



POLAR

ANNUAL REPORT

1996

Information for shareholders

Annual general meeting

The annual general meeting of Polar Corporation will be held at 5 p.m. on Thursday 20 March 1997 in hall Fennia I at the Marina Congress Center, address Katajanokanlaituri 6, Helsinki.

Shareholders wishing to attend the AGM must give notice no later than 4 p.m. on 17 March 1997, either in writing addressed to Polar Corporation, Irmeli Rajala, PO Box 110, FIN-01511 Vantaa, Finland, or by telephone to either +358 9 8259 2671/Ritva Pitkänen or +358 9 8259 2535/Irmeli Rajala.

Proxy documents for use in voting at the AGM shall be sent to Irmeli Rajala at the address Pakkalankuja 6, FIN-01510 Vantaa, Finland, before the notification period expires.

Payment of dividend

The Board of Directors propose no dividend to be paid for the 1996 accounting period.

Annual report 1996

Polar Corporation publishes its annual report for the accounting period in Finnish and English.

Interim reports in 1997

The four-month interim reports (1 January – 30 April 1997) will be published on 4 June and the eight-month report (1 January – 31 August 1997) on 8 October 1997.

To order publications:

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FIN-01511 Vantaa, Finland Fax +358 9 8259 2155

Upper picture: Raippaluoto bridge
Polar is building the longest bridge in Finland off Vaasa for the Finnish National Road Administration. It is 1,045 metres in length. The photo shows the site in summer 1996.

Lower picture:
The Vantaanportti area in Vantaa is a joint project of Polar Corporation, Merita Real Estate Ltd, and the City of Vantaa.

Polar Corporation

Annual Report

1996

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Polar Corporation

Polar Corporation is a Finnish stock-exchange listed company which, together with its subsidiaries comprises a corporate group. The Polar Group is divided into two main divisions: Construction and Real Estate. The Polar Group's net sales in 1996 were FIM 1,503 million. The Group had an average of 1,142 employees in 1996.

The Group's Construction Business focuses on building construction and civil engineering in Finland. Construction business generated FIM 1,183 million in net sales. Renovation accounted for 32 % of building construction.

The Group's Real Estate Division develops, leases out and sells its properties. The book value, net of debt, of the Group's property portfolio and land holdings in Finland was FIM 3,810 million. The Real Estate Division's net sales totalled FIM 346 million.

The 1996 accounting period in brief

The Group's operating profit was up on the previous year, being FIM 54 million (FIM 51 million in 1995). Net sales totalled FIM 1,503 million (FIM 1,710 million).

The operating margin of construction business was FIM 35 million (FIM 52 million). Uninvoiced orders in hand stood at FIM 588 million at year-end (FIM 685 million).

The Real Estate Division's operating margin was FIM 87 million (FIM 79 million). The occupancy rate improved, and rental income and sales margin also showed improvement.

Net financing expenses amounted to FIM - 94 million (FIM - 96 million). The loss before extraordinary items, reserves and taxes was FIM 40 million (loss of FIM 44 million). The loss before reserves and taxes was FIM 63 million (loss of FIM 90 million).

The Group's capital structure was strengthened. The equity ratio rose from 16 % to 34 %.

The Group devoted efforts to marketing, improving competitiveness, and the development of service products.

The Polar Group in 1996	Net sales, FIM million	Operating profit, FIM million	Personnel 31.12.1996
Construction	1,183	28	998
Real estate	346	65	39
Group administration	1	- 23	24
Depreciation of goodwill and Group goodwill	-	- 16	-
Internal invoicing	- 27	-	-
Total	1,503	54	1,061

Polar Group in figures

Profit and loss account

	1996	1995	1994	1993	1992
Net sales, FIM million	1,503	1,710	2,275	2,705	4,691
Other income and expenses of business operations, FIM million	- 0	- 0	7	- 17	- 182
Operating margin, FIM million	103	107	83	- 257	- 493
% of net sales	6.9	6.3	3.7	- 9.5	- 10.5
Operating profit/loss, FIM million	54	51	32	- 321	- 808
% of net sales	3.6	3.0	1.4	- 11.9	- 17.2
Profit/loss before extraordinary items, FIM million	- 40	- 44	- 46	- 510	- 1 357
% of net sales	- 2.7	- 2.6	- 2.0	- 18.9	- 28.9
Extraordinary income and expenses, FIM million	- 23	- 46	- 215	- 779	- 353
Profit/loss before reserves and taxes, FIM million	- 63	- 90	- 262	- 1,289	- 1,710
% of net sales	- 4.2	- 5.3	- 11.5	- 47.6	- 36.5

Balance sheet

Fixed assets and other long-term investments	2,690	2,770	2,801	1,578	2,072
Inventories and financial assets (net)	1,667	1,795	2,109	3,993	6,546
Assets, FIM million *)	4,358	4,565	4,911	5,571	8,618
Shareholders' equity	676	61	126	- 566	- 110
Quasi-equity convertible bonds	382	422	385	-	-
Convertible equity loan	209	-	-	-	-
Minority interest	3	24	25	24	4
Voluntary reserves and accumulated difference in depreciation	167	183	203	787	1,394
Obligatory reserves	176	236	360	-	-
Long-term liabilities					
non-interest-bearing**)	445	1,228	1,230		
interest-bearing	1,975	2,106	2,211	4,220	4,742
Current liabilities					
non-interest-bearing *)	255	280	340	1,034	775
interest-bearing	69	25	31	73	1,814
Liabilities and shareholders' equity, FIM million *)	4,358	4,565	4,911	5,571	8,618

*) excludes advance invoicing and developer/contractor project advances

**) excludes quasi-equity convertible bonds and convertible equity loan

Key figures for financial trends

Return on equity, % (ROE)	- 4.1	- 6.5	- 9.7	- 66.5	- 56.8
Return on investment, % (ROI)	2.4	2.1	1.6	- 2.8	- 7.5
Equity ratio, % *)	33.5	16.2	16.7	4.4	14.9

*) calculated with the formulas given on page 28

Key indicators for business operations

Gross investments in fixed assets, FIM million	90	129	41	25	266
% of net sales	6.0	7.6	1.8	0.9	5.7
Invoicing, FIM million	1,155	1,438	1,304	1,491	2,435
Orders not yet invoiced, 31 Dec., FIM million	588	685	670	592	756
Average number of personnel	1,142	1,377	1,746	2,418	3,969
Dividend, FIM million	0.0 **)	0.0	0.0	0.0	0.0

**) proposal of the Board of Directors

President's report

In 1996, the Polar Group attained the goals set for the year. Construction activities were profitable, and the Real Estate Division exceeded its targets. The Group's operating profit was FIM 54 million.

Due to a lull in the early months of the year, construction volume fell short of the forecast. On the whole, construction in Finland was in line with plans, but operations outside Finland fell short of the target. During the accounting period, Polar decided to wind up tendering for work in the St Petersburg region.

Real estate business developed in a positive way and exceeded its targets. This trend was influenced in particular by a rise in the occupancy rate and by increased rental and sales revenue. Polar initiated spec contracting during the accounting period, and the number of real estate development projects grew. New service products were also developed by the Real Estate Division. No large properties were sold during the year under review.

During the accounting period, a capital programme was carried out in which the Group's quasi-equity assets were expanded by FIM 827 million. The Group's equity ratio was raised from 16% to 34%. The capital programme rehabilitated the Group's financial structure. Polar is now able to concentrate more fully on the development of business operations and growth. A key factor to the implementation of the capital programme was the Group's recent performance and particularly its owners' and investors' view of the company's future prospects.

In domestic construction and real estate business, the main emphasis is shifting away from building new stock and towards better use of existing buildings, and activities are increasingly focused on centres of growth and development. In accordance with this trend, Polar has focused its operations on centres of growth in Finland and it has planned for growth in renovation.

The development of business operations was continued during the past accounting period. Particular attention was paid to the development of marketing and service products. The clients of its Construction Division perceive Polar as a quality builder produc-

ing work of high standard on schedule. The Group will continue to devote effort to quality, to upgrading its competitiveness, to marketing and to the development of service products.

Polar's prospects for 1997 are better than they were last year, both for construction and for real estate business.

I would like to express my thanks to our customers for the good work they have done with us in the past year. Polar's employees deserve praise for their ongoing work to attain our goals. I would also like to thank the owners and investors for the confidence they have shown in Polar.

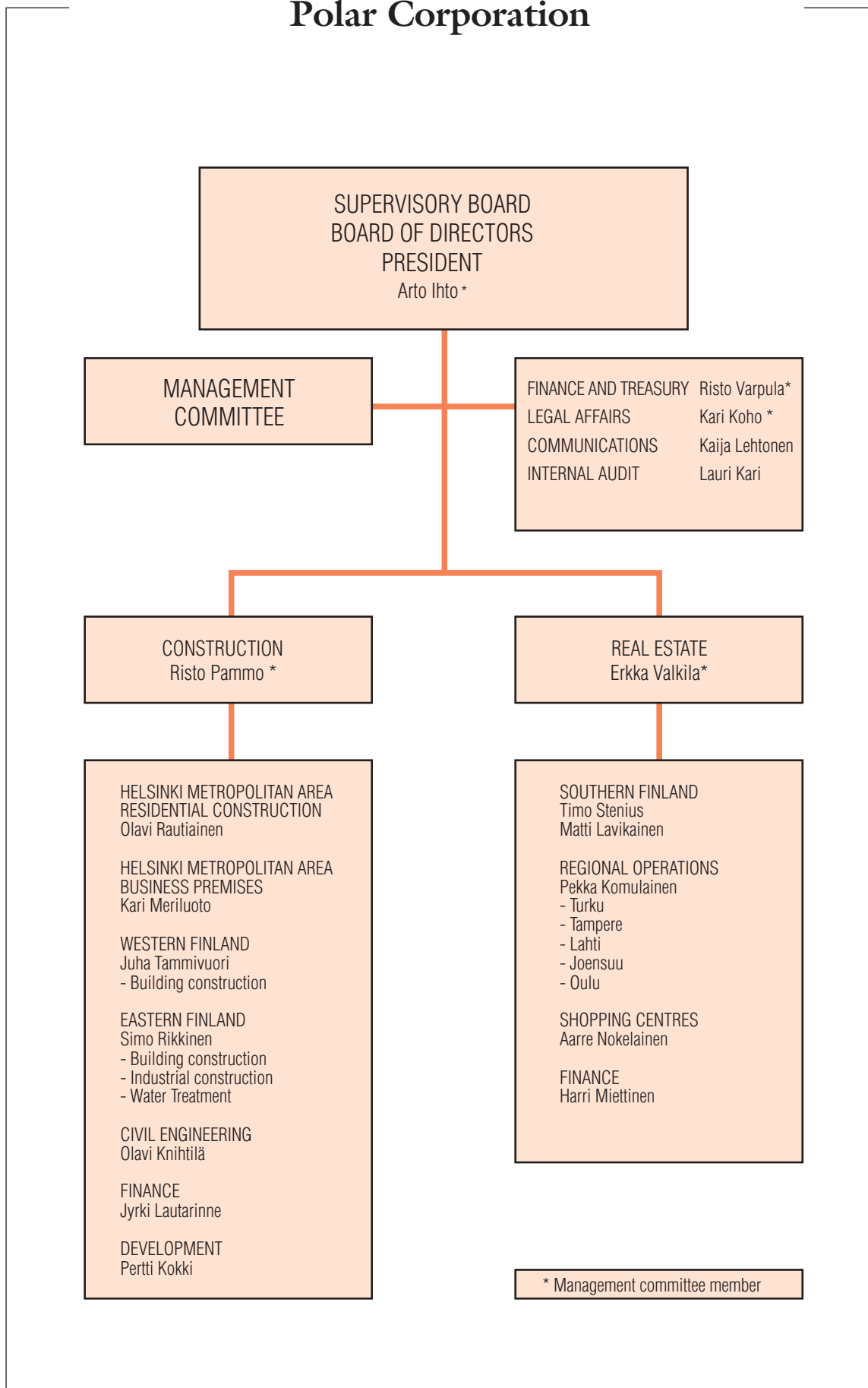
Vantaa, March 1997

Arto Ihto



Organization, 1 January 1997

Polar Corporation



Shares and shareholders

Polar Corporation's ordinary shares are quoted on the Helsinki Stock Exchange. The international ISIN code for Polar's ordinary shares is FI 0009002760. Each ordinary share confers equal entitlement to dividends and voting rights. The shares have a par value of FIM 10.

Share capital

At the end of the accounting period, there were 116,275,456 Polar Corporation shares. According to the book-entry securities register, the company had a total of 4,270 registered shareholders on 31 December 1996. Polar Corporation's paid-in share capital entered in the Trade Register was FIM 1,162,754,560. The company's minimum capital is FIM 900 million and its maximum capital is FIM 3,600 million.

Holdings by number of shares, 31 December 1996

Number of shares	Shareholders number	%	Shares number	%
1 – 100	2,016	47.22	67,345	0.06
101 – 1,000	1,343	31.46	567,481	0.49
1,001 – 10,000	711	16.65	2,728,320	2.35
10,001 – 100,000	164	3.83	4,632,369	3.98
100,001 – 1,000,000	24	0.56	8,642,825	7.43
over 1,000,000	12	0.28	99,401,773	85.49
Total	4,270	100.00	116,040,113	99.80
Total on waiting list			3,034	0.00
On joint account			232,309	0.20
Issued stock			116,275,456	100.00

The biggest shareholders, 31 December 1996

	Shares (1,000)	Percentage holding and voting rights, %
Cervuctum Oy*)	40,000	34.40
UPM-Kymmene Corporation	8,816	7.58
Metra Corporation	8,349	7.18
Finnish Cooperative Wholesale Society	5,305	4.56
Partek Oy Ab	5,059	4.35
Pohjola Insurance Company Ltd	4,542	3.91
Oy Stockmann Ab	3,727	3.21
Merita Bank	3,699	3.18
Kesko Pension Fund	3,460	2.98
Skopbank	2,656	2.28
Total for 10 biggest shareholders	85,613	73.63
Nominee-registered	13,964	12.01
Total	116,275	100.00

*) Cervuctum Oy is owned by: Metra Corporation (approx. 31% holding), UPM-Kymmene Corporation (approx. 31%), Partek Oy Ab (approx. 19%) and the Finnish Cooperative Wholesale (approx. 19%).

Shareholders and voting rights by type of shareholders, 31 December 1996

Companies	67%
Financial institutions and insurers	12%
Private individuals	4%
Nominee-registered and foreigners	12%
Others and unregistered	5%

Increases in share capital

The extraordinary general meeting held on 12 November 1996 passed a resolution to increase the share capital by means of a new issue of shares in the amount of no less than four hundred million (400,000,000) and no more than one billion (1,000,000,000) markkas. During the subscription period, 18 – 29 November 1996, FIM 618,871,000 was received in subscriptions for a total of 61,887,100 shares. FIM 423,075,000 was received in subscriptions for an equity loan, of which subsidiaries' subscriptions accounted for a total of FIM 214,228,000. Conversions of bonds may increase the share capital by up to FIM 423,075,000.

Increases in share capital, 1992 – 1996

Increases subscription period	Subscription/ conversion rate	Subscription price, FIM	Number of shares	Share capital, FIM	Dividend entitlement	New share capital, FIM
Targeted new issue to restructuring creditors 18 Feb.–27 Jun. 1994		20.00	19,760,016	197,600,160	1995	510,470,560
Convertible bonds 94 exchanged in 1994	FIM 20 of debt 1 share		708,100	7,081,000	1995	517,551,560
Convertible bonds 94 exchanged in 1995	FIM 20 of debt 1 share		228,050	2,280,500	1996	519,832,060
Convertible bonds 94 exchanged in 1996	FIM 20 of debt 1 share		2,405,150	24,051,500	1997	543,883,560 *)
New issue 18–29 Nov. 1996		10.00	61,887,100	618,871,000	1997	1,162,754,560 **)

*) Entered in the Trade Register on 6 March, 7 Oct., 6 Nov., 3 Dec., 13 Dec. and 31 Dec. 1996

***) Entered in the Trade Register on 13 Dec. 1996

Key figures for shares

	1996	1995	1994	1993	1992
Earnings per share (EPS), FIM *)	-0.77	-0.93	-1.14	-15.95	-44.32/-48.34**)
Equity per share, FIM	9.19	9.12	10.08	7.04	44.74
Dividend per share, FIM	-***)	-	-	-	-
Dividend/profit, %	-	-	-	-	-
Effective dividend yield, %	-	-	-	-	-
Price/earnings ratio (P/E)	neg.	neg.	neg.	neg.	neg.
Trend in share price and trading					
Issue-adjusted share price, FIM					
average price	5.79	4.43	11.61	8.41	26.22
lowest traded price	2.50	2.50	7.50	3.01	15.00
highest traded price	8.20	9.00	16.40	19.00	60.00
last traded price at year end	6.60	3.00	9.75	11.00	16.00
Market capitalization 31 Dec., FIM million	767	156	505	344	501
Trend in share turnover,					
shares traded (1,000 shares)	25,106	2,519	3,481	6,560	1,999
% of shares, average	43.7/43.7 **)	4.9/4.9**)	8.0/8.0**)	21.0	6.4/7.0**)
Issue-adjusted number of shares					
average number (1,000)	57,498/57,420 **)	51,912/51,811**)	43,568/43,401**)	31,287	31,287/28,689**)
number at year-end (1,000)	116,275/116,197 **)	51,983/51,883**)	51,755/51,589**)	31,287	31,287/28,689**)

*) The dilution effect of convertible bonds and warrant bonds has not been figured in.

***) Internal share ownership eliminated

****) Proposal by the Board of Directors

The formulas for the key figures are given on page 28.

Management holdings

The members of the company's Supervisory Board and Board of Directors and its President together held 560 shares in Polar Corporation on 31 December 1996. The management holds none of the convertible bonds or warrants issued by the company or shares in other Group companies.

Shareholder agreements

According to a shareholder agreement made in 1994, The Finnish Cooperative Wholesale Society, Repola Corporation (now UPM-Kymmene Corporation), Partek Oy Ab, Metra Corporation and the Kesko Pension Fund will not, before 31 December 1996, relinquish any shares in their possession or which they obtained in an issue of new shares based on the restructuring programme, without the unanimous consent of the committee of creditors. The contracting parties may surrender their shares to a third party from the beginning of 1997, but they must first be offered to the creditors affected by the restructuring process. The restrictions on transferring shares do not apply to transfers between the contracting parties.

The shareholder agreement will be in force for the duration of Polar Corporation's restructuring programme. The agreement will cease to be in effect for a particular contracting party if his voting rights fall below 2%, and the entire agreement will be terminated if the combined voting rights of the contracting parties fall below 10%.

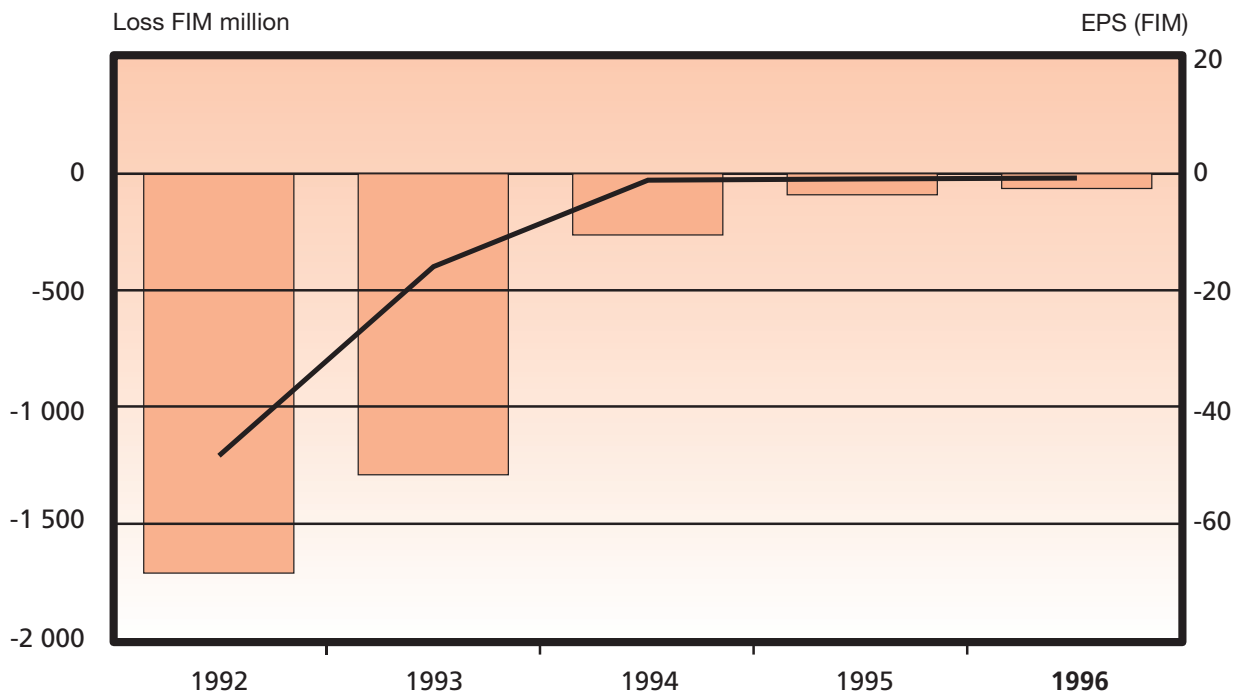
Trading in Polar shares and the price trend

A total of 25,106,494 Polar Corporation shares were traded on the Helsinki Stock Exchange for a total of FIM 145,243,000. The share turnover corresponds to 43.7% of the company's issued stock. The lowest traded price during the year was FIM 2.50 and the highest was FIM 8.20. The last traded price of the accounting period was FIM 6.60.

The effect of the restructuring programme on dividend payments

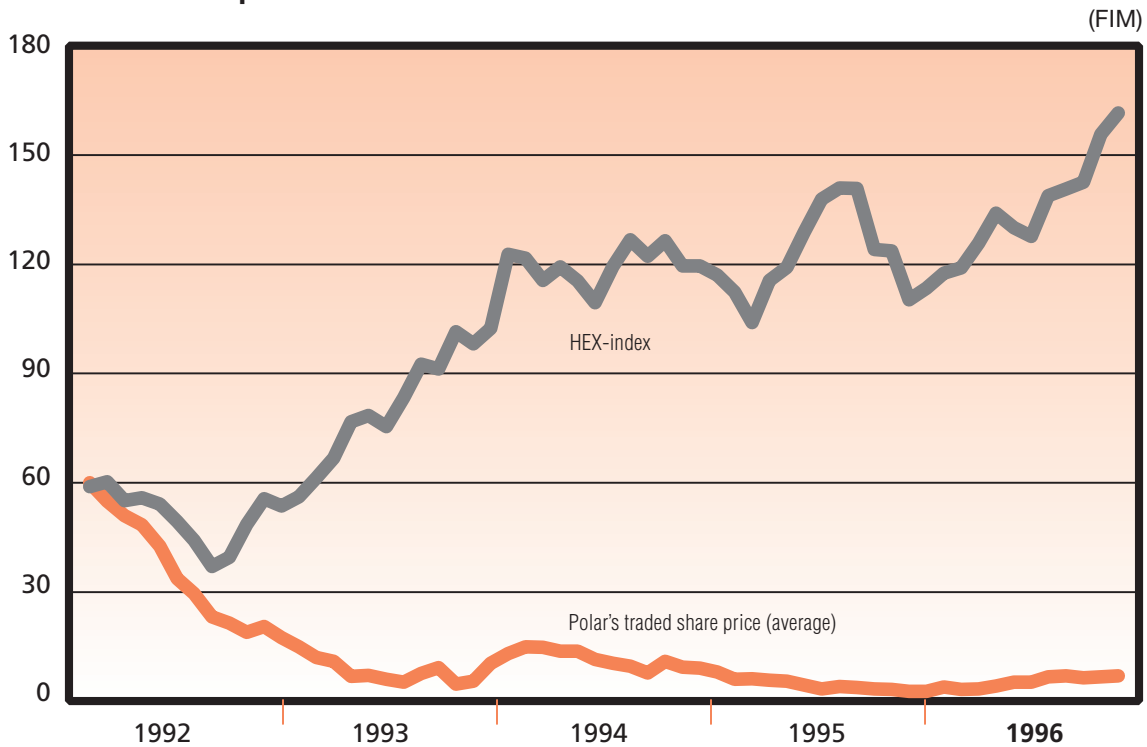
According to section 58 of the Restructuring of Companies Act, a debtor's funds may not be distributed to owners after the confirmation of a restructuring programme and before its conclusion. The reason for this is that debt rescheduling limits the right of creditors to obtain payment of the principal of their receivables.

Net profit/loss *) and EPS

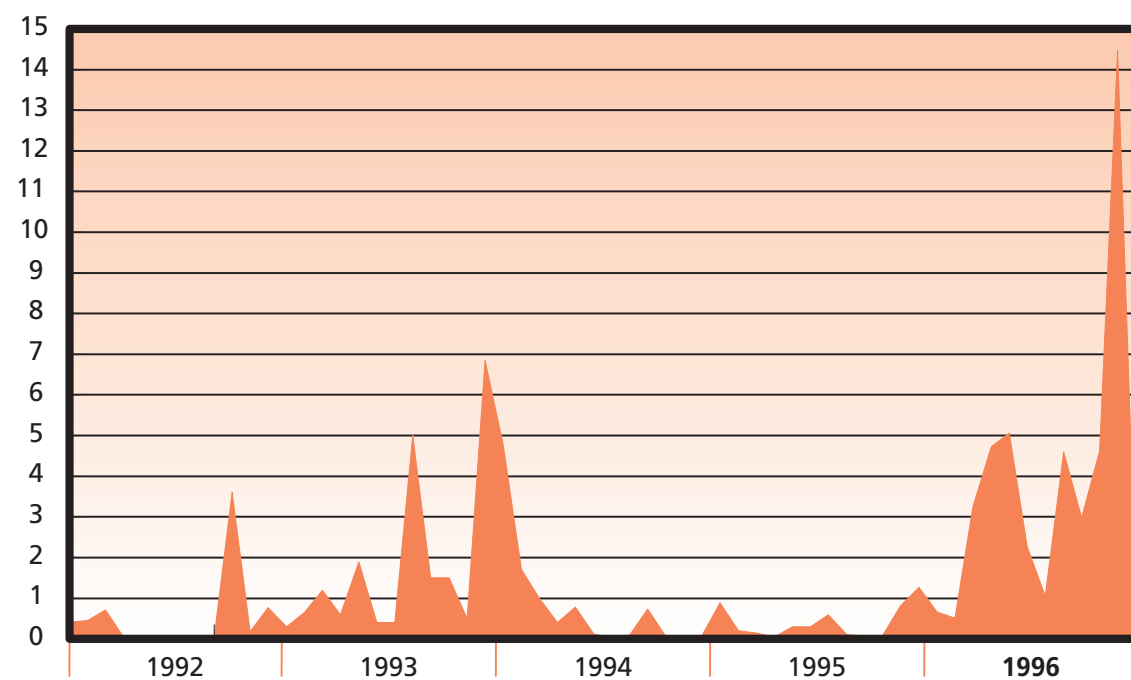


*) Profit/loss before reserves and taxes

Polar's traded share price relative to HEX index



Relative trading in shares, %



Construction



*"The business prospects
have improved"*

Risto Pammo
Senior Vice President

Polar's Construction Division comprises Polar Construction Ltd and three other subsidiaries. Polar Construction Corporation's building operations are divided between five business units. The combined net sales of the Group's Construction Division in 1996 were FIM 1,183 million (FIM 1,320 million).

The Helsinki Metropolitan Area Residential Construction unit concentrates on building housing. The unit's operations were expanded during the accounting period to include Tuusula, Kerava, Järvenpää and part of Kirkkonummi in addition to the Helsinki Metropolitan Area. The unit's net sales totalled FIM 210 million (FIM 245 million).

The Helsinki Metropolitan Area Business Premises Construction unit is responsible for all of Polar's building work in the area bounded by Hanko in the west, by Hämeenlinna in the north and by Porvoo in the east, with the exception of the new construction in the Greater Helsinki Area referred to above and civil engineering. The unit concentrates particularly on renovation and on design/build construction. The unit's net sales were FIM 221 million (FIM 282 million).

The Eastern Finland unit operates as a builder in the Lappeenranta, Kuopio and Kotka economic zones. In addition, the unit specializes in industrial construction and in building water treatment facilities in all parts of Finland. The unit's net sales were FIM 261 million (FIM 276 million).

The Western Finland unit focuses on building construction in the Tampere, Turku and Lahti areas. The unit also took responsibility for the Jyväskylä area as of the beginning of 1996. Its net sales were FIM 191 million (FIM 177 million).

The Civil Engineering unit's field of business comprises road and bridge construction, industrial earthworks, underpinning foundations, and repairs to concrete structures. The unit operates on a nationwide basis. Its net sales were FIM 182 million (FIM 190 million).

The subsidiaries are Rakennus-Haaparanta Oy in Vihti, Rakennus Vuorenpää Oy in Pori, and Haukirakennus Oy in the Oulu area. The subsidiaries specialize in new construction and major renovations in their areas. Their net sales totalled FIM 107 million (FIM 109 million).

Recovery on the construction market

A recovery could be seen on the construction market during the accounting period. The number of new construction starts began to rise at the end of 1996 compared to the previous year.

Residential construction increased relative to the previous year. Demand recovered for privately financed owner-occupied homes. However, the market for residential construction was still based on the construction of National Housing Board-financed housing and interest-subsidized dwellings.

The volume of renovation constituted almost half of the total volume of building construction.

Net sales and financial result

The net sales of the Construction Division amounted to FIM 1,183 million (FIM 1,320 million). The biggest single slice of net sales came from the construction of housing. This contributed FIM 495 million (FIM 518 million). During the accounting period, 1,712 dwellings were completed (2,092). Commercial and business premises construction contributed FIM 288 million (FIM 375 million) of the division's net sales, industrial construction accounted for FIM 224 million (FIM 198 million), and civil engineering generated FIM 176 million (FIM 224 million).

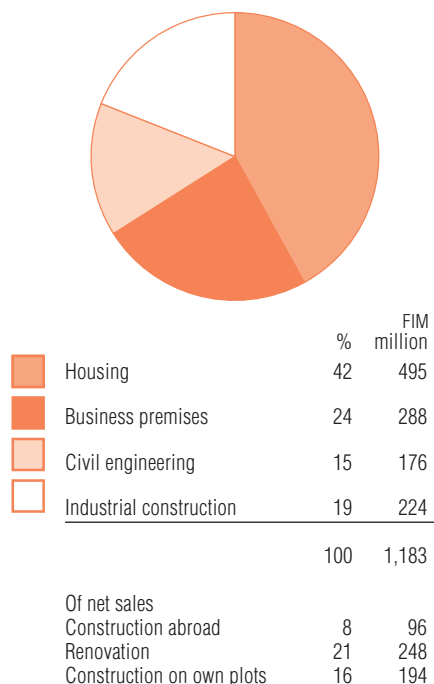


The photo shows a rental apartment unit built by Polar's Western Finland unit for the Local Government Pensions Institution on the Aurajoki river front in Turku. The development will have 119 apartments and 129 parking places.

Key figures for Construction Division

	1996 FIM million	1995 FIM million
Net sales	1,183	1,320
Operating margin	35	52
Operating profit	28	43
Personnel 31 Dec.	998	1,080

Construction net sales FIM 1,183 million by the type of building, %



The Construction Division's operating profit was FIM 28 million (FIM 43 million). New contracts valued at FIM 967 million were signed during the accounting period. The uninvoiced orders in hand at year-end totalled FIM 588 million (FIM 685 million), of which orders in Finland accounted for FIM 479 million and in Russia for FIM 109 million.

Improving operations and upgrading quality

A number of measures were implemented in the Group's Construction Division during the accounting period with the aim of enhancing its market position and competitive status.

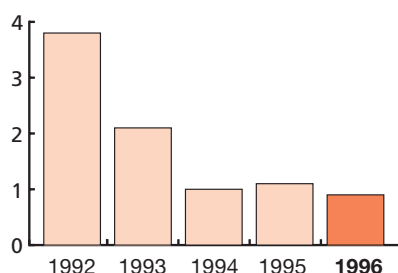
The business operations of Mikkelin Betoni Oy and the company's name were sold to a new company in a management buyout.

In the autumn, Polar Construction Ltd made a decision to wind up its cross-border exports focused on St Petersburg and the surrounding area. The company will no longer tender for new construction projects in the area, but it will complete its existing sites according to agreement. The possibilities for water treatment and civil engineering are being investigated.

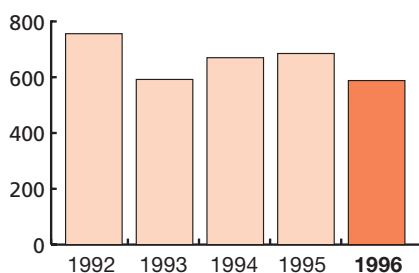
Action for quality improvement continued in all units. The Polar Group's contracts are carried out under either a certified quality system or a Polar quality system that has the approval of the clients. The ISO 9001 certification covers all building construction in the Helsinki Metropolitan Area. Certification for quality systems is being sought next for the Eastern and Western Finland units. The Finnish National Road Administration's Bridge Centre has ranked Polar's Civil Engineering unit in the highest classification for contractors with responsibility for quality in bridge-building: large and demanding quality construction contracts.

Polar Construction Ltd strengthened its position on the market for major renovations by upgrading its working methods and by training its personnel. The company is able to offer the experience it has gained on large renovation projects for carrying out large-scale refurbishments of entire residential areas. More than a quarter of the uninvoiced construction orders in Finland held by Polar are for renovation.

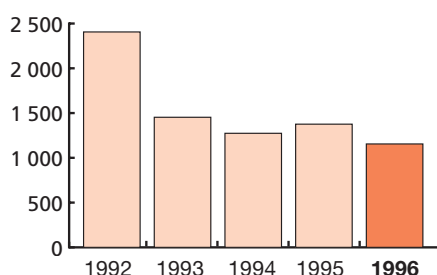
Construction, million cu.m.



Uninvoiced orders 31 Dec., FIM million



Construction invoicing, FIM million



Comparative figures for Construction Division

	1996	1995	1994	1993	1992
Invoicing, FIM million	1,155	1,376	1,274	1,453	2,407
International construction, % of invoicing	8	8	9	12	5
Uninvoiced orders in hand, 31. Dec. FIM million	588	685	670	592	756
Output completed, million cu.m.	0.9	1.1	1.0	2.1	3.8
Number of completed dwellings	1,712	2,092	1,733	2,611	2,252

Uninvoiced orders in hand at year-end, FIM million

	1996	1995	1994	1993	1992
Residential construction	295	161	237	138	252
Commercial and public construction	108	137	180	143	316
Civil engineering	53	153	110	64	111
Industrial construction	23	81	30	23	18
Construction abroad	109	153	113	224	59
Total	588	685	670	592	756

Outlook

The healthy trend has continued in the early months of 1997. Appropriations for construction have been increased, particularly in the budgets for this year of the larger towns. An increase in housing construction is predicted, as is an upswing in renovations of public buildings. The demand for business premises has also picked up momentum. The cyclic upswing that started at the end of last year is expected to last.

Because of the improved prospects, it is forecast that the Construction Division's net sales will increase and profitability will improve.

Main projects under construction at year-end

Project	Unit	Client
Kiint.oy Apollonkatu 8–10, Helsinki Conversion of school into housing	Helsinki Metropolitan Area Business Premises	Local Authorities' Pension Fund
Kiint.oy Reiherintie 9, Helsinki Renovation of apartment block, 238 dwellings	Helsinki Metropolitan Area Business Premises	City of Helsinki Housing Production Office
Hattulantie 5, Helsinki Renovation of apartment block, 136 dwellings	Helsinki Metropolitan Area Business Premises	City of Helsinki Housing Production Office
Central Library of Health-care Sciences, Helsinki Construction of a library for health-care sciences	Helsinki Metropolitan Area Business Premises	Kiinteistö HYKS Oy
Saga Sheltered Housing Construction of 139 dwellings, Helsinki	Helsinki Metropolitan Area Business Premises	Ruissalo Foundation
As.oy Espoon Perkaankuja, Espoo Construction of 81 dwellings	Helsinki Metropolitan Area Residential Construction	Eläke-Varma Oy
Kiint.oy Kilonportintie, Espoo Construction of 72 dwellings	Helsinki Metropolitan Area Residential Construction	Tarveasunnot Oy
As.oy Kaivonkatsojantie 5, Espoo Construction of 79 dwellings	Helsinki Metropolitan Area Residential Construction	YH-Rakennuttajat Oy
Kiint.oy Tulvaniitynpolku 3–5, Espoo Construction of 87 dwellings	Helsinki Metropolitan Area Residential Construction	Pohjola/Keskus-Sato Oy
Takomotie 25, ASO-asunnot, Helsinki Construction of 58 dwellings	Helsinki Metropolitan Area Residential Construction	VVO-Rakennuttaja Oy
Extension to Kamppi Underground car park, Helsinki	Civil Engineering	Oy Kamppiparkki Ab
Raippaluoto bridge, Mustasaari	Civil Engineering	Vaasa Roads District
Underpass Forum-Sokos, Helsinki	Civil Engineering	Oy City Forum Ab
Brusnitshnoje-2 border station, Nuijamaa	Eastern Finland unit	Rostek
Enso Publication Papers Ltd, Summa Sewage plant extension design/build	Eastern Finland unit	Oy Enso-Gutzeit Ab
Construction of Akonniemi Sewage treatment plant	Eastern Finland unit	City of Varkaus
LOAS Lappeenranta Renovation of student housing	Eastern Finland unit	Lappeenranta Regional Housing Foundation
Renovation of vocational school, Kuopio	Eastern Finland unit	Northern Savo Vocational Schools Association of Municipalities
Kiint.oy Turun Rosita ja Carolina Construction of 119 dwellings and 129 parking places	Western Finland unit	Local Government Pensions Institution
Central Hospital of Central Finland Extension and renovation, Jyväskylä	Western Finland unit	Central Finland Medical District Association of Municipalities
As.oy Nokian Vikkulanvainio 16 privately financed dwellings	Western Finland unit	As.oy Nokian Vikkulanvainio
Tampere College of Health Professions Renovation	Western Finland unit	State Real Property Authority
Pajulahti ice stadium	Western Finland unit	Pajulahden Jäähalli Oy



The Äetsä power plant was completed in 1996. Polar's Eastern Finland unit performed the construction engineering work for the new machinery station of UPM-Kymmene Corporation's Äetsä power plant.



Polar built new offices and research facilities for Oy LM Ericsson Ab in Kirkkonummi.



Polar renovated the prestigious Hotel Marski, owned by Arctia Oy, which went into business in the early 1960s.



In addition to extending the underground car park in the Kamppi district of Helsinki, Polar is building an underpass from the Forum mall's underground car park to the Sokos department store.

Real Estate



“The equity arrangements made at Polar add muscle to our prospects for long-range property investment and development.”

Erkka Valkila, Senior Vice President

Polar's Real Estate Division is responsible for the Polar Group's real estate portfolio, valued at FIM 3.8 billion. Net sales were FIM 346 million (FIM 358 million), of which rental income accounted for FIM 207 million (FIM 191 million) and sales revenue accounted for FIM 139 million (FIM 167 million). Operating profit was FIM 65 million (FIM 56 million).

Business operations are divided between three units: Southern Finland, Regional Operations and Shopping Centres. Financial administration takes place on a centralized basis at the head office.

The Southern Finland unit is responsible for real estate business in Uusimaa Province, mainly the Helsinki Metropolitan Area. The unit's net sales in 1996 amounted to FIM 129 million (FIM 174 million).

The Regional Operations unit is responsible for the real estate portfolio in other parts of Finland. The unit has offices in Turku, Tampere, Lahti, Joensuu and Oulu. Its net sales in 1996 totalled FIM 173 million (FIM 146 million).

The Shopping Centres unit is responsible for managing shopping centres at Tampereen Koskikeskus, Seinäjoen Torikeskus and Valkeakosken Koskikara. The unit's net sales in 1996 were FIM 44 million (FIM 38 million).

Polar Corporation has holdings in the following affiliated companies operating in the real estate business: Suomen Kiinteistökehitys SKK Oy (50%) and Suomen Osakaskiinteistöt Oy (30 %). Polar Corporation has an 8 % interest in Kiinteistösiirtoyhtiö Citycon Oy.

A turn for the better on the market for real estate

There was a turn for the better on the real estate market during the accounting period. The general economic recovery and lower interest rates, combined with higher occupancy rates and rental rates, boosted the profitability of real estate investment. On the housing market, demand for privately financed dwellings picked up and prices began to rise towards the end of the year. The demand for plots continued to centre mainly on state-backed residential construction and there was little trading in business premises.

The Group's property portfolio

The value, net of debt, of the Group's property portfolio in Finland was FIM 3,810 million (FIM 3,944 million). Of this, the portfolio of completed properties accounted for FIM 2,560 million (FIM 2,581 million). Holdings of plots accounted for FIM 1,135 million (FIM 1,225 million) and dwellings for FIM 33 million (FIM 47 million). Other assets accounted for FIM 82 million (FIM 91 million).

At the end of the accounting period there were 310,000 square metres of completed properties (310,000 sq.m. in 1995). Most of this is commercial and office space in the Helsinki Metropolitan Area and regional centres. The number of unsold completed dwellings at year-end was 82 (123). The combined total of permitted building volume for the plot holdings was 1.9 million square metres of gross floor area (2.1 million).

There is an itemized breakdown of the Group's real estate holdings in the annual report of the Board on page 24.

Sales focusing on residential plots

Real estate to a value of FIM 162 million was sold in 1996 (FIM 167 million), taken at selling prices net of debt. Plots of land accounted for FIM 117 million (FIM 119 million), including FIM 5 million in sales of land by unconsolidated real estate holding com-

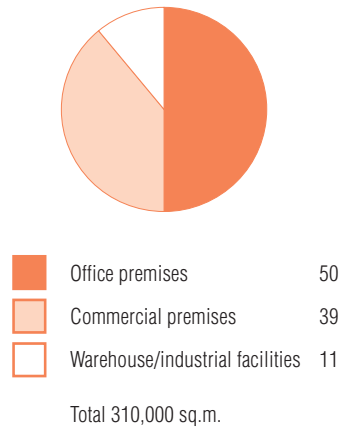


The facilities in Kone Corporation's offices, in a commercial building in Munkkiniemi, were upgraded in a conversion project.

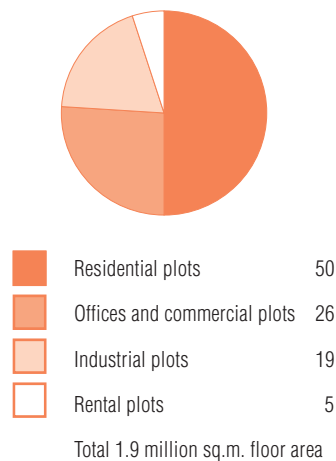
Key figures for Real Estate Division

	1996 Mmk	1995 Mmk
Net sales	346	358
Operating margin	87	79
Operating profit	65	56
Personnel 31 Dec.	39	36

Real estate holdings in Finland (net leasable area) according to intended purpose 31 Dec. 1996, %



Building rights (net floor area) according to intended purpose, 31 Dec. 1996, %

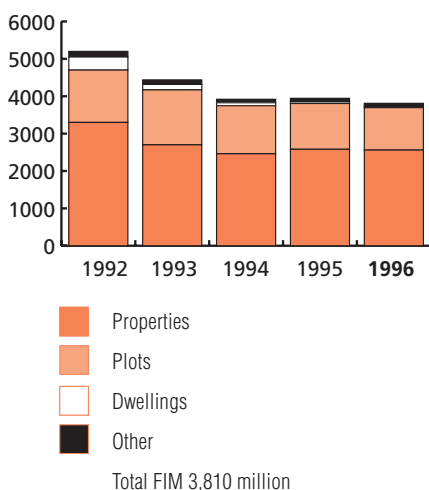


panies. Business premises accounted for FIM 25 million (FIM 2 million) and dwellings for FIM 16 million (FIM 45 million). Other assets were sold for FIM 4 million (FIM 1 million). The sales margin was FIM 28 million (FIM 12 million). There were 207 deals made during the year (266). Other sales revenue amounted to FIM 6 million (FIM 9 million) with a margin of FIM 4 million (FIM 7 million).

Plots were sold mainly for assisted housing projects. There was little demand for purchasing business premises.

In the course of the accounting period, Polar Corporation sold its 30% holding in Tampereen Sijoitustalo Oy.

Property portfolio in Finland at values net of debt, 31 Dec., FIM million



Acquisitions

Polar Corporation did a swap deal by which it obtained the Hista tract in Espoo from Haka's bankruptcy estate. This transaction doubled Polar Corporation's holdings in the area to roughly 120 hectares. Swaps with Omaisuuudenhoitoyhtiö Arsenal Oy enabled Polar Corporation to gain complete ownership of a plot of some 7,000 gross square metres of floor space in the Pirkkala district of Tampere and 1,250 square metres of Koy Kaijonharju's commercial centre in Oulu, in addition to a total of about 575 square metres of holdings in the Zeppelin commercial centre in Kempele. In Tampere, Polar Corporation acquired approximately 1,300 square metres of office space in the Koy F-Medi property from YIT Corporation.

Improved occupancy rate

The occupancy rate at the end of the accounting period was 91% (85%), varying among the units as follows: Southern Finland 94% (91%), Regional Operations 87% (78%) and Shopping Centres 93% (88%). The improved occupancy rate was due to the market having firmed up and the suitability of Polar's property portfolio to its customers' needs.

Net rental income from premises available for leasing increased to FIM 130 million (FIM 126 million). In proportion to the book value net of debt, the net yield from leased



Nike Finland Oy's new office and product exhibition premises in Pakkala, Vantaa.

Conversions at the Tampereen Koskikeskus improved the functioning of the shopping centre.

premises was 5.1% (4.9%).

By year-end, 257 lease agreements had been made. The main contracts were for 1,600 square metres of office space leased by Nike Finland Oy in the Pakkala district of Vantaa, and a continuation of Kone Corporation's lease on 2,600 square metres of offices in Helsinki. The main contracts entered into by the Regional Operations and Shopping Centres units were the leasing out of a 2,500 square metres commercial property in Kaijonharju, Oulu, and agreements made with JYSK-Vuodevaatevarasto Oy for space in the Seinäjoen Torikeskus (1,050 sq.m.) and Lahden Hansa shopping centres (2,100 sq.m.).

Privately financed residential construction under way

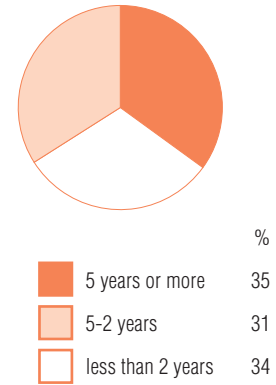
The gap between prices of old housing and new, privately financed dwellings narrowed, which will help to create a basis for the start-up of privately financed construction. During the accounting period, Polar Corporation initiated privately financed residential projects in Nokia and Oulu. Advance marketing of several projects has already been started in various parts of Finland.

Development projects

During the year, a number of projects for the development of completed properties were carried out. The main examples of this were a major renovation and conversion of the Seurahuone hospitality building in Kotka, a conversion of office premises in the Kone Corporation's office building in Helsinki, and a conversion of office premises leased to Fujitsu ICL in the Kilo district of Espoo.

As for tracts of land, planning permission was obtained for about 19,000 square metres of floor area in the Kaivoksela district of Vantaa. An alteration in the area planning for the Puistola district of Helsinki permitting a block near the local railway station to be used for residential purposes was approved by Helsinki City Planning Department. The zoning for the Pakkala 5 area in Vantaa was continued in cooperation with the city authorities.

Length of rental agreements, 31 Dec. 1996, %



Rental occupancy rate

	1996	1995
Southern Finland	94	91
Shopping centres	93	88
Regional operations	87	78
Whole of Finland	91	85

Value of properties completed and net yield, net of debt

1996	FIM million	%
Helsinki Metropolitan area	1,344	5.4
Turku, Tampere, Lahti	734	5.3
Rest of Finland	482	3.7
Total	2,560	5.1

This building, in the Petikko district of Vantaa, which is occupied by The Anttilan Kodin Ykkönen department store, is one of the largest leased properties in terms of square metres.



Of the project developments, planning was continued for a commercial centre in the Vantaanportti area and a building permit application was lodged for this. A contract was signed with Kesko Ltd, the Elanto Cooperative Society and Merita Real Estate Ltd for the development of Herttoniemi commercial centre. In Ikaalinen, a joint project with Ikaalisten Osuuspankki, a cooperative bank in Ikaalinen, was launched for the construction of a commercial and residential building in the course of 1997. Furthermore, a letter of intent was signed with Starckjohann Oy on the construction in Tampere of a multi-storey car park of approximately 5,000 square metres.

A letter of intent was signed with the city of Lahti for the construction of an athletes' village in the Ankkuri district of Lahti for the 2001 World Championship in Skiing. The construction of the village will take place in 1999–2000.

Outlook

The rapid expansion of the population in national growth centres is making itself felt in the real estate market, with growth centres developing while other areas undergo decline. Rising demand and prices foreshadow a recovery in privately financed housing construction during the present accounting period. Officially assisted housing construction is also on the rise.

There are increasingly few vacant properties, particularly in the Helsinki Metropolitan Area. This is boosting rentals and leading to new projects. The demand for plots for business premises has also increased during the present year, especially in the Helsinki Metropolitan Area.

Environmental legislation and laws concerning construction will lead to greater control on planning permission for tracts of land in the future, and this will affect the planning of new zoning projects.

The location of Polar's completed property holdings and plots, which are in growth centres, has turned out to be a strength. The objective is to further develop properties to improve their yield and value.

Rental yields are expected to increase further this year. The proceeds from sales of real estate are likely to be lower than in the previous year.

Property portfolio in the consolidated balance sheet

	1996 (FIM million)
Fixed assets	
intangible rights	9
other long-term expenses	17
land and water areas	211
buildings and structures	581
machinery and equipment	34
real estate company shares	1,376
other securities	33
long-term loans receivable	100
Total fixed assets	2,361
Inventories	
land areas and properties	352
shares in plots	517
shares in housing companies	20
shares in business premises	99
accounts receivable	174
short-term accounts receivable	70
Total inventories	1,231
Total in balance sheet	3,592
Shares in company loans	218
Total	3,810



The Sandbacka residential area of Pakkala-Tammisto district in Vantaa is the first to be under construction. Four hundred dwellings have been completed. Some 1,000 people live in Sandbacka.

Main rental items

Office properties	Net leasable area, sq.m.	Main lessees/users
Kiint.oy Kivikukkaro, Turku	10,860	Omaisuuudenhoitoyhtiö Arsenal Oy
Kiint.oy Pakkalan Kartanonkoski 3, Vantaa	9,033	Nike Finland Oy, Polar-Yhtymä Oy, Polar-Rakennus Oy
Kiint.oy Kutomotie 6, Helsinki	7,626	Suomen Nestlé Oy, Pictus Oy, HS Finland Oy
Kiint.oy Vuorikatu 20, Helsinki	6,740	Helsingin yliopisto
Munkkiniemen liiketalo, Helsinki	6,690	Kone Oy, Tuokko Deloitte & Touche Oy, Microdata Oy
Kiint.oy Helsingin Kansakoulukatu 3, Helsinki	6,545	Helsingin kaupunki, kaupunkisuunnitteluvirasto
Kiint.oy Scifin Alfa, Espoo	4,651	Intergraph Finland Oy, AST Finland Oy, TT-Prosolution Oy
Kiint.oy Kilon Helmi, Espoo	4,069	Fujitsu ICL Computers Oy, Fag Finland Oy
Kiint.oy Kilon Timantti, Espoo	4,035	Fujitsu ICL Computers Oy
Itätuulentie 8, Espoo	3,583	Espoon kaupunki, Lindex Oy, Ihme ja Kumma Oy
Kiint.oy Vilhonkatu 5, Helsinki ¹⁾	2,883	Kera, KTM, City Apartments Oy, Tarjoustalo Oy
Kiint.oy F-Medi, Tampere	2,826	Tampereen Terveystieteiden tutkimuskeskus
Kiint.oy Kaivokatu 8, Helsinki ¹⁾	1,611	ABB Aros Pankkiiriliike Oy, PetraSol Ky
Commercial centres/business premises		
Tampereen Koskikeskus Oy, Tampere ¹⁾	16,725	Lindex Oy, Seppälä, Finnino Oy
Kiint.oy Sisustaja, Vantaa	15,866	Anttila Oy
Seinäjoen Torikeskus, Seinäjoki ¹⁾	11,699	Burger Inn Oy, Seurojen Tuki r.y., Oy Sokoteria Ab, Jysk-Vuodevarasto Oy
Valkeakosken Koskikara, Valkeakoski ¹⁾	5,898	Oy Alko Ab, Burger Inn Oy, Seppälä, Pirkanmaan Ok
Kiint.oy Hollolan Ostospaikka (Kompassi), Hollola	5,442	Kesko Oy, Päijät-Hämeen Osuuspankki, Seppälä
Manufacturing/office premises		
Vallilan yhtiöt, Helsinki	34,798	Meira Oy, SOK, Teatterikorkeakoulu
Hotels		
Kiint.oy Helsingin Kanavakatu 8–22, Helsinki ¹⁾	14,393	Arctia Oy
Kiint.oy Kotkan Seurahuone, Kotka	7,534	Osuuskauppa Ympyrä

¹⁾ Part-ownership, Polar's stake

Unsold privately financed dwellings, 1992 – 1996

	1996	1995	1994	1993	1992
Under construction	32	0	0	0	0
Completed	82	123	234	398	802

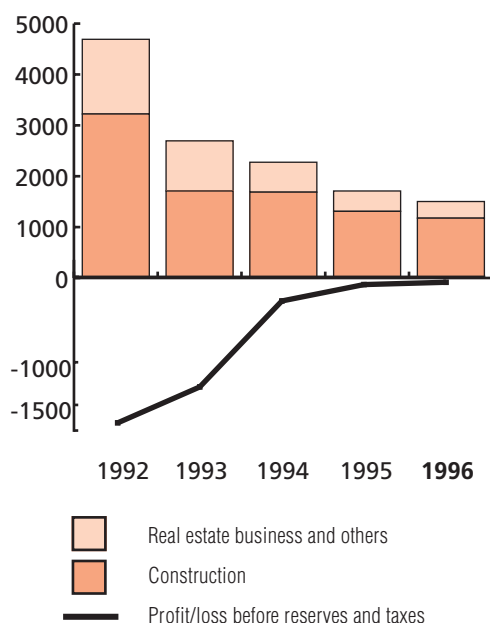
Annual report of the Board,

1 January – 31 December 1996

During the accounting period, Polar Corporation's capital structure was strengthened. In a share issue carried out in November 1996, the share capital was increased by FIM 618,871,000. The equity ratio was raised nearly to 34%.

The Polar Group's main divisions are construction and real estate business. The overall volume of the Construction Division was lower than that of the previous year. Real estate business continued its healthy trend.

Net sales and earnings, FIM million



Net sales and financial performance

The Group's net sales totalled FIM 1,503 million (FIM 1,710 million in 1995). The Construction Division's net sales were FIM 1,183 million (FIM 1,320 million). The Real Estate Division's net sales were FIM 346 million (FIM 358 million).

The Group's operating margin was FIM 103 million (FIM 107 million). The Group's operating profit was FIM 54 million (FIM 51 million). The loss after financing items was FIM 40 million (loss of FIM 44 million).

Extraordinary expenses amounted to FIM 29 million (FIM 48 million).

The taxes for the accounting period totalled FIM 4 million (FIM 2 million).

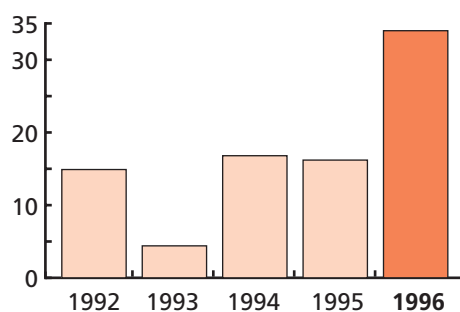
The net loss for the year was FIM 52 million (loss of FIM 74 million). Return on investment was 2.4% (2.1%) and return on equity was -4.1% (-6.5%). Earnings per share amounted to FIM 0.77 negative (FIM 0.93 negative).

Financing

The Group's liquidity remained healthy during the accounting period. The Group's liquid assets stood at FIM 173 million at year-end (FIM 172 million). There was also FIM 42 million in pledged assets (FIM 94 million).

Net financing expenses amounted to FIM -94 million (FIM -96 million). The bal-

Equity ratio, %



Net sales and operating profit, FIM million

	Net sales		Operating profit/loss	
	1996	1995	1996	1995
Construction	1,183	1,320	28	43
Real Estate	346	358	65	56
International business	-	29	-	-6
Construction-related industry	-	55	-	-3
Group administration	1	2	-23	-21
Depreciation of goodwill and Group goodwill	-	-	-16	-18
Internal invoicing	-27	-54	-	-
Total	1,503	1,710	54	51

ance sheet total declined by FIM 223 million and stood at FIM 4,437 million (FIM 4,660 million).

Interest-bearing liabilities totalled FIM 2,044 million (FIM 2,131 million) of which current liabilities totalled FIM 69 million.

Because of the arrangements concerning the capital structure, the warrant bonds declined by roughly FIM 1,058 million and became shareholders' equity, equity loan and bonds.

During the year under review, FIM 125 million was paid off the Group's loans (FIM 69 million). During the 1997 accounting period, FIM 79 million will be paid off in accordance with the payment schedule.

The Group's equity ratio was 33.5% (16.2%).

Obligatory reserves

There is a total of FIM 176 million of obligatory reserves in the consolidated balance sheet. Of these it is estimated that, on liquidation, FIM 31 million will be converted to warrant bonds, FIM 24 million to convertible bonds, FIM 11 million to secured debt, FIM 13 million to loss of property, and FIM 97 million to expenses affecting the cash position, of which FIM 76 million comprises rent liabilities. Of the rent liabilities, it is estimated that roughly FIM 7 million will fall due for payment annually.

Construction

The Construction Division's net sales were FIM 1,183 million (FIM 1,320 million). The operating margin was FIM 35 million (FIM 52 million) and the operating profit was FIM 28 million (43).

The Group's uninvoiced orders in hand stood at FIM 588 million at year-end (FIM 685 million). Of this, orders in Russia accounted for FIM 109 million (FIM 153 million).

During the accounting period, the St Petersburg office posted a loss of FIM 11 million. It was decided to wind up operations in Russia. Work in progress will be completed. In addition to the St Petersburg office, there is the Brusnichnoye 2 border station in Russia, work on which has been interrupted for reasons due to the client, and work on the St Petersburg Northwest Power Plant, on which Polar's part of the work is in the handover stage. The receivables from Russian clients at year-end totalled FIM 19 million.

Real estate business in Finland

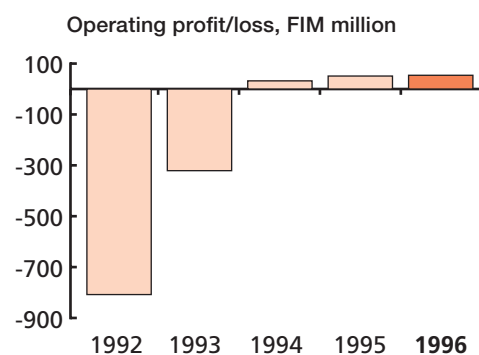
The net sales of real estate business in Finland were FIM 346 million (FIM 358 million). The operating margin was FIM 87 million (FIM 79 million) and the operating profit was FIM 65 million (FIM 56 million).

The value of the Group's real estate portfolio in Finland was FIM 3,810 million net of debt. This figure comprises capital tied up in property with a book value of FIM 3,592 million, plus FIM 218 million in non-Group loans against Group property in unconsolidated real estate holding companies.

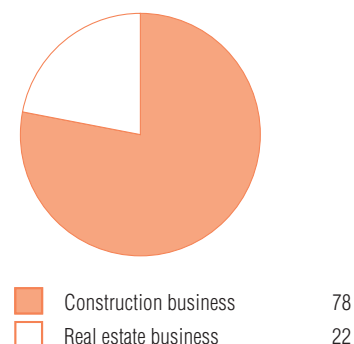
During the accounting period, the shareholders' equity of Polar Corporation's affiliate Suomen Kiinteistökehitys SKK Oy was strengthened by FIM 42 million, of which Polar's share was half. In the same connection, Suomen Kiinteistökehitys SKK Oy and Polar Corporation annulled a contract to share rental earnings derived from the shares of Kiinteistö Oy Tampereen Hatanpää.

Polar Corporation, the Cooperative Banks' Pension Fund and the Construction Trade Union signed a preliminary contract for the construction of four interest-subsidized rental apartment buildings in Turku, Oulu and Tampere, on sites to be purchased from Polar Corporation.

The annual rental yield of Group-owned commercial premises at the end of the year was FIM 130 million (FIM 126 million), which generated 5.1% of the value net of debt (4.9%). The occupancy rate of the Group's commercial premises for rent rose to 91% (85%).



Net sales by fields of business, %



Total 1,503 FIM million

Group's real estate in Finland 31 Dec. 1996

	Helsinki region	Turku, Tampere and Lahti economic zone	Rest of Finland	Whole of Finland
Properties				
Net floor area (sq.m.)	145,200	70,100	94,700	310,000
Net rental yield (FIM million)	73	39	18	130
Yield/book value net of debt (%)	5.4	5.3	3.7	5.1
Occupancy rate (%)	94	94	83	91
Value net of debt (FIM million)	1,344	734	482	2,560
Plots				
Residential (gross floor area, sq.m.)	305,742	372,015	284,538	962,295
Office and commercial (gross floor area, sq.m.)	201,372	220,520	70,673	492,565
Industrial (gross floor area, sq.m.)	205,957	115,938	50,412	372,307
Rental (gross floor area, sq.m.)	21,880	22,695	52,348	96,923
Total (gross floor area, sq.m.)	734,951	731,168	457,971	1,924,090
Value net of debt (FIM million)	526	386	223	1,135
Dwellings				
Number	4	35	43	82
Value net of debt (FIM million)	3	13	17	33
Others				
Value net of debt (FIM million)	34	25	23	82
Value net of debt (FIM million)	1,907	1,158	745	3,810

Valuation of properties

Properties were assessed at the direct acquisition cost less depreciation and write-offs. Because of the state of the market, the value of properties and land portfolio involves factors of uncertainty.

The implementation of the restructuring programme

A restructuring programme was confirmed for Polar Corporation in February 1994. The programme will end in 2001.

The implementation of the programme is monitored by a seven-member committee of creditors, the chairman of which is Matti Sarnela, LL.M. Attorney-at-law Pekka Sirviö serves as the supervisor; he reports to the committee of creditors and to the creditors themselves.

During the accounting period, Polar Corporation fulfilled its obligations under the restructuring programme.

Shares

The annual general meeting of 22 April 1996 authorized the Board of Directors to issue convertible bonds in the amount of FIM 180 million in June 1996, with a maturity of 27 June 1996 - 31 December 2001. The issue was targeted in disapplication of existing shareholders' preemptive rights on a Polar Corporation-owned company, Kiinteistö Oy Ins-Motelli, which subscribed for the entire issue.

Cervuctum Oy, which is owned by UPM-Kymmene Corporation, Metra Corporation, Partek Oy Ab and the Finnish Cooperative Wholesale Society (SOK), acquired warrant and convertible bonds issued by Polar with a par value amounting to over half a billion markkas during the summer and autumn of 1996.

On Cervuctum Oy's initiative, the Board of Directors recommended the strengthening of Polar's capital structure. An extraordinary general meeting held on 12 November 1996 resolved to increase the share capital by a new issue of shares valued at no less than four hundred million and no more than one billion markkas. The meeting also passed a resolution for the issue of convertible bonds, in the maximum amount of eight hundred million markkas, in compliance with chapter 5 section 1 of the Companies Act. In addition, the Board of Directors of the Polar Group decided on an issue of corporate

bonds in the maximum amount of FIM 600 million.

At the end of the subscription period on 29 November 1996, subscription commitments were in the amount of FIM 618,871,000 for the share issue, FIM 423,075,000 for the equity loan, and FIM 435,997,000 for the bonds issue, which makes a total of FIM 1,477,943,000.

Polar Corporation's share capital stood at FIM 1,162,754,560 at year-end. By the end of the accounting period, 3,341,300 convertible bonds had been exchanged for Polar shares. The convertible bonds and equity loan remaining in the hands of non-Group parties confer entitlement to exchange for approximately 40 million shares.

The warrants of the 1994 warrant bond issue confer entitlement to non-Group parties to exchange for approximately 8 million shares.

Warrant bonds, convertible bonds and convertible equity loan as at 31 December 1996

	Non-Polar Group	Polar Group	Total
Warrant bonds (FIM 1,000)	135,505	40,000	175,505
Warrants (1,000)	8,130	2,400	10,530
Convertible bonds (FIM 1,000)	382,093	231,081	613,174
Options to convert to shares (1,000)	19,105	11,554	30,659
Convertible equity loan (FIM 1,000)	209,416	213,659	423,075
Options to convert to shares (1,000)	20,942	21,366	42,308

Changes in the Group structure

During the accounting period, Vantaanportti Oy was merged with Polar-perustus Oy and the name of Polar-perustus Oy was changed to Vantaanportti Oy. A new subsidiary, Rakennus-Haaparanta Oy, was established during the accounting period. It went into business on 1 September 1996. Fifteen subsidiaries were liquidated during the accounting period. Rakennus-Anttila Oy was placed in receivership.

During the 1997 accounting period, Kota-Rakennus Oy, Niirava Oy, Rakennusliike Kramno Oy, Rakennusliike Ossi Eurén Oy and Serajo Oy were merged with Porennus Oy. Porennus Oy was merged with Polar Corporation. Rakennus-Ankkuri Oy was merged with Rakennus Vuorenpää Oy during the current accounting period.

International business

In the course of the accounting period, properties and land were sold for FIM 83 million, of which FIM 64 million was in Europe and FIM 19 million was in the USA. The value net of debt of properties, land and shares outside Finland totalled FIM 294 million on 31 December 1996, of which FIM 189 million was in Europe and FIM 105 million was in the USA. In the 1993 financial statements, FIM 392 million of guarantee liabilities, forecast to be realized, was posted as expenses and deferred liabilities associated with the European subsidiaries. The remaining unrealized guarantee liabilities at the end of 1996 amounted to FIM 59 million. The final total of the guarantee liabilities will depend mainly on the property market trend in Britain and Germany.

Suits for damages related to European operations, initiated by the Polar Group, are still sub judice, as are court cases related to receivables and associated recovery proceedings. Polar Corporation has receivables in the USA, through an unconsolidated subsidiary, in the amount of US\$ 9.2 million. Payment of this receivable depends on the trend in business in the USA. Also, guarantees in the amount of some US\$ 20 million are valid for operations in the USA. It is the belief of the Board of Directors that these guarantee liabilities will not be realized. It has already been decided to wind up operations in Europe and the USA. Subsidiaries owned in these regions have again been excluded from the consolidated financial statements.

Investments

The Group's investments amounted to FIM 90 million (FIM 129 million).

Supervisory board, Board of Directors and Auditors



Jan-Henrik Kulp, Chairman

At the annual general meeting of 22 April 1996, the following members of the Supervisory Board were re-elected on the expiry of their terms: Jere Lahti, Georg Ehrnrooth, Tapani Kaskeala and Helena Walldén. Vesa Pohjankoski was elected to the Supervisory Board to succeed Jarmo Kääriäinen after his resignation on 22 April 1996, for the remaining one year of his term. The other members of the Supervisory Board are Tauno Matomäki, Jorma Routti and Christoffer Taxell.

The Chairman of the Board of Directors, Heikki Hakala, resigned from the Board and from the chairmanship on 15 November 1996. Since 16 November 1996, Jan-Henrik Kulp, chief financial officer of UPM-Kymmene Group, has served as Chairman of the Board of Directors.

The auditors re-elected by the annual general meeting are: Tauno Haataja, M.Sc.(Econ.), Authorized Public Accountant; Jorma Jäske, M.Sc.(Econ.), APA; and the APA firm SVH Coopers & Lybrand Oy.



Jukka Salminen, Vice-chairman

Board of Directors

Member of the Board since

Jan-Henrik Kulp, Chairman	16 November 1996
Jukka Salminen, Vice-chairman	30 March 1993
Kari Heinistö	29 November 1993
Seppo Siljama	10 February 1994
Kurt Stenvall	10 February 1994
Arto Ihto	1 July 1994
Arto Korhonen	9 November 1994



Kari Heinistö



Seppo Siljama



Kurt Stenvall



Arto Ihto



Arto Korhonen

Personnel

During the accounting period the Group employed an average of 1,142 people (1,377), of whom 57 (76) were employees of the parent company. The Group had 1,260 employees at the beginning of the year and 1,061 at year-end.

The total of the salaries and emoluments paid to the Supervisory Board, to Group company Boards of Directors and the Presidents was FIM 4.2 million (FIM 6.0 million). Other Group employees were paid a combined total of FIM 185.9 million (FIM 202.2 million). The salaries and emoluments paid to the parent company's Supervisory Board, Board of Directors and President were FIM 2.0 million (FIM 2.0 million) and FIM 14.2 million (FIM 20.5 million) was paid to the other employees of the parent company. No bonuses were paid to the members of Boards of Directors and Presidents.

Outlook

During the past accounting period, action was taken to strengthen the Group's capital structure. This creates a basis for the Group's long-term development.

In respect of construction operations, it is expected that improving economic conditions will have a positive effect on construction.

In respect of real estate business, it is forecast that the trend in economic conditions will continue to be favourable. Sales of properties are expected to be on a par with the previous year's figures.

The Group's operational profits are expected to improve.

Proposal by the Board of Directors to the annual general meeting

In the financial statements, balance sheet losses have been covered from the reserve fund of FIM 1,387.0 million. If the annual general meeting approves this measure, the company's shareholders' equity items will be as follows: restricted equity FIM 1,162.8 million, non-restricted equity FIM - 272.7 million.

The Board of Directors propose to the annual general meeting that no dividend be paid for the 1996 accounting period.

Vantaa, 27 February 1997

Jan-Henrik Kulp
Chairman

Jukka Salminen
Vice-chairman

Kari Heinistö

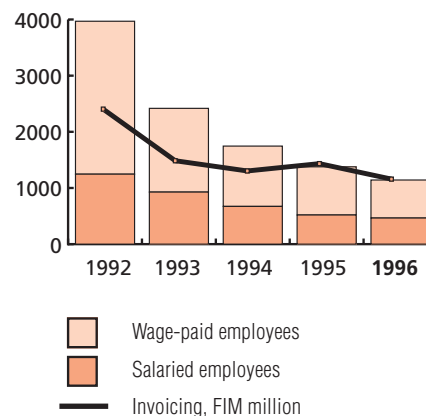
Arto Korhonen

Seppo Siljama

Kurt Stenvall

Arto Ihto
President

Personnel and invoicing



Formulas for the key indicators

Return on equity (ROE) %	=	$\frac{\text{Profit/loss before extraordinary items – taxes for year}}{\text{Shareholders' equity + quasi-equity convertible bonds + convertible equity loan + accumulated depreciation difference + voluntary reserves + minority interest (average for year)}}$	x 100
Return on investment (ROI) %	=	$\frac{\text{Profit/loss before extraordinary items + financing expenses}}{\text{Balance sheet total – non-interest-bearing debts for year (excluding quasi-equity convertible bonds and convertible equity loan) (average for year)}}$	x 100
Equity ratio %	=	$\frac{\text{Shareholders' equity + quasi-equity convertible bonds + convertible equity loan + estimated proportion of obligatory reserves to be converted into quasi-equity convertible bonds *) + accumulated depreciation difference + voluntary reserves + minority interest}}{\text{Balance sheet total – advance invoicing – spec contracting advances}}$	x 100
		*) Estimated at 24 FIM million (1996)	
Earnings per share (EPS)	=	$\frac{\text{Profit/loss before extraordinary items +/- minority interest in profit – taxes for year}}{\text{Issue-adjusted average number of shares during the year}}$	
Equity per share	=	$\frac{\text{Shareholders' equity + quasi-equity convertible bonds + convertible equity loan + accumulated depreciation difference + voluntary reserves}}{\text{Issue-adjusted number of shares held by non-Group parties + number of shares exchangeable by convertible bonds held by non-Group parties}}$	
Dividend per share	=	$\frac{\text{Dividend paid for the accounting period}}{\text{Issue-adjusted number of shares at year-end}}$	
Dividend/profit, %	=	$\frac{\text{Dividend paid for the accounting period}}{\text{Earnings (as in earnings per share)}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Issue-adjusted last traded price of share}}$	x 100
P/E ratio	=	$\frac{\text{Issue-adjusted last traded price of share}}{\text{Dividend per share}}$	
Issue-adjusted average share price	=	$\frac{\text{Total trading in shares}}{\text{Issue-adjusted number of shares traded during the year}}$	
Market capitalization	=	$\text{Number of shares at year-end x last traded share price}$	

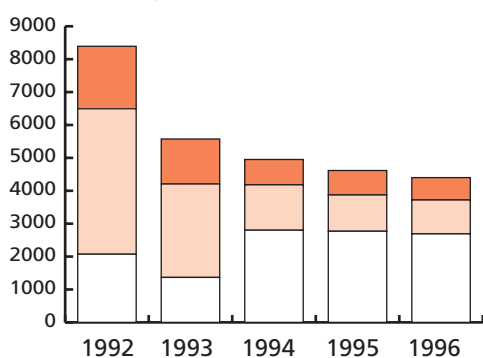
Profit and loss account

FIM million	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Net sales	1,502.7	1,709.6	291.5	281.1
Change in stock of finished products	2.2	-5.5	-	-3.5
Production for own use	4.6	-	-	-
Share in affiliates' profit/loss	0.4	-0.1	-	-
Other income and expenses of business operations	-0.4	-0.2	0.2	-0.4
Expenses				
Materials, goods and supplies:				
Purchases	-372.4	-430.1	-7.4	-19.0
Non-Group services	-539.8	-612.2	-2.1	-14.3
Personnel expenses	-249.8	-285.4	-20.9	-25.2
Rents	-0.6	-1.1	-0.2	-0.4
Other expenses	-166.5	-93.6	-139.1	-46.3
Expense transfer	-	-1.6	-0.3	-6.4
Change in inventories	-77.2	-172.2	-67.4	-135.6
	-1,406.3	-1,596.2	-237.4	-247.2
Operating margin	103.2	107.5	54.3	30.0
Depreciation				
Fixed assets and other long-term expenses	-46.2	-49.6	-26.2	-24.6
Group goodwill	-3.5	-6.5	-	-
	-49.7	-56.1	-26.2	-24.6
Operating profit	53.5	51.4	28.1	5.4
Financing income and expenses				
Dividend income	1.4	0.0	1.4	0.0
Interest income on long-term investments	14.4	4.9	32.0	18.4
Other financing income	5.3	5.5	4.9	5.7
Interest expenses	-110.5	-100.6	-101.5	-89.0
Other financing expenses	-4.4	-5.5	-4.2	-4.5
	-93.8	-95.7	-67.4	-69.3
Loss before extraordinary items, reserves and taxes	-40.2	-44.3	-39.3	-63.9
Extraordinary income and expenses				
Group subventions	-	-	25.5	31.9
Extraordinary income	6.6	2.4	6.4	0.1
Extraordinary expenses	-29.2	-47.9	-28.8	-177.0
	-22.6	-45.5	3.1	-145.1
Loss before reserves and taxes	-62.8	-89.8	-36.2	-209.0
Change in depreciation difference	14.9	13.9	-0.5	0.6
Change in voluntary reserves	0.2	6.1	-	-
Direct taxes				
For the accounting period	-1.2	-2.5	-	-0.1
For the previous accounting periods	-2.5	-	-2.4	-
	-3.7	-2.5	-2.4	-0.1
Loss for year before minority interest	-51.4	-72.2	-39.0	-208.6
Minority interest	-0.6	-1.3	-	-
Net loss for year	-52.0	-73.6	-39.0	-208.6

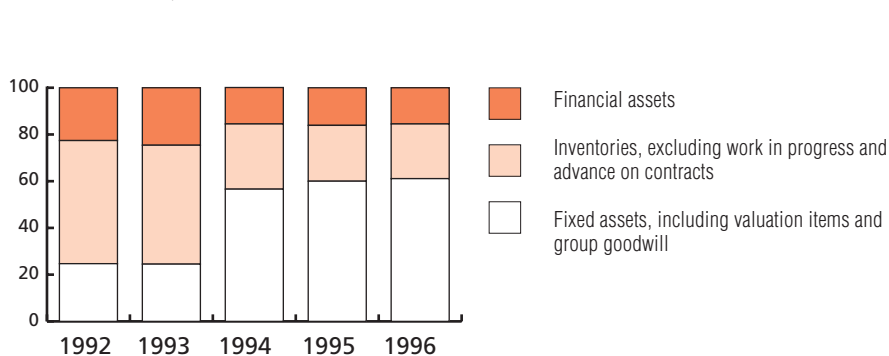
Balance sheet

ASSETS, FIM million	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Fixed assets and other long-term investments				
Immaterial goods				
Intangible rights	8.6	8.6	—	—
Goodwill	97.4	120.2	120.8	137.0
Group goodwill	—	16.5	—	—
Other long-term expenses	18.6	14.5	13.1	8.9
	124.7	159.8	133.9	145.9
Material goods				
Land and water areas	216.0	216.5	35.8	36.3
Buildings and structures	603.6	606.6	117.7	118.1
Machinery and equipment	39.2	62.5	11.6	14.6
Own work in progress	0.1	0.1	—	—
	858.9	885.7	165.2	169.0
Securities included in fixed assets and other long-term investments				
Shares in Group companies	—	—	623.6	595.0
Other subsidiary shares	0.0	0.0	0.0	0.0
Shares in affiliates	18.4	3.9	19.1	5.0
Real estate company shares	1,406.5	1,368.1	1,277.8	1,238.8
Other securities	43.7	50.5	42.2	49.2
Loans receivable	236.8	300.5	1,170.8	1,088.9
Other investments	1.4	1.4	1.3	1.3
	1,706.7	1,724.5	3,134.8	2,978.2
Inventories and financial assets				
Inventories				
Materials and supplies	—	1.7	—	—
Work in progress	5.4	3.3	—	—
Products	0.1	2.7	—	—
Land areas and properties	374.8	396.1	320.7	338.1
Shares	686.0	742.6	549.3	599.3
	1,066.3	1,146.4	870.0	937.4
Receivables				
Accounts receivable	306.5	342.4	176.8	197.5
Loans receivable	93.1	79.1	142.3	105.1
Accrued receivables	65.8	55.9	19.5	14.7
Other receivables	42.3	94.1	18.0	27.3
	507.7	571.4	356.5	344.6
Securities included in financial assets				
Other securities	90.5	53.8	84.5	49.8
Cash in hand and banks	82.3	118.2	46.7	88.2
ASSETS, TOTAL	4,437.1	4,659.7	4,791.6	4,713.0

Trend in assets, FIM million

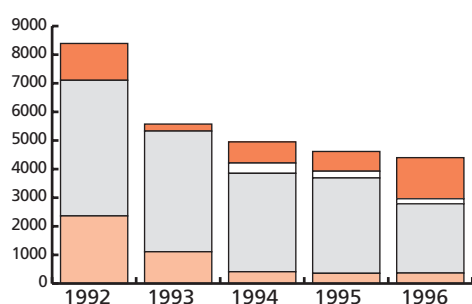


Trend in assets, %

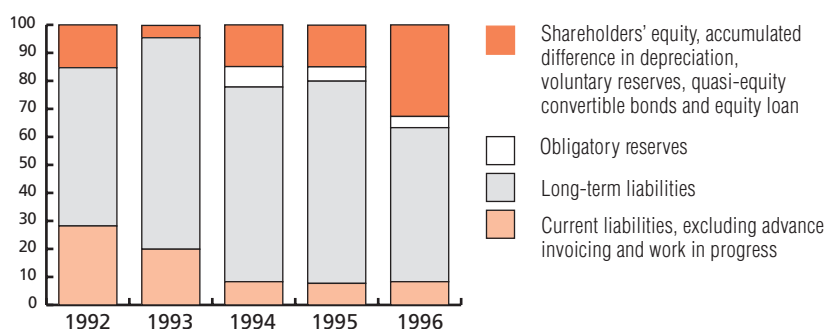


LIABILITIES AND SHAREHOLDERS' EQUITY, FIM million	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Shareholders' equity				
Restricted equity				
Share capital	1,162.8	519.8	1,162.8	519.8
Reserve fund	–	1,361.0	–	1,363.0
	1,162.8	1,880.8	1,162.8	1,882.8
Non-restricted equity				
Accumulated losses	– 434.4	– 1,746.3	– 233.6	– 1,412.1
Loss for year	– 52.0	– 73.6	– 39.0	– 208.6
	– 486.4	– 1,819.9	– 272.7	– 1,620.7
Minority interest	2.6	24.3	–	–
Untaxed reserves				
Accumulated difference in depreciation	162.7	177.9	32.8	32.3
Voluntary reserves	4.5	4.7	–	–
Obligatory reserves	176.0	236.4	149.8	210.9
Liabilities				
Long-term				
Quasi-equity convertible bonds	382.1	421.8	613.2	481.3
Convertible equity loan	209.4	–	423.1	–
Warrant bonds	122.0	1,188.1	158.0	1,499.0
Secured debts	1,708.7	1,819.3	1,708.7	1,819.3
Other restructuring debts	20.3	38.0	20.3	38.0
Bonds and debentures	272.5	–	436.0	–
Loans from financial institutions	255.9	271.7	57.8	68.2
Loans from pension funds	5.2	12.9	2.7	3.0
Other long-term liabilities	35.8	3.5	76.8	130.3
	3,011.8	3,755.2	3,496.6	4,039.0
Current				
Warrant bonds	13.6	–	17.6	–
Secured debts	50.0	–	50.0	–
Loans from financial institutions	11.2	14.7	5.4	–
Loans from pension funds	0.6	1.1	0.3	0.3
Advances received	81.5	88.6	37.2	40.4
Advance invoicing	48.2	55.0	–	–
Accounts payable	62.9	68.3	7.3	9.1
Accrued liabilities	106.3	155.4	17.6	64.8
Other current liabilities	28.7	17.2	87.0	54.1
	403.0	400.3	222.3	168.7
LIABILITIES AND SHAREHOLDERS' EQUITY, TOTAL	4,437.1	4,659.7	4,791.6	4,713.0

Financial structure, FIM million



Financial structure, %



Statement of source and application of funds

FIM million	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Cash and bank receivables at the beginning of year	118.2	81.0	88.2	32.4
Income financing				
Operating margin	103.2	107.5	54.3	30.0
Dividend income	1.4	0.0	1.4	0.0
Extraordinary income and expenses	- 22.6	- 45.5	3.1	- 145.1
Financing income and expenses (net)	- 95.2	- 95.7	- 68.7	- 69.4
Direct taxes	- 3.7	- 2.5	- 2.4	- 0.1
Minority interest in profit	- 0.6	- 1.3	-	-
	- 17.3	- 37.5	- 12.3	- 184.5
Change in assets				
Increase in fixed assets (-) *)	- 108.5	- 275.6	- 130.8	- 930.0
Decrease in fixed assets (+) *)	74.5	61.8	45.7	1,060.9
Increase (-)/decrease (+) in long-term loans receivable	63.7	189.3	- 82.0	96.1
Increase (-)/decrease (+) in inventories	80.1	296.6	67.4	139.1
Increase (-)/decrease (+) in other financial assets	27.0	64.2	- 46.7	- 92.9
	136.8	336.2	- 146.3	273.3
Change in debts				
Increase (+)/decrease (-) in obligatory reserves	- 60.4	- 123.5	- 61.1	- 49.0
Increase (+)/decrease (-) in long-term liabilities	- 743.4	- 70.8	- 542.4	41.3
Increase (+)/decrease (-) in current liabilities	2.7	- 74.6	53.7	- 29.5
	- 801.1	- 268.9	- 549.8	- 37.2
Change in shareholders' equity				
Share issue	642.9	2.3	642.9	2.3
Change in reserve fund	24.1	3.6	24.1	2.3
Change in translation adjustment	-	5.1	-	-
Change in minority interest	- 21.7	- 0.9	-	-
Taxes from previous accounting periods	-	- 2.7	-	- 0.3
Other changes	0.4	-	-	-
	645.7	7.5	667.0	4.2
Cash and receivables at year-end	82.3	118.2	46.7	88.2

*) excluding loans receivable

Supplementary information on the financial statements

Consolidated financial statements

The scope of the consolidated financial statements

The consolidated financial statements cover, in addition to Polar Corporation, those companies in which the parent company directly or indirectly held over 50 % of the voting rights on 31 December 1996. In accordance with the accounting conventions applied in the 1994 financial statements, real estate holding companies included in fixed assets have not been consolidated. The subsidiaries of Ferenda Oy, which was merged with Polar Corporation in 1995, have been included in the consolidation in accordance with previous practice. A separate report has been made of the companies not consolidated. The companies were not consolidated as this was considered unnecessary for a true and fair view of the Group's earnings from business operations and its financial position; furthermore, some or all of these subsidiaries and affiliated companies are to be sold in the course of the restructuring programme and their relationship with the Group is therefore intended to be of short duration. The unconsolidated companies have no significant effect on the Group's non-restricted equity.

Changes in the Group structure

During the accounting period Vantaanportti Oy was merged with Polar-perustus Oy, the name of which was changed to Vantaanportti Oy. The financial result of the merged company is included in the consolidated profit and loss account. A new subsidiary, Rakennus-Haaparanta Oy, was established during the accounting period. It went into business on 1 September 1996.

In the course of the financial year, Group company Porennus Oy acquired a minority holding in enterprise company Serajo Oy (formerly called Ojares Oy). Rakennus Anttila Oy was placed in receivership. Fifteen subsidiaries were liquidated during the accounting period.

International subsidiaries

In accordance with a decision made in 1993, the companies engaged in business operations in Europe have not been included in the consolidated financial statements. The financial statements as at 31 December 1996 include FIM 126 million in receivables from these companies plus FIM 59 million in unrealized guarantee liabilities in the obligatory reserves. Guarantees have been provided for loans whose remaining principal is FIM 100 million (excluding guarantees in the USA) and the maximum total of the guarantee liabilities is FIM 100 million.

Affiliated companies

The affiliated companies have been consolidated by the equity method. The share in the profits of affiliated companies is given as a separate item in the profit and loss account.

Group eliminations

The receivables and debts between the Group companies included in the consolidated financial statements have been eliminated, as have intra-Group transactions, unrealized internal margins and intra-Group dividends. Cross-ownership of shares has been eliminated by the acquisition cost method. In these cases, when the acquisition cost of the shares was greater than the shareholders' equity on the acquisition date, the difference has been treated as Group goodwill. The subsidiary's voluntary reserves on the acquisition date have not been treated in the same way as shareholders' equity. The goodwill of the Ferenda subsidiaries transferred by merger to Polar Corporation has been allocated to the fixed asset items in the consolidated balance sheet. In other respects, the Group goodwill has been given as a separate item on the assets side of the balance sheet.

Calculation of the net profit

The Group's construction companies started using the percentage of completion method for accounting on 1 January 1994. In respect of jobs credited or charged to income according to their degree of completion, a margin of FIM 14 million less than their degree of completion warrants has been credited or charged to income in accordance with the principle of prudence. When subsidiaries have been merged, the Group goodwill has become goodwill, with 10% straight-line depreciation applied.

The minority interest in profits and equity is given in the consolidated profit and loss account and the consolidated balance sheet as a separate item.

Personnel pension coverage and pension expenses

The pension cover of Finnish companies, together with any additional benefits, has been insured with pension insurance companies.

Receivables and debts in foreign currency

Receivables and debts denominated in foreign currency have been valued at the Bank of Finland's average rate on the last day of the accounting period. All exchange rate differences have been credited or charged to income.

Notes to the financial statements

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
1. NET SALES BY DIVISION				
Construction	1,175.7	1,338.3	0.0	28.1
Real estate business	325.6	343.1	290.1	251.3
Other	1.3	28.2	1.4	1.7
Total	1,502.7	1,709.6	291.5	281.1
2. PERCENTAGE OF COMPLETION ACCOUNTING				
Share of net sales booked as income according to the percentage of completion method in the total net sales	1,167.0	1,305.0	0.0	5.1
Net sales from projects not yet handed over recognized as income during the accounting period and previous accounting periods	590.1	517.3	–	–
Orders	587.8	685.0	–	–
3. PERSONNEL EXPENSES AND PERQUISITES				
Wages and salaries	183.2	208.9	15.9	19.5
Pension expenses	32.3	37.3	2.5	3.0
Other indirect personnel expenses	34.3	39.1	2.5	2.8
Personnel expenses in the profit and loss account	249.8	285.4	20.9	25.2
Cash value of perquisites	3.6	3.7	0.8	0.8
Total	253.4	289.0	21.7	26.0
4. DEPRECIATION AND CHANGE IN DEPRECIATION DIFFERENCE				
Planned depreciation				
Other long-term expenses	2.9	3.0	2.3	2.2
Buildings	14.8	16.1	3.5	3.2
Machinery and equipment	13.1	15.1	3.7	2.5
Shares	0.6	0.6	0.6	0.6
Goodwill	14.8	14.8	16.2	16.2
Group goodwill	3.5	6.5	–	–
Total	49.7	56.1	26.2	24.6
Change in depreciation difference				
Other long-term expenses	0.5	–0.1	0.7	0.0
Buildings	–9.3	–8.0	0.6	–0.3
Machinery and equipment	–6.1	–5.1	–0.8	–
Shares	–	–	–	–
Goodwill	–	–	–	–
Group goodwill	–	–	–	–
Restoration of depreciation difference	–14.9	–13.2	0.4	–0.4
Total	–14.9	–13.9	0.5	–0.6
Total depreciation				
Other long-term expenses	3.4	2.9	2.9	2.2
Buildings	5.5	8.1	4.1	2.9
Machinery and equipment	7.0	10.0	2.9	2.5
Shares	0.6	0.6	0.6	0.6
Goodwill	14.8	14.8	16.2	16.2
Group goodwill	3.5	6.5	–	–
Total	34.8	42.9	26.7	24.3

THE PLANNED DEPRECIATION IS CALCULATED ACCORDING TO THE ECONOMIC LIFE AS FOLLOWS:

Other long-term expenses	10.0% – 33.3% of acquisition costs
Land areas	depreciation of net asset value on acquisition costs
Buildings	2.0% – 12.5% of acquisition costs
Machinery and equipment	10.0% – 30.0% of reducing balance/ acquisition cost
Goodwill	10.0% of acquisition costs

The difference between the booked total depreciation and the planned depreciation is given in the profit and loss account as an appropriation before the change in the voluntary reserves. The accumulated difference in depreciation is given as a separate item in the items for untaxed reserves on the liabilities and shareholders' equity side of the balance sheet. That part of the Group goodwill that exceeds the subsidiary's reserves at the time of acquisition is depreciated in straight-line 10 per cent instalments in the financial statements. If the subsidiary's voluntary reserves were smaller on the closing of the books than the Group goodwill that they resulted in, 10 per cent straight-line depreciation has been effected on the Group goodwill allocated to the disbursement of the reserves as of the date the shares were acquired. In the merger of Ferenda Oy, the group goodwill of the subsidiaries transferred to Polar Corporation has been allocated to the fixed asset items and depreciation on it has been effected in accordance with the conventions for calculating planned depreciation on the fixed asset items in question.

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
5. INTRA-GROUP FINANCING INCOME AND EXPENSES				
Financing income				
Interest income on long-term investments	–	–	19.4	15.6
Other financing income	–	–	0.1	2.0
Total	–	–	19.5	17.6
Financing expenses				
Interest expenses	–	–	2.2	1.7
Other financing expenses	–	–	0.0	0.0
Total	–	–	2.2	1.7
6. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Capital gains on sale of fixed assets	2.2	0.2	2.0	–
Group subventions received	–	–	25.5	31.9
Other	4.4	2.2	4.4	0.1
Total	6.6	2.4	31.9	32.0
Extraordinary expenses				
Losses on sales of fixed assets	0.0	0.8	–	–
Write-downs on fixed assets and related receivables	35.8	29.9	36.4	121.7
Write-downs on inventories and related receivables	3.2	1.3	2.3	1.3
Forgiven debts receivable	–	–	–	0.7
Change in guarantee liabilities	–13.0	–1.8	–13.0	–1.8
Companies withdrawing from the Group	0.4	1.2	–	–
Losses on mergers	–	–	0.3	17.3
Other	2.8	16.6	2.8	38.0
Total	29.2	47.9	28.8	177.0
7. EFFECT OF CHANGE IN OBLIGATORY RESERVES ON THE PROFIT AND LOSS ACCOUNT				
Increases in the obligatory reserves, and those decreases that resulted from a reduction in expenses estimated previously, are debited/credited to income.				
8. CHANGE IN FIXED ASSETS				
Intangible rights				
Acquisition cost, 1 Jan.	8.6	9.1	–	–
Transferred in Group restructuring/merger	–	0.0	–	–
Increases during accounting period	–	–	–	–
Decreases during accounting period	–	–0.5	–	–
Acquisition cost, 31 Dec.	8.6	8.6	–	–
Accumulated planned depreciation, 31 Dec.	–	–	–	–
Book value, 31 Dec.	8.6	8.6	–	–
Goodwill				
Acquisition cost, 1 Jan.	143.3	83.5	161.9	105.4
Increases during accounting period	–	59.8	–	56.6
Decreases during accounting period	–7.9	–	–	–
Acquisition cost 31 Dec.	135.5	143.3	161.9	161.9
Accumulated planned depreciation, 31 Dec.	–38.0	–23.2	–41.2	–25.0
Book value, 31 Dec.	97.4	120.2	120.8	137.0
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 31 Dec.	–	–	1.8	1.8
Group goodwill				
Acquisition cost, 1 Jan.	261.3	312.4	–	–
Increases during accounting period	0.0	8.8	–	–
Decreases during accounting period	–13.0	–59.9	–	–
Acquisition cost, 31 Dec.	248.3	261.3	–	–
Accumulated planned depreciation, 31 Dec.	–248.3	–244.8	–	–
Book value, 31 Dec.	–	16.5	–	–

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Other long-term expenditure				
Acquisition cost, 1 Jan.	70.0	69.8	25.3	20.5
Change in Group structure/resulting from merger	—	—	—	5.4
Increases during accounting period	7.4	3.2	6.5	2.4
Decreases during accounting period	-0.4	-3.0	—	-2.9
Acquisition cost, 31 Dec.	77.0	70.0	31.9	25.3
Accumulated planned depreciation, 31 Dec.	-58.4	-55.5	-18.7	-16.4
Book value 31 Dec.	18.6	14.5	13.1	8.9
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	0.4	0.5	0.4	0.1
Change in Group structure/resulting from merger	—	—	—	0.3
Increase in depreciation difference during accounting period	0.7	0.0	0.7	—
Decrease in depreciation difference during accounting period	-0.2	-0.1	—	0.0
Accumulated depreciation difference, 31 Dec.	0.9	0.4	1.1	0.4
Land areas				
Acquisition cost, 1 Jan.	216.8	216.9	36.3	5.5
Change in Group structure/resulting from merger	—	—	—	30.8
Increases during accounting period	0.0	19.3	0.0	19.3
Decreases during accounting period	-0.5	-19.4	-0.5	-19.4
Acquisition cost, 31 Dec.	216.3	216.8	35.8	36.3
Accumulated planned depreciation, 31 Dec.	-0.4	-0.4	—	—
Book value, 31 Dec.	216.0	216.5	35.8	36.3
Buildings and structures				
Acquisition cost, 1 Jan.	705.9	712.3	124.6	17.8
Change in Group structure/resulting from merger	—	—	—	107.5
Increases during accounting period	3.3	12.7	3.1	12.7
Decreases during accounting period	-1.2	-19.0	-0.3	-13.4
Acquisition cost, 31 Dec.	708.0	705.9	127.5	124.6
Accumulated planned depreciation, 31 Dec.	-104.4	-99.3	-9.8	-6.6
Book value, 31 Dec.	603.6	606.6	117.7	118.1
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	163.5	172.2	21.2	5.0
Change in Group structure/resulting from merger	—	—	—	16.7
Increase in depreciation difference during accounting period	3.9	1.6	3.7	—
Decrease in depreciation difference during accounting period	-15.2	-10.4	0.0	-0.6
Accumulated depreciation difference, 31 Dec.	152.2	163.5	25.0	21.2
Machinery and equipment				
Acquisition cost, 1 Jan.	418.9	410.1	46.1	36.1
Change in Group structure/resulting from merger	—	—	—	10.1
Increases during accounting period	6.4	14.9	1.6	0.9
Decreases during accounting period	-7.2	-6.1	-0.9	-1.1
Acquisition cost, 31 Dec.	418.1	418.9	46.8	46.1
Accumulated planned depreciation, 31 Dec.	-378.9	-356.4	-35.1	-31.4
Book value, 31 Dec.	39.2	62.5	11.6	14.6
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	13.9	19.1	8.9	—
Change in Group structure/resulting from merger	—	—	—	8.9
Increase in depreciation difference during accounting period	5.1	0.6	—	—
Decrease in depreciation difference during accounting period	-9.4	-5.7	-4.0	—
Accumulated depreciation difference, 31 Dec.	9.6	13.9	4.9	8.9
9. TAXATION VALUES OF FIXED ASSETS				
Land areas	64.1	62.1	18.7	20.1
Buildings	240.6	251.1	51.8	54.4
Group company shares	—	—	369.4	314.7
Other subsidiary shares	0.0	0.0	0.0	0.0
Shares in affiliated companies	5.5	7.3	5.5	7.3
Shares in real estate companies	581.9	566.7	502.4	456.8
Other securities	20.2	16.1	19.4	15.6

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
10. LONG-TERM INVESTMENTS AND LOANS RECEIVABLE / GROUP AND AFFILIATED COMPANIES				
Group companies				
Shares	—	—	623.6	595.0
Loans receivable	—	—	942.0	795.5
Total	—	—	1,565.6	1,390.6
Affiliated companies				
Shares	18.4	3.9	19.1	5.0
Loans receivable	0.4	—	0.3	—
Total	18.8	3.9	19.4	5.0
11. INVENTORIES AND FINANCIAL ASSETS				
Shares included in inventories				
Shares in plots	563.7	598.8	438.8	469.5
Residential property shares	21.2	37.9	17.6	33.2
Commercial property shares	98.6	103.6	90.5	94.3
Publicly quoted shares	2.4	2.3	2.4	2.3
Total	686.0	742.6	549.3	599.3
Receivables from Group companies				
Accounts receivable	—	—	2.4	3.0
Short-term loans receivable	—	—	64.2	37.2
Accrued receivables	—	—	2.1	2.3
Receivables from affiliated companies				
Accounts receivable	0.0	—	0.0	—
Short-term loans receivable	0.3	—	0.3	—
12. LOANS GRANTED TO SHAREHOLDERS AND SUBORDINATED LOANS GRANTED				
Loans to shareholders	—	14.9	357.4	180.9
Subordinated loans granted	0.1	5.0	115.3	5.0
13. CHANGE IN SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital, 1 Jan.	519.8	510.5	519.8	510.5
New issue of shares	642.9	9.4	642.9	9.4
Share capital, 31 Dec.	1,162.8	519.8	1,162.8	519.8
Unregistered share capital, 1 Jan.	—	7.1	—	7.1
Change	—	-7.1	—	-7.1
Unregistered share capital, 31 Dec.	—	—	—	—
Reserve fund, 1 Jan.	1,361.0	1,357.4	1,363.0	1,360.7
Issue premium	24.1	2.3	24.1	2.3
Losses covered *)	-1,387.0	—	-1,387.0	—
Change in elimination of own shares	2.0	1.3	—	—
Reserve fund, 31 Dec.	—	1,361.0	—	1,363.0
Translation adjustment, 1 Jan.	—	-5.1	—	—
Change in translation adjustment	—	5.1	—	—
Translation adjustment, 31 Dec.	—	—	—	—
Non-restricted equity				
Accumulated losses, 1 Jan.	-1,819.9	-1,743.6	-1,620.7	-1,411.8
Taxes from previous years	—	-2.7	—	-0.3
Transfers from reserve fund *)	1,387.0	—	1,387.0	—
Change in elimination of own shares	-1.6	—	—	—
Other changes	0.0	0.0	—	—
Net loss for year	-52.0	-73.6	-39.0	-208.6
Non-restricted equity, 31 Dec.	-486.4	-1,819.9	-272.7	-1,620.7

*) subject to approval by the Annual General Meeting.

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
14. OBLIGATORY RESERVES				
Annual repair liabilities	5.2	7.2	0.0	0.3
10-year liability	5.8	5.7	–	0.1
Loss-making work in progress	0.3	–	–	–
Rental liabilities	76.4	76.0	76.4	76.0
Guarantee liabilities/Finland	6.3	3.6	6.3	3.6
Guarantee liabilities/international	59.1	83.7	59.1	83.7
Losses arising from Haka Corp.	13.0	13.0	–	–
Other obligatory reserves	10.0	47.2	8.0	47.2
Total	176.0	236.4	149.8	210.9
15. LIABILITIES				
Debts maturing in more than five years				
Pension loans	2.8	8.5	1.3	1.7
Loans from financial institutions	2.4	2.7	–	1.6
Quasi-equity convertible bonds *)	–	210.9	–	240.6
Convertible equity loan	209.4	–	423.1	–
Convertible bonds	245.2	–	392.4	–
Debts to Group companies				
Quasi-equity convertible bonds	–	–	231.1	59.5
Convertible equity loan	–	–	213.7	–
Warrant bonds	–	–	40.0	310.9
Corporate bonds	–	–	163.5	–
Other long-term debts	–	–	41.1	126.9
Short-term accounts payable	–	–	1.5	3.2
Accrued expenses	–	–	0.0	–
Other current liabilities	–	–	66.1	44.4
Debts to affiliate companies				
Other long-term debts	0.2	–	0.2	–
Other short-term debts	10.5	–	10.5	–
*) with the provision that non-restricted equity is sufficient for the payment of the convertible bonds				
Quasi-equity convertible bonds				
Unpaid from 1994 issue	382.1	421.8	527.3	481.3
Conversion ratio	1 share for each FIM 20 of debt			
Conversion period	1 June 1994 - 31 December 2001			
Interest	zero			
Instalments	will only be paid if the company's restricted equity is fully covered according to the confirmed balance sheet and consolidated balance sheet for the most recently ended accounting period. 50 % in 2000 50 % in 2001			
Unpaid from 1996 issue	–	–	85.9	–
Terms same as for 1994 issue				
Convertible equity loan				
Unpaid from 1996 issue	209.4	–	423.1	–
Conversion ratio	100 shares for each FIM 1 000 of debt			
Conversion period	1 January 1997 – 31 December 2046			
Interest	from 1 January 2001, 12-month Helibor rate plus a margin (2 percentage points from 1 January 2001 to 31 December 2007, 5 percentage points from 1 January 2008), interest payable only if the due amount can be used for distribution of profit according to the confirmed balance sheet of the company and its Group for the most recently ended accounting period.			
Instalments	The principal of the loan may be repaid only to the extent that full cover is available for the restricted equity and other non-distributable items shown in the company's and its Group's balance sheet to be confirmed for the most recently ended accounting period.			
Warrant bonds				
Unpaid from 1994 issue	135.5	1,188.1	175.5	1,499.0
Subscription entitlement	60 warrants for FIM 1,000 in bonds			
Subscription rate	1 share for 1 equity warrant			
Subscription price	FIM 10 per share			
Subscription period	1 June 1994 – 31 December 2001			
Interest	zero			
Instalments	10% in 1997 30% in 1998 30% in 1999 30% in 2000			

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Corporate bonds				
Unpaid from 1996 issue	272.5	—	436.0	—
Interest as of 1 January 1998 12-month Helibor rate plus 2% margin, to be paid on:				
10% of principal in 1998				
40% of principal in 1999				
70% of principal in 2000				
100% of principal as of 2001				
Instalments				
10% in 2001				
30% in 2002				
30% in 2003				
30% in 2004				
16. VOLUNTARY RESERVES				
Change in voluntary reserves				
Transition reserve, 1 Jan.	4.7	10.8	—	—
Change in profit and loss account	-0.2	-6.1	—	—
Transition reserve, 31 Dec.	4.5	4.7	—	—
Tax debts corresponding to the voluntary reserves	1.3	1.2	—	—
17. CONTINGENT LIABILITIES				
Pledges				
To secure own liabilities	1,666.4	1 505.0	790.3	736.8
To secure own and Group company liabilities	—	—	256.1	196.2
To secure own and other subsidiaries' liabilities	4.0	4.5	4.0	4.5
To secure Group company liabilities	—	—	402.4	311.2
To secure other subsidiaries' liabilities	0.3	0.3	0.3	0.3
To secure own and other companies liabilities	—	1.5	—	1.5
To secure other companies' liabilities	3.0	7.3	3.0	7.3
Total	1,673.7	1,518.6	1,456.0	1,257.8
Mortgages				
To secure own liabilities	1,630.1	1,621.6	1,298.3	1,353.8
To secure own and Group company liabilities	—	—	—	—
To secure own and other subsidiaries' liabilities	3.6	3.6	3.6	3.6
To secure Group company liabilities	—	—	52.1	52.1
To secure other subsidiaries' liabilities	—	11.5	—	—
To secure affiliated companies' liabilities	2.0	2.0	2.0	2.0
Total	1,635.7	1,638.7	1,356.0	1,411.5
Guarantees				
Solely				
For subsidiaries included in the consolidated financial statements	—	—	321.6	275.0
For subsidiaries not included in the consolidated financial statements	236.0	333.2	236.0	333.2
For affiliated companies	64.7	66.1	64.7	66.1
For other companies	18.6	22.3	18.6	22.3
Jointly				
For subsidiaries included in the consolidated financial statements	—	—	—	0.0
For subsidiaries not included in the consolidated financial statements	23.2	21.8	23.2	21.8
For other companies	14.3	14.3	14.3	14.3
Total	356.8	457.6	678.4	732.6
Other contingent liabilities				
Purchase commitments	25.5	25.5	25.5	25.5

Liabilities for which pledges and mortgages have been given total FIM 2,202 million.

Liabilities for which guarantees have been given total FIM 430 million, of which FIM 73 million has already been booked as an expense.

Main shares included in fixed assets, 31 Dec. 1996

FIM 1 000	Number of shares	Shareholding %	Par value	Book value	Company's equity	Profit/loss for year
Company						
SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS						
ENTERPRISE COMPANIES						
Haukirakennus Oy	160	80.0	800	800	2,426	- 6
Rakennus-Ankkuri Oy	80	80.0	500	152	440	- 93
Rakennus-Haaparanta Oy	900	100.0	900	900	901	1
Rakennus Vuorenpää Oy	800	80.0	800	5,399	9,782	2,925
YR-Insinöörit Oy	180	90.0	900	900	1,218	1
OTHER COMPANIES IN FINLAND *)						
Atnarapa Oy	100	100.0	500	1,572	1,050	3
Ins-Motelli kiint.oy	100	100.0	100	1,586	3,733	- 9
Kalustaja kiint.oy	10,000	100.0	750	755	744	0
Kevätkallio Asunto Oy	21	100.0	21	4,082	4,024	0
Kiinteistö solar Oy	1,000	100.0	5,000	3,814	4,700	92
Kivikukkaro kiint.oy	33,339	100.0	33,339	147,285	133,360	0
Korнетintie 6 kiint.oy	10,829	100.0	10,829	511	28	0
Kota-Rakennus Oy	200	100.0	1,000	1,220	1,286	- 131
Kutomotie 6 kiint.oy	625	100.0	500	35,389	518	- 15
Niirova Oy	400	100.0	2,000	3,538	2,112	- 2
Osohallit Oy	201	100.0	1,005	9,867	3,549	- 17
Pakkalan Kartanonkoski 3 kiint.oy	32,000	100.0	84,000	18,882	94,906	- 43
Polar-Betoni Oy	20,000	100.0	20,000	21,386	19,117	- 8
Polar-Rakennus Oy	100	100.0	50,000	50,000	61,702	- 326
Porennus Oy	1,200	100.0	12,000	15,931	8,768	809
Povarstock Oy	7,506	100.0	150	68,358	73,468	2,701
Rakennusliike Kramno Oy	400	100.0	2,000	2,103	2,063	- 65
Rakennusliike Nurmi & Loivämäki Oy	600	100.0	3,000	2,234	730	- 563
Rakennusliike Ossi Eurén Oy	200	100.0	1,000	932	856	22
Serajo Oy	200	100.0	1,000	1,273	2,304	5
Scifin Alfa kiint.oy	4,431	100.0	22	30,496	30,013	- 11
Sisustaja kiint.oy	15,369	100.0	1,003	29,583	29,358	0
Tampereen Suvantokatu kiint.oy	13,930	100.0	139	122,225	96,765	- 28
Vanha Talvitie 11 kiint.oy	19,146	100.0	19	11,519	10,973	0
Vantaanportti Oy	10,000	100.0	5,000	51,783	- 11,348	- 20,549
Others (9)				123		

*) companies with a book value less than FIM 100,000 are not listed

FIM 1 000	Number of shares	Shareholding %	Par value	Book value	Company's equity	Profit/loss for year
Company						
SUBSIDIARIES NOT INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS						
FINLAND						
Espeen Sosiaalinen Asunnontuotanto Oy	30	100.0	30	1	12	0
Pohjoismaiset Suurmessut Oy	150	100.0	15	15	10	0
Polar International Oy	4,000	100.0	40,000	0	- 497,786	- 734
FOREIGN						
Polar Holding Inc.	100	100.0	USD 0	0		
Polar Property Development Inc.	100	100.0	USD 4,200	0		
Polarland Finance B.V.	19,367	100.0	NLG 19,367	0		
S + T Bautrading GmbH		100.0	DEM 5,000	0		
AFFILIATED COMPANIES						
Finn-Stroi Oy	1,010	31.5	10,100	0	2,559	- 16
Kalajoen Konepaja Oy	3,500	24.1	3,500	3,500	12,849	3,334
Suomen Kiinteistökehitys SKK Oy	20,000	50.0	20,000	14,100	28,901	-19,840
Suomen Osakaskiinteistöt Oy	450,000	30.0	9,000	1,500	4,600	188
Polar Construction Ukraine JSC	1,060	37.0	USD 106	0		
OTHER COMPANIES *)						
FINLAND						
Citycon Oy	2,400,000	8.0	24,000	24,000		
Finnkeri Oy	5		5	813		
Golfsarfvik Oy	11		275	1,326		
Helsingin Puhelinyhdistys	360		422	1,256		
Lomadynastia Oy	13,960		1,396	7,973		
Seinäjoen Kauppaseura Oy	10		500	500		
Suomen Riskirahasto Ky I				1,459		
Tapiolan Keilahalli Oy	526		526	893		
Other (90)				3,622		
FOREIGN						
Euro-Audaces S.A. Luxemburg	26			1,862		
Other (1)				2		

*) companies with a book value less than FIM 500,000 are not listed

A complete list of the shares included in fixed assets held by the Group, as required by the Companies Act, is included in the company's official financial statement documents.

Shares in real estate companies, 31 Dec. 1996

FIM 1 000	%	Book value	Par value	Taxation value	Company's equity	Company's debts to Polar Group	Company's debts to non-Group parties	Company's net profit/loss for year	Company's balance sheet total
SHARES IN SUBSIDIARIES									
Hagströminkulma kiint.oy	100	2 515	15	15	2 421	0	0	0	2 421
Hatanpään Valtatie 44 kiint.oy	100	4 350	15	2 607	4 365	4 349	535	-4 346	9 249
Helsingin Kansakoulukatu 3 kiint.oy	100	17	17	17	22	63 276	0	5	63 298
Helsingin Niittymarja kiint.oy	100	78 002	17	11 559	70 214	10 282	6	-2 622	80 502
Helsingin Vuorikatu 20 kiint.oy	100	50	50	32 966	49	32 119	0	-1	32 169
Hollolan Ostospaikka kiint.oy	100	24 342	60	33 793	31 584	0	17 746	-129	49 330
Iisveden Helmiranta Suonenjoen as.oy	100	100	9 120	33 400	96	1 334	2 233	64	3 664
Ins - Teräs kiint.oy	100	4 371	1 700	6 120	3 165	0	3	3	3 168
Joensuun Tapionkeskus kiint.oy	100	17 000	17	8 783	23 337	0	38	61	23 374
Kajaanin Liikeportti kiint.oy	100	2 567	50	1 591	3 454	0	5 901	0	9 355
Karjaantalo kiint.oy	100	5 048	23	954	4 453	0	17	0	4 471
Kilon Helmi kiint.oy	100	45 000	20	24 569	42 000	93	14	-315	42 107
Kilon Timantti kiint.oy	100	45 000	20	24 569	40 123	486	10	-337	40 618
Koskenportti kiint.oy	100	15 229	503	8 320	21 386	0	33	0	21 419
Kotkan Seurahuone kiint.oy	100	80 000	6 000	30 405	80 000	0	191	0	80 191
Kuopion Satama 4 kiint.oy	100	14 228	15	9 248	19 001	0	97	-198	19 097
Kuormatie 3 kiint.oy	100	2 046	15	2 030	1 989	0	1	-17	1 990
Lahden Vipusenkatu 3 kiint.oy	100	7 112	3 000	1 635	6 533	0	6	-3	6 539
Lappeenrannan Lentäjätie 17-19 kiint.oy	100	1 579	15	3 839	1 547	0	23 377	-20	24 925
Lumijoen 4 kiint.oy	100	10 500	7 300	3 996	7 267	0	16	0	7 283
Orivonkallio kiint.oy	100	1 016	15	465	3 511	0	1 420	-2	4 931
Pitäjänsillankatu 1-3 kiint.oy	100	16 632	2 000	3 060	15 676	89	2 628	0	18 393
Rova-aukio kiint.oy	100	15	15	15	15	3 447	0	0	3 462
Rovatori kiint.oy	100	203	200	8 776	174	17 554	34	-15	17 762
Seinäjoen Joupinpuisto kiint.oy	100	2 000	50	1 778	8 498	0	0	0	8 498
Siihtalankumpu as.oy	100	1 447	8	1 149	282	533	14	1	828
Solartalo 2001 kiint.oy	100	44 582	20	20	33 285	0	14	-3	33 299
Solartalo 2002 kiint.oy	100	44 582	20	20	33 285	0	14	-3	33 299
Solartalo 2003 kiint.oy	100	44 582	20	20	33 285	0	14	-3	33 299
Solartalo 2004 kiint.oy	100	44 582	20	20	33 285	0	14	-3	33 299
Solartalo 2005 kiint.oy	100	44 582	20	20	33 285	0	14	-3	33 299
Suutarilan Huoltokeskus kiint.oy	100	50	50	1 396	50	9 750	4	0	9 804
Tampereen Hankkionkulma kiint.oy	100	16 459	1 000	2 200	11 797	0	0	0	11 797
Tampereen Hatanpää kiint.oy	100	147 320	141	33 859	88 047	0	151	-2	88 198
Telkkistentie 5 kiint.oy	100	1 392	20	548	1 293	0	0	0	1 293
Toppilan Liiketalo kiint.oy	100	5 001	800	2 167	4 449	0	3	-7	4 452
Turun Autopiha kiint.oy	100	3 158	820	4 416	4 951	3 443	4	0	8 400
Turun Kalevantie 25 kiint.oy	100	13 501	50	10 800	9 122	0	5	-6	9 127
Valkeakosken Torikatu 2 kiint.oy	100	26 304	389	17 638	33 656	0	7 122	-528	40 778
Vallilan Solar 1 kiint.oy	100	12 618	20	3 440	10 576	23	2	0	10 600
Vallilan Solar 2 kiint.oy	100	12 618	20	3 440	10 576	23	2	0	10 600
Vallilan Solar 3 kiint.oy	100	12 618	20	3 440	10 576	23	2	0	10 600
Vallilan Solar 4 kiint.oy	100	12 618	20	3 440	10 576	23	2	0	10 600
Vesijärvenkatu 74 kiint.oy	100	4 669	50	5 150	4 634	1 338	32	-21	6 004
Ässäntalo 2001 kiint. oy	100	12 618	20	20	10 575	23	2	0	10 600
Larvalankatu 13 kiint.oy	96	71 298	70	25 235	89 358	0	159	-77	89 518
Seinäjoen Kino kiint.oy	90	59 552	70	27 119	85 927	0	95	1	86 022
Jyväskylän Väinönkeskus kiint.oy	84	16 199	5 857	9 279	34 548	0	31	-60	34 580
Skogsterin kulma kiint.oy	82	10 000	82	5 088	14 284	0	1 024	0	15 308
Hollolan Liikekeskus kiint.oy	73	12 990	486	5 344	7 373	0	21	-39	7 394
Ahdinluoto kiint.oy	67	993	13	314	3 245	0	3	0	3 247
Torniorava kiint.oy	61	6 750	616	5 719	12 465	0	48	-0	12 512
Jämsän Forum kiint.oy	54	10 000	2 746	4 462	30 353	0	44	0	30 397
Zeppelinin kauppapörssi kiint.oy	54	4 283	123	1 140	12 428	...	...	...	...

FIM 1 000	%	Book value	Par value	Taxation value	Company's equity	Company's debts to Polar Group	Company's debts to non-Group parties	Company's net profit/loss for year	Company's balance sheet total
SHARES IN AFFILIATES									
Helsingin Kanavakatu 8–22 kiint.oy	50	72 068	9 000	13 317	105 229	448	161 470	-7 265	267 147
Kaisaniemen Metrohalli kiint.oy	50	34 887	773	11 039	99 690	0	74 901	70	174 592
Satkama as.oy	50	157	157	157	0	...	...	...	...
Viihonkatu 5 kiint.oy	50	45 505	18 001	18 001	72 735	0	106 577	-5 934	179 311
Lintuparkki Oy	38	823	12	1 922	5 110	0	40	-0	5 150
Savonlinnan Viiskulma kiint.oy	36	5 839	2 568	2 818	19 308	0	18	-10	19 326
Haukiputaan Virastoliiketalo kiint.oy	34	5 124	153	2 922	21 307	0	194	0	21 501
Porin Länsipuisto as.oy	32	5 664	4 791	4 642	28 936	0	40	0	28 976
Zeppelinin kulmatori kiint.oy	28	1 635	88	830	15 215	...	...	...	...
Savonlinnan Linja-autoasema Oy	27	7 184	3 966	2 697	23 116	0	394	-39	23 510
Uudenmaankatu 13 as.oy	26	14 739	21	4 256	57	0	294	248	350
Valkeakosken Liikekeskus kiint.oy	25	8 623	305	5 788	42 406	0	22 579	379	64 985
Kuokkalan Toritalo as.oy	24	1 888	4	2 338	21 743	0	1 017	0	22 760
F-Medi kiint.oy **)	22	31 730	5	15 886	109 357	0	10 249	-4	119 606
Joensuun Niskakatu 21 as.oy	22	372	357	2 236	1 682	0	236	-121	1 918
Marinkuja 2 kiint.oy	20	1 321	140	1 020	240	...	...	...	...
OTHER SHARES									
Jyväskylän Opistokuja 6–8 as.oy	18	1 619	635						
Tohtorinmäki as.oy	16	3 299	81						
Oopenranta II kiint.oy	16	0	0						
Tampereen Koskenranta kiint.oy	15	27 540	38						
Niisittäjä kiint.oy	14	4 200	7						
Hämeenpohja as.oy	13	6 000	71						
Vuorikatu 6 as.oy	13	9 528	4						
Lahden Vapaudenkatu 1 as.oy	11	6 057	2						
Mikkelin Lehtokulma kiint.oy	11	2 497	751						
Kamppi Parkki Oy Ab	10	3 101	940						
Porin Halli kiint.oy	10	7 500	36						
Jyväshelmi Oy	10	30 277	10 000						
Kajaanin Pitkähentie 3 as.oy	10	1 380	12						
Helsingin Kaivokatu 8 kiint.oy	9	42 007	1 611						
Kolin Hiisiranta kiint.oy	9	728	1						
Kylmäsenkulma kiint.oy	9	593	22						
Porin Puistokulma as.oy	8	2 750	54						
Zeppelinin city-keskus kiint.oy	7	3 254	183						
Kuopion Aseveljenkatu 4 as.oy	7	600	33						
Julininkulma kiint.oy	6	5 473	638						
Kaivopirtti as.oy	6	250	43						
Nukanleikkaaja kiint.oy	5	1 912	4						
Kaleva-Center kiint.oy	4	766	16						
Yrityspuiston Autopaikat Oy	4	740	1						
Verkavirka as.oy	4	652	3						
Verkavuolle as.oy	4	962	4						
Mestaritalo Tehdaskiinteistö Oy	2	2 540	23						
Blasieholma kiint.oy		691	19						
Others (10)		2 215	497						
GRAND TOTAL *)		1 482 978	99 910						

*) Before Group eliminations

A complete list of the shares included in fixed assets, with taxation values, held by the Group, as required by Companies Act, is included in the company's official financial statement documents.

**) Information from previous accounting period

... Information not received

Auditors' report To the shareholders of Polar Corporation

We have inspected the accounts, financial statements and administration of Polar Corporation for the 1996 accounting period. The financial statements produced by the Board of Directors and the President comprise the annual report of the Board, the profit and loss account, the balance sheet and supplementary information on the financial statements, for both the Group and the parent company. On the basis of our audit, we submit our report on the financial statements and the administration.

The audit was carried out in accordance with generally accepted auditing practise. The accounting, as well as the accounting principles, content and presentation of the financial statements, have thus been audited in sufficient scope to determine that the financial statements were in the essential respects drawn up correctly. The administrative audit examined the compliance with the Companies Act of the members of the Supervisory Board and Board of Directors as well as the President.

The financial statements have been drawn up in compliance with

the Accounting Act and with other rules and regulations on the format of financial statements. The financial statements provide, as prescribed by the Accounting Act, a true and fair view of the Group and parent company earnings from business operations and of their financial status. The basis on which real estate values are appraised is explained in the annual report of the Board. The yield from real estate has improved, but the values still involve factors of uncertainty. The financial statements and consolidated financial statements may be adopted and the members of the Supervisory Board and Board of Directors and the President may be discharged from personal liability for the accounting period audited by us. The proposal by the Board of Directors on the treatment of the net loss is in accordance with the Companies' Act.

We have examined the interim reports published during the accounting period. It is our opinion that they comply with the regulations applicable to them.

Vantaa, 4 March 1997

Tauno Haataja
APA*)

Jorma Jäske
APA*)

SVH Coopers & Lybrand Oy
APA firm
Risto Laitinen,
APA*)

*) Authorized Public Accountant

Statement by the Supervisory Board

The Supervisory Board has examined financial statements of Polar Corporation for 1996, including the consolidated financial statements, and it recommends that the annual general meeting adopt the financial statements.

The Supevisory Board has examined the auditors' report and

found that it does not require any action on the part of the Supervisory Board.

The Supervisory Board assigns the financial statements and auditors' report to the annual general meeting for consideration.

Vantaa, 10 March 1997

Jere Lahti
Chairman

Georg Ehrnrooth
Vice-chairman

Tapani Kaskeala

Vesa Pohjankoski

Tauno Matomäki

Jorma Routti

Christoffer Taxell

Helena Walldén

Supervisory Board, Board of Directors and Auditors

Supervisory Board

Chairman

Jere Lahti, born 1943

M.Sc. (Econ.)

CEO and Chairman of the Board of Directors of the Finnish Wholesale Cooperative Society (SOK)

Member of the Supervisory Board since 1988

Vice-Chairman

Georg Ehrnrooth, born 1940

Vuorineuvos *)

President of Metra Corporation

Member of the Supervisory Board since 1986

Tapani Kaskeala, born 1948

M.Sc. (Econ.)

Deputy General Manager of Postipankki Ltd

Member of the Supervisory Board since 1994

Vesa Pohjankoski, born 1951

M.Sc. (Econ.)

Director of Pohjola Group loans unit
Member of the Supervisory Board since 1995

Tauno Matomäki, born. 1937

Vuorineuvos *)

Deputy Chairman of UPM-Kymmene Corporation's Board of Directors

Member of the Supervisory Board since 1989

Jorma Routti, born 1939

Professor

Director General of EU Directorate-General XII (Science, Research and Development)

Member of the Supervisory Board since 1989

Christoffer Taxell, born 1949

LL.M.

President and CEO of Partek Oy Ab
Member of the Supervisory Board since 1993

Helena Walldén, born 1953

M.Sc.(Eng.)

Executive Director of OKOBANK

Member of the Supervisory Board since 1995

*) Finnish honorific title

Board of Directors

Chairman

Jan-Henrik Kulp, born 1943

B.Sc. (Econ.)

Chief financial Officer of UPM-Kymmene Group

Member of the Board of Directors since 1996

Vice-Chairman

Jukka Salminen, born 1947

M.Sc. (Econ.)

Senior Vice-President of the Finnish Cooperative Wholesale Society (SOK)

Member of the Board of Directors since 1993

Kari Heinistö, born 1958

M.Sc. (Econ.)

Chief Financial Officer of Partek Oy Ab
Member of the Board of Directors since 1993

Arto Ihto, born 1947

LL.M.

President of Polar Corporation

Member of the Board of Directors since 1994

Arto Korhonen, born 1943

M.Sc. (Eng.)

Senior Vice-President of Metra Corporation

Member of the Board of Directors since 1994

Seppo Siljama, born 1954

LL.M.

President of PCA Capital Associates Oy
Member of the Board of Directors since 1994

Kurt Stenvall, born 1932

LL.M.

Member of the Board of Directors since 1994

Auditors

Tauno Haataja, M.Sc. (Econ.), APA

Jorma Jäske, M.Sc. (Econ.), APA

SVH Coopers & Lybrand Oy, APA firm

APA = Authorized Public Accountant

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- Water Treatment

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