition cost method. The difference created by the elimination of ownership has been entered in full in the result of the financial year for the financial year pertaining to the acquisition.

Internal transactions and profits

Intra-Group income and expenses as well as receivables and debts have been deducted, and income and expenses as well as receivables and debts between the municipal federations in which the City is a shareholder have been deducted with the exception of negligible transactions. Any material internal margins included in long-term assets have been deducted. The internal property taxes have been eliminated.

Minority interests

Minority interests have been deducted from the Group surplus/deficit in the consolidated profit and loss statement and from the equity in the consolidated balance sheet.

Adjustment to planned depreciations

Depreciations on the buildings of real estate companies and housing corporations have been adjusted to align with the plan, and the difference in the remaining values has been entered as an adjustment to the depreciations of the subsidiaries; the accumulated difference has been used to adjust the surplus/deficit of previous periods, for the companies that have not implemented the planned depreciations.

Depreciation difference and voluntary provisions

In accordance with the Accounting Board, changes in the voluntary and tax-based provisions and depreciation difference have been calculated in the consolidated income statement for the change in deferred taxes as well as the surplus/deficit for the financial year. In addition, the voluntary and tax-based provisions as well as the depreciation difference are divided in the consolidated balance into non-tied equity and deferred tax liabilities. The division has been taken into account in the elimination of ownership and the separation of minority interests. The deferred tax liability is shown in full as long-term liability.

Deferred tax assets have been entered for the Group on the basis of exports resulting from the sub-Group's business operations. The deferred tax assets have been divided into long-term and short-term based on their potential realisation.

The Group has recorded the following deferred tax liability:

- Receivables: long-term EUR 0.01 million and short-term EUR 0.14 million.
- Debt: long-term EUR 29.8 million.

Affiliated entities

With the exception of the four consolidated in a subgroup, the affiliated entities, as small enterprises, have been excluded from the consolidation (Accounting Act 6:3.1).

Changes to the group structure during the accounting period

- The City of Lahti made a further investment into Lahden Jäähalli Oy in accordance with an agreement signed in 2010.
- Placed in liquidation, Musiikkiopiston omakotisäätiö was dissolved in 2019. The foundation's assets have been handed over to the City of Lahti's cultural administration sector as well as the Lahti Conservatory.
- The City of Lahti purchased the apartments from the private owners of Kiinteistö Oy Lahden Siltavouti for EUR 2.16 million in preparation for the development of the block. After the property transactions, Kiinteistö Oy Siltavouti became a fully owned subsidiary of Lahti Group.
- The City of Lahti purchased 20.6% of the share capital of the Nastola office building, after which Nastolan virastotalokiinteistö Oy is a fully owned subsidiary of Lahti Group.
- The City of Lahti purchased the shares of Lahden Työn Paikka Oy from the municipality of Hollola. Lahden Työn Paikka Oy was placed into liquidation in November 2019. With regard to Lahden Työn Paikka Oy, the City of Lahti created a mandatory provision for the subordinated loan (EUR 500,000.00) entered in receivables as well as the available credit limit (EUR 807,276.12) included in the Group account receivables, because it was deemed improbable that the city would be able to reclaim the receivables. The mandatory provision was cancelled in connection with drawing up the consolidated financial statements because the company will be dissolved during 2020, in which case the dissolution costs will be realised in the Group.
- After the end of the financial year, the City of Lahti was notified of the insolvency and potential credit losses of Kiinteistö Oy Lahden Varaani. At the time of the financial statements, the loan receivable capital constituted EUR 85,147.94, of which EUR 20,518.93 comprise a subordinated loan. The City of Lahti created a mandatory provision because it was considered unlikely that Lahti would get the receivables back. The company is not a subsidiary of the City of Lahti.

Adjustment of unit price funding to state share

The unit-price funding paid to the education consortium in the amount of EUR 55.8 million was transferred from operating income to state shares in the consolidated statement.

Treatment of real estate tax

The real estate taxes in the amount of EUR 3.7 million paid by the consolidated entities to the municipality have been eliminated.

Ownership elimination difference

The statements include negative elimination differences in the amount of EUR -2.3 million.

Comparability with previous financial years' financial statements

There have been adjustments made to the surplus/deficit of the previous financial year, as a result of which the surplus of the Group's previous financial years has decreased by EUR 2.7 million. The adjustments are due to the amended invoicing of Päijät-Hämeen Hyvinvointiyhtymä (EUR 0.9 million), the depreciation adjustments of Kiinteistö Oy Nastonharjun liiketalo and Kiinteistö Oy Nastolan virastotalokiinteistö Oy (EUR 0.9 million) as well as the adjustment of the negative minority shares recorded in the Group (EUR 0.7 million). The adjustments carried out affect the Group's following key figures for 2018: equity ratio %, accrued surplus and accrued deficit, EUR/resident.

NOTES TO THE GROUP PROFIT AND LOSS STATEMENT

LAHTI GROUP	2019	2018
Notes to the Group profit and loss statement		
Operating income by business function		
Social and health services	209,128,448.55	200,682,771.44
Education and cultural services	23,541,111.40	22,187,607.13
Utilities	264,652,806.39	282,768,474.66
Housing and real estate services	70,752,785.57	77,807,637.96
Other services	48,896,297.00	47,548,178.90
Operating income	616,971,448.92	630,994,670.08
Tax revenue		
Municipal income tax	403,836,946.99	0.00
Percentage of corporate tax revenue	29,403,019.70	0.00
Property tax	38,404,326.32	0
Property tax, internal	5,793.96	976361.1392
Other tax revenues	0.00	0.00
Tax revenue	0.00	459,273,033.42
Tax revenue	471,650,086.97	460,249,394.56
Central government transfers to local government		
State subsidy of the basic municipal services	168,136,446.00	164,322,566.00
Equalisation of state subsidy based on tax revenue	31,293,186.00	31,118,995.00
State subsidy of the basic municipal services	199,429,632.00	195,441,561.00
State subsidy of educational municipal federations	35,648,851.34	34,045,788.45
State subsidy of other educational and cultural activities	-5,558,997.00	-4,074,413.00
Central government transfers to local government	229,519,486.34	225,412,936.45
Extraordinary income and expenditure		
Extraordinary income		
Other extraordinary income, per resident 1	941,263.68	3,105,976.68
Extraordinary income	941,263.68	3,105,976.68
Extraordinary expenditure		
Capital losses of capital assets	-133,648.93	0.00
Other extraordinary expenses, per resident 1	210,879.61	0.00
Other extraordinary expenses, per resident 2	3,448.44	0.00
Muut satunnaiset kulut, per resident 3	1,008,197.11	0.00
Extraordinary items	-414,910.40	3,105,976.68
STATUTORY RESERVES		
Pension reserve		
Pension reserve 1 Jan	4,328,600.00	5,505,600.00
Decrease	-664,400.00	-1,177,000.00
Pension reserve 31 Dec	3,664,200.00	4,328,600.00
Other reserves for environmental liabilities		
Other reserve for environmental liabilities, 1 Jan	567,989.00	846,926.02
Increase	2,006,488.00	0.00
Decrease	0.00	-278,937.02
Reserve for environmental liabilities, 31 Dec	2,574,477.00	567,989.00
Medical malpractice insurance premium		
Medical malpractice insurance premium 1 Jan	274,406.06	1,022,868.06
Increases in the shares of municipal federations (+)	0.00	0.00
Depreciations in the shares of municipal federations (-)	0.00	0.00
Increase	6,317,088.89	0.00
Decrease	-1,624,321.13	-748,462.00
Medical malpractice insurance premium 31 Dec	4,967,173.82	274,406.06

LAHTI GROUP	2019	2018
Landfill landscaping provision		
Landfill landscaping provision 1 Jan	3,634,364.52	3,057,285.19
Increase	1,294,231.80	1,017,841.47
Decrease	-572,902.72	-440,762.14
Landfill landscaping provision 31 Dec	4,355,693.60	3,634,364.52
Other statutory reserves		
Other statutory reserves 1 Jan	10,539,067.68	10,191,675.48
Increase	3,947,012.00	775,142.00
Decrease	-6,712,830.69	-427,749.80
Other statutory reserves 31 Dec	7,773,248.99	10,539,067.68
STATUTORY RESERVES	23,334,793.41	19,344,427.26
Sales profits/losses of fixed equivalent assets		
Sales profits		
Capital gains from land and water areas	7,387,054.54	4,605,841.96
Capital gains from buildings	868,070.69	1,816,588.62
Other capital gains	345,620.37	20,471,832.32
Sales profits	8,600,745.60	26,894,262.91
Sales losses		
Losses from assignment of land and water areas	34,408.16	977,177.64
Losses from assignment of buildings	375,177.04	276,662.09
Other losses from assignment	733.75	1,190,869.82
Sales losses	410,318.95	2,444,709.56
The total amounts of revenues included in other financial income received from shares in other companies		
Dividend income and interest on cooperative capital	92,954.79	0.00
Dividend income from other sources	6,105,835.28	1,666,388.89
Other financial income	614,862.12	495,952.69
Other financial income, internal	18.14	126.57
Other financial income	6,813,670.33	2,162,468.16
Differences in ownership elimination		
Differences in ownership elimination	52,536.19	0.00
Differences in ownership elimination, negative	-2,305,199.38	-184,791.23
Differences in ownership elimination	-2,252,663.19	-184,791.23
The differences in ownership elimination comprise the acquisition of the following companies		
Differences in ownership elimination, positive		
- Koulutuskeskus Wellamo, change in ownership	52,536.19	
Difference in ownership elimination, negative		
- Kiinteistö Oy Lahden Siltavouti	-2,043,859.84	
- Nastolan virastotalokiinteistö Oy	-8,154.16	
- Lahden Jäähalli Oy	-178,749.62	
- Lahden Työn Paikka Oy	-744,357.66	
	-2,305,199.38	

NOTES TO THE GROUP ASSETS

LAHTI GROUP	2019	2018
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights		
Acquisition cost 1 Jan (+), Intangible rights	16,642,769.91	15,801,132.39
Increases in the financial year, Intangible rights	535,121.81	1,313,291.05
Divestment (-), Intangible rights	0.00	-8,117.91
Depreciations during the financial year, Intangible rights	0.00	-907.23
Transfers between items (+/-), Intangible rights	-68,960.44	-462,628.39
Accrued depreciations and write-downs 1 Jan (-), Intangible rights	-9,336,699.16	-8,512,343.07
Accrued depreciations on acquisitions (-), Intangible rights	0.00	-334.26
Accrued depreciations on acquisitions (+), Intangible rights	0.00	7,395.95
Accrued depreciations on deductions and transfers, Intangible rights	0.00	-36,540.72
Depreciations for the period (-), Intangible rights	-1,042,511.39	-794,877.05
Intangible rights	6,729,720.73	7,306,070.74
Computer software		
Acquisition cost 1 Jan (+), Computer software	4,589,169.74	3,869,304.97
Acquisitions (investments) (+), Computer software	0.00	2,633.02
Increases in the financial year, Computer software	192,142.96	528,010.00
Depreciations during the financial year, Computer software	-49,225.53	0.00
Transfers between items (+/-), Computer software	85,316.53	189,221.76
Accrued depreciations and write-downs 1 Jan (-), Computer software	-2,563,910.98	-2,084,271.38
Accrued depreciations on deductions and transfers, Computer software	10,665.54	376,249.67
Depreciations for the period (-), Computer software	-912,098.58	-855,889.27
Computer software	1,352,059.68	2,025,258.76
Intangible rights	8,081,780.40	9,331,329.50
Consolidated goodwill		
Acquisition cost 1 Jan (+), Consolidated goodwill	0.00	0.00
Accrued depreciations and write-downs 1 Jan (-), Consolidated goodwill	2,314,471.12	1,542,980.64
Depreciations for the period (-), Consolidated goodwill	0.00	771,490.48
Transfer of the FAS active to reserves	-2,314,471.12	-2,314,471.12
Consolidated goodwill	0.00	0.00
Other capitalized long-term expenses		
Acquisition cost 1 Jan (+), Other capitalized long-term expenses	35,200,095.23	34,502,057.65
Increases in the financial year, Other capitalized long-term expenses	842,719.45	779,668.03
Divestment (-), Other capitalized long-term expenses	0.00	-11,459.57
Depreciations during the financial year, Other capitalized long-term expenses	-222,860.69	-70,972.98
Transfers between items (+/-), Other capitalized long-term expenses	4,196.53	802.09
Accrued depreciations and write-downs 1 Jan (-), Other capitalized long-term expenses	-24,870,111.40	-21,089,156.95
Accrued depreciations on acquisitions (+), Other capitalized long-term expenses	0.00	8,425.17
Accrued depreciations on deductions and transfers, Other capitalized long-term expenses	127,164.98	27,797.74
Depreciations for the period (-), Other capitalized long-term expenses	-2,520,252.85	-3,817,177.36
Other capitalized long-term expenses	8,560,951.24	10,329,983.83
Other capitalized long-term expenses	8,560,951.24	10,329,983.83
Advance payments and incomplete commodities		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	270,222.28	1,078,271.54
Increases in the financial year, Advance payments	601,010.22	-773,440.91
Transfers between items (+/-), Advance payments	-33,169.78	-34,608.35
Advance payments	838,062.72	270,222.28
Incomplete commodities		
Acquisition cost 1 Jan (+), Incomplete commodities	2,697.00	0.00
Increases in the financial year, Incomplete commodities	812,228.39	2,697.00
Transfers between items (+/-), Incomplete commodities	-2,697.00	0.00
Incomplete commodities	812,228.39	2,697.00
Advance payments and incomplete commodities	1,650,291.11	272,919.28
Intangible assets	18,293,022.75	19,934,232.61

LAHTI GROUP	2019	2018
Tangible assets		
Land and water area		
Acquisition cost 1 Jan (+), Land and water area	151,079,477.89	144,725,434.99
Acquisitions (investments) (+), Land and water area	0.00	932,328.72
Increases in the financial year, Land and water area	5,569,165.09	10,173,467.24
Divestment (-), Land and water area	0.00	-1,108,427.58
Depreciations during the financial year, Land and water area	-4,386,232.84	-3,587,318.90
Transfers between items (+/-), Land and water area	0.00	-56,006.58
Accrued depreciations and write-downs 1 Jan (-), Land and water area	-465,764.55	-444,600.00
Write-downs (-) and write-down refunds (+), Land and water area	-80,000.00	-21,164.55
Land and water area	151,716,645.59	150,613,713.34
Accrued write-downs and depreciations at the end of the period (-), Land and water area		
Accrued depreciations and write-downs 1 Jan (-), Land and water area	-465,764.55	-444,600.00
Write-downs (-) and write-down refunds (+), Land and water area	-80,000.00	-21,164.55
Accrued write-downs and depreciations at the end of the period (-), Land and water area	-545,764.55	-465,764.55
Non-refundable joining fees		
Acquisition cost 1 Jan (+), Non-refundable joining fees	94,367.43	-86,916.67
Acquisitions (investments) (+), Non-refundable joining fees	0.00	44,050.78
Increases in the financial year, Non-refundable joining fees	0.00	-18,989.00
Divestment (-), Non-refundable joining fees	0.00	-14,432.99
Depreciations during the financial year, Non-refundable joining fees	-15,208.73	7,332.66
Transfers between items (+/-), Non-refundable joining fees	0.00	163,322.64
Non-refundable joining fees	79,158.70	94,367.43
Land and water area	151,932,665.31	150,844,941.79
Buildings		
Acquisition cost 1 Jan (+), Buildings	1,354,795,424.18	1,262,320,581.38
Acquisitions (investments) (+), Buildings	0.00	37,586,575.79
Increases in the financial year, Buildings	50,188,895.30	58,682,815.75
Financial contributions during the financial year, Buildings	-142,000.00	-560,000.00
Divestment (-), Buildings	0.00	-44,506,092.60
Depreciations during the financial year, Buildings	-24,364,394.87	-8,802,657.07
Transfers between items (+/-), Buildings	25,455,526.17	50,074,200.94
Accrued depreciations and write-downs 1 Jan (-), Buildings	-573,243,920.20	-484,526,302.61
Accrued depreciations on acquisitions (-), Buildings	0.00	-43,773,068.67
Accrued depreciations on acquisitions (+), Buildings	0.00	12,500,136.95
Accrued depreciations on deductions and transfers, Buildings	0.00	-3,033,972.75
Depreciations for the period (-), Buildings	-50,276,363.76	-48,618,493.26
Write-downs (-) and write-down refunds (+), Buildings	0.00	-5,792,219.86
Buildings	782,413,166.82	781,551,503.98
Revaluation of buildings		
Revaluation of buildings 1.1.	1,510,524.04	1,802,883.53
Deductions of building revaluations	-292,359.50	-292,359.50
Revaluation of buildings	1,218,164.54	1,510,524.04
Buildings	783,631,331.36	783,062,028.01
Fixed structures and installations		
Acquisition cost 1 Jan (+), Fixed structures and installations	641,438,304.63	602,174,135.42
Acquisitions (investments) (+), Fixed structures and installations	0.00	16,149.48
Increases in the financial year, Fixed structures and installations	42,818,163.40	34,872,536.22
Divestment (-), Fixed structures and installations	0.00	-62,404.72
Depreciations during the financial year, Fixed structures and installations	-297,440.17	-5,969,465.76
Transfers between items (+/-), Fixed structures and installations	-396,555.45	10,407,353.98
Accrued depreciations and write-downs 1 Jan (-), Fixed structures and installations	-259,958,438.25	-226,940,462.60
Accrued depreciations on acquisitions (+), Fixed structures and installations	0.00	29,495.93
Accrued depreciations on deductions and transfers, Fixed structures and installations	34,505.84	3,596,930.30
Depreciations for the period (-), Fixed structures and installations	-36,047,595.60	-36,644,401.88
Fixed structures and installations	387,590,944.40	381,479,866.38

LAHTI GROUP	2019	2018
Machinery and equipment		
Acquisition cost 1 Jan (+), Machinery and equipment	263,535,941.12	250,234,095.89
Acquisitions (investments) (+), Machinery and equipment	0.00	653,677.72
Increases in the financial year, Machinery and equipment	10,779,629.90	12,982,729.87
Divestment (-), Machinery and equipment	0.00	-2,349,779.16
Depreciations during the financial year, Machinery and equipment	-1,179,550.24	-851,071.07
Transfers between items (+/-), Machinery and equipment	3,269,245.89	2,866,287.86
Accrued depreciations and write-downs 1 Jan (-), Machinery and equipment	-109,244,892.08	-78,019,795.80
Accrued depreciations on acquisitions (-), Machinery and equipment	0.00	22,623.59
Accrued depreciations on acquisitions (+), Machinery and equipment	0.00	849,991.00
Accrued depreciations on deductions and transfers, Machinery and equipment	825,118.24	-775,727.56
Depreciations for the period (-), Machinery and equipment	-23,387,756.45	-31,284,862.77
Write-downs (-) and write-down refunds (+), Machinery and equipment	-44,347.29	-37,120.54
Machinery and equipment	144,553,389.09	154,291,049.04
Other tangible assets		
Acquisition cost 1 Jan (+), Other tangible assets	4,908,063.07	4,411,952.37
Acquisitions (investments) (+), Other tangible assets	0.00	12,911.20
Increases in the financial year, Other tangible assets	252,381.01	538,550.70
Divestment (-), Other tangible assets	0.00	-35,351.16
Depreciations during the financial year, Other tangible assets	0.00	-0.04
Transfers between items (+/-), Other tangible assets	258,470.56	-20,000.00
Accrued depreciations and write-downs 1 Jan (-), Other tangible assets	-1,673,096.36	-1,277,994.75
Accrued depreciations on acquisitions (+), Other tangible assets	0.00	5,909.58
Depreciations for the period (-), Other tangible assets	-421,989.78	-401,011.19
Other tangible assets	3,323,828.49	3,234,966.70
Other tangible assets	3,323,828.49	3,234,966.70
Advance payments and construction in progress		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	134,681,047.70	58,300,853.38
Acquisitions (investments) (+), Advance payments	0.00	20,669.00
Increases in the financial year, Advance payments	36,256,737.99	76,418,824.05
Divestment (-), Advance payments	0.00	-20,669.00
Depreciations during the financial year, Advance payments	0.00	-38,629.73
Advance payments	170,937,785.69	134,681,047.70
Construction in progress		
Acquisition cost 1 Jan (+), Construction in progress	82,899,794.53	46,652,045.93
Increases in the financial year, Construction in progress	97,155,185.38	70,378,377.12
Financial contributions during the financial year, Construction in progress	-485,626.49	-92,989.45
Depreciations during the financial year, Construction in progress	-533,867.27	-198,812.99
Transfers between items (+/-), Construction in progress	-28,586,687.17	-33,838,826.08
Accrued depreciations and write-downs 1 Jan (-), Construction in progress	-1,384,044.84	-1,384,044.84
Write-downs (-), Construction in progress	-199,725.62	0.00
Construction in progress	148,865,028.52	81,515,749.69
Advance payments and construction in progress	319,802,814.21	216,196,797.39
Investments		
Shares and interests in affiliated entities		
Acquisition cost 1 Jan (+), Shares and interests in affiliated entities	303,769.24	669,710.58
Increases in the financial year, Shares and interests in affiliated entities	1,150,583.40	226,693.59
Depreciations during the financial year, Shares and interests in affiliated entities	-7,269.49	-538,262.97
Transfers between items (+/-), Shares and interests in affiliated entities	0.00	-42,927.29
Percentage of the profits of affiliated entities (loss), Shares and interests in affiliated entities	-9,335.80	-11,444.66
Shares and interests in affiliated entities	1,437,747.35	303,769.24
Other shares and interests and the revaluations of shares		
Other shares and interests		
Acquisition cost 1 Jan (+), Other shares and interests	96,375,336.46	79,626,181.78
Acquisitions (investments) (+), Other shares and interests	0.00	-50,804.19

LAHTI GROUP	2019	2018
Increases in the financial year, Other shares and interests	4,613,393.21	17,065,231.75
Divestment (-), Other shares and interests	0.00	-16,034.74
Depreciations during the financial year, Other shares and interests	-4,305,804.87	-124,721.52
Transfers between items (+/-), Other shares and interests	0.00	-124,516.62
Accrued write-downs 1 Jan (-), Other shares and interests	-152,909.59	-137,544.52
Accrued revaluations of deductions and transfers, Other shares and interests	0.00	-15,132.67
Write-downs in the period (-), Other shares and interests	-173,518.61	-232.40
Other shares and interests	96,356,496.59	96,222,426.87
Revaluations of shares		
Revaluations of shares 1 Jan	12,244.15	24,549.51
Deductions of share revaluations	0.00	-12,305.37
Revaluations of shares	12,244.15	12,244.15
Other shares and interests and the revaluations of shares	96,368,740.74	96,234,671.02
Bond receivables		
Bond receivables from others		
Acquisition cost 1 Jan, Bond receivables from others	-4,313.50	-4,313.50
Write-downs (-), Bond receivables from others	4,313.50	4,313.50
Bond receivables from others	0.00	0.00
Other loan receivables		
Subordinated loan receivables from other		
Acquisition cost 1 Jan, Subordinated loan receivables from other	12,924,133.51	12,924,133.51
Subordinated loan receivables from other	12,924,133.51	12,924,133.51
Other loan receivables from affiliated companies and other associated companies		
Acquisition cost 1 Jan, Other loan receivables from affiliated companies and other associated companies	1,630,000.00	1,500,000.00
Increase (+), Other loan receivables from affiliated companies and other associated companies	0.00	130,000.00
Other loan receivables from affiliated companies and other associated companies	1,630,000.00	1,630,000.00
Other loan receivables from others		
Acquisition cost 1 Jan, Other loan receivables from others	9,236,568.25	9,779,535.55
Decrease (-), Other loan receivables from others	-544,161.22	-542,967.30
Other loan receivables from others	8,692,407.03	9,236,568.25
Other loan receivables	23,246,540.54	23,790,701.76
Other receivables		
Other receivables from others		
Acquisition cost 1 Jan, Other receivables from others	63,629.94	36,080.53
Increase (+), Other receivables from others	0.00	31,300.00
Decrease (-), Other receivables from others	0.00	-3,750.59
Other receivables from others	63,629.94	63,629.94
Refundable joining fees		
Acquisition cost 1 Jan, Refundable joining fees	19,370.65	44,702.00
Increase (+), Refundable joining fees	25,331.35	0.00
Decrease (-), Refundable joining fees	0.00	-25,331.35
Refundable joining fees	44,702.00	19,370.65
Other receivables	108,331.94	83,000.60
Investments	121,161,360.56	120,412,142.61
CURRENT ASSETS		
Receivables		
Long-term receivables		
Sales receivables		
Sales receivables from others	2,398,971.17	3,093,998.96
Sales receivables	2,398,971.17	3,093,998.96

LAHTI GROUP	2019	2018
Loan receivables		
Loan receivables from others	1,205,286.16	1,299,643.30
Loan receivables	1,205,286.16	1,299,643.30
Other receivables		
Other receivables	2,286,658.98	2,475,128.98
Other receivables	2,286,658.98	2,475,128.98
Prepayments and accrued income		
Other receivables carried forward		
Other receivables carried forward	148,821.36	126,983.55
Prepayments and accrued income	148,821.36	126,983.55
Deferred tax claims		
Deferred tax claim, 1 Jan	152,389.69	152,614.60
Deferred tax claim, change for the period entered via the profit and loss account	-141,228.26	-224.91
Deferred tax claims	11,161.43	152,389.69
Long-term receivables	6,050,899.10	7,148,144.48
Short-term receivables		
Sales receivables		
Sales receivables from subsidiaries	335,800.47	1,316.84
Sales receivables from member municipal federations	1,658,392.89	2,204,549.93
Sales receivables from affiliated companies and other associated companies	0.00	20,234.82
Sales receivables from others	57,215,929.80	52,805,670.07
Sales receivables	59,210,123.16	55,031,771.67
Loan receivables		
Loan receivables from affiliated companies and other associated companies	63,250.00	0.00
Loan receivables from others	303,526.57	340,312.72
Loan receivables	366,776.57	340,312.72
Other receivables		
Consolidated accounts receivable	9,859.91	0.00
Other receivables from member municipal federations	89.49	0.00
Other receivables from affiliated companies and other associated companies	3,279.97	0.00
Other receivables	10,242,781.97	12,758,571.47
Other receivables	11,477,662.43	13,702,448.19
Prepayments and accrued income		
Accrued interest		
Accrued interest from others	257,616.39	327,265.21
Accrued interest	257,616.39	327,265.21
Other receivables carried forward		
Other receivables carried forward from others	20,392,000.29	19,887,045.18
Other receivables carried forward	20,392,000.29	19,887,045.18
Prepayments and accrued income	20,649,616.68	20,214,310.40
Deferred tax claims		
Deferred tax claim, 1 Jan	61,966.20	127,564.60
Deferred tax claim, change for the period entered via the profit and loss account	81,343.60	-65,598.40
Deferred tax claims	143,309.80	61,966.20
Short-term receivables	91,847,488.64	89,350,809.17
Receivables	97,898,387.74	96,498,953.66
Material items included in other receivables carried forward		
Tax claims	986,601.22	1,186,079.03
Amortised personnel costs	34,360.24	93,893.14
State subsidy and EU subsidies	1,679,353.02	1,864,762.08
Unit rate receivables	2,111,151.03	2,390,054.78

LAHTI GROUP	2019	2018
Kela compensations from occupational health care	1,770,492.00	1,956,453.26
Other receivables carried forward	13,958,864.14	12,522,786.44
Material items included in other receivables carried forward	20,540,821.65	20,014,028.73
Accrued interest from others	257,616.39	327,265.21
	20,798,438.04	20,341,293.95
Difference between financial securities' book and market values		
Shares and other similar rights of ownership		
Shares and other similar rights of ownership	7,041,342.80	39,935,458.49
Investments in money market instruments		
Investments in money market instruments	4,789,500.00	8,341,309.90
Bond receivables		
Bond loan receivables' market value	524,413.32	487,197.64
Bond receivables	489,334.80	461,679.20
Difference between bond loan receivables' book and market values	35,078.52	25,518.44

NOTES TO THE GROUP LIABILITIES

LAHTI GROUP	2019	2018
CAPITAL AND RESERVES		
Original own funds		
Original own funds, 1 Jan	437,196,267.29	437,196,267.29
Original own funds	437,196,267.29	437,196,267.29
Basic capital of associations and foundations		
Basic capital of associations and foundations, 1 Jan	74,002.69	74,002.69
Basic capital of associations and foundations, decrease	-61,388.59	0.00
Basic capital of associations and foundations	12,614.10	74,002.69
Revaluation reserve		
Revaluation reserve, 1 Jan	2,046,398.87	2,351,063.73
Revaluation reserve, decrease	-599,119.48	-304,664.87
Revaluation reserve	1,447,279.39	2,046,398.87
Other own funds		
Fund capital		
Fund capital, 1 Jan	11,979,816.33	11,861,956.09
Fund capital, increase	105.08	118,489.97
Fund capital, corporate sales	0.00	-629.73
Fund capital, decrease	-207,937.72	-0.01
Fund capital	11,771,983.69	11,979,816.33
Other own funds	11,771,983.69	11,979,816.33
Change in surplus (deficit) from previous periods		
Surplus (deficit) from previous periods 1.1.	180,014,923.54	162,739,909.11
Change in surplus (deficit) from previous periods	0.00	-2,606,360.33
Surplus (deficit) from previous periods	180,014,923.54	160,133,548.78
Surplus for the financial year (deficit)	-3,051,959.22	19,881,374.77
CAPITAL AND RESERVES	627,391,108.79	631,311,408.72
The surplus of the previous financial years of 2018 has been adjusted by the following entries		
- Adjustment of the invoicing of the City of Lahti's Päijät-Hämeen Hyvinvointiyhtymä		-942,952.19
- Adjustment of the Group's negative minority shares		-640,092.99
- Depreciation adjustment of subsidiaries in depreciations according to the Group's plan		-1,023,315.15
Liabilities that will mature after +5 years		
Loans from financial institutions and insurance companies	755,978,315.76	783,474,878.85
Loans from general government	196,716,182.42	215,815,568.30
Loans from other creditors	169,802,967.00	154,868,101.00
Liabilities that will mature later than after 5 years	1,122,497,465.18	1,154,158,548.15

LAHTI GROUP	2019	2018
MANDATORY PROVISIONS		
Pension reserves		
Pension reserves	3,664,200.00	4,328,600.00
Other statutory reserves		
Other provisions due to environmental obligations	2,574,477.00	567,989.00
Medical malpractice insurance premium	4,967,173.82	6,591,494.95
Other mandatory provisions	7,858,396.93	4,221,978.79
Landfill landscaping provision	4,355,693.60	3,634,364.52
Other mandatory provisions	19,755,741.35	15,015,827.26
STATUTORY RESERVES	23,419,941.35	19,344,427.26
Long-term liabilities		
Debentures	60,000,000.00	0.00
Loans from financial institutions and insurance companies	969,493,982.58	992,567,726.70
Subordinated loans	398,675.90	501,383.20
Loans from general government	26,344,018.91	29,607,062.63
Loans from other creditors	74,091,967.00	75,064,101.00
Advances received		
Advance payments received from others	1,365,886.28	1,668,386.20
Advances received	1,365,886.28	1,668,386.20
Connection fees and other debts		
Other liabilities to others	176,993.11	147,945.01
Other liabilities, joining fees	36,161,714.67	34,871,882.01
Other liabilities, joining fees, internal	138,800.61	137,101.48
Connection fees and other debts	36,477,508.39	35,156,928.50
Accrued expenses and deferred income		
Other accrued liabilities		
Other accrued liabilities to member municipal federations	1,741,018.11	2,980,720.10
Other accrued liabilities	23,426.17	-598,331.02
Other accrued liabilities	1,764,444.28	2,382,389.08
Accrued expenses and deferred income	1,764,444.28	2,382,389.08
Deferred tax liabilities		
Deferred tax liability, 1 Jan	27,508,886.86	23,065,531.23
Deferred tax liability, change for the period entered via the profit and loss account	2,337,079.46	4,443,355.63
Deferred tax liabilities	29,845,966.31	27,508,886.86
Long-term liabilities	1,199,782,449.66	1,164,456,864.17
Short-term liabilities		
Loans from financial institutions and insurance companies	58,692,494.12	59,877,040.83
Loans from general government	3,233,361.11	3,140,323.36
Loans from other creditors	695,840.00	646,740.00

LAHTI GROUP	2019	2018
Advances received		
Advance payments received from others	5,518,767.57	4,803,325.94
Advances received	5,518,767.57	4,803,325.94
Accounts payable		
Accounts payable to member municipal federations	12,542,234.83	12,532,784.78
Accounts payable to affiliated companies and other associated companies	4,513.60	3,107.44
Accounts payable to others	59,857,123.97	69,783,722.01
Accounts payable	72,403,872.39	77,756,377.30
Connection fees and other debts		
Other liabilities to member municipal federations	38.36	0.00
Other liabilities to others	19,419,460.10	18,754,284.84
Automatic reconciliation items	1,635,315.78	621,194.11
Connection fees and other debts	21,054,814.24	19,375,478.94
Accrued expenses and deferred income		
Deferred interest		
Deferred interest to subsidiaries	9,392.68	0.00
Deferred interest to member municipal federations	11,275.40	5,959.82
Deferred interest to affiliated companies and other associated companies	0.00	4,928.49
Deferred interest to others	5,124,234.43	5,301,043.95
Deferred interest	5,144,902.51	5,311,932.26
Other accrued liabilities		
Other accrued liabilities to member municipal federations	975,841.74	441,547.18
Other accrued liabilities to others	81,540,917.34	83,325,499.99
Other accrued liabilities	82,516,759.07	83,767,047.17
Accrued expenses and deferred income	87,661,661.58	89,078,979.43
Short-term liabilities	249,260,811.01	254,678,265.80
LIABILITIES	1,449,043,260.67	1,419,135,129.97
Cheque account limit that is relevant for liquidity		
Limit of cheque account with overdraft facility	-127,805,900.00	-128,255,900.00
Material items included in other accrued liabilities		
Tax liabilities	1,195,164.45	892,702.92
Amortised personnel costs	62,672,737.35	57,179,560.96
Medical malpractice liabilities	610,946.00	3,899,533.99
State subsidy and EU subsidies	4,264,086.30	4,302,706.02
Other accrued liabilities	15,538,269.25	19,874,932.37
Material items included in other accrued liabilities	84,281,203.35	86,149,436.25
Accrued interest to others	5,124,234.43	5,301,043.95
	89,405,437.78	91,450,480.20

GROUP GUARANTEES AND CONTINGENT LIABILITIES

LAHTI GROUP	2019	2018
Securities and liabilities		
Liabilities secured by mortgages and shares		
Loans from financial institutions and insurance companies		
Loans from financial institutions and insurance companies, secured by real estate mortgages	30,320,530.16	28,564,565.22
Loans from financial institutions and insurance companies	30,320,530.16	28,564,565.22
Loans from general government		
Loans from general government, secured by real estate mortgages	129,824,528.39	141,238,703.58
Loans from general government	129,824,528.39	141,238,703.58
Other loans		
Other loans, secured by real estate mortgages	93,270,908.40	93,270,508.40
Other loans	93,270,908.40	93,270,508.40
Liabilities secured by mortgages and shares	253,415,966.95	263,073,777.20
Mortgages and shares pledged as collateral for loans		
Real estate mortgages pledged as collateral		
Real estate mortgages provided as collateral for financial and insurance institutions' loans	28,527,583.15	21,042,095.15
Real estate mortgages pledged as collateral for general government loans	87,168,137.55	93,534,781.29
Real estate mortgages pledged as collateral for other loans	93,270,908.40	93,270,508.40
Real estate mortgages pledged as collateral	208,966,629.10	207,847,384.84
Mortgages and shares pledged as collateral for loans	208,966,629.10	207,847,384.84
Other guarantees pledged on one's own behalf		
Real estate mortgages	8,863,101.11	3,198,567.39
Business mortgages	801,369.14	801,369.14
Book value of pledged securities	2,949,674.80	3,590,666.77
Deposits	2,100.00	2,000.00
Guarantees	221,267,571.85	0.00
Other	14,718,127.46	10,832,837.50
Other guarantees pledged on one's own behalf	248,601,944.36	18,425,440.80
Guarantees pledged on one's own behalf		
Guarantees	2,222,222.16	3,333,333.28
Guarantees pledged on one's own behalf	2,222,222.16	3,333,333.28
Guarantees pledged on behalf of someone else		
Guarantees	8,699,821.47	11,456,136.00
Guarantees pledged on behalf of someone else	8,699,821.47	11,456,136.00
Rental liabilities		
Rental liabilities for premises	266,827,784.48	0.00
Rental liabilities for machinery and equipment	53,736,587.05	0.00
Rental liabilities for land areas	0.00	0.00
Other rental liabilities	11,208,867.74	0.00
Rental liabilities	331,773,239.27	0.00
Other rental liabilities		
Rental liabilities due in less than one year	8,077.45	97,366.56
Rental liabilities due in 1–5 years	1,504,728.20	73,504,923.29
Rental liabilities due later	66,620.67	165,418,587.91
Other rental liabilities	1,579,426.32	239,020,877.76

LAHTI GROUP	2019	2018
Rental liabilities for premises	35,070,061.05	0.00
Rental liabilities for machinery and equipment	8,604,065.48	0.00
Rental liabilities for land areas	1,248,914.43	0.00
Other rental liabilities	0.00	0.00
Share payable in the next financial year, rental liabilities	44,923,040.97	0.00
Municipality's contingent liabilities		
Initial capital, guarantees on one's own behalf	274,110,000.00	274,740,000.00
Remaining capital, guarantees on one's own behalf	221,267,571.85	233,329,732.00
Initial capital, guarantees on behalf of others	137,004.00	137,004.00
Remaining capital, guarantees on behalf of others	99,898.75	105,607.25
Municipality's share of the Municipal Guarantee Board's guarantee liabilities, 31 Dec	722,273,686.00	0.00
Municipality's share of the Municipal Guarantee Board's unsecured guarantee liabilities, 31 Dec	608,450.00	0.00
Municipal Guarantee Board's potential contribution towards the municipality's liabilities, 31 Dec	133,330.00	0.00
Other off-balance sheet arrangements		
Conditional guarantees pledged by the municipality for mortgages	0.00	0.00
Other contractual liabilities	7,848,228.76	20,808,591.34
Municipality's obligations arising from land-use contracts	9,481,000.00	0.00
Redemption obligations included in contracts	13,200,000.00	0.00
Refund liabilities included in contracts	929,027.67	958,249.88
Rental liabilities valid until 1 February 2063	9,339,485.25	8,272,226.84
VAT refund liability	30,634,676.79	23,188,670.34
State subsidy refund liability of start-up projects	786,116.60	0.00
Collaboration and partnership agreements	7,495,800.00	0.00
Contractual liabilities	79,714,335.07	53,227,738.39
Other off-balance sheet arrangements	79,714,335.07	53,227,738.39

Other contingent liabilities of Group entities

Lahti Energia Oy

Via the shares it owns in Voimaosakeyhtiö SF, Lahti Energia Oy has pledged a total of EUR 34,730.540 to the further financing of Fennovoima Oy's Hanhikivi 1 nuclear power project from early 2014 until the start of the plant's commercial use. In addition, Lahti Energia Oy has undertaken to be liable for Voimaosakeyhtiö SF's annual administration and other similar costs in proportion to its share of ownership, an estimated total of EUR 1.3 million by 2024.

Lahti Energia Oy has a subrogation obligation of EUR 8.7 million or the obligation to buy the object of leasing with regard to the leasing agreement pertaining to Koskipower Oy owned by its subsidiary, Pilke Energia Oy. This obligation is included in note 23.1. Guarantees pledged on behalf of someone else. The subrogation obligation will increase by a maximum of EUR 6 million in 2020, when Koskipower Oy's incomplete power plant project has been completed.

Lahti Energia Oy has made a commitment to guarantee a certain level of rental income from a property that it sold in 2018. The rental value adjusted in 2019 is EUR 1,194.122 annually. The guarantee has been in place since 1 July 2018, and it will remain in place for five years. Lahti Energia Oy cannot be held liable if the property cannot be let due to renovations. The commitment is included in "Other collateral given" in note 23.2.

LABIO Oy

The Southern Finland Regional State Administrative Agency has granted LABIO Oy an environmental permit (no. 86/2014/1) pursuant to the Finnish Environmental Protection Act (86/2000). In order to ensure the monitoring and actions required for the cessation of operations or thereafter, LABIO Oy has given the Southern Finland Regional State Administrative Agency a financial guarantee worth EUR 417,600.00 (Nordea Bank, no. 173025-46801). The guarantee shall remain in place until 8 December 2024 and it shall be renewed thereafter until the cessation of operations. The operator responsible for the guarantee is Lahti Aqua Oy.

Päijät-Hämeen Jätehuolto Oy

The Finnish branch of Nordea Bank AB has granted the business, transport and environment centre of the Häme region a suretyship pursuant to section 59 of the Environmental Protection Act on behalf of Päijät-Hämeen Jätehuolto Oy regarding the Kujala environmental licence (environmental licence 17 November 2016) regarding the appropriate termination of waste management, control, monitoring and operation or to ensure the required following measures. The bank's total liability is EUR 5,000,000. The guarantee is in force until 3 January 2027.

The Finnish branch of Nordea Bank AB has granted the business, transport and environment centre of the Häme region a suretyship pursuant to section 199 of the Environmental Protection Act on behalf of Päijät-Hämeen Jätehuolto Oy (special exemption 13 September 2019) regarding the restoration of the environment in case of a repeal of the licence decision or a change of the licence regulation. The total liability of the suretyship is EUR 280,000. The guarantee is in force until 31 December 2020.

LAHTI GROUP	2019	2018
Derivative contracts		
Foreign exchange forward transactions		
Market value	0.00	0.00
Value of underlying asset	0.00	0.00
Interest rate swaps		
Market value	-19,578,380.93	-14,198,788.66
Value of underlying asset	331,740,566.00	358,713,294.63
Interest rate and currency swaps		
Market value	-4,055,337.00	-3,615,107.00
Value of underlying asset	30,000,000.00	30,000,000.00
Interest rate swaps with option*)		
Market value	-33,292,753.50	-17,050,260.18,
Value of underlying asset	110,189,550.89	131,329,124.40
Electricity derivatives		
Market value	-383,406.84	696,209.56
Value of underlying asset	10,982,061.39	1,796,481.05
Total derivative contracts		
Market value	-57,309,878.26	-34,167,946.27
Value of underlying asset	482,912,178.28	521,838,900.08

* Counterparty's option

The notional values and market values of the derivative contracts of Group entities have been disclosed based on the City's ownership share. The market value equals the value indicated by the bank at the time of the financial statement (the market value of a contract) and includes deferred interest. In the notes to the Group financial statements, the derivative contracts have been numbered consecutively (City of Lahti from 1-8 and Lahti Group 9-31).

Interest rate swaps

Interest rate swaps have been entered into to hedge against the interest rate risk of a single loan. The contracts have been used to change a variable rate into a fixed rate. The interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can. The principal value, maturity and interest-payment dates of the loan are equivalent to those of the interest rate swap, or the principal of the interest rate swap may be smaller and/or the maturity shorter than that of the loan.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
1	63,000,000.00	-3,437,579.00	63,000,000.00	-2,321,110.16	11.12.2024
11	36,000,000.00	-1,717,341.00	37,500,000.00	-522,414.00	5.12.2031
12	31,428,571.00	-2,964,341.00	34,285,714.00	-3,532,340.00	10.3.2023
13	21,520,000.00	-1,261,134.00	27,680,000.00	-1,260,683.00	15.5.2026
14	18,000,000.00	-353,321.00	21,000,000.00	-193,212.00	15.9.2025
2	20,000,000.00	-745,071.00	20,000,000.00	-1,428,710.00	15.9.2020
16	14,915,254.00	-857,042.00	16,271,186.00	-479,507.00	16.12.2030
15	12,500,000.00	-456,488.00	15,625,000.00	-569,762.00	2.10.2023
29	8,015,390.00	-647,142.37	8,105,832.00	-242,371.06	27.3.2028
28	6,482,890.00	-455,737.00	6,505,312.00	-145,744.00	23.10.2027
17	4,997,496.96	-317,961.00	5,014,722.72	-119,945.07	31.10.2026
31	3,965,695.09	-246,369.25	3,973,286.22	-65,983.87	31.10.2026
18	2,973,330.00	-102,759.25	3,270,664.00	-21,334.97	13.10.2026
30	2,780,304.40	-133,912.00	2,994,173.96	-57,012.19	30.11.2027
19	2,683,333.00	-93,652.00	2,906,944.00	-105,072.00	3.11.2022
20	2,413,000.72	-153,864.15	2,421,318.04	-57,887.38	31.10.2026
21	99,841.00	-9,291.00	116,789.84	-12,441.03	7.11.2022
9	1,726,549.00	23,606.00	-	-	6.2.2029
10	5,730,407.00	47,303.86	-	-	1.12.2026

A future interest rate swap to hedge the loan portfolio. Through the contract, the variable interest rate of the portfolio for the notional principal of the interest rate swap has been changed into a fixed rate for a certain period, during which time the City has and will have outstanding a loan/loans in the amount of the notional principal of the interest rate swap with an interest rate linked to a variable interest rate; the loan/loans will not be associated with other derivative contracts. The interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
22	3,925,500.00	-189,683.00	3,925,500.00	-153,261.65	15.12.2023
23	1,674,880.00	-50,044.00	1,920,878.00	-44,220.34	19.12.2023

The interest rate swap is used to lower the financing cost of fixed-rate loans. The contracts are combined with the interest rate swaps with options 5 and 7.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
6	17,000,000.00	886,125.59	17,000,000.00	1,177,665.75	26.8.2022
4	15,000,000.00	182,720.00	15,000,000.00	365,493.00	7.4.2020

Interest rate and currency swaps

By means of interest rate and currency swaps, a currency loan was converted into euros at the drawing and will carry interest at a rate linked to Euribor. Currency risk associated with currency fluctuations has been eliminated. The principals, maturities and interest payment dates under the contracts are equivalent in value.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
3	EUR 30,000,000.00 SEK 270,000,000.00	-4,055,337.00	EUR 30,000,000.00 SEK 270,000,000.00	- 3,615,107.00	10.6.2021

Interest rate swaps with option

The interest rate swap agreement 5 with the right to extend (in force as of 7 April 2020) and the interest rate swap agreement 4 form a package designed to lower the financing costs of a single fixed-rate loan between 2010 and 2020. The interest rate swap agreement changes the floating rate of loans to a fixed rate for the 2020–2040 period, if the bank uses its right of option (sold option). According to the agreement, the bank shall have the right to implement the interest rate swap agreement which is the underlying asset of the right of option. If the interest rate of a 20-year interest rate swap agreement is lower than 2.2% on the termination date of the right of option, 3 April 2020, the bank will use its right of option and an interest rate swap agreement with a nominal value of EUR 37 million will enter into force. After this until 2040, the annual loan charges for the loaned amount of EUR 37 million shall be a maximum of 2.2% of the loan margin paid for a floating rate loan and, if the Euribor interest rate is negative, the percentage of the floating interest rate of the interest rate swap agreement. If the interest rate of a 20-year interest rate swap agreement is higher than 2.2%, the option agreement shall become void and the interest rate swap agreement will not be implemented.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
5	37 000 000,00	-11 784 104,00	37 000 000,00	- 5 351 600,00	7.4.2040

The interest rate swap agreement 7 with the right to extend (in force as of 26 August 2022) and the interest rate swap agreement 6 form a package designed to lower the financing costs of a single fixed-rate loan between 2013 and 2022. The interest rate swap agreement changes the floating rate of loans to a fixed rate for the 2022–2042 period, if the bank uses its right of option (sold option). According to the agreement, the bank shall have the right to implement the interest rate swap agreement which is the underlying asset of the right of option. If the interest rate of a 20-year interest rate swap agreement is lower than 2.84% on the termination date of the right of option, 24 August 2022, the bank will use its right of option and an interest rate swap agreement with a nominal value of EUR 40 million will enter into force. After this until 2042, the annual loan charges for the loaned amount of EUR 40 million shall be a maximum of 2.84% of the loan margin paid for a floating rate loan and, if the Euribor interest rate is negative, the percentage of the floating interest rate of the interest rate swap agreement. If the interest rate of a 20-year interest rate swap agreement is higher than 2.84%, the option agreement shall become void and the interest rate swap agreement will not be implemented.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
7	40,000,000.00	-,16,726,618.65	40,000,000.00	-,9,201,898.33	26.8.2042

An interest rate swap with threshold (no. 24) is used to hedge the interest rate risk of the loan portfolio in 2016–2026. By means of the interest rate swap, the interest rate of the loan portfolio has been changed to a fixed rate of 2.55% while the 6-month Euribor does not exceed 5%. If the interest rate rises above 5%, the interest rate changes from 2.55% to 6-month Euribor minus one percentage point. The interest rate will be adjusted every 6 months. Additionally, the annual interest cost includes the margin paid for the loan plus, should the Euribor rate be negative, the portion of the variable interest on the interest rate swap. The interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
24	5,108,800.00	-942,436.33	5,108,800.00	-833,465.94	28.12.2026

An interest rate swap with a change option (no. 25) was used to change the interest rate of the loan portfolio to a fixed rate of 4.85%. The contract 19 of September 2007 gives the bank the right to decide on any interest payment day (once a year) to exercise the change option included in the contract (option sold). The change option in the contract relates to the terms of interest payment: If the bank exercises its option, the interest rate tying is changed. In such a case, the interest rate changes from 4.85% to the 12-month Euribor minus 0.10 per cent. In both cases, the bank pays 12-month Euribor. The interest rate on a variable-rate loan cannot be negative whereas a variable interest rate on an interest rate swap can. The annual interest cost includes the interest rate of 4.85%, the margin paid for the loan plus, should the Euribor rate be negative, the portion of the variable interest on the interest rate swap. The capital of the loan and the interest rate swap agreement, the maturity dates as well as the interest determination and payment dates correspond to each other. The agreement will expire on 21 September 2020.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
25	139,570.89	-7,371.00	279,144.40	-,21,274.12	21.9.2020

Derivative interest-rate contracts recorded in mandatory provisions

Derivative contracts have been interpreted as non-protective and the contracts' negative market values or market value changes have been entered in the mandatory provisions as having an impact on profits in accordance with the prudence principle.

Interest rate swaps

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
8	20,000,000.00	-5,983,578.00	20,000,000.00	-2,636,566.00	25.5.2055
26	14,915,255.00	-541,828.00	16,271,187.00	-881,132.00	15.6.2021

According to the interest rate swap with the right to extend (no. 27), the bank shall have the right to implement the interest rate swap agreement which is the underlying asset of the right of option. If the 9-year swap on the expiry date of the option is lower than 2.80%, the bank will exercise its option and the interest rate swap with notional principal of EUR 27,941,180 will enter into force 10 of March 2021.

No.	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018	Maturity date
27	27,941,180.00	-3,832,224.00	27,941,180.00	-2,651,922.00	10.3.2030

Electricity derivatives

Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Notional principal amount in EUR 31.12.2018	Market value in EUR 31.12.2018
10.982.061.39	-383.406.84	1.796.481.05	696.209.56

Interest rate sensitivity of derivative contracts

The following table shows the interest rate sensitivity of the interest rate and currency swaps held by the City Group, i.e. how a change in interest rates impacts the market values of contracts. Sensitivity has been calculated for cases where the interest rate changes from the time of the financial statements by -1, -0.5, +0.5, +1 or +2 percentage points. The timing of negative cash flows of derivative contracts in the future has been estimated based on the yield curve at the end of the year.

Interest rate sensitivity of interest rate and currency derivatives of Lahti Group

No.	Derivative contract	Notional principal amount	Maturity date	Negative cash flows of the contracts based on the yield curve at 31.12.2019	Calculated market value as per 31.12.2019	Impact of interest rate changes on calculated market values of 31.12.2019 Change by percentage points from the level of 31.12.2019				
						-1,0 %	-0,5 %	0,5 %	1,0 %	2,0 %
1	Interest rate swap	63 000 000	11.12.2024	Until 05/2024	-3 437 579	-5 956 098	-4 126 896	-489 988	1 317 716	4 911 620
2	Interest rate swap	20 000 000	15.9.2020	Until the maturity date	-745 070	-846 736	-795 935	-694 142	-643 150	-540 978
3	Interest rate swap and currency swap	30 000 000	10.6.2021	Until the maturity date	-4 055 337	-4 181 376	-4 117 749	-3 992 067	-3 930 004	-3 807 412
4	Interest rate swap	15 000 000	7.4.2020	Positive cash flow	182 720	182 212	182 967	182 476	182 232	181 743
5	Interest rate swap with right to extend (sold)	37 000 000	7.4.2040	Until the maturity date	-11 784 104	-20 944 578	-16 143 520	-7 835 720	-4 316 549	-539 511
6	Interest rate swap	17 000 000	26.8.2022	Positive cash flow	886 126	901 124	893 565	878 683	871 358	856 934
7	Interest rate swap with right to extend (sold)	40 000 000	26.8.2042	Until the maturity date	-16 726 619	-27 862 560	-21 993 127	-12 208 568	-8 262 951	-2 684 315
8	Interest rate swap	20 000 000	25.5.2055	Until the maturity date	-5 983 578	-9 407 852	-7 693 694	-4 277 521	-2 575 549	815 959
9	Interest rate swap	1 726 549	6.2.2029	Until 02/2023	23 606	-126 588	-51 503	98 737	173 891	324 259
10	Interest rate swap	5 730 407	1.12.2026	Positive cash flow 2023	47 304	-301 078	-123 135	211 168	368 045	662 480
11	Interest rate swap	36 000 000	5.12.2031	Until 11/2023	-1 717 341	-3 952 753	-2 810 989	-669 665	334 080	2 217 474
12	Interest rate swap	31 428 571	10.3.2023	Until the maturity date	-2 964 341	-3 764 550	-3 363 958	-2 565 714	-2 168 092	-1 375 923
13	Interest rate swap	21 520 000	15.5.2026	Until the maturity date	-1 261 134	-2 007 827	-1 630 096	-900 724	-548 645	131 343
14	Interest rate swap	18 000 000	15.9.2025	Until 08/2022	-353 321	-899 716	-626 287	-80 822	191 206	733 829
15	Interest rate swap	12 500 000	2.10.2023	Until the maturity date	-456 488	-710 077	-583 238	-456 488	-203 260	49 586
16	Interest rate swap	14 915 254	16.12.2030	Until 08/2024	-857 042	-1 669 843	-1 262 700	-452 867	351 046	750 787
17	Interest rate swap	4 997 497	31.10.2026	Until 09/2025	-317 961	-641 372	-476 196	-165 223	-18 968	256 162
18	Interest rate swap	2 973 330	13.10.2026	Until 03/2022	-102 759	-239 194	-170 265	-38 988	23 498	142 495
19	Interest rate swap	2 683 333	3.11.2022	Until the maturity date	-93 652	-159 858	-126 675	-60 788	-28 082	36 865
20	Interest rate swap	2 413 001	31.10.2026	Until 09/2024	-153 864	-310 477	-230 490	-79 902	-9 080	124 146
21	Interest rate swap	92 710	7.11.2022	Until the maturity date	-9 291	-11 692	-10 489	-8 098	-6 911	-4 554
22	Interest rate swap	3 925 500	15.12.2023	Until the maturity date	-189 683	-318 660	-253 197	-127 885	-67 948	46 702
23	Interest rate swap	1 674 880	19.12.2023	Until the maturity date	-50 044	-86 264	-67 914	-32 591	-15 597	17 102
24	Interest rate swap with threshold (sold)	5 108 800	28.12.2026	Until the maturity date	-942 436	-1 329 982	-1 132 217	-760 167	-585 698	-260 408
25	Interest rate swap with a change option (sold)	139 571	21.9.2020	Until the maturity date	-7 371	-7 371	-7 371	-7 371	-7 371	-7 371
26	Interest rate swap	14 915 255	15.6.2021	Until the maturity date	-541 828	-721 792	-631 445	-452 939	-364 768	-190 568
27	Interest rate swap with right to extend (sold)	27 941 180	10.3.2030	Until the maturity date	-3 832 224	-5 475 903	-4 636 560	-3 064 878	-2 339 859	-1 069 715
28	Interest rate swap	6 482 890	23.10.2027	Until 09/2024	-455 737	-899 319	-677 554	-233 873	-11 966	431 970
29	Interest rate swap	8 015 390	27.3.2028	Until 02/2025	-647 142	-1 321 034	-976 195	-330 382	-28 202	537 528
30	Interest rate swap	2 780 304	30.11.2027	Until 04/2024	-133 912	-291 925	-211 275	-59 118	12 616	147 926
31	Interest rate swap	3 965 695	31.10.2026	Until 09/2026	-246 369	-502 693	-371 780	-125 317	-9 406	208 639
	Total	471 930 117			-56 926 471	-93 864 830	-74 225 916	-38 800 742	-22 316 369	3 104 795
	Difference with the calculated market values					-36 938 359	-17 299 444	18 125 725	34 610 103	60 031 266

FORMULAE FOR KEY FIGURES

FORMULAE FOR KEY FIGURES

Profit and loss statement

Operating income in % of operating expenses

= $100 * \text{Operating income} / (\text{Operating expenses} - \text{Production for own use})$

Annual margin in % of depreciations

= $100 * \text{Annual margin} / \text{Depreciations} + \text{Write-downs}$

Annual margin, EUR/resident

= $\text{Annual margin} / \text{Number of residents}$

Cash flow statement

INVESTMENTS

Accrued cash flow from operations and investments in EUR

= cash flow from operations and investments - accrued interim result from financial year and accrual from four previous years

Internal financing of investments, %

= $100 * \text{Annual margin} / \text{Acquisition cost of investments}$

DEBT SERVICING

Deferred loan servicing margin

= $(\text{Annual margin} + \text{Interest costs}) / (\text{Interest costs} + \text{Deferred loan repayments})$

Debt coverage ratio

= $(\text{Annual margin} + \text{Interest costs}) / (\text{Interest costs} + \text{Debt redemptions})$

LIQUIDITY

Liquid assets on 31 Dec

= Financial securities, cash and bank receivables

Cash payments include following items:

Profit and loss statement:

Operating expenses - Production for own use

Interest paid

Other financial expenses

Cash flow statement:

Investment expenses

Increase in lending

Decrease in long-term debt (redemptions)

Cash sufficiency, days

= $365 \text{ days} * \text{Liquid assets 31.12.} / \text{Cash payments during period}$

Balance sheet

Accrued surplus (deficit)

= Surplus (deficit) from previous periods + Surplus (deficit) for the financial year

Accrued surplus (deficit) per resident, in EUR

= $[\text{Surplus (deficit) from previous periods} + \text{Surplus (deficit) for the financial year}] / \text{Number of residents}$

Solvency ratio, %

= $100 * (\text{Shareholders' equity} + \text{Depreciation difference and voluntary reserves}) / (\text{Entire capital} - \text{Advances received})$

Relative indebtedness, %

= $100 * (\text{External capital} - \text{Advances received}) / \text{Operating income}$

Loans and rental liabilities, 31 Dec

= $\text{Liabilities} - (\text{Advances received} + \text{Accounts payables} + \text{Accrued liabilities} + \text{Other liabilities}) + \text{Rental liabilities}$

Loans and rental liabilities, €/resident

The key figure per resident is calculated by dividing the aforementioned number of loans and liabilities by the municipality's number of residents on the end date of the year of the financial statements.

Total borrowing 31 Dec

= $\text{External capital} - (\text{Advances received} + \text{Accounts payable} + \text{Deferred liabilities} + \text{Other debt})$

Borrowing, EUR/resident

Borrowing per resident is calculated by dividing the above amount of borrowing by the number of residents in the municipality at the end of the year.

Loan receivables 31 Dec

= Bond receivables and other loan receivables included in investments

Balance sheet unit's key figures**Profit and loss statement****Return on capital invested by municipality, %**

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Interest paid to municipality} + \text{Compensation for original capital}) / (\text{Equity} + \text{Borrowing from municipality} + \text{Depreciation difference and voluntary reserves})$

Return on investment, %

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Interest paid to municipality} + \text{Interest paid to others} + \text{Compensation for original capital}) / (\text{Equity} + \text{Invested interest-bearing external capital} + \text{Depreciation difference and voluntary reserves})$

Profit, %

= $100 * (\text{Surplus/deficit before reservations} / \text{Turnover})$

Cash flow statement**Accrued cash flow from operations and investments in EUR**

= cash flow from operations and investments – accrued interim result from financial year and accrual from four previous years

Internal financing of investments, %

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Depreciations and write-downs} - \text{Income taxes}) / \text{Acquisition cost of investments}$

Internal financing of capital expenditure, %

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Depreciations and write-downs} - \text{Income taxes}) / (\text{Acquisition cost of investments} + \text{Net increase in lending} + \text{Debt redemption})$

Debt servicing**Debt coverage ratio**

= $(\text{Surplus/deficit before extraordinary items} + \text{Depreciations and write-downs} + \text{Interest paid} - \text{Income taxes}) / (\text{Interest paid} + \text{Debt redemption})$

Liquidity**Current ratio**

= $(\text{Current assets} + \text{Short-term receivables} + \text{Financial securities} + \text{Cash and bank receivables}) / (\text{Short-term external capital} - \text{Advances received})$

Quick ratio

= $(\text{Cash and bank receivables} + \text{Financial securities} + \text{Short-term receivables}) / (\text{Short-term external capital} - \text{Advances received})$

Cash sufficiency, days

= $365 \text{ days} \times \text{Liquid assets 31.12.} / \text{Cash payments during period}$

Balance sheet**Accrued surplus/deficit**

= $\text{Surplus (deficit) from previous periods} + \text{Surplus (deficit) for the financial year}$

Solvency ratio, %

= $100 \times (\text{Equity} + \text{Depreciation difference and voluntary reserves}) / (\text{Entire capital} - \text{Advances received})$

Relative indebtedness, %

= $100 \times (\text{External capital} - \text{Advances received}) / \text{Operating income}$

Total borrowing 31 Dec

= $\text{External capital} - (\text{Advances received} + \text{Accounts payable} + \text{Deferred liabilities} + \text{Other debt})$

Loan receivables 31 Dec

= Bond receivables and other loan receivables included in investments

Group key figures

Profit and loss statement

Operating income in % of operating expenses
 = $100 * \text{Operating income} / \text{Operating expenses}$

Annual margin in % of depreciations
 = $100 * \text{Annual margin} / (\text{Depreciations} + \text{Write-downs})$

Annual margin, EUR/resident
 = $\text{Annual margin} / \text{Number of residents}$

Number of residents

Cash flow statement

INVESTMENTS

Cash flow from operations and investments accrued over five years, in EUR

Internal financing of investments, %
 = $100 * \text{Annual margin} / \text{Acquisition cost of investments}$

DEBT SERVICING

Deferred loan servicing margin
 = $(\text{Annual margin} + \text{Interest costs}) / (\text{Interest costs} + \text{Deferred loan repayments})$

LIQUIDITY

Cash sufficiency, days
 = $365 \text{ days} * \text{Liquid assets 31 Dec} / \text{Cash payments during period}$

Cash payments include following items:

Group profit and loss statement:

Operating expenses

Interest paid

Other financial expenses

Group cash flow statement:

Investment expenses

Increase in loan receivables

Decrease in long-term debt (redemptions)

Balance sheet

Solvency ratio, %

= $100 * (\text{Equity} + \text{Minority interest} + \text{Consolidation reserve} + \text{Depreciation difference and voluntary reserves}) / (\text{Entire capital} - \text{Advances received})$

Relative indebtedness, %

= $100 * (\text{External capital} - \text{Advances received}) / \text{Operating income}$

Accrued surplus/deficit, in EUR 000s

= $\text{Surplus (deficit) from previous periods} + \text{Surplus (deficit) for the financial year} / 1,000$

Accrued surplus/deficit per resident, in EUR

= $(\text{Surplus (deficit) from previous periods} + \text{Surplus (deficit) for the financial year}) / \text{Number of residents}$

Group borrowing (in EUR 000s) 31 Dec

= $\text{External capital} - (\text{Advances received} + \text{Accounts payable} + \text{Deferred liabilities} + \text{Other debt})$

Group borrowing (in EUR 000s)/Resident

Borrowing per resident is calculated by dividing the above amount of borrowing by the number of residents in the municipality at the end of the year.

Loans and rental liabilities, 31 Dec

= $\text{Liabilities} - (\text{Advances received} + \text{Accounts payables} + \text{Accrued liabilities} + \text{Other liabilities}) + \text{Rental liabilities}$

Group's loans and rental liabilities, EUR/resident

The key figure per resident is calculated by dividing the aforementioned number of loans and liabilities by the municipality's number of residents on the end date of the year of the financial statements.

Group loan receivables (in EUR 000s) 31 Dec

= $\text{Bond receivables and other loan receivables included in investments}$

Number of staff 31 Dec

= $\text{Number of people employed by the municipality and its subsidiaries as of 31 January}$

AUDITORS' REPORT 2019

To the City Council of Lahti

We have audited the administration, the accounting records and the financial statements of the City of Lahti for the financial period 1 January – 31 December 2019. The financial statements comprise the balance sheet, the profit and loss statement and the cash flow statement, with appended notes, as well as the budget review and the annual report. In addition, the consolidated financial statements comprise the consolidated balance sheet, the consolidated profit and loss statement and the consolidated cash flow statement, with appended notes.

The City Board and other accountable persons are responsible for the City administration and its financial management during the financial period. The City Board and other executives of the Group are responsible for the guidance and the organisation of the supervision of the municipal Group. The City Board and the Mayor are responsible for the preparation and true and fair presentation of the City's results and operations, its financial position and cash flows in accordance with the laws and regulations governing the preparation of the financial statements. In the annual report, the City Board and the Mayor have discussed the organisation of the City's internal controls and risk management along with the Group supervision.

We performed the auditing of the administration, the accounting records and the financial statements in accordance with generally accepted auditing standards for public administration to obtain reasonable assurance that the financial statements are free from material misstatements. The purpose of the audit of the administration was to examine whether the members of the governing bodies and the leading office holders of each domain have complied with the applicable laws. We evaluated the appropriateness of the City's internal control and risk management systems as well as the supervision of the Group, taking into account the explanations included in the annual report. We also examined the accuracy of the information given on the basis of state shares. We conducted the audit to obtain reasonable assurance that the administration is managed in accordance with the law and the City Council's decisions. The accounting records and the principles of preparation, content and presentation of the financial statements were audited to an extent sufficient to give reasonable assurance that the financial statements are free from material misstatement.

Results of the audit

The City's administration is managed in accordance with the law and the City Council's decisions.

The City's internal controls and risk management as well as the Group supervision are properly organised.

The information given on the basis of state shares is correct.

The City's financial statements and the related consolidated statements have been prepared in accordance with the rules and provisions governing the preparation of financial statements. The financial statements provide a fair and sufficient presentation of the City's results, its financial position, operations and cash flows during the financial year.

Opinion on approval of the financial statements and discharge from liability

We propose that the financial statements be approved.

We propose that the accountable persons be discharged from liability for the audited financial period.

Seinäjoki, 29 May 2020

KPMG Oy Ab

Authorised Public Accountants

Esko Säilä, JHT, HT

KPMG Oy Ab

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