

LAHTI

FINANCIAL STATEMENTS 2020 SUMMARY

CITY OF LAHTI





**FINANCIAL STATEMENTS
2020
SUMMARY**

City Board 22.3.2021

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KEY OPERATIONAL AND FINANCIAL EVENTS

MAYOR'S REVIEW

Lahti's goal is to ensure the city's vitality and growth through long-term work. To achieve this, Lahti invests in the future, provides versatile services and seeks to attract new talent.

Our environmental expertise was rewarded in 2019 when the European Commission selected Lahti as the European Green Capital for 2021 as the first city in Finland. Planning and preparation of the Green Capital Year moved forward in 2020. The City decided to establish the Sustainable Lahti Foundation to handle duties related to the title of European Green Capital. The Green Capital theme is implemented with a two-year programme of events. It consists of a joint development programme of the urban area and several projects implementing the theme and carried out by associations, businesses, municipalities, universities and educational institutions, as well as individual residents.

In 2020, Lahti took significant steps to develop as a city for universities, higher education institutions and students. The Lappeenranta-Lahti University of Technology (LUT) set up six new professorships in business studies and bioeconomics and launched preparations for three new international bachelor's degree programmes. The LAB University of Applied Sciences also modernised and expanded its course offering. The LAB University of Applied Sciences was born when the Lahti and Saimaa Universities of Applied Sciences merged on 1 January 2020.

Lahti joined a local government pilot on employment together with Hollola, Orimattila, Asikkala and Kärkölä. The pilot began on 1 March 2021 and will run until 30 June 2023. The purpose of the pilot is to raise employment rate and strengthen the role of local government as a provider of services for jobseekers.

The City's in-person services were brought under one roof in the Palvelutori service point. In its first year of operation, the service platform has proven to be easily accessible and useful for day-to-day needs. As an event platform, it has served residents, third-sector parties and educational institutions.

Impact of COVID-19 on operations

The year 2020 was an exceptional one as the COVID-19 pandemic caused impacts around the world. To mitigate the effects of the pandemic, the City supported self-employed residents with grants and rent relief. In addition, support was provided to local associations and organisations promoting well-being.

The COVID-19 pandemic also had significant impacts on the City's own operations. During the lockdown, primary schools switched mainly to remote learning. Libraries, swimming pools, sports facilities, museums and the Lahti City Theatre and Symphony Orchestra were shut down completely or partially and their services transferred online. Most summer events were cancelled or postponed to a later date. Passenger volumes in public transport decreased significantly during the year. The City's employees switched to working from home when permitted by their duties, and the City's governing bodies opted to hold hybrid meetings.

Unemployment rate rose during the spring to a record high of 22.2 per cent in late May. At the end of the year,

unemployment rate stood at 18.3 per cent, which was 4.7 per cent higher than the previous year.

Result for 2020 an exceptional one

The COVID-19 pandemic caused a deep recession in the global economy. In Finland, the impact of the pandemic on the economy was less pronounced than in many other countries. Thanks to better-than-expected tax revenue and the central government's COVID-19 relief packages to municipalities, many municipalities in the Päijät-Häme region ended the year 2020 with a budget surplus. However, the relief packages were one-off in nature and will not solve economic pressures in the coming years.

The drop in resident activity caused by the COVID-19 pandemic had an impact on the City's operating income and expenses. However, better-than-expected tax revenue and the central government's sizable COVID-19 relief package for local governments resulted in the City of Lahti posting a record-high profit of EUR 42.2 million for the financial year. Annual contribution margin stood at EUR 92.9 million, and income financing was sufficient to cover capital expenditures nearly entirely.

Investments in service production and a new ring road to boost growth

The most economically significant building project to be completed in 2020 was a new community centre in Laune, which was named the Lähde community centre after a name competition. The community centre has facilities for a school, day-care and youth social work.

Lahti signed a letter of intent with Hemsö Suomi Oy, by which the City would sell existing and future buildings on the Paavola campus to the company. The City would lease the properties on which the buildings are situated to Hemsö Suomi Oy with long-term leases. Hemsö Suomi Oy would, in turn, lease the premises of the buildings to the City with fixed-term leases of 15 or 20 years.

Lahti signed an alliance contract on the modernisation of the City Hall, and the project kicked off with a planning phase. The modernisation will be completed in 2023.

Finland's largest road construction site was wrapped up and the southern ring road in Lahti was opened for traffic in late 2020. The ring road ensures smooth traffic on the busy national road 12 and promotes opportunities for land use and business development throughout the Lahti region.

After a record-setting year in 2020, the City's need for new capital expenditures is expected to trend down. The completion of the southern ring road in Lahti and the planned sales of real estate will reduce capital expenditures even as investments in the modernisations of school buildings will continue to be extensive.

Mayor
Pekka Timonen

CITY OF LAHTI STATEMENTS

PROFIT AND LOSS STATEMENT

CITY OF LAHTI PROF AND LOSS STATEMENT	2020	2019
Income from operations		
Sales revenue	20,726,324.99	23,865,714.58
Revenue from fees	12,163,219.60	16,825,537.93
Aid and assistance	12,094,781.52	8,168,949.35
Rent revenue	30,061,969.48	30,366,100.85
Other income from operations	<u>11,851,716.20</u>	<u>14,056,587.64</u>
	86,898,011.79	93,282,890.35
Production for own use	1,175,360.26	997,562.54
Operating expenses		
Personnel expenses		
Salaries and fees	-124,674,825.32	-123,291,528.47
Social security expenses		
Pension expenses	-34,756,738.07	-34,692,517.49
Other social security	-4,395,823.43	-3,838,935.61
Services purchased	-504,646,851.53	-504,871,361.03
Materials, supplies, and goods	-15,632,227.58	-15,826,627.60
Assistance and subsidies	-47,616,121.34	-40,755,131.82
Other operating expenses	<u>-24,588,753.95</u>	<u>-22,480,852.01</u>
	-756,311,341.22	-745,756,954.03
Operating margin	-668,237,969.17	-651,476,501.14
Tax revenue	504,619,152.59	475,355,719.56
State aid	243,834,125.00	193,870,635.00
Financial income and expenses		
Interest income	8,464,870.93	8,477,921.96
Other financial income	20,028,351.98	18,932,775.29
Interest paid	-11,947,679.54	-13,116,980.13
Other financial expenses	<u>-3,873,956.27</u>	<u>-5,600,601.49</u>
Total financial income/expenses	12,671,587.10	8,693,115.63
Annual margin	92,886,895.52	26,442,969.05
Depreciation and write-downs		
Planned depreciation	-46,832,648.05	-44,882,789.55
Write-downs	<u>-3,870,810.45</u>	<u>-3,043,773.09</u>
	-50,703,458.50	-47,926,562.64
Extraordinary items		
Extraordinary incomes	<u>0.00</u>	<u>941,263.68</u>
	0.00	941,263.68
Result for the financial year	42,183,437.02	-20,542,329.91
Increase (-)/decrease (+) in depreciation	272,464.55	227,061.39
Increase (-)/decrease (+) in funds	-135,911.84	0.00
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR	42,319,989.73	-20,315,268.52

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

	2020	2019
Cash flow from operations		
Annual margin	92,886,895.52	26,442,969.05
Extraordinary items	0.00	941,263.68
Adjustment to retained earnings	<u>394,695.55</u>	<u>-1,428,318.84</u>
	93,281,591.07	25,955,913.89
Cash flow from investments		
Investment expenses	-94,469,279.36	-102,437,665.08
Financial contribution toward investments expenses	1,303,774.27	627,626.49
Revenue from sale of fixed assets	<u>9,222,067.16</u>	<u>9,667,723.77</u>
	-83,943,437.93	-92,142,314.82
Cash flow from operations and investments	9,338,153.14	-66,186,400.93
Financing cash flow		
Change in lending		
Increase in loan receivables	0.00	-54,850,000.00
Decrease in loan receivables	<u>44,375,219.91</u>	<u>40,291,470.71</u>
	44,375,219.91	-14,558,529.29
Change in borrowing		
Increase in long-term debt	60,000,000.00	90,000,000.00
Decrease in long-term debt	-40,344,805.60	-44,601,000.00
Change in short-term debt	<u>12,264,083.82</u>	<u>-771,193.69</u>
	31,919,278.22	44,627,806.31
Other changes in liquidity		
Change in assignment assets and capital	-225,922.24	209,027.38
Change in current assets	-23,669.47	36,838.44
Change in receivables	-30,959,586.77	-16,174,173.48
Change in non-interest-bearing debt	<u>-21,918,890.65</u>	<u>4,310,302.61</u>
	-53,128,069.13	-11,618,005.05
Financing cash flow	23,166,429.00	18,451,271.97
Change in liquid assets	32,504,582.14	-47,735,128.96
Change in liquid assets		
Liquid assets 31.12.	72,805,489.04	40,300,906.90
Liquid assets 1.1.	<u>40,300,906.90</u>	<u>88,036,035.86</u>
	32,504,582.14	-47,735,128.96

BALANCE SHEET

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

ASSETS	2020	2019
LONG-TERM ASSETS		
Intangible assets		
Intangible rights	590,871.33	43,733.95
Other long-term expenditure	73,076,548.93	4,737,904.46
Advance payments and work in progress	<u>1,025,239.53</u>	<u>812,228.39</u>
	74,692,659.79	5,593,866.80
Tangible assets		
Land and water areas	134,520,931.03	132,985,280.51
Buildings	291,941,354.34	279,784,219.59
Fixed structures and equipment	190,925,934.91	188,773,193.24
Machinery and equipment	3,509,697.20	3,324,243.07
Other tangible assets	56,807.43	54,665.39
Advance payments and work in progress	<u>63,654,302.62</u>	<u>106,758,410.02</u>
	684,609,027.53	711,680,011.82
Investments		
Stock and shares	200,441,965.00	204,832,281.09
Other loan receivables	<u>433,734,140.63</u>	<u>478,333,555.68</u>
	634,176,105.63	683,165,836.77
ASSIGNMENT ASSETS		
Special margins for donation funds	<u>247,786.24</u>	<u>187,786.24</u>
	247,786.24	187,786.24
SHORT-TERM ASSETS		
Current assets		
Materials and supplies	54,580.00	30,910.53
Receivables		
Long-term receivables		
Accounts receivable	0.00	540,152.58
Loan receivables	10,430,988.28	14,902,536.60
Other receivables	341,000.00	496,000.00
Short-term receivables		
Accounts receivable	9,834,922.93	5,319,393.31
Loan receivables	80,355,949.04	50,419,183.73
Other receivables	3,038,134.99	3,340,817.44
Deferred assets	<u>10,128,905.00</u>	<u>8,152,229.81</u>
	114,129,900.24	83,170,313.47
Marketable securities		
Stock and shares	<u>6,496,021.78</u>	<u>6,496,021.78</u>
	6,496,021.78	6,496,021.78
Cash and bank receivables	66,309,467.26	33,804,885.12
TOTAL ASSETS	1,580,715,548.47	1,524,129,632.53

LIABILITIES	2020	2019
EQUITY		
Original capital	437,196,267.29	437,196,267.29
Revaluation reserve	80,009.68	80,009.68
Other own reserves	10,696,548.66	10,560,636.82
Surplus from previous financial years	131,403,737.29	151,719,005.81
Surplus (deficit) for the financial year	<u>42,319,989.73</u>	<u>-20,315,268.52</u>
	621,696,552.65	579,240,651.08
DEPRECIATION DIFFERENCE AND VOLUNTARY RESERVES		
Depreciation difference	1,042,988.22	1,315,452.77
STATUTORY RESERVES		
Pension reserves	3,259,800.00	3,664,200.00
Other statutory reserves	<u>14,322,139.53</u>	<u>9,349,725.94</u>
	17,581,939.53	13,013,925.94
ASSIGNMENT CAPITAL		
Donation fund capital	<u>2,722,893.15</u>	<u>2,888,815.39</u>
	2,722,893.15	2,888,815.39
EXTERNAL CAPITAL		
Long-term		
Debentures	60,000,000.00	60,000,000.00
Loans from financial and insurance institutions	732,100,000.00	704,750,000.00
Other loans	20,000.00	20,000.00
Deferred liabilities	<u>3,643,567.82</u>	<u>3,652,996.45</u>
	795,763,567.82	768,422,996.45
Short-term		
Loans from financial and insurance institutions	32,650,000.00	40,300,000.00
Other loans	48,938,816.38	36,719,538.16
Advances received	1,069,400.14	1,194,085.36
Accounts payable	18,638,947.35	45,715,002.44
Other debt	3,063,534.76	2,773,166.86
Deferred liabilities	<u>37,546,908.47</u>	<u>32,545,998.08</u>
	141,907,607.10	159,247,790.90
TOTAL LIABILITIES	1,580,715,548.47	1,524,129,632.53

CITY OF LAHTI KEY FIGURES

CITY OF LAHTI

KEY FIGURES	2020	2019
Profit and loss statement key figures		
Operating income/Operating expense, %	11.5 %	12.5 %
Annual margin/Depreciation, %	182.8 %	55.2 %
Annual margin, in euros/resident	774	221
Inhabitants*	120,039	119,823
Number of staff	3,595	3,626
Cash flow statement key figures		
Accrued cash flow from operations and investments over 5 years, in euros	-108,722,984	-158,319,180
Internal financing of investments, %	99.7 %	24.3 %
Debt coverage ratio	2.0	0.7
Deferred loan servicing margin	0.9	0.3
Cash sufficiency, days	29.3	15.2
Balance sheet key figures		
Solvency ratio, %	39.4 %	38.1 %
Relative indebtedness, %	112.1 %	121.5 %
Accrued surplus/deficit, in 1 000 euros	173,724	131,404
Accrued surplus/deficit, in euros/resident	1,447	1,097
Debt, in euros/resident	7,279	7,025
Total borrowing	873,708,816	841,789,538
Total borrowing as of 31.12., 1 000 euros	873,709	841,790
Loans and rental liabilities, 31 December	946,102,657	926,233,445
Loans and rental liabilities, €/resident	7,882	7,730
Loan receivables as of 31.12., 1 000 euros	433,734	478,109

* 2020 population based on Statistics Finland's estimate; the 2019 figure is confirmed.

LAHTI-GROUP STATEMENTS
PROFIT AND LOSS STATEMENT

LAHTI-GROUP

	2020	2019
Income from operations	569,747,415.25	616,971,448.92
Operating expenses	-1,144,103,107.60	-1,178,665,244.20
Share in profit (loss) of affiliated entities	-763,495.37	-9,335.80
OPERATING MARGIN	-575,119,187.72	-561,703,131.09
 Tax revenue	500,219,572.60	471,650,086.97
State aid	281,980,876.84	229,519,486.34
 <u>Financial income and expenses</u>		
Interest income	414,637.12	511,503.93
Other financial income	5,559,190.89	5,886,347.18
Interest paid	-19,265,677.50	-19,193,668.00
Other financial expenses	-4,448,208.58	-4,002,972.23
Total financial income/expenses	-17,740,058.07	-16,798,789.11
ANNUAL MARGIN	189,341,203.65	122,667,653.11
 <u>Depreciation and write-downs</u>		
Planned depreciation	-123,131,319.43	-114,652,915.71
Ownership elimination difference	-163,654.46	-2,252,663.19
Write-downs	-358,569.95	-453,244.23
Depreciation and write-downs	-123,653,543.84	-117,358,823.13
 <u>Extraordinary items</u>	18,297,346.64	-414,910.40
RESULT FOR THE FINANCIAL YEAR	83,985,006.45	4,893,919.58
 Adjustments	-138,190.75	-2,950.98
Income taxes paid from operations	-1,470,989.60	-5,493,295.88
Deferred taxes paid from operations	-4,688,327.47	-2,228,764.52
Minority interest	-125,662.51	-532,124.94
SURPLUS FOR THE FINANCIAL YEAR	77,561,836.11	-3,363,216.73

CASH FLOW STATEMENT

LAHTI-GROUP

CASH FLOW STATEMENT	2020	2019
Cash flow from operations		
ANNUAL MARGIN	189,341,203.65	122,667,653.11
Extraordinary items	18,297,346.64	-414,910.40
Taxes	-1,470,989.60	-5,493,295.88
Adjustment to retained earnings	-4,542,533.62	-3,971,927.83
Cash flow from operations	201,625,027.07	112,787,519.00
Cash flow from investments		
Investment expenses	-217,373,302.20	-253,955,573.64
Financial contribution toward investment expenses	1,383,171.45	627,626.49
Revenue from sale of fixed assets	20,373,641.94	41,846,158.10
Cash flow from investments	-195,616,488.63	-211,481,789.06
Cash flow from operations and investments	6,008,538.43	-98,694,270.06
Financing cash flow		
<u>Change in lending</u>		
Increase in loan receivables	-431.05	-25,331.35
Decrease in loan receivables	2,563,641.87	544,161.22
Change in lending	2,563,210.82	518,829.87
<u>Change in borrowing</u>		
Increase in long-term debt	106,056,894.00	95,691,005.82
Decrease in long-term debt	-65,922,982.92	-64,160,740.57
Change in short-term debt	10,397,106.03	15,696.65
Change in borrowing	50,531,017.11	31,545,961.90
<u>Change in equity</u>		
Change in equity	-61,284.87	-62,160.01
<u>Other changes in liquidity</u>		
Change in assignment assets and capital	215,394.67	-56,945.71
Change in current assets	-241,824.41	5,667,352.00
Change in receivables	6,055,900.02	-1,459,120.11
Change in non-interest-bearing debt	-5,822,574.35	-3,138,972.72
	206,895.94	1,012,313.45
Financing cash flow	53,239,839.00	33,014,945.22
Change in liquid assets	59,248,377.43	-65,679,324.84
Liquid assets at end of period	137,405,141.88	78,156,761.45
Liquid assets 1.1.	78,156,761.45	143,836,086.29
Change in liquid assets	59,248,380.43	-65,679,324.84
Cash flow statement key figures		
Accrued cash flow from operations and investments over 5 years, euros	-296,563,378	-350,568,364
Internal financing of investments, %	87.7 %	48.4 %
Debt coverage ratio	2.4	1.7
Deferred loan servicing margin	1.2	0.8
Cash sufficiency, days	34.5	18.7

BALANCE SHEET

(all figures are in euros)

LAHTI-GROUP**BALANCE SHEET****ASSETS****LONG-TERM ASSETS****Intangible assets**

	2020	2019
Intangible rights	8,858,078.48	8,081,780.40
Other long-term expenditure	77,564,514.90	8,560,951.24
Advance payments and work in progress	2,034,163.98	1,650,291.11
Intangible assets	88,456,757.36	18,293,022.75

Tangible assets

Land and water areas	152,943,001.76	151,932,665.31
Buildings	869,547,273.34	783,631,331.36
Fixed structures and equipment	394,760,789.37	387,590,944.40
Machinery and equipment	258,372,175.27	144,553,389.09
Other tangible assets	2,938,887.50	3,323,828.49
Advance payments and assets under construction	101,957,884.30	318,462,040.02
Tangible assets	1,780,520,011.54	1,789,494,198.66

Investments

Stock and shares in affiliated entities	920,717.97	1,437,747.35
Other stock and shares and revaluation of shares	117,433,717.38	96,368,740.74
Other loan receivables	20,718,548.67	23,246,540.54
Other receivables	73,112.99	108,331.94
Investments	139,146,097.02	121,161,360.57
LONG-TERM ASSETS	2,008,122,865.91	1,928,948,581.98

ASSIGNMENT RESERVES	941,675.85	373,755.13
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SHORT-TERM ASSETS

Current assets	10,852,501.64	10,610,677.24
Long-term receivables	6,847,801.39	6,925,709.50
Short-term receivables	86,070,032.27	91,847,488.64
 Marketable securities	 35,356,825.74	 12,362,909.95

Cash and bank receivables	102,048,313.14	65,793,851.50
SHORT-TERM ASSETS	241,175,474.18	187,540,636.83
ASSETS	2,250,240,015.95	2,116,862,973.93

LAHTI-GROUP

BALANCE SHEET	2020	2019
LIABILITIES		
EQUITY		
Original capital	437,196,267.29	437,196,267.29
Original capital of associations and foundations	12,614.10	12,614.10
Revaluation reserve	1,035,755.36	1,447,279.39
Other own reserves	11,910,277.94	11,771,983.69
Surplus (deficit) from previous periods	172,431,041.37	175,847,706.15
Surplus (deficit) for the financial year	77,561,836.11	-3,363,216.73
EQUITY	700,147,792.16	622,912,633.89
MINORITY INTERESTS	12,736,879.39	12,865,547.37
<u>STATUTORY RESERVES</u>		
Pension reserves	3,259,800.00	3,664,200.00
Other statutory reserves	26,502,551.05	19,755,741.35
STATUTORY RESERVES	29,762,351.05	23,419,941.35
ASSIGNMENT CAPITAL	5,030,854.03	4,247,538.63
EXTERNAL CAPITAL		
Long-term interest-bearing debt	1,176,487,143.69	1,130,328,644.39
Long-term non-interest-bearing debt	80,734,657.34	73,827,857.26
Short-term interest-bearing debt	67,035,282.86	62,621,695.23
Short-term non-interest-bearing debt	178,305,055.40	186,639,115.78
EXTERNAL CAPITAL	1,502,562,139.30	1,453,417,312.67
LIABILITIES	2,250,240,015.93	2,116,862,973.91

LAHTI GROUP KEY FIGURES

LAHTI-GROUP	2020	2019
Profit and loss statement key figures		
Operating income/Operating expense, %	49.8 %	52.3 %
Annual margin/Depreciation, %	153.3 %	106.6 %
Annual margin, in euros/resident	1,577	1,024
Inhabitants*	120,039	119,823
Number of staff	9,459	9,674
Cash flow statement key figures		
Accrued cash flow from operations and investments over 5 years, 1 000 euros	-296,563,378	-350,568,364
Internal financing of investments, %	87.7 %	48.4 %
Debt coverage ratio	2.4	1.7
Deferred loan servicing margin	1.2	0.8
Cash sufficiency, days	34.5	18.7
Balance sheet key figures		
Solvency ratio, %	31.8 %	30.1 %
Relative indebtedness, %	110.6 %	109.7 %
Accrued surplus/deficit, in 1 000 euros	249,993	172,484
Accrued surplus/deficit, in euros/resident	2,083	1,439
Loans and rental liabilities, 31 December	10,359	10,205
Loans and rental liabilities, €/resident	1,243,522,427	1,222,796,306
Total borrowing as of 31.12., 1 000 euros	1,243,522	1,222,796
Total borrowing as of 31.12., in euros/resident	1,531,058,421	1,524,723,579
Loan receivables as of 31.12., 1 000 euros	12,755	12,725

* 2020 population based on Statistics Finland's estimate; the 2019 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 in 2020:

- KOKO Lahti Oy, EUR 42,852.50, in total EUR 42,852.50
- Kuntien Tiera Oy, EUR 12,708.34, in total EUR 86,354.17
- Lahden Työn Paikka Oy, EUR 30,500.00, in total EUR 133,833.33
- Kiinteistö Oy Lahden Varaani, EUR 1,025.94, in total EUR 18,672.23

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.

Impacts of the COVID-19 pandemic

The Finnish Government, in cooperation with the President of the Republic, decided to adopt the Emergency Powers Act on 16 March 2020. The Finnish Parliament approved the decrees on the enforcement of the Emergency Powers Act on 18 March 2020. Powers laid down in the Act included several restrictive measures that had an impact on the provision of the City's services. On 20 March 2020, the City Board decided to grant the Mayor special powers in the event of disruptions and under exceptional circumstances (item 71). After this, the City set up a readiness and response team.

Negotiations for lay-offs due to the temporary reduction in workload took place from 8 to 22 April 2020. The City made an agreement with employees' unions on bringing forward the payment date of holiday bonuses for 2020.

The Finnish Government decided to discontinued the use of the Emergency Powers Act on 15 June 2020. The City Board revoked the special powers granted to the Mayor on 22 June 2020 (item 165). The negotiations with employees over the reduction in workload caused by COVID-19 was debated by the City Board in September (City Board 21 September 2020, item 227), but there was no need to begin the negotiations in practice as the number of new cases remained low.

The COVID-19 pandemic had significant impact on the City's operations. To mitigate the effects of the pandemic, the City supported self-employed residents with grants and rent relief. In addition, support was provided to local associations and organisations promoting well-being. As a result of the exceptional circumstances caused by the pandemic, the City introduced errand services for seniors and a call service for all residents over the age of 80.

During the pandemic, primary schools switched to mostly remote learning and began handing out lunches to schoolchildren to take home. Libraries, swimming pools, sports facilities, museums and the Lahti City Theatre and Symphony Orchestra were shut down completely or partially and their services transferred online. During the pandemic, client fees in early childhood education and care were waived for families who took care of their children at home. Most summer events were cancelled or postponed to a later date. The City's employees switched to working from home whenever permitted by their duties, and the City did not hire any summer employees. The City's governing bodies switched to holding hybrid meetings.

In the autumn as the second wave of the pandemic began, the City joined with the Päijät-Häme Joint Municipal Authority for Wellbeing to distribute face masks to low-income residents and introduced a face mask recommendation in schools. Seniors preparing for their matriculation exams spent a few weeks in remote school as a precaution. During autumn,

students exposed to COVID-19 switched to remote learning and were placed in quarantine.

Restrictions and recommendations caused by the pandemic had a broad impact on the City's services and the forms by which they could be provided. In-person services could be partially replaced or supported by online services. For example, online content produced by Lahti Symphony Orchestra was viewed 800,000 times. Libraries, museums and youth services could be partly provided online, and classes in the Wellamo community college were organised as online learning. Passenger volumes in public transport decreased significantly during the year. Events were cancelled or postponed, and some projects had to be abandoned. Travel by employees decreased.

Unemployment rate rose during the spring to a record high of 22.2 per cent in late May. At the end of the year, unemployment rate stood at 18.3 per cent, which was 4.7 per cent higher than the previous year. Jobseeker activation measures could not be fully implemented due to the COVID-19 restrictions. As the result of changes to the Unemployment Security Act, the City's job placement obligation was suspended from 1 July to 31 December 2020.

The City incurred losses of about EUR 8.1 million in operating income due to the reduction in resident activity as the result of COVID-19. The losses in revenue came particularly from public transport, parking, early childhood education and care and the City's sports and cultural services, including the Symphony Orchestra and City Theatre. The pandemic also resulted in savings in operating expenses of EUR 7.6 million due to the reduction in activity, particularly in sports, culture, library,

museum, orchestra and theatre services as well as in public transport. During the pandemic, some projects could not be implemented according to plan. Employment measures could not be fully implemented, which resulted in both cost savings as well as additional expenses of EUR 4.5 million in the form of labour market subsidies. Additional costs totalled EUR 5.8 million and included, besides labour market subsidies, purchases of protective equipment, enhanced cleaning measures and individually packaged meals. The City's social and health care services are provided by the Päijät-Häme Joint Municipal Authority for Wellbeing, whose operations have been significantly impacted by COVID-19. Based on actual costs and estimates, the COVID-19 pandemic is thought to have caused additional expenses of over EUR 9.0 million in services provided to the City by the Joint Municipal Authority. In addition, the fall in demand for health and social services due to the pandemic and cutbacks in service provision have resulted in cost savings, the economic impact of which has not been estimated. The Päijät-Häme Joint Municipal Authority for Wellbeing has received COVID-19 relief from the central government totalling EUR 10.2 million, of which Lahti's share based on population is EUR 5.8 million.

The City applied for a discretionary state subsidy for the mitigation of the impacts of COVID-19, but this was not granted. The central government supported the operations of municipalities with a sizable COVID-19 relief package, of which the City of Lahti received EUR 42.2 million. Of this aid, state subsidies amounted to EUR 32.5 million, including a sum of EUR 2.4 million to be repaid in 2021–2022. The increase in corporation tax and separately awarded grants amounted to EUR 6.6 million and EUR 3.1 million, respectively.

NOTES TO THE PROFIT AND LOSS STATEMENT

CITY OF LAHTI	2020	2019
OPERATING INCOME BY BUSINESS FUNCTION		
Social and health services	2,274,471.37	3,166,945.98
Education and cultural services	16,301,993.12	19,284,640.82
Utilities	38,331,910.26	38,230,552.56
Housing and real estate services	16,040,595.79	17,319,108.32
Other services	13,949,041.25	15,281,642.67
Total income from operations	86,898,011.79	93,282,890.35
TAX REVENUE		
Municipal tax revenue	434,333,355.71	403,836,946.99
Share in corporate tax revenue	32,226,646.00	29,403,019.70
Real estate tax	38,059,150.88	42,115,752.87
Total tax revenue	504,619,152.59	475,355,719.56
STATE AID		
State's share of basic municipal services	163,980,250.00	168,136,446.00
Adjustment of state's share based on tax revenue	33,541,575.00	31,293,186.00
Compensation for loss of tax revenue	51,485,109.00	0.00
State's share of education and cultural services	-5,172,809.00	-5,558,997.00
Total state aid	243,834,125.00	193,870,635.00
SERVICES PURCHASED ITEMISED		
Customer services purchased	401,673,943.11	410,643,694.05
Other services purchased	102,972,908.42	94,227,666.98
Total municipal services purchased	504,646,851.53	504,871,361.03
AID TO COUNCIL GROUPS		
Left Alliance, Lahti	5,000.00	5,000.00
National Coalition Party, Lahti	15,000.00	15,168.98
Greens, Lahti	5,703.27	6,806.49
Social Democrats, Lahti	21,000.00	21,000.00
Christian Democrats, Lahti	4,200.81	2,502.59
Finns Party, Lahti	4,004.77	3,435.19
Residents' Lahti Council Group	560.00	0.00
TOTAL AID TO COUNCIL GROUPS	55,468.85	53,913.25
CHANGE IN STATUTORY RESERVES		
Pension reserve 1.1.	3,664,200.00	4,328,600.00
Decrease	-404,400.00	-664,400.00
Pension reserve 31.12.	3,259,800.00	3,664,200.00

CITY OF LAHTI	2020	2019
Other statutory reserves		
Reserve for environmental liabilities, 1.1.	1,131,000.00	0.00
Increase	700,000.00	1,131,000.00
Reserve for environmental liabilities, 31.12.	1,831,000.00	1,131,000.00
Reserve for legal expenses 1.1.	0.00	0.00
Increase	485,395.59	0.00
Reserve for legal expenses 31.12	485,395.59	0.00
Non-protective interest rate swap 1.1.	5,983,578.00	2,636,566.99
Increase	0.00	3,347,012.00
Decrease	4,137,018.00	0.00
Non-protective interest rate swap 31.12.	10,120,596.00	5,983,578.00
Other statutory reserves, 1.1.	2,235,147.94	0.00
Decrease	-350,000.00	0.00
Increase	0.00	2,235,147.95
Other statutory reserves 31.12.	1,885,147.94	2,235,147.94
Total other statutory reserves, 31.12.	14,322,139.53	9,349,725.94
Total reserves	17,581,939.53	13,013,925.94
CAPITAL GAINS AND LOSSES FROM FIXED ASSETS		
Other income from operations		
Capital gains from land and water areas	5,465,552.03	7,387,054.54
Capital gains from buildings	0.00	125,604.87
Other capital gains	38,531.13	0.00
Total capital gains	5,504,083.16	7,512,659.41
Other operating expenses		
Capital losses from buildings	21,577.19	0.00
Capital losses from land properties	0.00	276,662.09
Other capital losses	1,309,187.932	946,772.55
Total capital losses	1,330,765.12	88,901.98
		1,312,336.62
INCOME AND EXPENDITURE		
Extraordinary income		
Settlement compensation	0.00	941,263.68
Total extraordinary income	0.00	941,263.68
Total extraordinary items	0.00	941,263.68
DIVIDEND INCOME AND INTEREST ON SHARE CAPITAL, ITEMISED		
Dividend income from Group companies	17,259,948.31	15,457,920.00
Dividend income and interest on share capital from others	2,093,231.05	2,539,533.26
Total	19,353,179.36	17,997,453.26

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 buildings	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					
Bridges, piers, swimming pools	20	10	Net expenditures 15%	10	10%
Other land and water constructions	30	15	Net expenditures 10%	15	6.70%
Water distribution network	—	—	Net expenditures 8%	30	3.30%
Sewer system	—	—	Net expenditures 8%	30	3.30%
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 investment	Useful economic life calc. separately for each investment	—	Useful economic life calc. separately for each investment	
Machinery and equipment	5	4	5	4	25%
Other transport equipment					
Other mobile machinery	5	5	5	5	20%
Other heavy machinery	10	10	—	10	10%
Other light machinery	10	5	—	5	20%
Hospital, health care and similar equipment	10	5	5	5	20%
Computer equipment	3–5 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					
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 (1-6). 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 was one such package left at the end of the year. Derivative contracts forming a package has been denoted with the letter 'A'. 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 31.12.2020	EUR -3,560,143.01
Market value as of 31.12.2019	EUR -3,437,579.00
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. 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. The variable interest rate was negative at the time of the closing of the accounts and interest rate forecasts indicate that the variable interest rate will remain negative until the maturity of the contract. Approximately EUR 1,100,000 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 1,300,000 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 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 (price indication 2/2021).

Interest rate swap 2

Notional principal amount	EUR 37,000,000.00
Market value as of 31.12.2020	EUR -16,385,649.00
Market value as of 31.12.2019	EUR -11,784,104.00
Interest paid	2.20 %
Interest received	6-month Euribor
Instalment plan	Bullet
Commencement date	7 April 2020
Maturity date	7 April 2040

Under the extendable interest rate swap included in the broader agreement signed on 7 October 2010, the bank had the right to enforce the option's underlying interest rate swap if the interest rate of 20-year swaps was lower than 2.2 per cent on the expiration date of the option right on 3 April 2020. The bank exercised its option right and the interest rate swap (No. 2) took effect with a nominal value of EUR 37.0 million.

The interest rate swap is intended as a hedge against the interest rate risk of an individual loan: The swap converted the floating interest rate of the loan capital of EUR 40 million, which matures on 15 October 2029, into a fixed rate. The swap applies to EUR 37 million or 92.5% of the loan capital. The determination and payment dates of interest on the loan and interest rate swap differ only slightly: 7 April and 7 October for the interest rate swap and 15 April and 15 October for the loan. The difference in time is not significant and its effect in the current market environment is immaterial. As such, the swap is considered to be hedging. Unlike the interest rate of a floating-rate loan, the interest rate of the interest rate swap can be negative. The annual interest cost of the loan will not exceed 2.2 % 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. 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. The variable interest rate was negative at the time of the closing of the accounts and interest rate forecasts indicate that the variable interest rate will remain negative until 2028. Approximately EUR 100,000 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 800,000 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 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 3,700,000 (price indication 2/2021).

The City of Lahti has taken out a total of EUR 110 million in bullet loans that will mature between 2027 and 2029. It is probable that after 2029, the loan connected with interest rate swap No. 2 or other due loan requires refinancing, at which time the terms of the new loan can be adjusted to correspond to the interest rate swap, with the interest rate swap remaining in effect as a hedge until the end of the contract term.

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 31.12.2020	EUR -3,120,974.00
Market value as of 31.12.2019	EUR -3,120,974.00
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 17,000,000.00
Market value as of 31.12.2020	EUR 590,141.03
Market value as of 31.12.2019	EUR 886,125.59
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 5 with right to extend

Notional principal amount	EUR 40,000,000.00
Market value as of 31.12.2020	EUR – 23,388,532.75
Market value as of 31.12.2019	EUR – 16,726,618.65
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 A 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 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 4 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 5 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 6**

Notional principal amount	EUR 20,000,000.00
Market value as of 31.12.2020	EUR –10,120,596.00
Market value as of 31.12.2019	EUR – 5,983,578.00
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. 6, 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 derivate contracts, sensitivity analysis

No.	Derivative contract	Notional principal amount	Maturity date	Negative cash flows of the contracts based on the yield curve at 31.12.2020	Calculated market value as per 31.12.2020	Impact of interest rate changes on calculated market values of 31.12.2020 Change by percentage points from the level of 31.12.2020				
						-1,0 %	-0,5 %	0,5 %	1,0 %	2,0 %
1	Interest rate swap	63 000 000	11.12.2024	Until the maturity date	-3 560 143	-5 947 233	-4 737 431	-2 419 110	-1 308 543	820 275
2	Interest rate swap	37 000 000	7.4.2040	Until the maturity date	-16 385 649	-25 882 370	-20 916 052	-12 252 281	-8 480 578	-1 896 323
4	Interest rate swap	17 000 000	26.8.2022	Until the maturity date	590 141	596 496	593 013	586 118	582 707	575 954
3	Interest rate swap and currency swap	30 000 000	10.6.2021	Until the maturity date	-3 120 974	-3 243 656	-3 181 325	-3 057 100	-2 995 204	-2 871 845
5	Interest rate swap right to extend (sold)	40 000 000	26.8.2042	Until the maturity date	-23 388 533	-35 470 526	-28 998 833	-17 998 549	-13 357 083	-5 719 958
6	Interest rate swap	20 000 000	25.5.2055	Until the maturity date	-10 120 596	-14 131 546	-12 122 718	-8 125 348	-6 137 168	-2 182 944
	Total	207 000 000			-55 985 754	-84 078 835	-69 363 347	-43 266 270	-31 695 869	-11 274 840
	Difference with the calculated market values					-28 093 081	-13 377 593	12 719 484	24 289 884	44 710 914

CITY OF LAHTI, NOTES TO PERSONNEL	2020	2019
City staff 31.12		
Group administration	280	228
Education, Culture and Sports service area	2,917	2,957
Urban Environment service area	190	187
Total	3,387	3,372
Balance sheet units		
Premises centre	42	44
Lahti Symphony Orchestra	69	77
Lahti City Theatre	97	133
Total	208	254
Total City	3,595	3,626
Fees charged and settled from the fee of the person in a position of trust		
Häme National Coalition Party	1,164	986
Social Democrats of Häme	1,236	1,152
Christian Democrats mun. chapter, Lahti	4,731	4,897
Centre Party, Päijät-Häme	408	384
Centre Party mun. chapter, Lahti	5,600	6,950
National Coalition Party mun. chapter, Lahti	24,891	25,474
The Finns Party of Lahti	3,954	3,698
Social Democrats, Lahti	37,972	41,058
The Green Party, Lahti	8,406	11,007
The Green Party of Päijät-Häme	360	411
Left Alliance, Nastola	0	24
Communist Party of Finland	0	290
Left Alliance mun. chapter, Lahti	8,756	10,740
Total fees settled for persons in position of trust	97,477	107,071
Auditor fees		
KPMG Julkishallinnon Palvelut Oy		
Auditing fees	43,593.40	30,851.60
Acquisition audit	1,335.00	1,246.00
Consulting	28,520.00	0.00
Total fees	73,448.40	32,097.60
Total auditing fees	73,448.40	32,097.60

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 2020, the city Group comprised 36 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 2 municipal federations and 3 municipal federation Groups of which Lahti is a member. Via the municipal federation Groups, 4 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 four following subgroups. Consolidated statements have been prepared for these companies and included in the Lahti Group figures.

Entities included in the Group financial statements:	2020
Subsidiaries	
Corporations	
– Housing, real estate and housing corporations	11
– Corporations active in municipal business	18
– Other corporations	7
Foundations	1
Municipal federations	5
Affiliated and other holding participations	3
Non-consolidated entities	6
Total	51

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 municipality 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 of municipal group taxes has 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 1.4 million and short-term EUR 0.8 million.
- Debt: long-term EUR 34.9 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. Jäähalli Oy transferred under the management of Spatium Toimitilat on 1 March 2020. With Lahden Jäähalli Oy transferred under the ownership of Spatium Toimitilat, the latter became a subgroup of Lahti Group consisting of two subsidiaries, Lahden Jäähalli Oy and Kiinteistöosakeyhtiö Sammonkatu 8. The housing company Kiinteistö Oy Sammonkatu was merged with Spatium Toimitilat on 31 August 2020.

The outsourcing of electricity retailing initiated by Lahti Energy in 2019 was completed in early 2020, with Oomi Oy launching operations on 1 April 2020. Lahti Energy transferred its electricity retailing business on 1 April 2020 to Oomi Oy, which was founded in 2019. Oomi is a limited liability company owned by five energy companies and their stakeholders. As Oomi owns 19 per cent of Lahti Group, Oomi Oy has not been merged with the Lahti Energy Group and as such also not with Lahti Group. When comparing figures with previous financial years, it should be noted that Lahti Energy Ltd no longer engages in electricity retailing as of 1 March 2020. The outsourcing has an impact on the operating expenses of Lahti Group. The income of EUR 16.6 million from the business transaction is reported as extraordinary income in the consolidated income statement.

Lahden Talot sold the entire share capital of housing company Kiinteistö Oy Vesijärvenkatu 36 in a transaction concluded on 31 January 2020. In addition, the group structure of Lahden Talot Group was streamlined and its efficiency improved by merging the entire share capital of the fully owned subsidiary Asunto Oy Lahden Kivakatu 2 as part of Lahden Asunnot Oy. The merger was registered on 12 November 2020.

The City of Lahti transferred shares of Kiinteistö Oy Lahden Siltavoutti to Lahden Talot Oy as a contribution in kind. The shares entitle to control of ten apartments in the building at the address Hämeenkatu 26 A.

In late June, Lahti Region Development LADEC Ltd signed an agreement with Oilon Group on the purchase of shares in Energon Oy. The agreement on the share purchase was made in accordance with the original agreement signed in 2008, and the transaction was concluded as planned late in the year.

At the end of the year, Päijät-Hämeen Jätehuolto Oy (Salpa-kierto Ltd as of 1 January 2021) established a subsidiary, Salpamaa Ltd. Actual operations of the company began on 1 January 2021.

The Päijät-Häme Joint Municipal Authority for Wellbeing, which is part of the municipal consortium, established a joint venture with Mehiläinen Oy. Päijät-Häme Joint Municipal Authority for Wellbeing owns a stake of 49 per cent in the new company. Actual operations of the company began on 1 January 2021. The company provides basic outpatient care, oral healthcare, physiotherapy and social work services to the region's residents.

Adjustment of unit price funding to state share

The unit-price funding paid to the Salpaus education consortium in the amount of EUR 59.7 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 -0.2 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 4.4 million. The Group has harmonised its valuation principles of non-hedging interest rate swaps. The impact of harmonising the principlese is EUR -3.1 million. In addition, the Group has adjusted the treatment of internal triggered interest rates within Lahti Energy. The triggered rates are interest rates from the construction project of Kymivoima 3 in 2016–2018. The impact of the interest expenses on surpluses in previous financial years is EUR -1.4 million. The adjustments carried out affect the Group's following key figures for 2019: relative indebtedness %, equity ratio %, accrued surplus and accrued deficit, EUR/resident.

NOTES TO THE GROUP PROFIT AND LOSS STATEMENT

LAHTI GROUP

2020

2019

Notes to the Group profit and loss statement**Operating income by business function**

Social and health services	207,952,316.05	209,128,448.55
Education and cultural services	23,075,993.90	23,541,111.40
Utilities	237,550,978.48	264,652,806.39
Housing and real estate services	67,308,107.44	70,752,785.57
General administration	8,969,332.36	
Other services	24,890,687.00	48,896,297.00
Operating income	569,747,415.24	616,971,448.92

Tax revenue

Municipal income tax	434,333,355.71	403,836,946.99
Percentage of corporate tax revenue	32,226,646.00	29,403,019.70
Property tax	33,659,570.89	38,410,120.28
Tax revenue	500,219,572.60	471,650,086.97

Central government transfers to local government

State subsidy of the basic municipal services	163,980,250.00	168,136,446.00
Equalisation of state subsidy based on tax revenue	33,541,575.00	31,293,186.00
Compensation for loss of tax revenue	51,485,109.00	
State subsidy of the basic municipal services	249,006,934.00	199,429,632.00
State subsidy of educational municipal federations	38,146,751.84	35,648,851.34
State subsidy of other educational and cultural activities	-5,172,809.00	-5,558,997.00
Central government transfers to local government	281,980,876.84	229,519,486.34

Extraordinary income and expenditure**Extraordinary Income**

Salpaus Further Education, Svinhufvudinkatu 7, handover of the Nelo building	1,109,886.80	0.00
Päijät-Häme Joint Municipal Authority for Wellbeing, sale of 3StepIT	587,506.38	0.00
Lahti Energy Ltd subgroup, transfer of assets to Oomi Oy	16,599,953.46	941,263.68
Extraordinary Income	18,297,346.64	941,263.68

STATUTORY RESERVES**Pension reserve**

Pension reserve 1 Jan	3,664,200.00	4,328,600.00
Decrease	-404,400.00	-664,400.00
Pension reserve 31 Dec	3,259,800.00	3,664,200.00

Other reserves for environmental liabilities

Other reserve for environmental liabilities, 1 Jan	4,967,173.82	567,989.00
Increase	0.00	2,006,488.00
Decrease	-503,858.86	0.00
Reserve for environmental liabilities, 31 Dec	4,463,314.96	2,574,477.00

Reserve for legal expenses

Reserve for legal expenses 1.1.	0.00	0.00
Increase	485,395.59	0.00
Decrease	0.00	0.00
Conversion differences	485,395.59	0.00

Medical malpractice insurance premium

Medical malpractice insurance premium 1 Jan	4,967,173.82	274,406.06
Increase	0.00	6,317,088.89
Decrease	-503,858.86	-1,624,321.13
Medical malpractice insurance premium 31 Dec	4,463,314.96	4,967,173.82

LAHTI GROUP	2020	2019
Non-protective interest rate swap		
Non-protective interest rate swap 1 Jan	5,983,578.00	2,636,566.00
Increase	4,137,018.00	3,347,012.00
Decrease	0.00	0.00
Non-protective interest rate swap 31 Dec	10,120,596.00	5,983,578.00
Landfill landscaping provision		
Landfill landscaping provision 1 Jan	4,355,693.60	3,634,364.52
Increase	1,219,125.65	1,294,231.80
Decrease	-896,995.44	-572,902.72
Landfill landscaping provision 31 Dec	4,677,823.81	4,355,693.60
Other statutory reserves		
Other statutory reserves 1 Jan	1,874,818.93	3 993 731,10
Increase	1,960,562.28	0,00
Decrease	-74,272.13	-1 651 789,75
Other statutory reserves 31 Dec	3,761,109.09	2 341 941,35
STATUTORY RESERVES	29,762,351.05	23 887 063,77
Sales profits/losses of fixed equivalent assets		
Sales profits		
Capital gains from land and water areas	5,465,552.03	7,387,054.54
Capital gains from buildings	3,859,193.06	868,070.69
Other capital gains	486,204.09	345,620.37
Sales profits	9,810,949.18	8,600,745.60
Sales losses		
Losses from assignment of land and water areas	21,577.19	34,408.16
Losses from assignment of buildings	0.00	375,177.04
Other losses from assignment	44,603.42	733.75
Sales losses	66,180.61	410,318.95
The total amounts of revenues included in other financial income received from shares in other companies		
Dividend income and interest on cooperative capital	0,00	92,954.79
Dividend income from other sources	5 180 054,75	6,105,835.28
Other financial income	379 136,15	-312,422.89
Other financial income	5 559 190,89	5,886,347.18
Differences in ownership elimination		
Differences in ownership elimination	9 225,29	52,536.19
Differences in ownership elimination, negative	-172 879,75	-2,305,199.38
Differences in ownership elimination	-163 654,46	-2,252,663.19
The differences in ownership elimination comprise the acquisition of the following companies		
Differences in ownership elimination, positive		
- Elimination by the Regional Council of Päijät-Häme of the stake in Provincia Oy	9,225.29	
Elimination of ownership, negative		
- Fund investment by the City in Lahden Jäähalli Oy	-172,879.75	

NOTES TO THE GROUP ASSETS

LAHTI GROUP	2020	2019
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights		
Acquisition cost 1 Jan (+), Intangible rights	10,267,512.33	16,642,769.91
Increases in the financial year, Intangible rights	1,340,538.64	535,121.81
Depreciations during the financial year, Intangible rights	-247,369.27	0.00
Transfers between items (+/-), Intangible rights	399,798.48	-68,960.44
Accrued depreciations and write-downs 1 Jan (-), Intangible rights	-3,581,525.55	-9,336,699.16
Accrued depreciations on deductions and transfers, Intangible rights	47,892.08	0.00
Depreciations for the period (-), Intangible rights	-966,267.70	-1,042,511.39
Intangible rights	7,260,579.00	6,729,720.73
Computer software		
Acquisition cost 1 Jan (+), Computer software	5,861,198.15	4,589,169.74
Increases in the financial year, Computer software	188,164.89	192,142.96
Depreciations during the financial year, Computer software	-618.76	-49,225.53
Transfers between items (+/-), Computer software	910,223.31	85,316.53
Accrued depreciations and write-downs 1 Jan (-), Computer software	-4,465,404.52	-2,563,910.98
Accrued depreciations on deductions and transfers, Computer software	773.33	10,665.54
Depreciations for the period (-), Computer software	-896,836.92	-912,098.58
Computer software	1,597,499.48	1,352,059.68
Intangible rights	8,858,078.48	8,081,780.40
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	2,314,471.12
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	31,770,010.65	35,200,095.23
Increases in the financial year, Other capitalized long-term expenses	213,667.89	842,719.45
Divestment (-), Other capitalized long-term expenses	0.00	11,459.57
Transfers between items (+/-), Other capitalized long-term expenses	71,062,201.28	4,196.53
Accrued depreciations and write-downs 1 Jan (-), Other capitalized long-term expenses	-23,209,059.41	-24,870,111.40
Accrued depreciations on deductions and transfers, Other capitalized long-term expenses	0.00	127,164.98
Depreciations for the period (-), Other capitalized long-term expenses	-2,272,305.50	-2,520,252.85
Other capitalized long-term expenses	77,564,514.90	8,772,352.36
Other capitalized long-term expenses	77,564,514.90	8,772,352.36
Advance payments and incomplete commodities		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	838,062.72	270,222.28
Increases in the financial year, Advance payments	185,604.66	601,010.22
Depreciations during the financial year, Advance payments	-407,270.81	0.00
Transfers between items (+/-), Advance payments	-26,055.48	-33,169.78
Advance payments	590,341.09	838,062.72
Incomplete commodities		
Acquisition cost 1 Jan (+), Incomplete commodities	812,228.39	2,697.00
Increases in the financial year, Incomplete commodities	2,383,982.52	812,228.39
Transfers between items (+/-), Incomplete commodities	-1,752,388.02	-2,697.00
Incomplete commodities	1,443,822.89	812,228.39
Advance payments and incomplete commodities	2,034,163.98	1,650,291.11
Intangible assets	88,456,757.36	18,504,423.87

LAHTI GROUP	2020	2019
Tangible assets		
Land and water area		
Acquisition cost 1 Jan (+), Land and water area	151,020,418.33	151,079,477.89
Increases in the financial year, Land and water area	2,033,059.59	5,569,165.09
Depreciations during the financial year, Land and water area	-928,687.21	-4,386,232.84
Accrued depreciations and write-downs 1 Jan (-), Land and water area	-545,764.55	-465,764.55
Write-downs (-) and write-down refunds (+), Land and water area	0.00	-80,000.00
Land and water area	151,579,026.16	151,716,645.59
Revaluation of land and water area		
Revaluation of land and water area 1. Jan	136,861.02	136,861.02
Deductions of land and water area revaluations	-16,026.06	0.00
Revaluation of land and water area	120,834.96	136,861.02
Non-refundable joining fees		
Acquisition cost 1 Jan (+), Non-refundable joining fees	1,321,150.51	94,367.43
Depreciations during the financial year, Non-refundable joining fees	-72,669.87	-15,208.73
Transfers between items (+/-), Non-refundable joining fees	-5,340.00	0.00
Non-refundable joining fees	1,243,140.64	79,158.70
Land and water area	152,943,001.76	151,932,665.31
Buildings		
Acquisition cost 1 Jan (+), Buildings	1,353,518,807.24	1,354,795,424.18
Increases in the financial year, Buildings	69,059,014.13	50,188,895.30
Financial contributions during the financial year, Buildings	-40,000.00	-142,000.00
Depreciations during the financial year, Buildings	-20,570,603.72	-24,364,394.87
Transfers between items (+/-), Buildings	87,005,615.54	25,455,526.17
Accrued depreciations and write-downs 1 Jan (-), Buildings	-571,105,640.42	-573,243,920.20
Depreciations for the period (-), Buildings	-49,245,724.47	-50,276,363.76
Buildings	868,621,468.30	782,413,166.82
Revaluation of buildings		
Revaluation of buildings 1.1.	1,218,164.54	1,510,524.04
Deductions of building revaluations	-292,359.50	-292,359.50
Revaluation of buildings	925,805.04	1,218,164.54
Buildings	869,547,273.34	783,631,331.36
Fixed structures and installations		
Acquisition cost 1 Jan (+), Fixed structures and installations	683,489,456.41	641,438,304.63
Divestment (-), Fixed structures and installations	20,307,120.74	0.00
Depreciations during the financial year, Fixed structures and installations	-255,234.00	-297,440.17
Transfers between items (+/-), Fixed structures and installations	23,714,493.77	-396,555.45
Accrued depreciations and write-downs 1 Jan (-), Fixed structures and installations	-295,898,512.01	-259,958,438.25
Accrued depreciations on deductions and transfers, Fixed structures and installations	255,234.00	34,505.84
Depreciations for the period (-), Fixed structures and installations	-36,851,769.54	-36,047,595.60
Fixed structures and installations	394,760,789.37	387,590,944.40
Machinery and equipment		
Acquisition cost 1 Jan (+), Machinery and equipment	267,616,386.55	263,535,941.12
Increases in the financial year, Machinery and equipment	15,576,513.80	10,779,629.90
Financial contributions during the financial year, Machinery and equipment	-79,397.18	0.00
Depreciations during the financial year, Machinery and equipment	-2,105,589.06	-1,179,550.24
Transfers between items (+/-), Machinery and equipment	125,050,459.29	3,269,245.89
Accrued depreciations and write-downs 1 Jan (-), Machinery and equipment	-123,062,997.46	-109,244,892.08
Depreciations for the period (-), Machinery and equipment	-24,623,200.68	-22,562,638.21
Write-downs (-) and write-down refunds (+), Machinery and equipment	0.00	-44,347.29
Machinery and equipment	258,372,175.27	144,553,389.09

LAHTI GROUP	2020	2019
Other tangible assets		
Acquisition cost 1 Jan (+), Other tangible assets	5,379,757.20	4,908,063.07
Increases in the financial year, Other tangible assets	43,004.33	252,381.01
Transfers between items (+/-), Other tangible assets	3,225.81	258,470.56
Accrued depreciations and write-downs 1 Jan (-), Other tangible assets	-2,055,928.71	-1,673,096.36
Depreciations for the period (-), Other tangible assets	-431,171.13	-421,989.78
Other tangible assets	2,938,887.50	3,323,828.49
Advance payments and construction in progress		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	169,597,178.50	133,340,273.51
Increases in the financial year, Advance payments	0.00	36,256,737.99
Transfers between items (+/-), Advance payments	-169,259,008.79	0.00
Advance payments	338,169.71	169,597,011.50
Construction in progress		
Acquisition cost 1 Jan (+), Construction in progress	149,551,560.68	82,899,794.53
Increases in the financial year, Construction in progress	108,493,482.64	97,155,185.38
Financial contributions during the financial year, Construction in progress	-1,263,774.27	-485,626.49
Depreciations during the financial year, Construction in progress	0.00	-533,867.27
Transfers between items (+/-), Construction in progress	-154,247,135.35	-28,586,687.17
Accrued depreciations and write-downs 1 Jan (-), Construction in progress	-686,699.16	-1,384,044.84
Write-downs (-), Construction in progress	-227,719.95	-199,725.62
Construction in progress	101,619,714.59	148,865,028.52
Advance payments and construction in progress	101,957,884.30	318,462,040.20
Investments		
Shares and interests in affiliated entities		
Acquisition cost 1 Jan (+), Shares and interests in affiliated entities	1,437,747.35	303,769.24
Increases in the financial year, Shares and interests in affiliated entities	0.00	1,150,583.40
Depreciations during the financial year, Shares and interests in affiliated entities	-10,000.00	-7,269.49
Transfers between items (+/-), Shares and interests in affiliated entities	256,466.00	0.00
Percentage of the profits of affiliated entities (loss), Shares and interests in affiliated entities	-763,495.37	-9,335.80
Shares and interests in affiliated entities	920,717.97	1,437,747.35
Other shares and interests and the revaluations of shares		
Other shares and interests		
Acquisition cost 1 Jan (+), Other shares and interests	96,682,924.80	96,375,336.46
Increases in the financial year, Other shares and interests	29,460,399.98	4,613,393.21
Depreciations during the financial year, Other shares and interests	-8,269,236.83	-4,305,804.87
Accrued write-downs 1 Jan (-), Other shares and interests	-326,428.20	-152,909.59
Write-downs in the period (-), Other shares and interests	-130,850.00	-173,518.61
Other shares and interests	117,421,473.24	96,356,496.59
Revaluations of shares		
Revaluations of shares 1 Jan	12,244.15	12,244.15
Deductions of share revaluations	0.00	0.00
Revaluations of shares	12,244.15	12,244.15
Other shares and interests and the revaluations of shares	117,433,717.38	96,368,740.74
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

<u>LAHTI GROUP</u>	2020	2019
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	1,630,000.00
Decrease (-), Other loan receivables from affiliated companies and other associated companies	-1,630,000.00	0.00
Other loan receivables from affiliated companies and other associated companies	0.00	1,630,000.00
Other loan receivables from others		
Acquisition cost 1 Jan, Other loan receivables from others	8,692,407.03	9,236,568.25
Decrease (-), Other loan receivables from others	-897,991.87	-544,161.22
Other loan receivables from others	7,794,415.16	8,692,407.03
Other loan receivables	20,718,548.67	23,246,540.54
Other receivables		
Other receivables from others		
Acquisition cost 1 Jan, Other receivables from others	63,629.94	63,629.94
Transfers between items (+/-), Other receivables from others	-26,615.54	0.00
Decrease (-), Other receivables from others	-35,650.00	0.00
Other receivables from others	1,364.40	63,629.94
Refundable joining fees		
Acquisition cost 1 Jan, Refundable joining fees	44,702.00	19,370.65
Transfers between items (+/-), Refundable joining fees	26,615.54	0.00
Increase (+), Refundable joining fees	431.05	25,331.35
Refundable joining fees	71,748.59	44,702.00
Other receivables	108,331.94	83,000.60
Investments	121,161,360.56	120,412,142.61

LAHTI GROUP	2020	2019
CURRENT ASSETS		
Receivables		
Long-term receivables		
Sales receivables		
Sales receivables from others	1,613,120.67	2,398,971.17
Sales receivables	1,613,120.67	2,398,971.17
Loan receivables		
Loan receivables from others	1,494,893.50	1,205,286.16
Loan receivables from social lending	130,988.28	0.00
Loan receivables	1,625,881.78	1,205,286.16
Other receivables		
Other receivables	2,218,994.60	2,286,658.98
Other receivables	2,218,994.60	2,286,658.98
Prepayments and accrued income		
Other receivables carried forward		
Other receivables carried forward	32,523.94	148,821.36
Prepayments and accrued income	32,523.94	148,821.36
Deferred tax claims		
Deferred tax claim, 1 Jan	885,971.83	859 000,49
Deferred tax claim, change for the period entered via the profit and loss account	471,308.57	26 971,34
Deferred tax claims	1,357,280.40	885 971,83
Long-term receivables	6,847,801.39	6 925 709,50
Short-term receivables		
Sales receivables		
Sales receivables from member municipal federations	1,770,934.07	1,994,193.36
Sales receivables from others	48,423,882.15	57,215,929.80
Sales receivables	50,194,816.22	59,210,123.16
Loan receivables		
Loan receivables from affiliated companies and other associated companies	0.00	63,250.00
Loan receivables from others	335,069.17	303,526.57
Loan receivables from social lending	112,513.69	0.00
Loan receivables	447,582.86	366,776.57
Other receivables		
Consolidated accounts receivable	0.00	9,859.91
Other receivables from member municipal federations	0.00	89.49
Other receivables from affiliated companies and other associated companies	0.00	3,279.97
Other receivables	13,039,473.99	10,242,781.97
Receivables from state aid	1,159,548.92	1,221,651.09
Other receivables	14,199,022.91	11,477,662.43
Prepayments and accrued income		
Accrued interest		
Accrued interest from others	125,931.02	257,616.39
Accrued interest	125,931.02	257,616.39
Other receivables carried forward		
Other receivables carried forward from member municipal federations	1,368,548.01	0.00
Other receivables carried forward from others	19,656,433.28	20,392,000.29
Other receivables carried forward	21,024,981.29	20,392,000.29
Prepayments and accrued income	21,150,912.31	20,649,616.68

LAHTI GROUP	2020	2019
Deferred tax claims		
Deferred tax claim, 1 Jan	143,309.80	61,966.20
Deferred tax claim, change for the period entered via the profit and loss account	-65,989.60	81,343.60
Deferred tax claims	77,320.20	143,309.80
Short-term receivables	86,069,654.50	91,847,488.64
Receivables	92,917,455.88	98,773,198.14
Material items included in other receivables carried forward		
Tax claims	325,371.40	986,601.22
Amortised personnel costs	222,990.04	34,360.24
State subsidy and EU subsidies	1,710,759.02	1,679,353.02
Unit rate receivables	23,910.93	2,111,151.03
Kela compensations from occupational health care	1,632,474.95	1,770,492.00
Employment Fund training compensation	120,993.65	0.00
Ticket receivables	123,641.39	0.00
Contribution to the Päijät-Häme Joint Municipal Authority for Wellbeing in 2020	1,368,925.79	0.00
Other receivables carried forward	15,528,815.85	13,958,864.14
Material items included in other receivables carried forward	21,057,883.01	20,540,821.65
Accrued interest from others	125,931.02	257,616.39
	21,183,814.03	20,798,438.04
Difference between financial securities' book and market values		
Shares and other similar rights of ownership		
Shares and other similar rights of ownership	7,063,242.27	7,041,342.80
Investments in money market instruments		
Investments in money market instruments	28,011,498.00	4,789,500.00
Bond receivables		
Bond loan receivables' market value	0.00	524,413.32
Bond receivables	189,638.40	489,334.80
Difference between bond loan receivables' book and market values	0.00	35,078.52
Market value of other securities		
Market value of other securities	42,732.35	0.00
Other securities	92,447.07	0.00
Other securities difference between book and market value	-49,714.72	0.00

NOTES TO THE GROUP LIABILITIES

LAHTI GROUP	2020	2019
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	12,614.10	74,002.69
Basic capital of associations and foundations, decrease	0.00	-61,388.59
Basic capital of associations and foundations	12,614.10	12,614.10
Revaluation reserve		
Revaluation reserve, 1 Jan	1,447,279.39	2,046,398.87
Revaluation reserve, decrease	-411,524.03	-599,119.48
Revaluation reserve	1,035,755.36	1,447,279.39
Other own funds		
Fund capital		
Fund capital, 1 Jan	11,771,983.69	11,979,816.33
Fund capital, increase	138,294.25	105.08
Fund capital, decrease	0.00	-207,937.72
Fund capital	11,910,277.94	11,771,983.69
Other own funds	11,910,277.94	11,771,983.69
Change in surplus (deficit) from previous periods		
Surplus (deficit) from previous periods 1.1.	172,484,489.43	175,847,706.15
Distributions of dividends	-53,448.53	0.01
Surplus (deficit) from previous periods	172,431,040.89	175,847,706.15
Surplus for the financial year (deficit)	77,561,836.11	-3,363,216.73
CAPITAL AND RESERVES	700,147,791.69	622,912,633.89
The surplus of the previous financial years of 2019 has been adjusted by the following entries		
- Correction of elimination entries due to interest rate derivatives		-3,051,959.22
- Correction of triggered internal interest expenses		-1,391,060.33
Liabilities that will mature after +5 years		
Loans from financial institutions and insurance companies	781,109,123.55	755,978,315.76
Loans from general government	169,108,892.32	196,716,182.42
Loans from other creditors	182,722,552.00	169,802,967.00
Liabilities that will mature later than after 5 years	1,132,940,567.87	1,122,497,465.18

LAHTI GROUP	2020	2019
MANDATORY PROVISIONS		
Pension reserves		
Pension reserves	3,259,800.00	3,664,200.00
Other statutory reserves		
Other provisions due to environmental obligations	2,994,311.60	2,574,477.00
Medical malpractice insurance premium	4,463,314.96	4,967,173.82
Landfill landscaping provision	4,677,823.81	4,355,693.60
Reserve for legal expenses	485,395.59	0.00
Non-protective interest rate swap	10,120,596.00	0.00
Other mandatory provisions	3,761,109.09	7,858,396.93
STATUTORY RESERVES	29,762,351.05	23,419,941.35
Long-term liabilities		
Debentures	60,000,000.00	60,000,000.00
Loans from financial institutions and insurance companies	995,207,358.93	969,493,982.58
Subordinated loans	296,206.90	398,675.90
Loans from general government	22,379,025.86	26,344,018.91
Loans from other creditors	98,604,552.00	74,091,967.00
Long-term liabilities	1,176,487,143.69	1,130,328,644.39
Advances received		
Advance payments received from others	1,360,032.28	1,365,886.28
Advances received	1,360,032.28	1,365,886.28
Accounts payable		
Accounts payable to others	105,590.57	0.00
Accounts payable	105,590.57	0.00
Connection fees and other debts		
Other liabilities to others	127,346.58	176,993.11
Other liabilities, joining fees	37,541,141.17	36,161,714.67
Other liabilities, joining fees, internal	138,756.88	138,800.61
Connection fees and other debts	37,807,244.63	36,477,508.39
Accrued expenses and deferred income		
Transferable interest		
Transferable interest to others	4,790,169.86	4,374,052.00
Other accrued liabilities		
Other accrued liabilities to member municipal federations	1,736,524.42	1,741,018.11
Other accrued liabilities	0.00	23,426.17
Other accrued liabilities	1,736,524.42	1,764,444.28
Accrued expenses and deferred income	6,526,694.28	6,138,496.28

LAHTI GROUP	2020	2019
Deferred tax liabilities		
Deferred tax liability, 1 Jan	29,845,966.31	27,508,886.86
Imputed tax liability, change	-4,517.19	0.00
Deferred tax liability, change for the period entered via the profit and loss account	5,093,646.44	2,337,079.46
Deferred tax liabilities	34,935,095.57	29,845,966.31
Long-term liabilities	1,257,221,801.03	1,204,156,501.66
Short-term liabilities		
Debentures	10,468,000.00	0.00
Loans from financial institutions and insurance companies	52,623,659.98	58,692,494.12
Loans from general government	3,020,693.88	3,233,361.11
Loans from other creditors	922,929.00	695,840.00
Advances received		
Advance payments received from others	5,322,373.41	5,518,767.57
Advances received	5,322,373.41	5,518,767.57
Accounts payable		
Accounts payable to member municipal federations	151,471.22	12,542,234.83
Accounts payable to affiliated companies and other associated companies	0.00	4,513.60
Accounts payable to others	59,744,454.32	59,857,123.97
Accounts payable	59,895,925.54	72,403,872.39
Connection fees and other debts		
Other liabilities to member municipal federations	30,164.42	38.36
Other liabilities to others	23,842,863.19	21,054,775.88
Connection fees and other debts	23,873,027.61	21,054,814.24
Accrued expenses and deferred income		
Deferred interest		
Deferred interest to member municipal federations	12,462.89	20,668.08
Deferred interest to others	3,746,301.51	5,124,234.43
Deferred interest	3,758,764.40	5,144,902.51
Other accrued liabilities		
Other accrued liabilities to member municipal federations	733,132.40	975,841.74
Other accrued liabilities to others	84,721,835.05	81,540,917.34
Other accrued liabilities	85,454,967.45	82,516,759.07
Accrued expenses and deferred income	89,213,731.85	87,661,661.58
Short-term liabilities	245,340,341.27	249,260,811.01
LIABILITIES	1,502,562,142.30	1,453,417,312.67
Cheque account limit that is relevant for liquidity		
Limit of cheque account with overdraft facility	34,555,900.00	34,299,600.00

LAHTI GROUP	2020	2019
Material items included in other accrued liabilities		
Tax liabilities	902,825.71	1,195,164.45
Amortised personnel costs	58,361,030.16	62,672,737.35
Medical malpractice liabilities	1,883,475.25	610,946.00
State subsidy and EU subsidies	8,053,031.69	4,264,086.30
Other accrued liabilities	17,991,129.06	15,538,269.25
Material items included in other accrued liabilities	87,191,491.87	84,281,203.35
Accrued interest to others	3,746,301.51	5,124,234.43
	90,937,793.38	89,405,437.78

GROUP GUARANTEES AND CONTINGENT LIABILITIES

LAHTI GROUP	2020	2019
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	49,923,247.79	30,320,530.16
Loans from financial institutions and insurance companies	49,923,247.79	30,320,530.16
Loans from general government		
Loans from general government, secured by real estate mortgages	119,798,932.60	129,824,528.39
Loans from general government	119,798,932.60	129,824,528.39
Other loans		
Other loans, secured by real estate mortgages	153,209,197.60	93,270,908.40
Other loans	153,209,197.60	93,270,908.40
Liabilities secured by mortgages and shares	322,931,377.99	253,415,966.95
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	51,255,428.15	28,527,583.15
Real estate mortgages pledged as collateral for general government loans	80,467,837.55	87,168,137.55
Real estate mortgages pledged as collateral for other loans	152,869,197.60	93,270,908.40
Mortgages and shares pledged as collateral for loans	284,592,463.30	208,966,629.10
Other guarantees pledged on one's own behalf		
Real estate mortgages	10,914,906.11	8,863,101.11
Business mortgages	0.00	801,369.14
Book value of pledged securities	347,250.00	2,949,674.80
Deposits	0.00	2,100.00
Guarantees	207,573,612.63	221,267,571.85
Other	13,546,905.75	14,718,127.46
Other guarantees pledged on one's own behalf	232,382,674.49	248,601,944.36
Guarantees pledged on one's own behalf		
Guarantees	1,111,111.04	2,222,222.16
Guarantees pledged on one's own behalf	1,111,111.04	2,222,222.16
Guarantees pledged on behalf of someone else		
Guarantees	46,192,469.92	8,699,821.47
Other	137,004.00	0.00
Guarantees pledged on behalf of someone else	46,329,473.92	8,699,821.47
Rental liabilities		
Rental liabilities for premises	229,752,532.37	266,827,784.48
Rental liabilities for machinery and equipment	57,486,741.21	53,736,587.05
Rental liabilities for land areas	295,757.03	0.00
Other rental liabilities	964.26	11,208,867.74
Rental liabilities	287,535,994.87	331,773,239.27
Share payable in the next financial year, rental liabilities		
Rental liabilities for premises	35,284,506.85	35,070,061.05
Rental liabilities for machinery and equipment	10,297,841.34	8,604,065.48
Rental liabilities for land areas	84,694.10	1,248,914.43
Other rental liabilities	6,964.26	0.00
Share payable in the next financial year, rental liabilities	45,674,006.55	44,923,040.97

LAHTI GROUP	2020	2019
Redemption obligations included in contracts, rental liabilities	800,000.00	0.00
Internal rental liabilities within the municipal consortium	2,433,206.52	0.00
Municipality's contingent liabilities		
Initial capital, guarantees on one's own behalf	273,580,000.00	274,110,000.00
Remaining capital, guarantees on one's own behalf	207,217,112.63	221,267,571.85
Initial capital, guarantees on behalf of others	0.00	137,004.00
Remaining capital, guarantees on behalf of others	0.00	99,898.75
Municipality's share of the Municipal Guarantee Board's guarantee liabilities, 31 Dec	799,293,542.00	
Municipality's share of the Municipal Guarantee Board's unsecured guarantee liabilities, 31 Dec	0.00	722,273,686.00
Municipal Guarantee Board's potential contribution towards the municipality's liabilities, 31 Dec	498,033.00	608,450.00
Other off-balance sheet arrangements		
Other contractual liabilities	121,094,034.03	7,848,228.76
Municipality's obligations arising from land-use contracts	8,375,500.00	9,481,000.00
Redemption obligations included in contracts	0.00	13,200,000.00
Refund liabilities included in contracts	0.00	929,027.67
Rental liabilities valid until 1 February 2063	7,664,961.29	9,339,485.25
- Land lease contract with Kiinteistö Oy Sammonkatu 8 until 31 December 2046, EUR 1.2 million		
- Land lease contract with Spatium Toimitilat Oy until 28 February 2063, EUR 6.4 million		
VAT refund liability	56,610,100.52	30,634,676.79
State subsidy refund liability of start-up projects	1,715,144.27	786,116.60
Collaboration and partnership agreements	7,032,125.00	7,495,800.00
Contractual liabilities	202,491,865.11	79,714,335.07
Other off-balance sheet arrangements	202,491,865.11	79,714,335.07

Other contingent liabilities of Group entities

Lahti Energia Oy

The contribution of the City of Lahti to the joint air quality monitoring agreement is EUR 53,860 in 2021.

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 0.8 million by 2028.

Lahti Energia Oy has a subrogation obligation of EUR 13.1 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.

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 2020 is EUR 1,203,282.30 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.

Lahti Energy Ltd has agreed to issue a shareholder loan of EUR 3,200,000. The commitment is valid until 31 December 2023.

LABIO Oy

The Southern Finland Regional State Administrative Agency has granted LABIO Oy an environmental permit (527/2014) pursuant to the Finnish Environmental Protection Act 220/2020. 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 356,500.00 (Nordea Bank, no. 00101-02-2410596). The guarantee shall remain in place until 31 March 2026 and it shall be renewed thereafter until the cessation of operations.

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 Centre for Economic Development, Transport and the Environment for Häme a guarantee pursuant to section 59 of the Environmental Protection Act on behalf of Päijät-Hämeen Jätehuolto Oy regarding the environmental licence for the processing of bitumen roofing shingle waste (environmental licence 18 November 2020) to ensure appropriate waste management, control, monitoring and termination of operations or to ensure the necessary follow-up measures. The bank's total liability is EUR 3,224,000. The guarantee is in force until 18 November 2030.

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 25 November 2020) 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 250,000. The guarantee is in force until 31 December 2023. The Centre for Economic Development, Transport and the Environment for Häme released the guarantee on 15 January 2021.

Derivative contracts**Interest rate swaps**

Market value	-40,307,466.68	-19,578,380.93
Value of underlying asset	361,886,406.84	331,740,566.00

Interest rate and currency swaps

Market value	-3,120,971.00	-4,055,337.00
Value of underlying asset	30,000,000.00	30,000,000.00

Interest rate swaps with option*)

Market value	-28,890,005.75	-33,292,753.50
Value of underlying asset	73,049,980.00	110,189,550.89

Electricity derivatives

Market value	-3,332,330.15	-383,406.84
Value of underlying asset	25,984,489.55	10,982,061.39

Total derivative contracts

Market value	-75,650,776.58	-57,309,878.26
Value of underlying asset	490,920,876.39	482,912,178.28

* 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 1-6 and Lahti Group 7-33).

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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
1	63,000,000.00	-3,560,143.01	63,000,000.00	-3,437,579.00	11.12.2024
11	33,000,000.00	-2,280,590.00	36,000,000.00	-1,717,341.00	5.12.2031
12	28,571,429.00	-2,215,853.00	31,428,571.00	-2,964,341.00	10.3.2023
13	18,440,000.00	-1,082,660.00	21,520,000.00	-1,261,134.00	15.5.2026
14	15,000,000.00	-389,588.00	18,000,000.00	-353,321.00	15.9.2025
16	13,559,322.00	-996,411.00	14,915,254.00	-857,042.00	16.12.2030
15	9,375,000.00	-320,841.00	12,500,000.00	-456,488.00	2.10.2023
29	7,924,948.00	-831,953.70	8,015,390.00	-647,142.37	27.3.2028
28	6,439,364.00	-612,294.00	6,482,890.00	-455,737.00	23.10.2027
17	4,980,271.20	-400,038.89	4,997,496.96	-317,961.00	31.10.2026
31	3,950,512.83	-312,277.13	3,965,695.09	-246,369.25	31.10.2026
18	2,675,996.00	-117,261.11	2,973,330.00	-102,759.25	13.10.2026
30	2,566,434.84	-165,431.68	2,780,304.40	-133,912.00	30.11.2027
19	2,459,722.00	-68,431.00	2,683,333.00	-93,652.00	3.11.2022
20	2,404,683.40	-193,711.00	2,413,000.72	-153,864.15	31.10.2026
21	88,431.00	-5,967.00	92,710.00	-9,291.00	7.11.2022
9	1,720,614.00	-50,760.00	1,726,549.00	23,606.00	6.2.2029
10	5,666,469.00	-102,514.87	5,730,407.00	47,303.86	1.12.2026
2	37,000,000.00	-16,385,649.00	37,000,000.00	-11,784,104.00	7.4.2040
7	12,875,890.50	-25,668.53	-	-	1.4.2029
32	8,244,662.00	-52,611.80	-	-	23.10.2027
33	6,437,945.00	-39,894.78	-	-	1.4.2029
8	1,272,007.41	-6,879.33	-	-	30.4.2027

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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
22	3,925,500.00	-183,657.64	3,925,500.00	-189,683.00	15.12.2023
23	1,428,882.00	-44,752.43	1,674,880.00	-50,044.00	19.12.2023
25	18,319,000.00	-148,847.07	-	-	30.6.2041

The interest rate swap is used to lower the financing cost of fixed-rate loans. The contract is combined with the interest rate swap with option no. 5.

No.	Notional principal amount in EUR 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
4	17,000,000.00	590,141.03	17,000,000.00	886,125.59	26.8.2022

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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
3	EUR 30,000,000.00 SEK 270,000,000.00	-3,120,947.00	EUR 30,000,000.00 SEK 270,000,000.00	-4,055,337.00	10.6.2021

Interest rate swaps with option

The **Interest rate swap agreement** no. 5 with the right to extend (in force as of 26 August 2022) and the interest rate swap agreement no. 4 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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
5	40,000,000.00	-23,388,532.75	40,000,000.00	-16,726,618.65	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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
24	5,108,800.00	-945,071.00	5,108,800.00	-942,436.33	28.12.2026

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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
6	20,000,000.00	-10,120,596.00	20,000,000.00	-5,983,578.00	25.5.2055
26	13,559,323.00	-182,325.00	14,915,255.00	-541,828.00	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 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019	Maturity date
27	27,941,180.00	-4,556,402.00	27,941,180.00	-3,832,224.00	10.3.2030

Electricity derivatives

Notional principal amount in EUR 31.12.2020	Market value in EUR 31.12.2020	Notional principal amount in EUR 31.12.2019	Market value in EUR 31.12.2019
25,984,489.55	-3,332,330.15	10,982,061.39	-383,406.84

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 31.12.2020	Calculated market value as per 31.12.2020	Impact of interest rate changes on calculated market values of 31.12.2020 Change by percentage points from the level of 31.12.2020				
						-1,0 %	-0,5 %	0,5 %	1,0 %	2,0 %
1	Interest rate swap	63 000 000	11.12.2024	Until the maturity date	-3 560 143	-5 947 233	-4 737 431	-2 419 110	-1 308 543	820 275
11	Interest rate swap	33 000 000	5.12.2031	Until the maturity date	-2 280 590	-4 198 271	-3 220 334	-1 377 471	-809 473	1 126 838
12	Interest rate swap	28 571 429	10.3.2023	Until the maturity date	-2 215 853	-2 725 369	-2 470 770	-1 960 618	-1 705 067	-1 193 027
13	Interest rate swap	18 440 000	15.5.2026	Until the maturity date	-1 082 660	-1 624 746	-1 350 973	-819 692	-561 952	-61 709
14	Interest rate swap	15 000 000	15.9.2025	Until the maturity date	-389 588	-771 863	-580 604	-198 820	-8 303	371 966
16	Interest rate swap	13 559 322	16.12.2030	Until the maturity date	-996 411	-1 675 788	-1 335 474	-658 597	-322 031	347 357
15	Interest rate swap	9 375 000	2.10.2023	Until the maturity date	-320 841	-464 445	-392 677	-248 938	-176 967	-32 828
29	Interest rate swap	7 924 948	27.3.2028	Until the maturity date	-831 954	-1 426 727	-1 121 819	-546 619	-275 484	235 847
28	Interest rate swap	6 439 364	23.10.2027	Until the maturity date	-612 294	-995 277	-804 026	-421 443	-230 115	152 609
17	Interest rate swap	4 980 271	31.10.2026	Until the maturity date	-400 039	-671 934	-532 925	-269 222	-144 236	92 705
31	Interest rate swap	3 950 513	31.10.2026	Until the maturity date	-312 277	-527 807	-417 621	-208 600	-109 533	78 268
18	Interest rate swap	2 675 996	13.10.2026	Until the maturity date	-117 261	-224 284	-169 984	-65 970	-16 172	79 206
30	Interest rate swap	2 566 435	30.11.2027	Until the maturity date	-165 432	-296 570	-229 590	-102 471	-42 182	72 215
19	Interest rate swap	2 459 722	3.11.2022	Until the maturity date	-68 431	-108 676	-88 507	-48 446	-28 553	10 963
20	Interest rate swap	2 404 683	31.10.2026	Until the maturity date	-193 711	-325 430	-258 087	-130 337	-69 788	44 997
21	Interest rate swap	88 431	7.11.2022	Until the maturity date	-5 967	-7 347	-6 656	-5 282	-4 599	-3 244
9	Interest rate swap	1 720 614	6.2.2029	Until the maturity date	-50 760	-185 334	-118 156	16 244	83 464	217 944
10	Interest rate swap	5 666 469	1.12.2026	Until the maturity date	-102 515	-397 129	-246 929	37 446	171 956	426 418
2	Interest rate swap	37 000 000	7.4.2040	Until the maturity date	-16 385 649	-25 882 370	-20 916 052	-12 252 281	-8 480 578	-1 896 323
7	Interest rate swap	12 875 891	1.4.2029	Until 2026	-25 669	-1 086 298	-543 567	471 291	945 381	1 831 485
32	Interest rate swap	8 244 662	23.10.2027	Until 2026	-52 612	-618 558	-329 833	215 353	472 568	958 030
33	Interest rate swap	6 437 945	1.4.2029	Until 2026	-39 895	-571 357	-299 356	209 291	446 919	891 089
8	Interest rate swap	1 272 007	30.4.2027	Until the maturity date	-6 879	-86 214	-45 772	-30 880	-67 181	135 953
22	Interest rate swap	3 925 500	15.12.2023	Until the maturity date	-183 658	-269 639	-225 959	-141 706	-101 094	-22 803
23	Interest rate swap	1 428 882	19.12.2023	Until the maturity date	-44 752	-66 282	-55 370	-34 228	-23 991	-4 164
25	Interest rate swap	18 319 000	30.6.2041	Until 2030	-148 847	-2 420 201	-1 225 340	811 073	1 673 263	3 130 577
4	Interest rate swap	17 000 000	26.8.2022	Until the maturity date	590 141	596 496	593 013	586 118	582 707	575 954
3	Interest rate swap and currency swap	30 000 000	10.6.2021	Until the maturity date	-3 120 974	-3 243 656	-3 181 325	-3 057 100	-2 995 204	-2 871 845
5	Interest rate swap right to extend (sold)	40 000 000	26.8.2042	Until the maturity date	-23 388 533	-35 470 526	-28 998 833	-17 998 549	-13 357 083	-5 719 958
24	Interest rate swap with threshold (sold)	5 108 800	28.12.2026	Until the maturity date	-945 071	-1 273 247	-1 104 832	-785 087	-633 505	-346 556
6	Interest rate swap	20 000 000	25.5.2055	Until the maturity date	-10 120 596	-14 131 546	-12 122 718	-8 125 348	-6 137 168	-2 182 944
26	Interest rate swap	13 559 323	15.6.2021	Until the maturity date	-182 325	-216 364	-199 317	165 390	148 509	114 913
27	Interest rate swap right to extend (sold)	27 941 180	10.3.2030	Until the maturity date	-4 556 402	-6 184 784	-5 356 994	-3 278 044	-3 032 980	-1 607 182
Total		464 936 387			-72 318 446	-113 498 776	-92 094 815	-52 610 892	-35 682 652	-4 226 975
Difference with the calculated market values						-41 180 329	-19 776 369	19 707 555	36 635 794	68 091 472

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

$= \text{cash flow from operations and investments} - \text{accrued interim result from financial year and accrual from four previous years}$

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

$= \text{Financial securities, cash and bank receivables}$

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

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

Balance sheet

Accrued surplus (deficit)

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

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**

= Surplus (deficit) from previous periods + 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

= External capital – (Advances received + Accounts payable + Deferred liabilities + 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
 $= 365 \text{ days} \times \text{Liquid assets 31 Dec} / \text{Cash payments during period}$

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 2020

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 2020. 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.

Lahti, 3 May 2021

KPMG Oy Ab

Authorised Public Accountants

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KPMG Oy Ab

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