

Financial statements 2022 summary

Lahti

lahti.fi

LAHTI

Financial Statements 2022

City Board 29 May 2023

Contents

Material events in operations and finances	3
The City of Lahti's Financial Statements	4
Income statement	4
Cash flow statement	5
Balance sheet.....	6
The City of Lahti's key figures.....	8
The Lahti Group's Financial Statements.....	9
Income statement	9
Cash flow statement	10
Balance sheet.....	11
The Lahti Group's key figures	13
Notes to the Financial Statements	14
Notes to the Consolidated Financial Statements	24
Formulas for calculating key figures	42
AUDITOR'S REPORT 2022	45

Material events in operations and finances

Mayor's review

The City of Lahti updated its strategy during 2022. "Lahti – Enduring change" is a strategy that consists of three parts: Sustainable vitality, Sustainable wellbeing and Sustainable progress.

A European Green Capital

Lahti is a globally significant green city and a forerunner in sustainable urban development. The strategy's environmental objectives were promoted especially through the Carbon-neutral Green City key project.

As a legacy of its year as the 2021 European Green Capital, Lahti has continued its sustainability work through A Natural Step Towards Health (a programme that takes a nature-based approach to promoting residents' health and wellbeing), the Carbon-neutral Construction Development Centre, and the Lahti region's Green Electrification of Mobility Cluster.

In 2022, Lahti was chosen to participate in the EU's new 100 Carbon-Neutral and Smart Cities programme. This will open up new opportunities for funding and collaboration with other cities, companies and higher-education institutions. Lahti was showcased and actively involved in both national and international events and networks, such as the European Green Capital and Eurocities networks, and the EU's Green Week and Week of Regions and Cities.

A city of science and learning

Lahti continued to develop and grow as a city of higher education and learning. LUT University's bachelor's and master's degree programmes have gotten off to a good start, and the region's research activities are developing vigorously.

During the year, collaboration between LUT University, LAB University of Applied Sciences and companies was promoted in fields such as fibre technology and the circular economy. Project funding from the innovation ecosystem agreement was allocated to the region's sustainability- and sports-related RDI activities.

A city of growth and investment

The City of Lahti's long-term efforts to develop a business-friendly environment are bearing fruit. Several significant corporate investment decisions were made during 2022. Lahti is also on the rise in various national reputation surveys.

In early summer, Oy Karl Fazer Ab announced that its new confectionery plant will be located in Pippo-Kujala, Lahti. The final investment decision should be made during 2023. The new confectionery plant is an exceptionally large investment on a Finnish scale. Kärkkäinen Oy has also announced that it will locate its new logistics facility in the same area.

Viking Malt Oy is currently building a new malting plant in Lahti, and Oy Hartwall Ab has invested in operations in the region.

In the Federation of Finnish Enterprises' Municipal Barometer, Lahti emerged as the second-best city with more than 100,000 residents; and in the municipal image survey, Lahti clearly showed the greatest improvement in its ranking.

A city of digital services

Lahti enhanced the availability of its digital services during the year. The DigiOne project's software development work was carried out in pilot schools, and the automation of City operations was further developed with the aid of two software robots. Artificial intelligence was also used to promote digital services in the City's service processes.

A city for sports and hobbies

The Harrastelahti.fi website was created to provide a home-base for hobbies and leisure activities for people of all ages.

All schools implemented activities for the Lahti Model for Leisure Activities. Activities for primary schools were run in cooperation with clubs and organisations. Improvements to the City's service network also took outdoor areas into consideration. The winter maintenance of cycle paths and walking routes was enhanced and expanded.

Global situation reflected in operations

Russia invaded Ukraine on 24 February 2022. It is difficult to reliably estimate the effects of the war on Finland's national economy, but it will inevitably reduce previously forecast economic growth.

The situation was also reflected in the City of Lahti's operations and finances. The City's preparedness team was active throughout the year: Lahti complied with sanctions, suspended twinning cooperation with Russia, assisted Ukraine, and received refugees from Ukraine.

Lahti also responded quickly to the energy crisis that began in 2022 by launching an energy-saving programme to support energy sufficiency and generate monetary savings.

The coronavirus pandemic continued to affect the City's operations and finances. Coronavirus restrictions were still in place in early 2022, which contributed to reduced utilisation rates in the City's activities.

Preparations were made for the healthcare and social services reform during 2022, and the new wellbeing service counties started up on 1 January 2023. This reform will have a significant impact on municipal expenditure and revenue. Actual expenditure on healthcare and social services in 2022 will also have a major impact on central government transfers to municipalities from 2023 onwards.

A positive result for 2022

The unemployment rate fell during the year. In December, it stood at 13.9 per cent, which was 1.0 percentage points lower than in the previous year. There were 2,248 job vacancies in Lahti at the end of the year. It took an average of 40 days to fill a vacancy. Lahti had 7,938 companies in the third quarter of 2022. There were 193 start-ups and 114 closures.

Trends in Lahti's tax revenue were better than expected thanks to a fall in the unemployment rate, a rise in earnings, growth in private consumption and improved corporate results.

This better-than-expected result, combined with higher-than-expected capital gains from the sale of assets, increased the City of Lahti's result for the financial year to EUR 47.1 million. The annual contribution margin stood at EUR 100.0 million, and cash flow was sufficient to cover net investments.

Investing in the future

The most significant construction projects completed in 2022 were the renovation of the History Museum, the renovation of the City Theatre's Eero stage, and alteration work in Nastopoli.

The most significant ongoing construction projects were the Aura community centre in Renkomäki under a lifecycle model, the renovation of City Hall using an alliance model, and the renovation phase of the Kivimaa community centre in Aarre.

Preliminary construction for the Pippo-Kujala business park intensified during 2022. Demand for plots has been high, and Pippo-Kujala is rapidly becoming one of the most important new business parks in Southern Finland.

Pekka Timonen
Mayor

The City of Lahti's Financial Statements

Income statement

THE CITY OF LAHTI'S INCOME STATEMENT

	2022	2021
Operating revenue		
Sales revenue	23,633,256.79	21,141,735.65
Fees and charges	12,412,576.28	12,329,988.18
Subsidies and grants	15,135,008.07	18,771,913.43
Rental income	29,690,647.51	31,342,280.46
Other operating revenue	65,247,858.27	31,575,574.75
	<u>146,119,346.92</u>	<u>115,161,492.47</u>
Production for own use	1,147,124.24	1,152,072.15
Operating expenses		
Personnel expenses		
Salaries and fees	-136,452,532.87	-132,577,028.49
Social security expenses		
Pension expenses	-36,289,169.95	-35,800,145.47
Other social security expenses	-5,037,459.48	-4,702,964.56
Procured services	-577,026,826.75	-533,010,340.99
Materials, supplies and goods	-16,796,906.31	-16,272,351.66
Allowances and grants	-39,089,529.55	-40,878,029.25
Other operating expenses	-31,704,034.24	-28,253,096.31
Total operating expenses	<u>-842,396,459.15</u>	<u>-791,493,956.73</u>
Operating margin	-695,129,987.99	-675,180,392.11
Tax revenue	545,067,561.41	519,177,348.72
Central government transfers	245,733,054.00	224,004,155.00
Financing income and expenses		
Interest income	8,190,418.24	7,951,670.53
Other financing income	9,645,022.90	13,407,275.54
Interest expense	-11,584,373.65	-11,633,965.22
Other financing expenses	-1,954,590.94	2,515,463.60
Total financing income and expenses	<u>4,296,476.55</u>	<u>12,240,444.25</u>
Annual contribution margin	99,967,103.97	80,241,556.06
Depreciation and impairment		
Depreciation according to plan	-52,552,175.88	-51,988,474.43
Impairment	-296,568.69	-274,727.16
Total depreciation and impairment	<u>-52,848,744.57</u>	<u>-52,263,201.59</u>
Result for the financial year	47,118,359.40	27,978,354.47
Increase (-) or decrease (+) in depreciation difference	139,880.24	212,290.69
Increase (-) or decrease (+) in voluntary provisions	-20,000,000.00	-10,000,000.00
Increase (-) or decrease (+) in funds	-173,602.71	-138,858.80
SURPLUS/DEFICIT FOR THE FINANCIAL YEAR	27,084,636.93	18,051,786.36

Cash flow statement

THE CITY OF LAHTI'S CASH FLOW STATEMENT

	2022	2021
Cash flow from operations		
Annual contribution margin	99,967,103.97	80,241,556.06
Adjustments to income financing	<u>-57,619,282.14</u>	<u>-26,298,783.99</u>
	42,347,821.83	53,942,772.07
Cash flow from investments		
Investment expenses	-87,542,890.62	-69,188,392.48
Allotments for capital expenditure	2,681,219.62	2,986,789.51
Capital gains on the sale of non-current assets	<u>101,239,770.05</u>	<u>57,228,904.91</u>
	16,378,099.05	-8,972,698.06
Cash flow from operations and investments	58,725,920.88	44,970,074.01
Cash flow from financing		
Changes in granted loans		
Decreases in granted loan receivables	<u>38,915,622.65</u>	<u>42,858,429.46</u>
	38,915,622.65	42,858,429.46
Changes in the loan portfolio		
Decrease in long-term loans	-41,200,000.00	-32,650,000.00
Change in short-term loans	<u>13,200,594.13</u>	<u>487,762.35</u>
	-27,999,405.87	-32,162,237.65
Other changes in liquidity		
Changes in funds and capital from assignments	-240,941.81	-274,075.80
Change in current assets	-34,556.06	-37,118.51
Change in receivables	29,679,282.86	26,820,769.64
Change in interest-free liabilities	<u>19,740,006.00</u>	<u>286,697.63</u>
	49,143,790.99	26,796,272.96
Cash flow from financing	60,060,007.77	37,492,464.77
Change in liquid assets	118,785,928.65	82,462,538.78
Change in liquid assets		
Liquid assets 31 Dec	274,053,956.47	155,268,027.82
Liquid assets 1 Jan	<u>155,268,027.82</u>	<u>72,805,489.04</u>
	118,785,928.65	82,462,538.78

Balance sheet**THE CITY OF LAHTI'S BALANCE SHEET**

ASSETS	2022	2021
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	1,038,360.09	1,419,674.40
Other capitalised long-term expenses	65,897,703.40	69,944,922.10
Advance payments and projects in progress	2,090,161.42	1,125,920.20
	<u>69 026 224.91</u>	<u>72,490,516.70</u>
Tangible assets		
Land and water areas	138,093,926.63	137,032,175.88
Buildings	257,549,978.09	306,662,958.61
Fixed structures and installations	207,900,873.93	193,642,425.57
Machinery and equipment	5,533,384.06	5,140,987.07
Other tangible assets	242,508.98	97,451.61
Advance payments and acquisitions in progress	48,743,116.85	23,675,282.92
	<u>658,063,788.54</u>	<u>666,251,281.66</u>
Investments		
Shares and interests	200,687,333.91	200,258,852.18
Other loan receivables	350,764,940.58	390,175,711.17
Other receivables	224,195.14	224,195.14
	<u>551,676,469.63</u>	<u>590,658,758.49</u>
FUNDS FROM ASSIGNMENTS		
Donation funds	342,386.24	247,786.24
	<u>342,386.24</u>	<u>247,786.24</u>
CURRENT ASSETS		
Current assets		
Materials and supplies	126,254.57	91,698.51
Receivables		
Long-term receivables		
Loan receivables	2,127,795.17	5,636,468.88
Other receivables	10,498.69	474,498.69
Short-term receivables		
Sales receivables	7,833,432.90	6,840,309.69
Loan receivables	27,304,834.51	56,950,264.69
Other receivables	4,425,240.79	3,727,328.87
Prepayments and accrued income	15,940,654.16	13,680,259.78
	<u>57,642,456.22</u>	<u>87,309,130.60</u>
Shares and holdings		
Shares and interests	7,696,021.78	7,696,021.78
Investments in money market instruments	170,000,000.00	0.00
	<u>177,696,021.78</u>	<u>7,696,021.78</u>
Cash in hand and at banks	96,357,934.69	147,572,006.04
TOTAL ASSETS	1,610,931,536.58	1,572,317,200.02

LIABILITIES	2022	2021
CAPITAL AND RESERVES		
Initial capital	437,196,267.29	437,196,267.29
Revaluation reserve	80,009.68	80,009.68
Other internal funds	11,009,010.17	10,835,407.46
Surplus from previous financial years	185,975,328.38	171,990,780.02
Surplus (deficit) for the financial year	<u>27,084,636.93</u>	<u>18,051,786.36</u>
	661,345,252.46	638,154,250.81
DEPRECIATION DIFFERENCE AND VOLUNTARY PROVISIONS		
Depreciation difference	690,817.29	830,697.53
Voluntary provisions	<u>30,000,000.00</u>	<u>10,000,000.00</u>
	30,690,817.29	10,830,697.53
MANDATORY PROVISIONS		
Provisions for pensions	2,596,900.00	2,823,100.00
Other mandatory provisions	<u>10,659,671.26</u>	<u>10,531,752.43</u>
	13,256,571.26	13,354,852.43
CAPITAL FROM ASSIGNMENTS		
Capital from donation funds	<u>2,302,475.54</u>	<u>2,448,817.35</u>
	2,302,475.54	2,448,817.35
LIABILITIES		
Long-term liabilities		
Bonds loans	0.00	60,000,000.00
Loans from financial institutions and insurance companies	679,000,000.00	694,900,000.00
Loans from other creditors	20,000.00	20,000.00
Advances received	0.00	288.72
Accrued expenses and deferred income	<u>5,964,209.82</u>	<u>4,414,172.82</u>
	684,984,209.82	759,334,461.54
Short-term liabilities		
Loans from financial institutions and insurance companies	71,900,000.00	37,200,000.00
Loans from other creditors	62,627,172.86	49,426,578.73
Advances received	1,132,659.04	1,104,713.73
Accounts payable	46,639,571.52	22,279,104.85
Other liabilities	3,170,802.94	3,199,991.26
Accrued expenses and deferred income	<u>32,882,003.85</u>	<u>34,983,731.79</u>
	218,352,210.21	148,194,120.36
TOTAL LIABILITIES	1,610,931,536.58	1,572,317,200.02

The City of Lahti's key figures

KEY FIGURES	2022	2021
Key figures in the income statement		
Operating revenue/Operating expenses, %	17.4%	14.6%
Annual contribution margin/Depreciation, %	189.1%	153.5%
Annual contribution margin, EUR/resident	832	669
Number of residents*	120,200	120,027
Number of personnel	3,736	3,691
Key figures in the cash flow statement		
5-year accumulated cash flow from operations and investments, EUR	-13,973,451	-150,167,332
Cash flow from investments, %	117.8%	121.2%
Loan servicing margin	2.1	2.1
Deferred loan servicing margin	1.0	0.8
Adequacy of cash flow, days	101.7	62.9
Key figures in the balance sheet		
Equity ratio, %	43.0%	41.3%
Relative indebtedness, %	96.3%	105.6%
Accumulated surplus/deficit, EUR 1,000	213,741	190,729
Accumulated surplus/deficit, EUR/resident	1,778	1,589
Loan portfolio 31 Dec, EUR/resident	6,768	7,011
Loan portfolio 31 Dec	813,547,173	841,546,579
Loan portfolio 31 Dec, EUR 1,000	813,547	841,547
Loans and rental liabilities 31 Dec	1,014,496,960	1,038,243,684
Loans and rental liabilities, EUR/resident	8,440	8,650
Loan receivables 31 Dec, EUR 1,000	350,765	390,176

* The estimated number of residents for the comparison year (2021), which was based on preliminary data, has been updated to show the actual number of residents. Corresponding adjustments have been made to the key figures for 2021.

The Lahti Group's Financial Statements

Income statement

LAHTI GROUP

INCOME STATEMENT	2022	2021
Operating revenue	719,319,901.18	664,226,600.43
Operating expenses	-1,332,564,445.39	-1,244,738,320.07
Share of the profits (losses) of affiliated entities	-487,154.74	274,350.51
OPERATING MARGIN	-613,731,698.95	-580,237,369.13
Tax revenue	543,182,627.34	517,129,509.32
Central government transfers	284,217,139.27	264,310,560.94
<u>Financing income and expenses</u>		
Interest income	2,029,105.21	974,498.83
Other financing income	17,603,902.57	7,289,549.00
Interest expenses	-16,765,871.52	-19,812,078.29
Other financing expenses	-20,296,483.01	118,770.69
Financing income and expenses	-17,429,346.75	-11,429,259.77
ANNUAL CONTRIBUTION MARGIN	196,238,720.91	189,773,441.36
<u>Depreciation and impairment</u>		
Depreciation according to plan	-116,536,116.42	-116,584,585.64
Differences in ownership elimination	-396,379.69	-60,331.66
Impairment	-281,835.12	-235,169.93
Depreciation and impairment	-117,214,331.23	-116,880,087.23
Extraordinary items	-208,253.82	-213,723.88
PROFIT FOR THE FINANCIAL YEAR	78,816,135.86	73,107,078.01
Appropriations	-181,977.41	-138,858.80
Taxes for the financial year	-7,437,404.40	-3,786,544.06
Deferred taxes	-2,368,316.14	-6,853,320.44
Minority interest in the profit for the financial year	-763,079.99	-922,964.31
SURPLUS/DEFICIT FOR THE FINANCIAL YEAR	68,065,357.92	61,405,390.40

Cash flow statement

LAHTI GROUP

CASH FLOW STATEMENT	2022	2021
Cash flow from operations		
ANNUAL CONTRIBUTION MARGIN	196,238,720.91	189,773,441.36
Extraordinary items	-208,253.82	213,723.88
Taxes for the financial year	-7,437,404.40	-3,786,544.06
Adjustments to income financing	-30,131,348.36	-24,842,759.66
Cash flow from operations	158,461,714.32	161,357,861.52
Cash flow from investments		
Investment expenses	-236,268,228.45	-150,472,207.20
Allotments for capital expenditure	2,762,353.40	3,358,737.46
Capital gains on the sale of non-current assets	190,400,647.65	72,186,410.78
Cash flow from investments	-43,105,227.40	-74,927,058.96
Cash flow from operations and investments	115,356,486.92	86,430,802.56
Cash flow from financing		
<u>Changes in granted loans</u>		
Increases in granted loan receivables	-172,649.77	-22,550.75
Decreases in granted loan receivables	132,187.25	-33,112.03
Changes in granted loans	-40,462.52	-55,662.78
<u>Changes in the loan portfolio</u>		
Increase in long-term loans	63,956,339.00	64,124,275.00
Decrease in long-term loans	-70,037,702.38	-56,724,071.14
Change in short-term loans	-31,036.27	-9,272,688.49
Changes in the loan portfolio	-6,112,399.65	-1,872,484.63
<u>Changes in capital and reserves</u>		
Changes in capital and reserves	851,046.42	-2,878.04
<u>Other changes in liquidity</u>		
Changes in funds and capital from assignments	-66,800.60	-326,473.08
Change in current assets	-5,429,489.68	2,000,298.00
Change in receivables	-10,745,408.83	-26,146,431.45
Change in interest-free liabilities	23,716,204.67	19,457,255.17
Other changes in liquidity	7,474,505.57	-5,015,351.36
Cash flow from financing	2,172,689.82	-6,946,376.81
Change in liquid assets	117,529,176.75	79,484,425.76
Liquid assets 31 Dec	334,418,741.40	216,889,564.64
Liquid assets 1 Jan	216,889,564.64	137,405,138.88
Change in liquid assets	117,529,176.75	79,484,425.76

Balance sheet**LAHTI GROUP**

BALANCE SHEET	2022	2021
ASSETS		
NON-CURRENT ASSETS		
<u>Intangible assets</u>		
Intangible rights	9,031,492.81	9,500,860.70
Other capitalised long-term expenses	68,605,982.03	73,589,094.91
Advance payments and assets in progress	4,258,793.45	2,764,102.86
Intangible assets	81,896,268.29	85,854,058.47
<u>Tangible assets</u>		
Land and water areas	156,999,493.08	155,693,103.42
Buildings	858,600,802.91	868,838,945.31
Fixed structures and installations	414,146,723.44	399,104,587.97
Machinery and equipment	237,497,755.60	248,406,793.35
Other tangible assets	2,452,391.68	2,577,197.46
Advance payments and acquisitions in progress	73,291,430.69	88,022,766.62
Tangible assets	1,742,988,597.41	1,762,643,394.13
<u>Investments</u>		
Shares and interests in affiliated entities	2,406,348.28	2,890,393.63
Other shares and interests and the revaluations of shares	108,952,651.04	117,436,775.51
Bond receivables	172,649.77	0.00
Other loan receivables	19,424,325.51	20,051,660.70
Other receivables	95,663.74	95,663.74
Investments	131,051,638.34	140,474,493.58
NON-CURRENT ASSETS	1,955,936,504.04	1,988,971,946.18
FUNDS FROM ASSIGNMENTS	2,317,200.77	1,679,257.47
CURRENT ASSETS		
Current assets	14,281,693.32	8,852,203.65
<u>Receivables</u>		
Long-term receivables	3,730,486.75	5,568,172.02
Short-term receivables	125,160,810.03	112,779,472.67
Receivables	128,891,296.78	118,347,644.69
Shares and holdings	189,848,190.47	51,361,010.92
Cash in hand and at banks	144,570,550.93	165,528,553.73
CURRENT ASSETS	477,591,731.50	344,089,412.98
ASSETS	2,435,845,436.31	2,334,740,616.64

LAHTI GROUP

BALANCE SHEET	2022	2021
LIABILITIES		
CAPITAL AND RESERVES		
Initial capital	437,196,267.29	437,196,267.29
Initial capital of associations and foundations	12,614.10	12,614.10
Revaluation reserve	383,449.53	638,884.40
Other internal funds	12,622,739.44	12,049,136.74
Surplus (deficit) from previous financial years	306,399,394.20	248,573,010.70
Surplus (deficit) for the financial year	68,065,357.92	61,405,390.40
CAPITAL AND RESERVES	824,679,822.47	759,875,303.83
MINORITY INTERESTS	14,531,400.30	13,791,839.98
MANDATORY PROVISIONS		
Provisions for pensions	2,596,900.00	2,823,100.00
Other mandatory provisions	37,890,051.46	26,484,369.20
MANDATORY PROVISIONS	40,486,951.46	29,307,469.20
CAPITAL FROM ASSIGNMENTS	6,013,105.28	5,441,962.58
LIABILITIES		
Long-term interest-bearing liabilities	1,129,338,780.68	1,174,259,164.00
Long-term non-interest-bearing liabilities	90,896,834.79	87,083,122.31
Short-term interest-bearing liabilities	104,453,193.31	65,645,209.64
Short-term non-interest-bearing liabilities	225,445,348.02	199,336,545.29
LIABILITIES	1,550,134,156.80	1,526,324,041.24
LIABILITIES	2,435,845,436.31	2,334,740,616.63

The Lahti Group's key figures

LAHTI GROUP	2022	2021
Key figures in the income statement		
Operating revenue/Operating expenses, %	54.0%	53.0%
Annual contribution margin/Depreciation, %	168.0%	162.0%
Annual contribution margin, EUR/resident	1,633	1,581
Number of residents*	120,200	120,027
Number of personnel	9,514	9,380
Key figures in the cash flow statement		
5-year accumulated cash flow from operations and investments, EUR	121,842,487	-88,069,210
Cash flow from investments, %	84.0%	129.0%
Loan servicing margin	2.5	2.81
Deferred loan servicing margin	1.2	1.2
Adequacy of cash flow, days	72.5	53.7
Key figures in the balance sheet		
Equity ratio, %	34.6%	33.2%
Relative indebtedness, %	99.7%	105.1%
Accumulated surplus (deficit), EUR 1,000	374,465	309,962
Accumulated surplus (deficit), EUR/resident	3,115	2,583
Loan portfolio 31 Dec, EUR/resident	10,264	10,330
Loan portfolio 31 Dec	1,233,791,974	1,239,904,374
Loan portfolio 31 Dec, EUR 1,000	1,233,792	1,239,904
Loans and rental liabilities 31 Dec	1,686,096,597	1,663,008,234
Loans and rental liabilities, EUR/resident	14,027	13,855
Loan receivables 31 Dec, EUR 1,000	19,597	20,052

* * The estimated number of residents for the comparison year (2021), which was based on preliminary data, has been updated to show the actual number of residents. Corresponding adjustments have been made to the key figures for 2021.

Notes to the Financial Statements

Notes on the preparation of the financial statements

Valuation principles and methods, and accrual principles and methods

Valuation of non-current assets

Intangible and tangible non-current assets are recognised in the balance sheet at their acquisition cost minus planned depreciation and allotments for capital expenditure. Planned depreciation has been calculated in accordance with a pre-established depreciation plan. The bases on which planned depreciation has been calculated in the depreciation plan are presented in the notes to the income statement in the section titled "The bases for planned depreciation".

Valuation of investments

Investments in non-current assets are recognised in the balance sheet at their acquisition cost or a lower value. They are valued on the basis of an asset's probable accrued value in the future or its value in service provision.

Valuation of current assets

Current assets are recognised in the balance sheet at their weighted average acquisition cost or probable acquisition cost or probable sale price, whichever is lower.

Valuation of financial assets

Receivables are recognised in the balance sheet at their nominal value or probable value, whichever is lower. Shares and holdings are recognised in the balance sheet at their acquisition cost or probable sale price, whichever is lower.

Treatment of derivative contracts

Derivative contracts manage the interest rate risks related to loans with the aim of offsetting any effects arising from changes in interest rates, improving cash flow predictability, and reducing interest costs. The City of Lahti's derivative contracts are interest rate swaps extending until at most 2055. The agreements have been made in accordance with the City of Lahti's financing principles in order to hedge the interest rate risks of current or future loans.

In accordance with the guidelines pertaining to financial statements and accounting practices for derivative contracts, an interest swap agreement due to enter into force in the distant future for which no loan with corresponding terms has been withdrawn on the balance sheet date has been classified as non-hedging and, in addition to presenting it in the notes, the negative market value of the agreement has been entered in mandatory provisions in accordance with the principle of prudence. The City of Lahti has determined other agreements to be protective, and has only presented them in the appendices to the financial statements.

Accrual principles

Income and expenditure are recognised in the income statement on an accrual basis. Exceptions to this include tax revenue, which has been recognised on its settlement date in the relevant financial year, and interest receivables on subordinated loans from the following companies in 2022:

- Kuntien Tiera Oy, EUR 20,277.77, total EUR 145,962.06
- Kiinteistö Oy Lahden Varaani, total EUR 19,698.17

Treatment of grants

Monetary grants received for the acquisition of non-current tangible assets are entered under the relevant category as a decrease in the acquisition cost of the asset.

Impacts of the coronavirus pandemic

The coronavirus pandemic continued to affect the City's operations and finances in 2022.

Coronavirus restrictions were still in place in early 2022, which contributed to reduced utilisation rates in the City's activities. Lost operating revenue totalled approximately EUR 4.0 million. In particular, income was not accrued from public transport, wage subsidies for the employed, Wellamo Community College course fees, sports services, and the activities of the Lahti City Symphony Orchestra and City Theatre. It is estimated that the pandemic caused additional costs of EUR 1.5 million in the procurement of protective equipment, enhanced cleaning, maintaining safe distances, and projects totalling EUR 1.0 million carried out with special assistance from the Ministry of Education and Culture. These projects offset the impacts of the coronavirus pandemic in early childhood education, comprehensive education and upper-secondary education. The impacts of the pandemic are also estimated to have generated savings of EUR 1.5 million in operating expenses, mainly as a result of reduced HR remuneration and, to a minor extent, a reduction in service provision. A total of EUR 2.8 million in aid was received to compensate for lost ticket revenue from public transport and theatre and orchestra activities. The State paid compensation for tax revenue lost due to the impacts of the pandemic in 2020, of which EUR 0.6 million was repaid in 2022 as a decrease in central government transfers. The City's social and healthcare services were provided by the Päijät-Häme Joint Municipal Authority for Wellbeing, whose operations were still significantly impacted by the coronavirus pandemic, which has in turn increased social and healthcare costs. The State has directly compensated healthcare and social service providers for the impacts of the coronavirus pandemic. The Päijät-Häme Joint Municipal Authority for Wellbeing has also applied for approximately EUR 1.0 million in compensation for direct resident-based coronavirus costs, and this has been included in the member municipalities' invoicing.

The unemployment rate improved during the year. At the end of December, it stood at 13.9 per cent, which is one percentage point lower than in the previous year. In December, there were 1,080 job vacancies in Lahti – a decrease of 1,549 on the previous December.

The local government employment pilot was launched on 1 March 2021. In May, a new customer service model based on a legislative amendment was also introduced as part of the municipal pilot. This change highlights the role of personal encounters in customer service. Customer service was mainly provided by telephone during the coronavirus pandemic, and efforts have now been made to reduce the proportion of telephone customer service. There was a temporary increase in the City's obligation to provide employment during the summer of 2022, which was partly due to people in the target group who had become unemployed as a result of the pandemic.

The impacts of the pandemic on the City's services and activities were communicated to residents throughout the year, but there was no need for enhanced communications after the spring. The City's up-to-date website, lahti.fi, has been the main communication channel. Social media channels, and in particular Facebook and Twitter, have also been used to send pandemic-related communications. Wilma and Muksunetti have been key channels for schools and daycare centres to provide customer families and staff with up-to-date

information about the pandemic's impacts. The pandemic also intensified the use of many digital services in immigration work.

On 7 February 2022, the Lahti City Board decided on support measures for companies and associations as a result of the coronavirus restrictions in Section 54. This decision directed tenants of the City or its subsidiaries to apply primarily to the State Treasury for compensation for the inconvenience caused by coronavirus restrictions. The City also decided to temporarily waive collection of rental payments from entities who were tenants of the City or its subsidiaries. Tenants of the City and its subsidiaries could also be granted rent relief and leasehold refunds on a case-by-case basis.

Event production returned to almost normal. Some hybrid events were held to ensure that they could go ahead when there was some uncertainty with regard to the situation. However, some events were cancelled due to continuing uncertainty in the aftermath of the pandemic, which also caused changes in people's purchasing behaviour. The pandemic has changed the event industry: more attention is paid to streaming opportunities, risk forecasting has changed, and hand sanitiser is still being made available.

The City continued to provide pandemic-related guidance on employment matters and occupational safety during early 2022. Personnel were able to get coronavirus vaccinations via occupational healthcare. The City continued to procure face masks for distribution to people of limited means. Hand sanitiser and rapid tests were also procured for personnel.

Education, Culture and Sports service area

The pandemic's effects were still visible in the operations and finances of educational, cultural and sports services in 2022. Coronavirus restrictions were in force during January and February, which decreased entrance fee revenue for cultural institutions and sports providers, and course fee revenue for Wellamo Community College. The pandemic also led to more sickness absences, which had to be compensated for by hiring substitutes for dimensioned services.

Sickness absences increased throughout the year, and the need for substitutes continued to rise compared to earlier years. By the autumn, the general rise in costs began to be clearly reflected in, for example, catering services. Special assistance to mitigate the effects of the pandemic was granted by the Ministry of Education and Culture in 2021–2022, of which EUR 0.4 million was allocated to early childhood education and care in 2022. This special assistance strengthened preventive measures to ensure children's full participation in early childhood education and preschool education.

Basic education was organised as in-person teaching in 2022. National and regional guidelines on the pandemic were followed in the provision of education. The pandemic continued to cause absenteeism among pupils and staff, and led to temporary special arrangements for teaching and various forms of support for teaching as a result of absences. In basic education, the Ministry of Education and Culture granted EUR 0.5 million to offset the effects of the pandemic by improving the differences in learning, development and wellbeing that had arisen during the exceptional circumstances for children and pupils in a disadvantaged position, those in need of support, and children and pupils with an immigrant background.

Youth services were organised almost normally, with the exception of youth events that could not be held. Personnel

absences continued to be an issue, and slightly more replacement labour had to be used.

Upper-secondary education was held normally as in-person teaching, and the pandemic had little impact on the actual operation of upper-secondary education. Some masks were still being ordered in early 2022. Special assistance from the Finnish National Agency for Education was used to provide learning support and to patch learning gaps in upper-secondary education through support groups, small groups and differentiated learning.

In cultural services, the traditional Lahti Children's Winter Carnival had to be postponed from January/February to May. This postponement affected both the number of performances and audience figures: there were considerably fewer performances than usual and the number of attendees fell far short of the target. Lahti Youth Theatre had to prepare performances for its 60th anniversary in exceptional circumstances, which resulted in additional costs. The pandemic's effects were also visible in June–July, when understudies were required for some of the Lahti Summer Stage's performances, and six sold-out performances eventually had to be cancelled. Two additional performances of the show were arranged in October, which resulted in additional costs.

Although sports facilities were never completely closed (most supervised sports activities for children and young people continued throughout the year), restrictions on the use of facilities in the early year had an impact on the number of customers at swimming pools in particular. Visitor numbers began to increase over the course of the year, especially at indoor and outdoor sports facilities. Similar trends were not seen in visitor numbers at swimming pools. The income generation target for sports services was reduced due to the restrictions imposed on customers. Expenditure rose due to the increased frequency of cleaning and disinfection at swimming pools. The snowy winter was also reflected in an increased need for maintenance at outdoor sports facilities. In 2022, the following major annual sports events were organised almost as usual: the Finlandia Ski Marathon, the European Youth Olympic Festival, ski jumping and Nordic combined, the Salpausselkä Games, the Lahti Basketball Juniors' Easter Tournament, and the Motonet GP Lahti athletics competition.

The City's museums were allowed to remain open throughout the year, although visitor numbers had to be limited in the first few months of the year. Even though services were available, visitor numbers remained low in January–April due to caution among customers. There were few group visits and public events could not be held as planned in the early year. Income from ticket sales, service charges and business sponsorships decreased. Grants from the Ministry of Education and Culture were used to organise services that could not have been provided otherwise. Enhanced cleaning and the purchase of hygiene supplies led to an increase in expenditure. Digital accessibility improved with the aid of Smartify and online materials, and the streaming of Memories events. Cultural visits for schoolchildren were carried out with special arrangements in spite of the pandemic.

Adult hobbies were restricted in early 2022, which impacted the Wellamo Community College. Some teaching was suspended or postponed, while other lessons were held online. Health security and safe distances were ensured by reducing group sizes. After the restrictions on hobbies and public

gatherings were lifted in the spring, sickness absences among personnel were very high and increased personnel costs.

Restrictions on the use of facilities were still affecting library events and people's movement in the spring, and these restrictions remained in place until the end of February. Normal event and group activities did not resume until the autumn, which affected the library's income, expenses and visitor numbers. By the autumn, lending volumes and visitor numbers had almost returned to 2019 levels. However, the early-year restrictions affected the auditorium's rental income, among other things.

The pandemic affected the Lahti Symphony Orchestra's activities throughout the year. All concerts took place online in January–February, as official restrictions prevented audiences from being admitted to concert halls. Although the restrictions were lifted from March onwards, some audience members were still very cautious about attending public events until the end of 2022. As a result, box-office revenue for the financial year did not meet expectations and fell short of the budget. The COVID-19 grants awarded by the Ministry of Education and Culture helped to balance the City's finances by compensating for lost income. Nevertheless, the Lahti Symphony Orchestra's ability to provide services remained at a good level throughout the year.

Performances at Lahti City Theatre were suspended in January and February due to official coronavirus restrictions. No public performances were given during that time. The only permitted performances were those included in the cultural education programme and targeted at Art Testers. Sickness absences among personnel led to the cancellation of performances in late 2022. The premieres of two plays were postponed from spring to autumn, which meant that 23 performances did not take place in March–May. A total of 60 performances were cancelled due to the pandemic in January–February. In addition to cancelling the City Theatre's own performances, co-production and guest performances also had to be cancelled. Only 59.7% of budgeted turnover was realised. Considering the circumstances, the City Theatre's finances remained relatively stable with the help of discretionary COVID-19 grants awarded by the Ministry of Education and Culture and cost savings resulting from the interrupted season. New plays could be directed and rehearsed almost to the planned schedule in order to secure future premieres.

Urban Environment service area

The number of passengers travelling by public transport dropped by 14 per cent from 2019, the last year of reference for normal operation. The pandemic had the greatest impact on passenger numbers during the early part of the year, when passenger numbers were approximately 23 per cent lower than in the corresponding period of 2019. Passenger numbers were 5 per cent below 2019 levels in the second half of 2022. Revenue from public transport almost reached 2019 levels. Traficom granted EUR 1,471,000 in COVID-19 support for ticket revenue losses and increased transport costs for the entire region, of which the City of Lahti's share was approximately EUR 1,187,000. Mask recommendations for public transport and hand sanitiser on buses were discontinued during 2022. Ticket revenue losses totalled approximately EUR 1,700,000 (-13%) compared to the budget and EUR 357,000 (-3%) compared to the 2019 pre-pandemic control period. Central government transfers for the effects of the pandemic and increased costs totalled EUR +1,187,000 (Lahti's share). The coronavirus pandemic did not have a significant impact on expenditure in 2022. Russia's war of aggression against Ukraine

and the general rise in costs increased full-year transport costs by about 7 per cent of the original budget (+ EUR 1.3 million), weighted towards the second half of the year. In June 2022, the year-on-year change in the cost index for bus transport stood at +12.2 per cent.

In urban engineering, the pandemic had no noticeable effects on the maintenance of public areas in 2022. There were some reports from maintenance contractors about sickness absences among subcontracted personnel. This could slightly delay individual jobs (by a matter of hours). The coronavirus pandemic had no noticeable effect on cleaning work or the amount of litter in public spaces during 2022. No additional work was ordered in relation to the pandemic. Terrace rentals in public spaces were subject to a reduced rate (-50%). Port sanitation costs rose by EUR 3,684.

Urban planning was affected by the fact that non-profit organisations were exempted from paying rent for the period 1 January–31 March 2023. This had a cost impact of EUR 4,862.

In environmental health, the pandemic has been dealt with as a specific incident and a diary of the evolving situation has been kept. Operational capability has been ensured with dedicated internal guidelines and resource monitoring, as well as close cooperation with the neighbouring unit. In environmental health, written instructions have been drawn up and sent to operators together with Päijät-Häme Joint Authority for Health and Wellbeing's monitoring unit. Environmental health activities have been adjusted as the situation evolved to ensure that the unit is operational 24/7 in the event of an incident. In veterinary matters, customer work practices have been modified to make the services required by the Veterinary Care Act available 24/7.

Adjustments for the 2022 financial year

In 2022, the City of Lahti entered EUR 3,497 million in emergency medical care contributions from the Päijät-Häme Joint Authority for Health and Wellbeing for 2017 and 2019 and a EUR 0.570 million contribution for services for the disabled for 2020 and 2021. Both contributions were entered into the financial statements under the surplus/deficit from previous financial periods as an increase in the City's debt to Päijät-Häme Joint Authority for Health and Wellbeing.

Other events during the financial year

Other mandatory provisions include a credit loss provision of EUR 7,164,629 for the City of Lahti's loan receivables, which consist of loan receivables from Lahti Events Oy and Lahden Jäähalli Oy.

The Group's joint receivables and liabilities differ by EUR 400,000.00

after the City of Lahti cancelled the SVOP investment for KOKO Lahti Oy on the basis of an interim decision issued by Hämeeenlinna Administrative Court on 20 April 2023.

Comparability of the previous financial year's key figures

The estimated number of residents for the comparison year (2021), which was based on preliminary data, has been updated to show the actual number of residents.

This update affects the following key figures:

Annual contribution margin, EUR/resident; Surplus/deficit, EUR/resident; Loan portfolio, EUR/resident; and Loans and lease liabilities, EUR/resident in the income statement.

NOTES TO THE INCOME STATEMENT

City of Lahti	2022	2021
OPERATING REVENUE BY FUNCTION		
Social and healthcare services	0.00	711,571.52
Educational and cultural services	22,547,550.27	20,010,197.11
Community services	41,556,933.94	41,901,172.28
Housing and real estate services	67,578,910.68	29,354,468.90
Other services	14,435,952.03	23,184,082.66
Total operating revenue	146,119,346.92	115,161,492.47
TAX REVENUE		
Municipal income tax	452,477,251.54	431,589,124.37
Percentage of corporate tax revenue	48,348,782.49	45,619,228.19
Property tax	44,241,527.38	41,968,996.16
Total tax revenue	545,067,561.41	519,177,348.72
CENTRAL GOVERNMENT TRANSFERS		
State subsidy for basic municipal services	157,697,854.00	148,496,343.00
Equalisation of state subsidy based on tax revenue	32,769,461.00	29,237,874.00
Compensation for lost tax revenue	59,126,553.00	51,072,997.00
State subsidy for other educational and cultural activities	-3,860,814.00	-4,803,059.00
Total central government transfers	245,733,054.00	224,004,155.00
BREAKDOWN OF PROCURED SERVICES		
Purchases of customer services	461,324,187.19	425,755,639.22
Purchases of other services	115,702,639.56	107,815,058.77
Total purchases of municipal services	577,026,826.75	533,570,697.99
SUBSIDIES FOR COUNCIL GROUPS		
Left Alliance, Lahti Council Group	7,084.00	3,416.00
National Coalition Party, Lahti Council Group	21,254.00	8,663.00
Green Party, Lahti Council Group	7,801.21	2,884.75
Social Democratic Party, Lahti Council Group	25,505.00	12,250.00
Christian Democrats, Lahti Council Group	4,581.32	3,999.00
Finns Party, Lahti Council Group	10,129.13	5,590.99
Total subsidies to council groups	76,354.66	36,803.74
CHANGES IN MANDATORY PROVISIONS		
Pension liability 1 Jan	2,823,100.00	3,259,800.00
Decrease	-226,200.00	-436,700.00
Pension liability 31 Dec	2,596,900.00	2,823,100.00

City of Lahti	2022	2021
Other mandatory provisions		
Reserve for environmental liabilities 1 Jan	1,831,000.00	1,831,000.00
Reserve for environmental liabilities 31 Dec	1,831,000.00	1,831,000.00
Reserve for legal expenses 1 Jan	250,000.00	485,395.59
Increase	0.00	250,000.00
Decreases	-250,000.00	-485,395.59
Reserve for legal expenses 31 Dec	0.00	250,000.00
Non-hedging interest rate swap 1 Jan	7,363,659.00	10,120,596.00
Decreases	-5,699,617.00	-2,756,937.00
Non-hedging interest rate swap 31 Dec	1,664,042.00	7,363,659.00
Other mandatory provisions 1 Jan	1,087,093.43	1,885,147.94
Increase	9,167,829.62	1,026,939.49
Decreases	-3,090,293.79	-1,824,994.00
Other mandatory provisions 31 Dec	7,164,629.26	1,087,093.43
Other mandatory provisions 31 Dec	10,659,671.26	10,531,752.43
Total provisions	13,256,571.26	13,354,852.43
CAPITAL GAINS/LOSSES ON THE SALE OF NON-CURRENT ASSETS		
Other operating revenue		
Capital gains from land and water areas	4,094,025.55	23,924,996.54
Capital gains from buildings	53,906,804.23	0.00
Other capital gains	2,710.65	0.00
Total capital gains	58,003,540.43	23,924,996.54
Other operating expenses		
Capital losses from land and water areas	0.00	1,153,299.65
Total capital losses	0.00	1,153,299.65
BREAKDOWN OF DIVIDEND INCOME AND INTEREST ON COOPERATIVE CAPITAL		
Dividend income from Group entities	6,408,718.00	10,437,920.00
Dividend income and interest on cooperative capital from others	2,630,447.22	2,359,423.03
Total	9,039,165.22	12,797,343.03

THE BASES FOR PLANNED DEPRECIATION

A pre-established depreciation plan has been used to determine depreciation. The planned depreciation of the acquisition cost of tangible and intangible assets has been calculated on the basis of their estimated useful life.

The depreciation methods and estimated depreciation periods are:

Fixed asset	Depreciation plan as of 1 Jan 2016, unless exempted		City of Lahti depreciation plan until 31 Dec 2012	City of Lahti depreciation plan 1 Jan 2013–12 Dec 2015, unless exempted	Municipality of Nastola depreciation plan until 31 Dec 2015
		%			
Intangible assets					
Development expenditure	2	50.0%	-	2	-
Intangible rights	5	20.0%	5	5	5
Goodwill	2	50.0%	-	2	-
Other capitalised long-term expenses					
- Computer software	2	50.0%	5	2	3
- other	2	50.0%	3	2	-
Tangible assets					
Land and water areas	no depreciation period				
Buildings and structures					
- Administrative and institutional buildings	20	5.0%	30	20	30
- factories and production facilities	20	5.0%	20	20	20
- offices	10	10.0%	7	10	15
- leisure buildings	20	5.0%	25	20	20
- residential buildings	30	3.3%	40	30	30
Fixed structures and installations					
- roads, streets, squares and parks	15	6.7%	20	15	expenditure residue, 15%
- bridges, quays and swimming pools	10	10.0%	20	10	expenditure residue, 15%
- other land and water structures	15	6.7%	30	15	expenditure residue, 10%
- water supply network	30	3.3%	-	-	expenditure residue, 8%
- sewage network	30	3.3%	-	-	expenditure residue, 8%
- electrical wiring, transformer substations and outdoor lighting	15	6.7%	10	15	-
- other pipelines and cable networks	15	6.7%	-	-	expenditure residue, 20%
- machinery and equipment for electricity, water and other utilities	10	10.0%	-	-	expenditure residue, 20%
- traffic control equipment	10	10.0%	10	10	-
- other fixed machinery, equipment and structures	10	10.0%	15	10	-
Building renovations	useful life is calculated on an investment-by-investment basis		useful life is calculated on an investment-by-investment basis	useful life is calculated on an investment-by-investment basis	-
Machinery and equipment					
- other transport equipment	4	25.0%	5	4	5
- other mobile machinery	5	20.0%	5	5	5
- other heavy machinery	10	10.0%	10	10	-
- other light machinery	5	20.0%	10	5	-
- hospital and healthcare equipment	5	20.0%	10	5	5
- IT equipment	3	33.3%	3–5 years	3	3
- other fixtures and equipment	3	33.3%	3–15 years	3	3
Other tangible assets					
- natural resources	according to use		according to use	according to use	according to use
- valuables and works of art	no depreciation period		no depreciation period	no depreciation period	no depreciation period
- advance payments and acquisitions in progress	no depreciation period		no depreciation period	no depreciation period	-
Investments in non-current assets					
Shares and interests	no depreciation period		no depreciation period	-	no depreciation period

Small acquisitions of fixed assets with an acquisition cost of less than EUR 10,000 (0% VAT) are recognised as annual expenses.

Derivative contracts

The City of Lahti's principles for financing steer the City's fundraising activities and financial risk management. Financial risks are managed by diversifying loans according to the market situation at the time of withdrawal, taking the existing loan portfolio into account, either by taking a position on the interest rate, currency and maturity date of the loan to be withdrawn, or through separate derivative contracts.

Derivative contracts hedge against currency and interest rate risks. Interest rate risk management aims to offset any adverse effects arising from changes in interest rates, improve cash flow predictability, and reduce interest costs. Derivative contracts convert the interest rate and/or currency distribution of fixed-rate and floating-rate loan agreements based on the economic cycle and interest rate forecasts. The City aims to hedge against any extra costs arising from interest rate fluctuations and to keep the financial burden caused by loans as low and predictable as possible. Fluctuations in exchange rates lead to uncertainty with regard to loans denominated in foreign currencies, that is, a currency risk. This risk is eliminated with the aid of currency and interest rate swaps when the loan is withdrawn.

The City of Lahti uses derivative contracts to protect existing loans with 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. There is a solid basis for these protective measures, as they will keep the size of Lahti's loan portfolio at a reasonable level in the future, taking into account estimated long-term investment needs and any refinancing required by overdue bullet loans.

One interest rate swap agreement for which there was no loan with equivalent terms withdrawn on the balance sheet date, and whose starting date is in the significantly distant future, was classified in the financial statements as non-hedging. This agreement's negative market value has been entered into the mandatory provisions in accordance with the principle of prudence. The City of Lahti has determined other agreements to be protective, and has only presented them in the appendices to the financial statements.

Derivative contracts valid on the balance sheet date (numbers 1–4) are listed below. The market values for derivatives are shown in the notes to the financial statements as reported by the bank.

Interest rate swaps

Interest rate swap no. 1

Nominal capital	EUR 63,000,000.00
Fair value 31 Dec 2022	EUR 2,899,968.55
Fair value 31 Dec 2021	EUR -2,022,253.22
Interest paid	0.875%
Interest received	3-month Euribor
Repayment plan	Bullet
Agreement start date	11 Dec 2014
Agreement maturity date	11 Dec 2024

Interest rate swap no. 1 hedges against the interest rate risk of an individual loan: The agreement has converted the loan's floating interest rate into a fixed rate. The capital of the loan and the interest rate swap agreement, the maturity dates, and the interest determination and payment dates correspond to each other. The terms of the loan and the interest rate swap agreement correspond perfectly, except for the treatment of the variable reference rate in the event that the reference rate is negative. The total interest rate of the loan must always be at least zero. When calculating interest rates on an interest rate swap agreement, the negative reference rate is taken into account in full.

In the event of a positive Euribor interest rate, the annual interest cost of the loan will not exceed 0.875% plus the loan margin paid on the floating-rate loan. If the Euribor rate is negative, the annual interest cost of the loan also includes the floating rate of the interest rate swap. Approximately EUR 1.6 million in additional costs had been incurred as a result of the negative interest rate by the end of the financial year. On the basis of the latest interest rate forecasts on the balance sheet date, no additional costs are expected before the maturity date as a result of negative Euribor rates. 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.

Interest rate swap no. 2

Nominal capital	EUR 37,000,000.00
Fair value 31 Dec 2022	EUR 3,583,438.00
Fair value 31 Dec 2021	EUR -11,573,928.00
Interest paid	2.20%
Interest received	6-month Euribor
Repayment plan	Bullet
Agreement start date	7 April 2020
Agreement maturity date	7 April 2040

Interest rate swap no. 2 hedges against the interest rate risk of an individual loan: The swap converted the floating interest rate of the EUR 40 million loan capital, 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. Due to the differing dates for determining interest, the City of Lahti incurred additional costs of about EUR 21,700 in 2022. According to interest rate forecasts, the estimated additional cost for 2023 will be approximately EUR 25,000. As the impact of this temporal difference in the prevailing market environment is neither significant nor material, the agreement is considered to be protective and the off-balance sheet treatment in the notes to the financial statements gives a true and fair view of the agreement's effects.

The terms of the loan and the interest rate swap differ in how the variable reference rate is treated if the reference rate is negative. The total interest rate of the loan must always be at least zero. When calculating interest rates on an interest rate swap agreement, the negative reference rate is taken into account in full. While the Euribor interest rate remains positive, the annual interest costs of the loan will not exceed 2.20 per cent plus the loan margin paid on the floating-rate loan. If the Euribor rate is negative, the annual interest costs of the loan will also include the floating rate of the interest rate swap. Approximately EUR 0.4 million in additional costs had been incurred as a result of the negative interest rate by the end of the financial year. On the basis of the latest interest rate forecasts on the balance sheet date, no additional costs are expected before the maturity date as a result of negative Euribor rates. Although no interest rate floor has been set for the interest rate swap, the contract can be deemed to be protective from a risk management perspective.

The 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 the loan connected with interest rate swap no. 2 or another mature loan will require refinancing after 2029, 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 swap no. 3

Nominal capital	EUR 40,000,000.00
Fair value 31 Dec 2022	EUR -239,448.27
Fair value 31 Dec 2021	EUR 0.00
Interest paid	2.84%
Interest received	6-month Euribor
Repayment plan	Bullet
Agreement start date	26 August 2022
Agreement maturity date	26 August 2042

Under the extendable interest rate swap included in the broader agreement signed on 11 June 2013, 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 2.84 per cent on the expiration date of the option right on 24 August 2022. The bank exercised its option right and the interest rate swap (no. 3) took effect on 26 August 2022 with a nominal value of EUR 40 million.

Interest rate swap no. 3 hedges against the interest rate risk of two loans, A and B: The agreement has converted the entire loan capital of Loan A (EUR 39 million) and EUR 1.0 million of Loan B from a floating-rate loan to a fixed-rate loan (entire loan capital EUR 40 million; the hedged portion of the loan together with interest rate swap no. 2 is 95.0%). Loan A matures on 13 December 2035 and Loan B on 15 October 2029. The determination and payment dates of interest on the loans and interest rate swap differ: 26 February and 26 August for the interest rate swap, 31 May and 30 November for Loan A and 15 April and 15 October for Loan B. The effect of this temporal difference has been estimated for Loan A, and the realised euro-denominated impact had increased interest costs by about EUR 50,000 by the balance sheet date. Interest rate forecasts indicate that the estimated additional costs for 2023 will be approximately EUR 46,100. As the impact of this temporal difference in the prevailing market environment is neither significant nor material, the agreement is considered to be protective and the off-balance sheet treatment in the notes to the financial statements gives a true and fair view of the agreement's effects.

The terms of the loan and the interest rate swap differ in how the variable reference rate is treated if the reference rate is negative. The total interest rate of the loans must always be at least zero. When calculating interest rates on an interest rate swap agreement, the negative reference rate is taken into account in full. When the Euribor interest rate is positive, the interest costs of the loans over the term of the interest rate swap will not exceed 2.84 per cent of the margin paid on the floating-rate loan, that is, for the entirety of Loan A and for EUR 1.0 million of Loan B. If the Euribor rate is negative, the annual interest costs of the loans will also include the floating rate of the interest rate swap. Based on interest rate forecasts on the balance sheet date, no additional costs are expected for the remainder of the contractual period from negative Euribor rates. Although no interest rate floor has been set for the interest rate swap, the contract can be deemed to be protective from a risk management perspective.

The City of Lahti has taken out a total of EUR 149 million in bullet loans that will mature between 2033 and 2035. It is probable that the loan connected with interest rate swap no. 3 or another mature loan requires refinancing after 2033, 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.

Derivative contracts recorded in mandatory provisions

Interest rate swap no. 4

Nominal capital	EUR 20,000,000.00
Fair value 31 Dec 2022	EUR -1,664,042.00
Fair value 31 Dec 2021	EUR -7,363,659.00
Interest paid	2.46%
Interest received	6-month Euribor
Repayment plan	Bullet
Agreement start date	25 May 2035
Agreement maturity date	25 May 2055

The planned interest rate swap no. 4 would convert the floating rate of the loan(s) into a fixed rate for the period 2035–2055, which requires the City of Lahti to have raised an equivalent amount of the loan for the aforementioned period tied to a 6-month Euribor interest rate, with an interest rate determination date and payment date corresponding to 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-hedging, and its negative market value on the balance sheet date has been entered in the mandatory provisions.

Interest rate sensitivity of derivative contracts

The table below shows the interest rate sensitivity of derivative contracts, that is, how a change in interest rates will affect the market value of the agreements. Interest rate sensitivity has been calculated if the interest rate changes by -1, -0.5, +0.5, +1 or +2 percentage points compared to the rate on the balance sheet date. The timing of future negative cash flows from derivative contracts has been based on forward interest rates on the balance sheet date.

A sensitivity analysis of the City of Lahti's derivative contracts

No.	Type of derivative contract	Contract's nominal value	Contract's maturity date	Cash flow 31 Dec 2022 on the basis of forward interest rates	Imputed market value 31 Dec 2022	Impact of changes in interest rates on the imputed market value, 31 Dec 2022				
						Change in interest rates compared to 31 Dec 2022				
						-1.0%	-0.5%	+0.5%	+1%	+2%
1	Interest rate swap	63,000,000	11 Dec 2024	Negative until the end of the contractual period	2,899,969	-1,866,396	2,296,221	3,132,011	3,538,314	4,286,090
2	Interest rate swap	37,000,000	7 April 2040	Positive until the end of the contractual period	3,583,438	-1,564,765	1,115,484	5,854,019	7,945,110	11,643,211
3	Interest rate swap	40,000,000	26 August 2042	Negative 2023, 2037–2042	-239,448	-6,845,367	-3,393,250	2,614,143	5,223,921	9,772,981
4	Interest rate swap	20,000,000	25 May 2055	Positive May 2035–May 2038	-1,664,042	-3,614,471	-2,633,319	-707,299	236,210	2,080,517
	Total	160,000,000			4,579,916	-13,890,999	-2,614,864	10,892,874	16,943,555	27,782,799
	Change in imputed market value 31 Dec 2022					-18,470,915	-7,194,781	6,312,958	12,363,639	23,202,883

City of Lahti	2022	2021
NOTES ON PERSONNEL		
Number of personnel 31 Dec		
Group Administration service area	314	309
Education, Culture and Sports service area	3,012	2,978
Urban Environment service area	202	196
Total	3,528	3,483
Balance sheet units		
Lahti Premises Department	33	40
Lahti Symphony Orchestra	73	71
Lahti City Theatre	102	97
Total	208	208
City, total	3,736	3,691
Fees collected and paid for the remuneration of employee representatives		
Finns Party, Askola/Myrskylä-Pukkila	12	0
National Coalition Party, Häme	608	662
Finns Party, Häme	80	0
Social Democratic Party, Häme	1,122	918
Green Party, Häme	369	468
Christian Democrats, Lahden Kunnallisjärjestö ry	5,546	5,707
Centre Party, Päijät-Häme	660	571
Centre Party, Lahden Kunnallisjärjestö ry	4,819	6,380
National Coalition Party, Lahden Kunnallisjärjestö ry	20,856	24,565
Finns Party, Lahti	7,768	6,493
Social Democratic Party, Lahti	31,726	38,778
Green Party, Lahti	9,477	10,137
Movement Now, Lahti	672	0
Communist Party of Finland	0	378
Left Alliance, Lahden Kunnallisjärjestö ry	6,685	9,132
Total fees paid to employee representatives	90,399	104,187
Auditor's fees		
KPMG Julkishallinnon Palvelut Oy /TALVEA Oy		
Audit fees	61,204.20	29,526.35
Project audits	13,626.30	7,406.50
Consultancy	14,300.00	6,316.20
Total fees	89,130.50	43,249.05
Total auditor's fees	89,130.50	43,249.05

Notes to the Consolidated Financial Statements

Notes on the preparation of the Consolidated Financial Statements

Group structure

All of the subsidiaries and municipal federations in which Lahti exercises control are included in the consolidated financial statements. At the end of 2022, the City Group comprised 33 subsidiaries and one 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 two municipal federations and three municipal federation Groups of which Lahti is a member. Via the municipal federation Groups, two subsidiaries of municipal federation Groups have been merged into the municipal Group. The Group companies are shareholders in ten affiliated entities, of which four affiliated entities have been consolidated in the subgroup's figures. The rest of the affiliated entities are insignificant with regard to the Group as a whole and, as small companies, have not been consolidated (ABO 6:3.1).

Five subgroups have been consolidated into the Group, and are described in the Group structure. Consolidated statements for the aforementioned companies have been consolidated into the Lahti Group.

Entities consolidated in the Consolidated Financial Statements:

	2022
Subsidiaries	
Companies	
- Residential, real estate and housing companies	13
- Companies engaged in municipal business	15
- Other companies	4
Foundations	1
Municipal federations	5
Non-consolidated entities	6
Total	44

Elimination of joint ownership

The elimination of joint ownership by Lahti, its subsidiaries and the municipal federations has been carried out using the applied acquisition cost method in accordance with the general Group guidelines of the Accounting Board's municipality subcommittee. The difference created by the elimination of ownership has been entered in full into the result for the financial year pertaining to the acquisition.

Internal transactions and internal margins

Intra-Group income, expenses, receivables and debts have been deducted. Income, expenses, receivables and debts between the municipal federations in which the City is a shareholder have also been deducted with the exception of negligible transactions. Any material internal margins included in non-current assets have been deducted. The Group's internal property taxes have been eliminated.

Minority interests

Minority interests are separated from the Group's surplus and deficit in the consolidated income statement and from equity in the consolidated balance sheet.

Adjustments to planned depreciation

The depreciation of buildings owned by real estate and housing companies has been adjusted according to plan, and the difference in residual values has been recognised in the consolidated income statement as a depreciation adjustment for the subsidiary and, for an accumulated difference from previous financial years, in the consolidated balance sheet as an adjustment to the surplus (deficit) from previous financial

years for those companies that have not made planned depreciations.

Depreciation difference and voluntary provisions

In accordance with the Accounting Board, changes in both voluntary and tax-based provisions and the 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, both the voluntary and tax-based provisions and the depreciation difference are divided into non-tied equity and deferred tax liabilities in the consolidated balance sheet. This 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 a long-term liability.

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

Deferred taxes have been recognised for the Group as follows:

- Receivables: long-term EUR 0.4 million and short-term EUR 0.03 million.
- Liabilities: long-term EUR 43.2 million.

Affiliated entities

Being small companies, affiliated entities (with the exception of those consolidated into the five subgroups) have not been consolidated in the consolidated financial statements (Accounting Act, Section 6:3.1).

Changes to the Group structure during the accounting period

- Lahti Energia divested the entire share capital of Pilke Energia and Koskipower Oy on 1 July 2022.

Adjustment of unit-price financing in central government transfers

In the consolidated financial statements, EUR 60.3 million in unit-price financing paid to Salpaus Further Education has been transferred from operating revenue to central government transfers.

Treatment of real estate tax

EUR 1.88 million in real estate taxes paid to the municipality by entities consolidated in the consolidated financial statements has been eliminated.

Differences in ownership elimination for the financial year

EUR -0.05 million in negative elimination differences resulting from the elimination of ownership were recorded for the financial year.

Other events during the financial year

Other mandatory provisions include a credit loss provision of EUR 7,164,629 for the City of Lahti's loan receivables, which consist of loan receivables from Lahti Events Oy and Lahden Jäähalli Oy.

The Group's joint receivables and liabilities differ by EUR 400,000.00 after the City of Lahti cancelled the SVOP investment for KOKO Lahti Oy on the basis of an interim decision issued by Hämeenlinna Administrative Court on 20 April 2023.

Comparability of the previous financial year's key figures

The estimated number of residents for the comparison year (2021), which was based on preliminary data, has been updated to show the actual number of residents.

This update affects the following key figures:

Annual contribution margin, EUR/resident; Surplus/deficit, EUR/resident; Loan portfolio, EUR/resident; and Loans and lease liabilities, EUR/resident in the income statement.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Lahti City Group	2022	2021
Notes to the Consolidated Income Statement		
Operating revenue by function		
Social and healthcare services	252,198,891.34	231,873,362.22
Educational and cultural services	27,552,937.73	24,114,884.20
Community services	293,052,848.88	285,054,391.39
Housing and real estate services	114,638,183.41	78,366,708.06
General Administration	20,308,532.04	22,427,018.60
Other services	11,568,507.78	22,390,235.97
Operating revenue	719,319,901.18	664,226,600.44
Tax revenue		
Municipal income tax	452,477,251.54	431,589,124.37
Percentage of corporate tax revenue	46,235,395.04	45,619,228.19
Property tax	44,469,980.76	39,921,156.76
Tax revenue	543,182,627.34	517,129,509.32
Central government transfers		
State subsidy for basic municipal services	157,697,854.00	148,496,343.00
Equalisation of state subsidy based on tax revenue	32,769,461.00	29,237,874.00
Compensation for lost tax revenue	59,126,553.00	51,072,997.00
State subsidy for basic municipal services	249,593,868.00	228,807,214.00
State subsidy for educational municipal federations	38,484,085.27	40,306,405.94
State subsidy for other educational and cultural activities	-3,860,814.00	-4,803,059.00
Central government transfers	284,217,139.27	264,310,560.94
Extraordinary income and expenses		
Extraordinary income		
Capital gains on the sales of assets	9.14	0.00
Extraordinary income	7,591.60	255,440.00
Extraordinary income	7,600.74	255,440.00
Extraordinary expenses		
Capital losses on the sale of assets	0.00	1,239.39
Salpaus Further Education, Svinhufvudinkatu 7, Nelo soil remediation	38,649.31	40,476.73
Salpaus Further Education, Vipusenkatu 5 E, property demolition	180,732.10	0.00
Eteva Ky, real estate tax refund	-3,526.85	0.00
Extraordinary items	215,854.56	41,716.12
MANDATORY PROVISIONS		
Pension reserve		
Pension reserve 1 Jan	2,823,100.00	1,239.39
Decreases	-226,200.00	40,476.73
Pension reserve 31 Dec	2,596,900.00	41,716.12
Provisions for other environmental liabilities		
Reserve for other environmental liabilities 1 Jan	2,685,191.00	2,994,311.60
Increases	1,635,615.00	1,871,321.24
Decreases	-1,261,030.00	-2,180,441.84
Reserve for other environmental liabilities 31 Dec	3,059,776.00	2,685,191.00
Reserve for legal expenses		
Reserve for legal expenses 1 Jan	250,000.00	485,395.59
Increases	0.00	250,000.00
Decreases	-250,000.00	-485,395.59
Conversion differences	0.00	250,000.00

Lahti City Group	2022	2021
Medical malpractice insurance premium		
Medical malpractice insurance premium 1 Jan	5,244,524.53	4,463,314.96
Increases	1,807,416.39	1,177,381.50
Decreases	-384,615.26	-396,171.93
Medical malpractice insurance premium 31 Dec	6,667,325.66	5,244,524.53
Non-hedging interest rate swap		
Non-hedging interest rate swap 1 Jan	7,363,659.00	10,120,596.00
Increases	0.00	0.00
Decreases	-5,699,617.00	-2,756,937.00
Non-hedging interest rate swap 31 Dec	1,664,042.00	7,363,659.00
Landfill landscaping provision		
Landfill landscaping provision 1 Jan	4,746,381.39	4,677,823.81
Increases	948,624.00	673,487.00
Decreases	-301,896.00	-604,929.42
Landfill landscaping provision 31 Dec	5,393,109.39	4,746,381.39
Other mandatory provisions		
Other mandatory provisions 1 Jan	6,194,613.28	3,761,109.09
Increases	18,555,428.62	3,066,188.11
Decreases	-3,755,472.28	-632,683.92
Other mandatory provisions 31 Dec	20,994,569.62	6,194,613.28
MANDATORY PROVISIONS	40,375,722.67	29,057,469.20
Capital gains/losses on the sale of non-current assets		
Capital gains		
Capital gains from land and water areas	4,094,025.55	23,876,582.55
Capital gains from buildings	55,243,166.35	735,660.60
Other capital gains	631,618.95	1,873,861.44
Capital gains	59,968,810.85	26,486,104.59
Capital losses		
Capital losses from the sale of land and water areas	0.00	1,153,299.65
Capital losses from the sale of buildings	0.00	17,032.59
Other capital losses	3,857.91	502,245.04
Capital losses	3,857.91	1,672,577.28
The total amounts of revenues included in other financing income received from shares in other companies		
Dividend income and interest on cooperative capital	6,969.60	0.00
Dividend income from other sources	17,123,031.06	6,460,599.39
Other financing income	473,901.91	828,949.61
Other financing income	17,603,902.57	7,289,549.00
Differences in ownership elimination		
Differences in ownership elimination	73,021.98	0.90
Differences in ownership elimination, negative	-469,401.67	-60,332.56
Differences in ownership elimination	-396,379.69	-60,331.66
The differences in ownership elimination were formed during the acquisition of the following companies		
Differences in ownership elimination, positive		
- Elimination of Salpaus Further Education and the City of Lahti's ownership of shares in Päijät-Hämeen Ajojarjoittelurata Oy	73,021.98	0.90
Difference in ownership elimination, negative		
- The shares in Lahti Terveystalo redeemed by the City of Lahti	-469,401.67	-60,332.56

NOTES ON ASSETS IN THE CONSOLIDATED BALANCE SHEET

Lahti City Group	2022	2021
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights		
Acquisition cost 1 Jan (+), Intangible rights	12,696,636.54	11,760,480.18
Increases during the financial year, Intangible rights	757,384.10	1,051,112.78
Decreases during the financial year, Intangible rights	-13,407,433.46	-44,128.92
Transfers between items (+/-), Intangible rights	11,781,088.58	-70,827.49
Accrued depreciation and impairment (-), 1 Jan, Intangible rights	-5,361,290.46	-4,499,901.17
Accrued depreciation on divestments (+), Intangible rights	442,687.88	0.00
Accrued depreciation on deductions and transfers, Intangible rights	416,666.68	0.00
Depreciation for the period (-), Intangible rights	-1,245,269.00	-861,389.28
Impairment (-) and reversal of impairment (+), Intangible rights	-865.64	0.00
Intangible rights	6,079,605.22	7,335,346.10
Computer software		
Acquisition cost 1 Jan (+), Computer software	8,743,250.22	6,958,967.59
Increases during the financial year, Computer software	711,351.04	42,568.36
Decreases during the financial year, Computer software	-3,232.27	-7,500.00
Transfers between items (+/-), Computer software	2,240,921.90	1,749,214.26
Accrued depreciation and impairment 1 Jan (-), Computer software	-6,577,735.60	-5,361,468.11
Accrued depreciation on deductions and transfers, Computer software	-656,593.85	-2,617.73
Depreciation for the period (-), Computer software	-1,506,073.85	-1,213,649.75
Computer software	2,951,887.59	2,165,514.62
Intangible rights	9,031,492.81	9,500,860.72
Consolidated goodwill		
Acquisition cost 1 Jan (+), Consolidated goodwill	0.00	0.00
Accrued depreciation and impairment 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 capitalised long-term expenses		
Acquisition cost 1 Jan (+), Other capitalised long-term expenses	104,283,651.22	103,045,879.82
Increases during the financial year, Other capitalised long-term expenses	865,181.24	119,092.55
Divestments (-), Other capitalised long-term expenses	0.00	-202,869.56
Decreases during the financial year, Other capitalised long-term expenses	-1,618.20	0.00
Transfers between items (+/-), Other capitalised long-term expenses	188,338.38	1,321,548.40
Accrued depreciation and impairment 1 Jan (-), Other capitalised long-term expenses	-30,694,556.31	-25,481,364.91
Accrued depreciation on divestments (+), Other capitalised long-term expenses	0.00	202,869.56
Accrued depreciation on deductions and transfers, Other capitalised long-term expenses	-841,063.04	-4,484.21
Depreciation for the period (-), Other capitalised long-term expenses	-5,192,872.47	-5,411,576.71
Impairment (-) and reversal of impairment (+), Other capitalised long-term expenses	-1,078.79	0.00
Other capitalised long-term expenses	68,605,982.03	73,589,094.94
Other capitalised long-term expenses	68,605,982.03	73,589,094.94
Advance payments and assets in progress		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	1,412,579.92	590,341.09
Increases during the financial year, Advance payments	716,393.00	911,255.71
Transfers between items (+/-), Advance payments	-1,097,877.20	-89,016.88
Advance payments	1,031,095.72	1,412,579.92

Lahti City Group	2022	2021
Assets in progress		
Acquisition cost 1 Jan (+), Assets in progress	1,524,353.42	1,443,822.89
Increases during the financial year, Assets in progress	3,852,943.34	1,520,548.94
Decreases during the financial year, Assets in progress	-648,932.95	0.00
Transfers between items (+/-), Assets in progress	-1,462,353.53	-1,440,018.41
Impairment (-), Assets in progress	-172,830.48	-172,830.48
Accrued depreciation on decreases in municipal federation interests (+), Assets in progress	134,517.93	0.00
Assets in progress	3,227,697.73	1,351,522.94
Advance payments and assets in progress	4,258,793.45	2,764,102.86
Intangible assets	81,896,268.29	85,854,058.52
Tangible assets		
Land and water areas		
Acquisition cost 1 Jan (+), Land and water areas	154,751,501.92	152,124,790.71
Increases during the financial year, Land and water areas	2,453,146.21	6,348,322.53
Decreases during the financial year, Land and water areas	-862,742.31	-3,846,278.97
Transfers between items (+/-), Land and water areas	0.00	124,667.65
Accrued depreciation and impairment 1 Jan (-), Land and water areas	-545,764.55	-545,764.55
Land and water areas	155,796,141.27	154,205,737.37
Revaluations of land and water areas		
Revaluations of land and water areas 1 Jan	106,956.62	120,834.96
Decreases in revaluations	0.00	-13,878.34
Revaluations of land and water areas	106,956.62	106,956.62
Non-refundable joining fees		
Acquisition cost 1 Jan (+), Non-refundable joining fees	1,380,409.43	1,243,140.64
Increases during the financial year, Non-refundable joining fees	0.00	47,587.19
Decreases during the financial year, Non-refundable joining fees	0.00	-142,501.26
Transfers between items (+/-), Non-refundable joining fees	-284,014.24	232,182.86
Non-refundable joining fees	1,096,395.19	1,380,409.43
Land and water areas	156,999,493.08	155,693,103.42
Buildings		
Acquisition cost 1 Jan (+), Buildings	1,529,764,425.96	1,488,972,833.19
Acquisitions (investments) (+), Buildings	8,857.40	0.00
Increases during the financial year, Buildings	52,101,072.52	4,850,983.30
Financial contributions during the financial year, Buildings	-406,000.00	-50,000.00
Divestments (-), Buildings	0.00	12,820.00
Decreases during the financial year, Buildings	-88,508,548.64	-32,766,059.39
Transfers between items (+/-), Buildings	51,135,484.30	68,743,848.85
Accrued depreciation and impairment 1 Jan (-), Buildings	-661,468,293.07	-620,351,364.89
Accrued depreciation on divestments (+), Buildings	40,417,858.42	9,316,968.54
Accrued depreciation on deductions and transfers, Buildings	5,388,256.41	277,657.26
Depreciation for the period (-), Buildings	-70,119,687.94	-50,711,553.98
Impairment (-) and reversal of impairment (+), Buildings	0.00	0.00
Buildings	858,313,425.35	868,296,132.88
Revaluations of buildings		
Revaluations of buildings 1 Jan	542,812.42	925,805.04
Decreases in revaluations of buildings	-255,434.87	-382,992.62
Revaluations of buildings	287,377.55	542,812.42
Buildings	858,600,802.91	868,838,945.30
Fixed structures and installations		
Acquisition cost 1 Jan (+), Fixed structures and installations	767,507,394.64	727,255,836.92
Increases during the financial year, Fixed structures and installations	40,652,001.70	16,047,714.46
Decreases during the financial year, Fixed structures and installations	-96,770.76	0.00
Financial contributions during the financial year, Fixed structures and installations	-1,933,068.85	-100,000.00
Transfers between items (+/-), Fixed structures and installations	43,464,648.75	24,303,843.26
Accrued depreciation and impairment 1 Jan (-), Fixed structures and installations	-368,402,806.67	-332,495,047.55
Accrued depreciation on deductions and transfers, Fixed structures and installations	-29,807,484.65	0.00
Depreciation for the period (-), Fixed structures and installations	-37,237,190.72	-35,907,759.12
Fixed structures and installations	414,146,723.44	399,104,587.97

Lahti City Group	2022	2021
Machinery and equipment		
Acquisition cost 1 Jan (+), Machinery and equipment	417,140,481.26	406,058,373.40
Increases during the financial year, Machinery and equipment	4,604,394.05	7,267,701.80
Financial contributions during the financial year, Machinery and equipment	-81,133.78	-364,447.95
Decreases during the financial year, Machinery and equipment	-24,875,218.46	-1,158,319.98
Transfers between items (+/-), Machinery and equipment	14,700,757.84	5,337,174.00
Accrued depreciation and impairment 1 Jan (-), Machinery and equipment	-168,733,687.91	-147,686,198.13
Accrued depreciation on divestments (+), Machinery and equipment	672,826.03	0.00
Accrued depreciation on deductions and transfers, Machinery and equipment	16,406,292.04	956,756.41
Depreciation for the period (-), Machinery and equipment	-22,336,497.46	-21,031,954.06
Impairment (-) and reversal of impairment (+), Machinery and equipment	-458.01	-15,535.72
Machinery and equipment	237,497,755.60	249,363,549.77
Other tangible assets		
Acquisition cost 1 Jan (+), Other tangible assets	5,491,820.57	5,425,987.34
Increases during the financial year, Other tangible assets	17,367.94	21,599.52
Transfers between items (+/-), Other tangible assets	190,628.53	44,233.72
Accrued depreciation and impairment 1 Jan (-), Other tangible assets	-2,914,623.11	-2,487,099.84
Depreciation for the period (-), Other tangible assets	-327,190.41	-427,523.27
Impairment (-) and reversal of impairment (+), Other tangible assets	-5,611.84	0.00
Other tangible assets	2,452,391.68	2,577,197.47
Advance payments and acquisitions in progress		
Advance payments		
Acquisition cost 1 Jan (+), Advance payments	2,121,440.38	338,169.71
Increases during the financial year, Advance payments	12,139,536.77	1,956,086.86
Decreases during the financial year, Advance payments	-61,180.23	-4,323.50
Transfers between items (+/-), Advance payments	-287,008.36	-168,492.69
Advance payments	13,912,788.56	2,121,440.38
Acquisitions in progress		
Acquisition cost 1 Jan (+), Acquisitions in progress	86,815,745.35	102,534,133.70
Increases during the financial year, Acquisitions in progress	108,774,702.46	102,754,216.05
Financial contributions during the financial year, Acquisitions in progress	-342,150.77	-2,836,789.51
Decreases during the financial year, Acquisitions in progress	-13,493,146.94	-15,578,173.05
Transfers between items (+/-), Acquisitions in progress	-121,304,835.86	-100,057,641.84
Accrued depreciation and impairment 1 Jan (-), Acquisitions in progress	-914,419.11	-914,419.11
Impairment (-), Acquisitions in progress	-157,253.00	0.00
Acquisitions in progress	59,378,642.13	85,901,326.24
Advance payments and acquisitions in progress	73,291,430.69	88,022,766.62
Investments		
Shares and interests in affiliated entities		
Acquisition cost 1 Jan (+), Shares and interests in affiliated entities	2,890,393.63	1,464,106.96
Increases during the financial year, Shares and interests in affiliated entities	3,109.39	1,152,040.25
Decreases during the financial year, Shares and interests in affiliated entities	0.00	-104.09
Share of the profits (losses) of affiliated entities, Shares and interests in affiliated entities	-487,154.74	274,350.51
Shares and interests in affiliated entities	2,406,348.28	2,890,393.63
Other shares and interests and the revaluations of shares		
Other shares and interests		
Acquisition cost 1 Jan (+), Other shares and interests	117,928,613.30	117,878,751.44
Acquisitions (investments) (+), Other shares and interests	204,000.00	0.00
Increases during the financial year, Other shares and interests	8,210,910.61	6,496,406.70
Divestments (-), Other shares and interests	-48.33	0.00
Decreases during the financial year, Other shares and interests	17,251.23	-6,446,544.84
Transfers between items (+/-), Other shares and interests	701,942.21	0.00
Accrued impairment 1 Jan (-), Other shares and interests	-504,081.93	-457,278.20
Accrued impairment on deductions and transfers, Other shares and interests	304,368.61	0.00
Impairment during the period (-), Other shares and interests	-17,922,548.80	-46,803.73
Other shares and interests	108,940,406.90	117,424,531.37

Write-down of shares in Voimaosakeyhtiö SF owned by Lahti Energia, EUR 17.7 million

Lahti City Group	2022	2021
Revaluations of shares		
Revaluations of shares 1 Jan	12,244.15	12,244.15
Revaluations of shares	12,244.15	12,244.15
Other shares and interests and the revaluations of shares	108,952,651.04	117,436,775.52
Bond receivables		
Bond receivables from others		
Acquisition cost 1 Jan, Bond receivables from others	0.00	0.00
Impairment (-), Bond receivables from others	172,649.77	0.00
Bond receivables from others	172,649.77	0.00
Other loan receivables		
Subordinated loan receivables from others		
Acquisition cost 1 Jan, Subordinated loan receivables from others	12,903,614.58	12,924,133.51
Subordinated loan receivables from others	12,903,614.58	12,924,133.51
Other loan receivables from others		
Acquisition cost 1 Jan, Other loan receivables from others	7,127,527.19	7,794,415.16
Decreases (-), Other loan receivables from others	-606,816.26	-666,887.97
Other loan receivables from others	6,520,710.93	7,127,527.19
Other loan receivables	19 424 325.51	20 051 660.70
Other receivables		
Other receivables from others		
Acquisition cost 1 Jan, Other receivables from others	23,915.15	1,364.40
Transfers between items (+/-), Other receivables from others	0.00	0.00
Increases (+), Other receivables from others	0.00	22,550.75
Decreases (-), Other receivables from others	0.00	0.00
Other receivables from others	23,915.15	23,915.15
Refundable joining fees		
Acquisition cost 1 Jan, Refundable joining fees	71,748.59	71,748.59
Transfers between items (+/-), Refundable joining fees	0.00	0.00
Increases (+), Refundable joining fees	0.00	0.00
Refundable joining fees	71,748.59	71,748.59
Other receivables	95,663.74	95,663.74
Investments	131,051,638.34	140,474,493.58

Lahti City Group	2022	2021
CURRENT ASSETS		
Receivables		
Long-term receivables		
Sales receivables		
Sales receivables from others	0.00	1,913,951.02
Sales receivables	0.00	1,913,951.02
Loan receivables		
Loan receivables from others	495,068.39	545,303.67
Loan receivables from social lending	27,795.17	61,468.88
Loan receivables	522,863.56	606,772.55
Other receivables		
Other receivables	1,847,353.29	2,318,923.29
Other receivables	1,847,353.29	2,318,923.29
Prepayments and accrued income		
Other receivables carried forward		
Other receivables carried forward	914,269.90	30,309.16
Prepayments and accrued income	914,269.90	30,309.16
Deferred tax receivables		
Deferred tax receivable 1 Jan	698,216.00	1,357,280.40
Deferred tax receivable, change for the period entered via the income statement	-252,216.00	-659,064.40
Deferred tax receivables	446,000.00	698,216.00
Long-term receivables	3,730,486.75	5,568,172.02
Short-term receivables		
Sales receivables		
Sales receivables from subsidiaries	313,198.20	310,871.02
Sales receivables from member municipal federations	1,448,862.19	1,563,834.27
Sales receivables from others	74,158,031.67	62,710,050.33
Sales receivables	75,920,092.07	64,584,755.62
Loan receivables		
Loan receivables from others	142,175.30	142,745.98
Loan receivables from social lending	34,728.02	67,420.40
Loan receivables	176,903.32	210,166.38
Other receivables		
Other receivables	11,041,909.13	11,500,406.02
Central government transfer receivables	0.00	6,891,549.74
Other receivables	11,041,909.13	18,391,955.76
Prepayments and accrued income		
Accrued interest		
Accrued interest from others	463,137.18	124,082.70
Accrued interest	463,137.18	124,082.70
Other receivables carried forward		
Other receivables carried forward from member municipal federations	0.00	634,336.49
Other receivables carried forward from others	37,522,632.53	28,834,175.71
Other receivables carried forward	37,522,632.53	29,468,512.20
Prepayments and accrued income	37,985,769.71	29,592,594.90

Lahti City Group	2022	2021
Deferred tax receivables		
Deferred tax receivable 1 Jan	0.00	77,320.20
Deferred tax receivable, change for the period entered via the income statement	36,135.80	-77,320.20
Deferred tax receivables	36,135.80	0.00
Short-term receivables	125,160,810.03	112,779,472.66
Receivables	128,891,296.78	118,347,644.68
Material items included in other receivables carried forward		
Tax receivables	413,044.70	428,130.68
Amortised personnel costs	105,064.37	293,436.41
State subsidies and EU subsidies	13,266,723.47	9,700,377.90
Unit rate receivables	348,046.59	40,207.11
Kela compensations from occupational health care	1,740,460.25	1,897,815.71
Employment Fund training compensation	202,712.03	127,256.70
Lease receivables	291,477.64	100,000.00
Ticket receivables	207,408.15	2,003.81
Contribution to the Päijät-Häme Joint Authority for Health and Wellbeing	0.00	568,841.88
Other receivables carried forward	20,947,695.33	16,340,751.16
Material items included in other receivables carried forward	37,522,632.53	29,498,821.36
Accrued interest from others	463,137.18	124,082.70
	37,985,769.71	29,622,904.06
Difference between the book and market values of financial securities		
Shares and interests		
Shares and interests	7,696,021.78	8,213,286.84
Investments in money market instruments		
Investments in money market instruments	182,072,845.94	42,208,590.87
Bonds loan receivables		
Market value of bonds loan receivables	0.00	0.00
Bonds loan receivables	36,590.40	65,630.40
Difference between the book and market values of bonds loan receivables	-36,590.40	-65,630.40
Market value of other securities		
Market value of other securities	42,732.35	42,732.35
Other securities	42,732.35	873,502.80
Difference between the book and market values of other securities	0.00	-830,770.45

NOTES ON THE LIABILITIES IN THE CONSOLIDATED BALANCE SHEET

Lahti City Group	2022	2021
CAPITAL AND RESERVES		
Initial capital		
Initial capital 1 Jan	437,196,267.29	437,196,267.29
Initial capital	437,196,267.29	437,196,267.29
Initial capital of associations and foundations		
Initial capital of associations and foundations 1 Jan	12,614.10	12,614.10
Initial capital of associations and foundations	12,614.10	12,614.10
Revaluation reserve		
Revaluation reserve 1 Jan	638,884.40	1,035,755.36
Revaluation reserve, decreases	-255,434.87	-396,870.96
Revaluation reserve	383,449.53	638,884.40
Other internal funds		
Fund capital		
Fund capital 1 Jan	12,049,136.74	11,910,277.94
Fund capital, increases	573,602.71	138,858.80
Fund capital	12,622,739.44	12,049,136.74
Other internal funds	12,622,739.44	12,049,136.74
Surplus (deficit) from previous financial years		
Surplus (deficit) from previous financial years 1 Jan	309,978,401.11	248,573,010.69
Dividends paid	0.00	0.00
Adjustments made to previous financial years	-3,643,085.50	0.00
Adjustment of the City of Lahti's emergency care expenses 2017/2019, MEUR -3.5		
Adjustment to the costs of the City of Lahti's service for the disabled 2020/2021, MEUR -0.57		
Lahden Seudun Kehitys LADEC Oy, cancellation of mandatory provisions 2021, MEUR +0.25		
Päijät-Häme Joint Authority for Health and Wellbeing, VAT receivable 2019-2021, MEUR +0.28		
Eteva ky, refund to member municipalities, MEUR -0.1		
Change in surplus from previous financial years	93,242.06	0.00
Eteva ky, property tax refund for 2014-2021		
Salpakierto Oy, purchase of treasury shares from Sysmä	-29,163.47	0.00
Surplus (deficit) from previous financial years	306,399,394.20	248,573,010.69
Surplus (deficit) for the financial year	68,065,357.92	61,405,390.40
CAPITAL AND RESERVES	824,679,822.47	759,875,303.62
Liabilities that will mature after +5 years		
Loans from financial institutions and insurance companies	651,776,437.17	692,105,908.16
Loans from general government	122,799,704.27	147,936,658.29
Loans from other creditors	236,509,866.00	232,307,822.00
Other long-term liabilities	2,104,750.00	0.00
Liabilities that will mature after more than 5 years	1,013,190,757.44	1,072,350,388.45

Lahti City Group	2022	2021
MANDATORY PROVISIONS		
Provisions for pensions		
Provisions for pensions	2,596,900.00	2,823,100.00
Other mandatory provisions		
Provisions for other environmental liabilities	3,059,776.00	2,685,191.00
Medical malpractice insurance premium	6,667,325.67	5,244,524.53
Landfill landscaping provision	5,393,109.39	4,746,381.39
Reserve for legal expenses	0.00	250,000.00
Non-hedging interest rate swap	1,664,042.00	7,363,659.00
Other mandatory provisions*	21,105,798.40	6,194,613.29
MANDATORY PROVISIONS	40,486,951.46	29,307,469.21
* Other mandatory provisions include the City of Lahti's loan receivables of EUR 7,164,629.26.		
Non-current liabilities		
Bonds loans	0.00	60,000,000.00
Loans from financial institutions and insurance companies	995,074,608.69	990,824,489.72
Subordinated loans	90,554.00	244,853.25
Loans from general government	15,854,537.99	19,231,126.02
Loans from other creditors	118,319,080.00	103,958,695.00
	1,129,338,780.68	1,174,259,163.99
Advances received		
Advance payments received from others	3,209,375.00	2,210,288.72
Advances received	3,209,375.00	2,210,288.72
Joining fees and other liabilities		
Other liabilities to others	174,001.07	135,192.88
Other liabilities, joining fees	38,722,496.33	37,977,915.33
Other liabilities, joining fees, internal	137,612.50	137,612.50
Joining fees and other liabilities	39,034,109.90	38,250,720.71
Accrued expenses and deferred income		
Accrued interest		
Interest to be carried forward to others	2,603,841.03	3,462,516.71
Other accrued liabilities		
Other accrued liabilities to member municipal federations	2,842,542.40	2,103,794.77
Other accrued liabilities	2,699.12	3,770.00
Other accrued liabilities	2,845,241.52	2,107,564.77
Accrued expenses and deferred income	5,449,082.55	5,570,081.48
Deferred tax liabilities		
Deferred tax liability 1 Jan	41,052,031.41	34,827,125.68
Deferred tax liability, change	-166,169.24	107,969.89
Deferred tax liability, change for the period entered via the income statement	2,318,405.18	6,116,935.84
Deferred tax liabilities	43,204,267.35	41,052,031.41
Non-current liabilities	1,220,235,615.47	1,261,342,286.31

Lahti City Group	2022	2021
Current liabilities		
Loans from financial institutions and insurance companies	99,855,103.38	61,495,539.76
Loans from general government	3,376,587.93	3,149,297.88
Loans from other creditors	1,221,502.00	1,000,372.00
Advances received		
Advance payments received from others	4,123,930.09	4,226,162.07
Advances received	4,123,930.09	4,226,162.07
Accounts payable		
Accounts payable to member municipal federations	141,384.63	157,612.57
Accounts payable to affiliated entities and other associated entities	8,547,501.01	816,828.65
Accounts payable to others	90,050,726.76	81,364,701.41
Accounts payable	98,739,612.40	82,339,142.63
Joining fees and other liabilities		
Other liabilities to member municipal federations	1,617.03	0.00
Other liabilities to others	38,938,579.88	25,068,620.09
Joining fees and other liabilities	38,940,196.91	25,068,620.09
Accrued expenses and deferred income		
Accrued interest		
Accrued interest to municipal municipal federations	0.00	8,914.77
Interest to be carried forward to others	3,812,957.12	4,193,840.24
Accrued interest	3,812,957.12	4,202,755.01
Other accrued liabilities		
Other accrued liabilities to member municipal federations	0.00	135,301.04
Other accrued liabilities to others	79,828,651.49	83,364,564.45
Other accrued liabilities	79,828,651.49	83,499,865.49
Accrued expenses and deferred income	83,641,608.62	87,702,620.50
Current liabilities	329,898,541.33	264,981,754.93
LIABILITIES	1,550,134,156.80	1,526,324,041.24
Cheque account limit that is relevant for liquidity		
Limit of cheque account with overdraft facility	34,378,110.00	34,555,900.00
Material items included in other accrued liabilities		
Tax liabilities	434,431.61	868,782.82
Amortised personnel costs	54,804,652.80	58,314,652.60
Medical malpractice liabilities	2,842,542.40	2,227,292.69
State subsidy and EU subsidies	5,968,687.76	5,242,359.51
Other accrued liabilities	18,623,578.44	18,954,342.63
Material items included in other accrued liabilities	82,673,893.01	85,607,430.25
Interest to be carried forward to others	2,603,841.03	4,202,755.02
	85,277,734.04	89,810,185.27

GROUP GUARANTEES AND CONTINGENT LIABILITIES

Lahti City Group	2022	2021
Securities and liabilities		
Liabilities secured with mortgages and shares		
Loans from financial institutions and insurance companies		
Loans from financial institutions and insurance companies, secured with real estate mortgages	72,046,951.23	49,876,576.26
Loans from financial institutions and insurance companies	72,046,951.23	49,876,576.26
Loans from general government		
Loans from general government, secured with real estate mortgages	118,235,261.65	122,189,815.75
Loans from general government	118,235,261.65	122,189,815.75
Other loans		
Other loans, secured with real estate mortgages	231,666,614.60	152,869,197.60
Other loans	231,666,614.60	152,869,197.60
Liabilities secured with mortgages and shares	421,948,827.48	324,935,589.61
Mortgages and shares pledged as collateral for loans		
Real estate mortgages pledged as collateral		
Real estate mortgages provided as collateral for loans from financial and insurance institutions	75,293,465.68	53,205,428.15
Real estate mortgages pledged as collateral for general government loans	78,201,448.98	79,762,837.55
Real estate mortgages pledged as collateral for other loans	231,798,511.40	152,869,197.60
Mortgages and shares pledged as collateral for loans	385,293,426.06	285,837,463.30
Other guarantees pledged on one's own behalf		
Real estate mortgages	6,913,101.07	6,913,101.07
Business mortgages	1,300,000.00	0.00
Book value of pledged securities	330,500.00	328,500.00
Deposits	30,000.00	30,000.00
Guarantees	123,328,264.30	144,308,101.00
Other	16,212,233.46	17,354,279.00
Other guarantees pledged on one's own behalf	148,114,098.83	168,933,981.07
Guarantees pledged on one's own behalf		
Guarantees	932,330.80	736,532.00
Guarantees pledged on one's own behalf	932,330.80	736,532.00
Guarantees pledged on behalf of someone else		
Guarantees	48,394,657.15	54,688,849.77
Other	137,004.00	137,004.00
Guarantees pledged on behalf of someone else	48,531,661.15	54,825,853.77
Rental liabilities		
Rental liabilities for premises	400,305,617.81	367,455,478.79
Rental liabilities for machinery and equipment	45,068,091.98	49,365,199.21
Rental liabilities for land areas	6,919,558.99	6,282,210.83
Other rental liabilities	11,354.11	971.94
Rental liabilities	452,304,622.89	423,103,860.77
Share payable in the next financial year, rental liabilities		
Rental liabilities for premises	49,803,939.62	42,169,040.91
Rental liabilities for machinery and equipment	4,603,283.37	8,173,975.08
Rental liabilities for land areas	386,616.55	395,221.31
Other rental liabilities	11,354.11	971.94
Share payable in the next financial year, rental liabilities	54,805,193.65	50,739,209.24

Lahti City Group	2022	2021
Redemption obligations included in contracts, rental liabilities	816,240.00	800,000.00
Internal rental liabilities within the municipal consortium	2,752,429.00	2,064,554.00
Municipality's contingent liabilities		
Initial capital, guarantees on one's own behalf	197,180,000.00	213,580,000.00
Remaining capital, guarantees on one's own behalf	122,962,764.30	143,907,141.00
Municipality's share of the Municipal Guarantee Board's guarantee liabilities 31 Dec	908,678,594.00	848,313,202.00
Municipality's share of the Municipal Guarantee Board's unsecured guarantee liabilities 31 Dec	0.00	0.00
Municipal Guarantee Board's potential contribution towards the municipality's liabilities 31 Dec	525,474.00	555,691.00
Other off-balance sheet arrangements		
Other contractual liabilities	27,791,805.73	29,691,708.89
Municipality's obligations arising from land-use contracts	5,607,000.00	5,184,981.00
Rental liabilities	6,234,058.21	6,247,017.91
- Land lease contract with Spatium Toimitilat Oy until 28 February 2063, EUR 6.2 million		
VAT refund liability	43,122,269.30	49,119,600.66
State subsidy refund liability of start-up projects	1,715,144.27	1,715,144.27
Collaboration and partnership agreements	14,524,824.00	11,954,564.00
Contractual liabilities	98,995,101.50	103,913,016.72
Other off-balance sheet arrangements	98,995,101.50	103,913,016.72

Other contingent liabilities of Group entities

Lahti Energia Oy

The City of Lahti's 2023 contribution to the joint air quality monitoring agreement is EUR 60,006.00.

Lahti Energy Oy has been involved in Fennovoima Oy's Hanhikivi 1 nuclear power project through Voimaosakeyhtiö SF. Lahti Energia Oy had committed a maximum of EUR 23,736,700.00 in funding to the project before the commencement of commercial use. In May 2022, Fennovoima terminated the plant delivery agreement for the project, and the nuclear power plant no longer has a building permit. Fennovoima is currently engaged in arbitration proceedings due to significant delays and breach of contract. 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.

Lahti Energia Oy has made a commitment to guarantee a certain level of rental income from a property that it sold in 2018. The audited rental value in 2022 is EUR 673,533.46 per six months. The guarantee has been in place since 1 July 2018, and will remain in force 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 Oy has pledged a shareholder loan of EUR 3,200,000 to EPV Energia Oy for the Oikiluoto 3 project. The guarantee is in force until 31 December 2023. Lahti Energia Oy has pledged EUR 8,915,000.00 for various energy investments in the period 2023–2024.

Lahti Energia Oy has pledged to provide a counter-guarantee totalling EUR 2,466,146.70, of which EUR 145,227 will expire on 31 May 2023 and EUR 284,369.70 on 15 July 2032.

Lahti Energia Oy has pledged to provide guarantees totalling a maximum of EUR 66,500,000.00 on behalf of Oomi Palvelu Oy. The committed portion of the guarantee is included in Note 23.1.

A mandatory provision of EUR 1,261,080.00 was recognised under financial expenses for the derivative in 2021, of which EUR 1,080,401.00 was cancelled in 2022. EUR 180,679.00 remains in mandatory provisions. The derivative contract is no longer expected to have a protective effect over its remaining maturity (Kila 1963/13 December 2016).

Lahti Aqua Oy

Aqua Verkko Oy has a subordinated loan (2/2018) of EUR 31,000,000 from the Lahti City Group Bank and the loan period expires on 15 December 2038. The loan complies with Chapter 12 of the Limited Liability Companies Act, in which case no security is posted for the payment of capital or interest. The principal and interest are paid subject to the provisions laid down in the above-mentioned chapter of the Act. If interest can only be paid partially, the unpaid interest is deferred to the next maturity date that fulfils the payment condition. The outstanding balance on 31 December 2022 was EUR 26,105,263.14. The company has not provided any collateral for the loans.

Labio Oy has a subordinated loan (2/2013) of EUR 1,200,000 from Salpakierto Oy (formerly Päijät-Hämeen Jätehuolto Oy) and the loan period ends on 30 November 2033. The loan complies with Chapter 12 of the Limited Liability Companies Act, in which case no security is posted for the payment of capital or interest. The principal and interest are paid subject to the provisions laid down in the above-mentioned chapter of the Act. If interest can only be paid partially, the unpaid interest is deferred to the next maturity date that fulfils the payment condition. The outstanding balance on 31 December 2022 was EUR 639,316.20.

Labio Oy has a subordinated loan (1/2015) of EUR 1,680,000 from Salpakierto Oy (formerly Päijät-Hämeen Jätehuolto Oy) and the loan period ends on 31 August 2033. The loan complies with Chapter 12 of the Limited Liability Companies Act, in which case no security is posted for the payment of capital or interest. The principal and interest are paid subject to the provisions laid down in the above-mentioned chapter of the Act. If interest can only be paid partially, the unpaid interest is deferred to the next maturity date that fulfils the payment

condition. The outstanding balance on 31 December 2022 was EUR 710,769.24.

LABIO Oy

The Regional State Administrative Agency for Southern Finland has granted LABIO Oy an environmental permit (no. 220/2020) pursuant to the Finnish Environmental Protection Act (527/2014). In order to ensure the monitoring and actions required for the cessation of operations or thereafter, LABIO Oy has given the Regional State Administrative Agency for Southern Finland a financial guarantee worth EUR 356,000 (Nordea Bank, no. 00101-02-2410596). The guarantee will remain in place until 31 March 2026 and will be renewed thereafter until the cessation of operations. The operator responsible for the guarantee is Lahti Aqua Oy.

Salpakierto Oy

Nordea Bank Plc has granted the Häme Centre for Economic Development, Transport and the Environment a guarantee pursuant to Section 59 of the Environmental Protection Act (527/2014) on behalf of Salpakierto Oy. This guarantee concerns the Kujala environmental permit (56/2021 Dnro ESAVI/8698/2020) to ensure the organisation of appropriate waste management, control, monitoring and any measures necessary during or after the cessation of operations. The bank's total liability is EUR 6,560,902.00. The guarantee is in force until 17 December 2031.

Nordea Bank Plc has granted the Häme Centre for Economic Development, Transport and the Environment a guarantee pursuant to Section 59 of the Environmental Protection Act (527/2014) on behalf of Salpakierto Oy. This guarantee concerns an environmental permit for treating roofing felt waste (344/2020, 22.09.2022 Drno ESAVI/16350/2020) to ensure the organisation of appropriate waste management, control, monitoring and any measures necessary during or after the cessation of operations. The bank's total liability is EUR 3,224,000. The guarantee is in force until 18 November 2030.

Other financial liabilities not recognised in the balance sheet: The company has prepared for aftercare obligations for landfills in accordance with the Waste Act and its environmental permits by making a mandatory provision for aftercare in its annual accounting. Any changes in this provision are specified in the notes to the balance sheet. Liabilities until 2069 total approximately EUR 12.7 million, of which approximately EUR 5.4 million has been recognised in the balance sheet as a provision for aftercare. The aftercare liability not recorded in the balance sheet is approximately EUR 7.3 million. The plans for using aftercare provisions and the responsibility for aftercare are both reviewed on an annual basis.

If taxable use of a property decreases during the review period, the company is responsible for reviewing the VAT deductions it has made on real estate investments. The maximum amount of liability is EUR 784,715.40 and the last review year is 2029.

LAHTI GROUP	2022	2021
Derivative contracts		
Interest rate swaps		
Fair value	35,537,878.34	-27,925,891.43
Value of the underlying asset	457,612,610.04	413,868,535.17
Interest rate swaps with options *		
Fair value	-2,736,301.79	-18,928,087.64
Value of the underlying asset	23,977,370.00	63,977,370.00
Electricity derivatives		
Fair value	-41,987,613.90	-19,908,291.33
Value of the underlying asset	42,561,721.60	26,270,657.07
Total derivative contracts		
Fair value	-9,186,037.35	-66,762,270.40
Value of the underlying asset	524,151,701.64	504,116,562.24

*right of option for the counterparty

The nominal and fair values of derivative contracts for entities within the Group are reported according to ownership on the consolidated balance sheet date and, for the comparison year, according to ownership on the balance sheet date for the comparison year. Fair value refers to the market value reported by the bank for the derivative contract on the balance sheet date. The derivative contracts presented in the notes to the consolidated financial statements are numbered consecutively (City of Lahti 1–4, Group entities 5–36).

Interest rate swaps

The interest rate swaps hedge against the interest rate risk of individual loans. The agreements have converted the floating rate into a fixed rate. The capital of the loan and the interest rate swap agreement and their maturity dates may correspond with each other, or the principal of the interest rate swap may be smaller and/or shorter in terms of validity than the loan. Any temporal differences between the dates of determination and payment of interest are neither significant nor material. As regards the treatment of the negative reference rate, there are differences in loans and interest rate swap agreements depending on the terms of the loan. When calculating the total interest rate on a loan, the negative reference rate will either be taken into account for a percentage not exceeding the margin of the loan or not taken into account at all, in which case the negative reference rate will be interpreted as zero. When calculating interest rates on an interest rate swap agreement, the negative reference rate is always fully taken into account.

No.	Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021	Contract's maturity date
1	63,000,000.00	2,899,968.55	63,000,000.00	-2,022,253.22	11 Dec 2024
2	37,000,000.00	3,583,438.00	37,000,000.00	-11,573,928.00	7 April 2040
3	40,000,000.00	-239,448.27	-	-	26 August 2042
5	1,126,041.00	24,330.00	-	-	4 August 2031
6	12,642,723.00	2,428,509.09	12,798,168.00	394,134.87	1 April 2029
7	1,253,205.67	177,108.46	1,267,544.00	22,780.31	30 April 2027
8	1,689,680.00	283,013.00	1,708,744.00	5,896.00	6 February 2029
9	5,538,593.00	665,382.26	5,602,531.00	23,427.93	1 December 2026
10	27,000,000.00	2,679,959.00	30,000,000.00	-1,174,859.00	5 December 2031
12	12,280,000.00	383,681.00	15,360,000.00	-632,896.00	15 May 2026
13	9,000,000.00	448,069.00	12,000,000.00	-182,366.00	15 September 2025
14	3,150,000.00	44,408.00	6,250,000.00	-151,414.00	2 October 2023
15	10,847,458.00	868,916.00	12,209,390.00	-554,025.00	16 December 2030
16	4,913,394.00	400,887.41	4,946,833.00	-233,806.53	31 October 2026
17	2,081,328.00	141,300.39	2,378,662.00	-59,259.68	13 October 2026
18	886,458.00	19,154.00	-	-	4 August 2031
19	2,380,220.70	194,211.88	2,396,366.00	-113,266.23	31 October 2026
26	6,352,312.00	627,831.00	6,395,838.00	-357,962.00	23 October 2027
27	7,744,064.00	707,436.36	7,834,506.00	-514,720.55	27 March 2028
28	2,138,695.72	181,210.13	2,352,565.00	-86,913.87	30 November 2027
29	3,897,464.23	321,069.63	3,923,989.00	-181,314.32	31 October 2026
30	8,178,042.00	1,280,423.30	8,211,352.00	172,738.65	23 October 2027
31	6,321,365.00	1,195,030.51	6,399,085.00	172,227.49	1 April 2029

32	11,380,504.00	2,425,704.00	11,497,828.00	256,752.00	16 December 2030
33	11,838,095.00	2,427,013.00	11,970,857.00	149,428.00	16 December 2030
34	8,880,439.00	1,837,364.00	8,979,477.00	130,414.00	16 December 2030
25	27,000,000.00	912,286.00	30,000,000.00	-3,565,616.00	5 December 2031

Interest rate swap agreements protect an existing and/or future loan portfolio. The agreements have been used to convert the floating rate of the loan portfolio into a fixed floating rate for the nominal principal of the interest rate swap for a certain period of time in which a loan or loans have been or will be taken out that are at least equal to the nominal capital of the interest rate swap, that are linked to a floating rate, and that do not involve another derivative contract. As regards the treatment of the negative reference rate, there may be differences in loans and interest rate swap agreements depending on the terms of the loan. When calculating the total interest rate on a loan, the negative reference rate will either be taken into account for a percentage not exceeding the margin of the loan or not taken into account at all, in which case the negative reference rate will be interpreted as zero. When calculating interest rates on an interest rate swap agreement, the negative reference rate is always fully taken into account.

No.	Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021	Contract's maturity date
20	41,872,000.00	2,032,550.22	-	-	27 July 2026
21	3,925,500.00	69,796.57	3,925,500.00	-109,940.41	15 December 2023
22	1,182,844.00	17,586.40	1,182,844.00	-23,859.62	19 December 2023
24	18,319,000.00	4,251,056.01	18,319,000.00	928,409.81	30 June 2041
35	20,936,000.00	4,093,355.44	20,936,000.00	-278,338.13	30 June 2041

Interest rate swaps with options

Interest rate swap no. 23 has a **threshold interest rate** and hedges the interest rate risk of the loan portfolio as of 28 December 2016. The interest rate of the loan portfolio has been converted into a fixed interest rate of 2.25 per cent with a 6-month Euribor rate of no more than 5 per cent. If the interest rate exceeds 5 per cent, the interest to be paid will be the 6-month Euribor rate minus 1 per cent instead of 2.55 per cent (option sold). An interest rate review will be carried out by interest period at six-month intervals. The annual interest cost is the loan margin payable on the loans and, if the Euribor rate is negative, the total interest on the loan and the floating portion of the interest rate swap. As regards the treatment of the negative reference rate, there are differences in loans and interest rate swap agreements depending on the terms of the loan.

No.	Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021	Contract's maturity date
23	5,108,800.00	54,395.00	5,108,800.00	-687,500.30	28 December 2026

The start date for the interest rate swap with the interest rate floor (no. 36) was 21 June 2021. Under an interest rate swap agreement, the interest rate on an individual fixed-rate loan has been converted into one linked to a variable 6-month Euribor rate. The capital of the loan and the interest rate swap agreement, the maturity dates, and the interest determination and payment dates correspond to each other. At the same time, a zero interest rate floor has been sold to the bank (option sold). If the 6-month Euribor rate specified for the interest period is below 0%, the floating rate for the interest period will be 0% and the bank will pay the margin specified in the agreement. If the 6-month Euribor rate is positive, the interest cost will be the reference rate less the margin specified in the agreement. The fixed interest rates on a loan and an interest rate swap agreement are netted in all interest rate situations.

No.	Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021	Contract's maturity date
36	18,868,570.00	-2,790,696.51	18,868,570.00	-257,259.86	21 June 2028

Derivative interest-rate contracts recorded in mandatory provisions

The derivative contracts have been interpreted as non-hedging, 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 principle of prudence.

Interest rate swaps

No.	Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021	Contract's maturity date
4	20,000,000.00	-1,664,042.00	20,000,000.00	-7,363,659.00	25 May 2055
11	22,857,143.00	-180,679.00	25,714,286.00	-1,261,080.00	10 March 2023

Electricity derivatives

Nominal capital, EUR 31 Dec 2022	Fair value, EUR 31 Dec 2022	Nominal capital, EUR 31 Dec 2021	Fair value, EUR 31 Dec 2021
-42,561,721.60	-41,987,613.90	26,270,657.07	-19,908,291.33

Interest rate sensitivity of derivative contracts

The table below shows the interest rate sensitivity of the City Group's derivative contracts, that is, how a change in interest rates would affect the market value of the contracts. Interest rate sensitivity has been calculated if the interest rate changes by -1, -0.5, +0.5, +1 or +2 percentage points compared to the rate on the balance sheet date. The timing of future negative cash flows from derivative contracts has been based on forward interest rates on the balance sheet date.

Sensitivity analysis of the Lahti City Group's derivative contracts

No.	Type of derivative contract	Contract's nominal value	Contract's maturity date	Cash flow 31 Dec 2022 on the basis of forward interest rates	Imputed market value 31 Dec 2022	Impact of changes in interest rates on the imputed market value, 31 Dec 2022				
						Change in interest rates compared to 31 Dec 2022				
						-1.0%	-0.5%	+0.5%	+1%	+2%
1	Interest rate swap	63,000,000	11 Dec 2024	Negative until the end of the contractual period	2,899,969	-1,866,396	2,296,221	3,132,011	3,538,314	4,286,090
2	Interest rate swap	37,000,000	7 April 2040	Positive until the end of the contractual period	3,583,438	-1,564,765	1,115,484	5,854,019	7,945,110	11,643,211
3	Interest rate swap	40,000,000	26 August 2042	Negative 2023, 2037–2042	-239,448	-3,705,950	-253,833	5,753,560	8,363,338	12,912,398
4	Interest rate swap	20,000,000	25 May 2055	Positive May 2035–May 2038	-1,664,042	-3,614,471	-2,633,319	-707,299	236,210	2,080,517
5	Interest rate swap	1,126,041	4 August 2031	Negative until March 2023	24,330	-20,551	1,941	46,618	68,804	112,878
6	Interest rate swap	12,642,723	1 April 2029	Positive until the end of the contractual period	2,428,509	-2,270,815	-1,961,901	-1,375,939	-1,098,174	-571,372
7	Interest rate swap	1,253,206	30 April 2027	Positive until the end of the contractual period	177,108	-18,555	3,155	44,901	64,967	103,547
8	Interest rate swap	1,689,680	6 February 2029	Negative until February 2023	283,013	195,102	239,054	326,979	370,952	458,913
9	Interest rate swap	5,538,593	1 December 2026	Positive until the end of the contractual period	665,382	37,576	108,648	245,037	310,446	435,911
10	Interest rate swap	27,000,000	5 December 2031	Positive until the end of the contractual period	2,679,959	1,678,256	2,187,421	3,156,490	3,617,489	4,495,010
11	Interest rate swap	22,857,143	10 March 2023	Negative until the end of the contractual period	-180,679	-180,679	-180,679	-180,679	-180,679	-180,679
12	Interest rate swap	12,280,000	15 May 2026	Positive until the end of the contractual period	383,681	180,302	282,653	483,271	581,576	774,275
13	Interest rate swap	9,000,000	15 September 2025	Positive until the end of the contractual period	448,069	315,692	381,840	514,377	580,765	713,779
14	Interest rate swap	3,150,000	2 October 2023	Positive until the end of the contractual period	44,408	28,855	36,627	52,199	59,999	75,627
15	Interest rate swap	10,847,458	16 December 2030	Positive until the end of the contractual period	868,916	491,915	680,758	1,056,389	1,243,174	1,614,680
16	Interest rate swap	4,913,395	31 October 2026	Positive until the end of the contractual period	400,887	-85,302	-19,183	107,941	169,026	286,430
17	Interest rate swap	2,081,328	13 October 2026	Positive until the end of the contractual period	141,300	821,480	845,623	892,408	915,071	958,989
18	Interest rate swap	886,458	4 August 2031	Negative until February 2023	19,154	-16,178	1,528	36,699	54,165	88,862
19	Interest rate swap	2,380,221	31 October 2026	Positive until the end of the contractual period	194,212	78,461	110,493	172,080	201,673	258,550
20	Interest rate swap	80,000,000	27 July 2026	Positive until the end of the contractual period	3,883,359.22	-2,261,238	-1,117,331	1,107,376	2,188,977	4,292,616
21	Interest rate swap	7,500,000	15 December 2023	Positive until the end of the contractual period	133,350.34	195,507	194,857	193,571	192,934	191,671
22	Interest rate swap	1,182,884	19 December 2023	Positive until the end of the contractual period	17,586.40	2,032,674	2,032,612	2,032,488	2,032,427	2,032,796
24	Interest rate swap	18,319,000	30 June 2041	Positive until the end of the contractual period	4,251,056.01	-1,212,513	-538,585	635,825	1,145,232	2,028,148
25	Interest rate swap	27,000,000	5 December 2031	Positive until the end of the contractual period	912,286	-146,116	391,725	1,416,201	1,903,968	2,833,235
26	Interest rate swap	6,352,312	23 October 2027	Positive until the end of the contractual period	627,831	402,967	515,390	740,288	852,760	1,077,744
27	Interest rate swap	7,744,064	27 March 2028	Positive until the end of the contractual period	707,436	579,210	747,916	1,070,681	1,225,019	1,520,280
28	Interest rate swap	2,138,696	30 November 2027	Positive until the end of the contractual period	181,210	562,802	595,664	658,764	689,048	747,193
29	Interest rate swap	3,897,464	31 October 2026	Positive until the end of the contractual period	321,070	604,610	657,025	757,802	806,225	899,294
30	Interest rate swap	8,178,042	23 October 2027	Positive until the end of the contractual period	1,280,423	-132,817	26,282	331,103	477,068	756,683
31	Interest rate swap	6,321,365	1 April 2029	Positive until the end of the contractual period	1,195,031	17,068	171,836	465,417	604,590	868,553
32	Interest rate swap	11,380,504	16 December 2030	Positive until the end of the contractual period	2,425,704	1,728,838	2,077,760	2,772,669	3,118,651	3,807,662
33	Interest rate swap	11,838,095	16 December 2030	Positive until the end of the contractual period	2,427,013	1,703,760	2,065,893	2,787,115	3,146,199	3,861,303
34	Interest rate swap	8,880,439	16 December 2030	Positive until the end of the contractual period	1,837,364	1,293,882	1,566,004	2,107,961	2,377,792	2,915,152
35	Interest rate swap	40,000,000	30 June 2041	Positive until the end of the contractual period	7,820,702.03	-931,990	836,906	3,845,971	5,116,658	7,256,906
23	Interest rate swap with interest rate threshold, sold option	8,000,000	28 December 2026	Positive until the end of the contractual period	85,178	1,616,385	1,732,395	1,925,296	1,989,349	1,651,136
36	Interest rate swap with interest rate floor, sold option	18,868,570	21 June 2028	Negative until the end of the contractual period	-2,790,696.51	4,852,616	4,474,148	3,722,899	3,357,444	2,654,675
	Total	481,589,980			32,801,577	3,422,499	20,276,044	44,221,991	55,162,123	74,938,413
	Change in imputed market value 31 Dec 2022					-29,379,077	-12,525,532	11,420,415	22,360,547	42,136,836

Formulas for calculating key figures

FORMULAS FOR CALCULATING KEY FIGURES

Income statement

Operating revenue as a percentage of operating expenses

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

Annual contribution margin as a percentage of depreciation

= $100 * \text{Annual contribution margin} / \text{Depreciation} + \text{Value adjustments}$

Annual contribution margin, EUR/resident

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

Cash flow statement

INVESTMENTS

Cash flow from operations and investments and its accrual, EUR

= Cash flow from operations and investments – the provisional accumulated result for the financial year and previous four financial years

Cash flow from investments, %

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

LOAN SERVICING

Deferred loan servicing margin

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

Loan servicing margin

= $(\text{Annual contribution margin} + \text{Interest expenses}) / (\text{Interest expenses} + \text{Loan repayments})$

LIQUIDITY

Liquid assets 31 Dec

= Shares and holdings + Cash in hand and at banks

Cash payments consists of the following items:

From the income statement:

Operating expenses – Production for own use

Interest expenses

Other financing expenses

From the cash flow statement:

Investment expenses

Increase in granted loans

Decrease in long-term loans (repayments)

Adequacy of cash flow (days)

= $365 \text{ days} * \text{Liquid assets 31 Dec} / \text{Cash payments during the financial year}$

Balance sheet

Accumulated surplus (deficit)

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

Accumulated surplus (deficit), EUR/resident

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

Equity ratio, %

= $100 * (\text{Capital and reserves} + \text{Depreciation difference and voluntary provisions}) / (\text{Total capital and reserves} - \text{Advances received})$

Relative indebtedness, %

= $100 * (\text{Liabilities} - \text{Advances received}) / \text{Usage income}$

Loans and rental liabilities, 31 Dec

= Liabilities – (Advances received + Accounts payables + Accrued expenses and deferred income + Other liabilities) + Rental liabilities

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 balance sheet date.

Loan portfolio 31 Dec

= Liabilities – (Advances received + Accounts payables + Accrued expenses and deferred income + Other liabilities)

Loans EUR/resident

The per-resident loan amount is calculated by dividing the aforementioned loan portfolio by the municipality's number of residents on the balance sheet date.

Loan receivables, 31 Dec

= Bond receivables marked as investments + Other loan receivables

Key figures in the balance sheet unit**Income statement****Return on capital invested by the municipality, %**

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Interest expenses paid by the municipality} + \text{Compensation for initial capital}) / (\text{Capital and reserves} + \text{Loans from the municipality} + \text{Depreciation difference and voluntary provisions})$

Return on investment, %

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Interest expenses paid by the municipality} + \text{Interest paid to others} + \text{Compensation for initial capital}) / (\text{Capital and reserves} + \text{Invested interest-bearing liabilities} + \text{Depreciation difference and voluntary provisions})$

Profit, %

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

Cash flow statement**Cash flow from operations and investments and its accrual, EUR**

= Cash flow from operations and investments – the provisional accumulated result for the financial year and previous four financial years

Cash flow from investments, %

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

Income financing of capital expenditure, %

= $100 * (\text{Surplus/deficit before extraordinary items} + \text{Depreciation and impairment} - \text{Income taxes}) / (\text{Acquisition cost of investments} + \text{Net increase in loans granted} + \text{Loan repayments})$

Loan servicing**Loan servicing margin**

= $(\text{Surplus/deficit before extraordinary items} + \text{Depreciation and impairment} + \text{Interest expenses} - \text{Income taxes}) / (\text{Interest expenses} + \text{Loan repayments})$

Liquidity**Current ratio**

= $(\text{Current assets} + \text{Short-term receivables} + \text{Shares and holdings} + \text{Cash in hand and at banks}) / (\text{Current liabilities} - \text{Advances received})$

Quick ratio

= $(\text{Cash in hand and at banks} + \text{Shares and holdings} + \text{Short-term receivables}) / (\text{Current liabilities} - \text{Advances received})$

Adequacy of cash flow (days)

= $365 \text{ days} \times \text{Liquid assets 31 Dec} / \text{Cash payments during the financial year}$

Balance sheet**Accumulated surplus/deficit**

= Surplus/deficit from previous financial years + Surplus/deficit for the financial year

Equity ratio, %

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

Relative indebtedness, %

= $100 \times (\text{Liabilities} - \text{Advances received}) / \text{Usage income}$

Loan portfolio 31 Dec

= Liabilities – (Advances received + Accounts payables + Accrued expenses and deferred income + Other liabilities)

Loan receivables, 31 Dec

= Bond receivables marked as investments + Other loan receivables

Key figures for the Group

Income statement

Operating revenue as a percentage of operating expenses

= $100 * \text{Operating revenue} / \text{Operating expenses}$

Annual contribution margin as a percentage of depreciation

= $100 * \text{Annual contribution margin} / (\text{Depreciation} + \text{Impairment})$

Annual contribution margin, EUR/resident

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

Number of residents

Cash flow statement

INVESTMENTS

Cash flow from operations and investments and its accrual over a five-year period, EUR

Cash flow from investments, %

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

LOAN SERVICING

Deferred loan servicing margin

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

LIQUIDITY

Adequacy of cash flow (days)

= $365 \text{ days} * \text{Liquid assets 31 Dec} / \text{Cash payments during the financial year}$

Cash payments consists of the following items:

From the consolidated income statement:

Operating expenses

Interest expenses

Other financing expenses

From the consolidated cash flow statement:

Investment expenses

Increases in granted loan receivables

Decrease in long-term loans (repayments)

Balance sheet

Equity ratio (%)

= $100 * (\text{Capital and reserves} + \text{Minority interest} + \text{Group reserve} + \text{Depreciation difference and voluntary provisions}) / (\text{Total capital and reserves} - \text{Advances received})$

Relative indebtedness, %

= $100 * (\text{Liabilities} - \text{Advances received}) / \text{Usage income}$

Accumulated surplus/deficit (EUR 1,000)

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

Accumulated surplus/deficit, EUR per resident

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

Group loan portfolio 31 Dec (EUR 1,000)

= $\text{Liabilities} - (\text{Advances received} + \text{Accounts payable} + \text{Accrued expenses and deferred income} + \text{Other liabilities})$

Group loan portfolio (EUR 1,000) per resident

The per-resident loan amount is calculated by dividing the Group's loan portfolio by the municipality's number of residents on the balance sheet date.

Loans and rental liabilities 31 Dec

= $\text{Liabilities} - (\text{Advances received} + \text{Accounts payable} + \text{Accrued expenses and deferred income} + \text{Other liabilities}) + \text{Rental liabilities}$

Group's loans and rental liabilities, EUR/resident

The key figure per resident is calculated by dividing the aforementioned loans and liabilities by the municipality's number of residents on the balance sheet date.

Loan receivables 31 Dec (EUR 1,000)

= $\text{Bond receivables marked as investments} + \text{Other loan receivables}$

Number of Group personnel, 31 Dec

= Number of people employed by the municipality and its subsidiaries on 31 Dec.

AUDITOR'S REPORT 2022

To Lahti City Council

We have audited the City Of Lahti's administration, accounting and financial statements for the financial year 1 January – 31 December 2022. The financial statements include the City's balance sheet, income statement, cash flow statement and their notes, the annual report, and a comparison of the budget with actual figures. The consolidated financial statements contained in the financial statements include the consolidated balance sheet, income statement, cash flow statement and their notes.

Obligations of the City Board and other accountable persons

The City Board and other accountable persons are responsible for the administration and financial management of the City during the financial year. The City Board and other Group management are responsible for the direction of the municipal Group and the organisation of Group supervision. The City Board and the Mayor are responsible for preparing the financial statements and ensuring that the financial statements give a true and fair presentation of the City's results, financial position, financing and operation in accordance with the provisions and regulations laid down on the preparation of the financial statements. In the Annual Report, the City Board and the Mayor have explained the organisation of the City's internal controls and risk management along with Group supervision.

The City Board and the Mayor are also responsible for organising internal control and for the internal control they deem necessary in order to prepare financial statements that do not contain material inaccuracies due to misconduct or error.

Obligations of the auditor

We performed the auditing of the administration, the accounting records and the financial statements for the financial year in accordance with generally accepted auditing standards for public administration to detect and report material errors as audit results. In the administrative audit, we have examined the legality of the activities of the members of the institutions and the senior officials of their areas of responsibility. We have examined the appropriateness of the City's internal control and risk management and the organisation of Group supervision, taking into account the reports presented in the Annual Report. We form an understanding of the internal controls relevant to the audit in order to be able to plan the appropriate auditing measures and to be able to provide an opinion on the organisation of internal control, but not for the purpose of providing an opinion on the effectiveness of the City's internal control. In addition, we have examined the accuracy of the information on the basis of central government transfers.

We have carried out this audit to provide reasonable assurance as to whether the administration has been managed in accordance with the law and the City Council's decisions. We have audited the accounting records, and the accounting policies, content and presentation of the financial statements to a sufficient extent to determine that the financial statements do not contain material inaccuracies due to misconduct or error.

Results of the audit

The City's administration has been carried out in accordance with legislation and the resolutions of the Council.

In spite of several requests, the financial statements of a subsidiary belonging to the City Group have not been signed since 2020 and have not been submitted to the auditor in accordance with Chapter 3, Section 7 of the Accounting Act. In this respect, the City's internal Group control has not been properly organised. In other respects, it may be stated that the City's internal control, risk management and internal Group control have been appropriately arranged.

The information provided on the basis of central government transfers is accurate.

The City's financial statements and the associated consolidated statements have been prepared in accordance with the rules and regulations for preparing financial statements. The financial statements give a true and sufficient view of the City's result, financial position, financing and activities for the period.

Statement on the approval of the financial statements and discharge of liability

We propose that the financial statements be approved

and the accountable persons be discharged from liability for the financial year that we have audited.

Lahti, 30 May 2023

TALVEA Julkishallinnon Palvelut Oy

Jukka Vuorio

Chartered Public Finance Auditor, Chartered Accountant