



# POLAR

■ ANNUAL REPORT ■

1997

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## INFORMATION FOR SHAREHOLDERS

### ANNUAL GENERAL MEETING

The annual general meeting of Polar Corporation will be held at 5 p.m. on Thursday 19 March in hall Fennia I of the Marina Congress Center in Helsinki, address Katajanokanlaituri 6.

Shareholders wishing to attend the AGM must give notice no later than 4 p.m. on 18 March 1998, either in writing addressed to Polar Corporation, Irmeli Rajala, PO Box 110, FIN-01511 Vantaa, Finland, or by phone to +358 9 8259 2535/Irmeli Rajala.

Proxy documents for use in voting at the AGM must 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 1997 accounting period.

### ANNUAL REPORT 1997

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

### INTERIM REPORTS IN 1998

The four-month interim report (1 January - 30 April 1998) will be published on 3 June and the eight-month report (1 January - 31 August 1998) on 8 October 1998.

### To order publications:

Polar Corporation  
Marika Timperi  
PO Box 110  
FIN-01511 Vantaa, Finland  
Tel. +358 9 82591  
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## POLAR CORPORATION

Polar Corporation is a Finnish company, listed on the stock exchange, which with its subsidiaries forms a consolidated corporate group. The Polar Group's business is divided into two lines: construction and real estate. The Group's net sales in 1997 were FIM 1,604 million.

An average of 1,169 people were on Polar's payroll in 1997.

The Group's construction business focuses on building construction and civil engineering in Finland. The Construction Division's net sales were FIM 1,226 million.

The Group's Real Estate Division develops, rents out and sells the properties it holds. The book value of the Group's real estate portfolio and land holdings in Finland, net of debt, was FIM 3,707 million. The Real Estate Division's net sales were FIM 416 million.

### POLAR GROUP 1997

	Net sales, FIM million	Operating profit/loss, FIM million	Personnel 31 Dec.1997
Construction	1,226	-7	1,154
Real estate	416	49	43
Group administration	3	-15	18
Adjustment expenses*	-	-200	-
Depreciation of goodwill and Group goodwill	-	-14	-
Internal invoicing	-41	-	-
Total	1,604	-186	1,215

\* = The expense applies to Real Estate and Construction business

## THE ACCOUNTING PERIOD IN BRIEF

The Group's operating loss was FIM 186 million (profit of FIM 54 million in 1996). Net sales were FIM 1,604 million (FIM 1,503 million).

The Construction Division's operating margin was FIM 0 million (FIM 35 million). Uninvoiced orders in hand at year-end totalled FIM 532 million (FIM 588 million).

The Real Estate Division's operating margin was FIM 75 million (FIM 87 million). The occupancy rate, rental income and sales margin on properties improved.

Net financing expenses were FIM -95 million (FIM -94 million). The loss before extraordinary items, reserves and taxes was FIM 281 million (loss of FIM 40 million). The loss before reserves and taxes was FIM 282 million (loss of FIM 63 million).

The Group's equity ratio was 28.5% (33.5%). After the share issue proposed by the Board the equity ratio will be approx. 34%.

## 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 120,210,506 Polar Corporation shares. According to the book-entry securities register the company had a total of 5,093 registered shareholders on 31 December 1997. Polar Corporation's paid-in share capital entered in the Trade Register was FIM 1,202,105,060. The company's minimum capital is FIM 900 million and its maximum capital is FIM 3,600 million.

### INCREASES IN SHARE CAPITAL

Convertible bonds issued in 1994 and 1996 and the convertible equity loan of 1996 had, by the end of 1997, been exercised to subscribe for a total of 7,276,350 shares, of which 3,935,050 were subscribed for in 1997.

### HOLDINGS BY NUMBER OF SHARES, 31 DECEMBER 1997

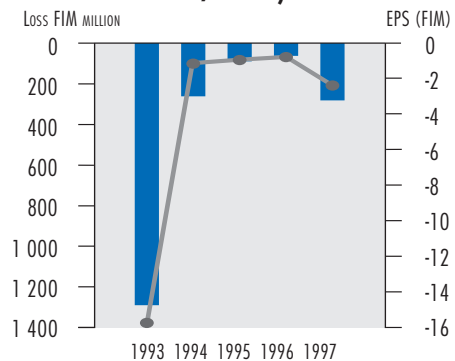
Number of shares	Shareholders		Shares	
	number	%	number	%
1-100	1,865	36.62	63,420	0.05
101-1,000	1,573	30.89	768,055	0.64
1,001-10,000	1,365	26.80	5,452,375	4.54
10,001-100,000	246	4.82	6,750,360	5.62
100,001-1,000,000	32	0.63	10,695,650	8.90
yli 1,000,000	12	0.24	96,209,497	80.03
Total	5,093	100.00	119,939,357	99.78
Total on waiting list			61,696	0.05
On joint account			209,453	0.17
Issued stock			120,210,506	100.00

### THE BIGGEST SHAREHOLDERS, 31 DECEMBER 1997

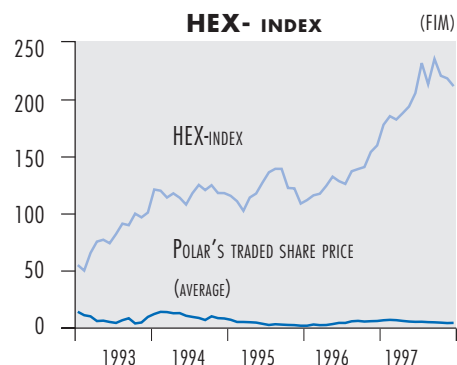
	Shares (1,000)	Percentage holding and voting rights, %
Cervuctum Oy *)	40,000	33.30
UPM-Kymmene Corporation	8,816	7.30
Metra Corporation	8,349	6.90
Partek Group	6,359	5.30
Finnish Cooperative Wholesale Society	5,305	4.40
Pohjola Insurance Company Ltd	4,247	3.50
Merita Bank	3,699	3.10
Stockmann Oy Ab	3,627	3.00
Kesko Pension Fund	3,460	2.90
Sampo Group	1,280	1.10
Total for 10 biggest shareholders	81,142	70.80
Nominee-registered	13,214	11.00
<b>Total</b>	<b>120,210</b>	<b>100.00</b>

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

### NET PROFIT/LOSS\*) AND EPS



### POLAR'S TRADED SHARE PRICE RELATIVE TO HEX- INDEX



## MANAGEMENT SHAREHOLDINGS

The members of the company's Board of Directors and its President hold no shares in the company, nor do they hold any of the convertible or warrant bonds issued by the company or any shares in Polar Group companies.

## SHAREHOLDER AGREEMENTS

According to a shareholder agreement made in 1994, the Finnish Cooperative Wholesales Society, Repola Corporation (now UPM-Kymmene Corporation), Partek Oyj Abp, Metra Corporation and the Kesko Pension Fund would not, before 31 December 1996, relinquish any shares in their possession or which they obtained in a new issue of shares based on the restructuring programme, without the unanimous consent of the committee of creditors. The contracting parties have been able to relinquish their shares to a third party since the beginning of 1997, on the condition that 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 25,591,537 Polar Corporation shares were traded for a total of FIM 178,874,469. The share turnover corresponds to 21.5% of the company's issued stock. The lowest traded price during the year was FIM 4.50 and the highest was FIM 8.50. The last traded price of the accounting period was FIM 4.80.

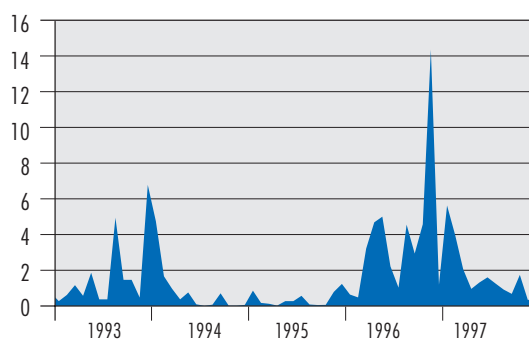
## THE EFFECT OF THE RESTRUCTURING PROGRAMME ON DIVIDEND PAYMENTS

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, as debt rescheduling limits the right of creditors to obtain payment of the principal of their receivables.

## SHAREHOLDERS AND VOTING RIGHTS BY TYPE OF SHAREHOLDERS, 31 DECEMBER 1997

Companies	65%
Financial institutions and insurers	10%
Private individuals	8%
Nominee-registered and foreigners	12%
Others and unregistered	5%

## RELATIVE TRADING IN SHARES, %



## INCREASES IN SHARE CAPITAL, 1993-1997

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 1994 exchanged in 1994	FIM 20 of debt 1 share		708,100	7,081,000	1995	517,551,560
Convertible bonds 1994 exchanged in 1995	FIM 20 of debt 1 share		228,050	2,280,500	1996	519,832,060
Convertible bonds 1994 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
Convertible equity loan 1996 exchanged in 1997	FIM 10 of debt 1 share		3,919,300	39,193,000	1998	1,201,947,560
Convertible bonds 1994 exchanged in 1997	FIM 20 of debt 1 share		750	7,500	1998	1,201,955,060
Convertible bonds 1996 exchanged in 1997	FIM 20 of debt 1 share		15,000	150,000	1998	1,202,105,060

## PRESIDENT'S REPORT



In 1997 the Finnish construction market made positive progress. The market grew strongly, particularly in the Helsinki Metropolitan Area. However, the margin on Polar's construction activities fell short of the previous year's level.

The main emphasis in construction has been moved towards what is necessary to promote our own planning and marketing. This way of working requires larger fixed expenses than more contracting. Operating in this way will enable us to achieve better profitability. At same time, construction operations have been improved in respect of the choice of contracting projects, cost estimation and pricesetting, and monitoring and reporting on costs.

In the Real Estate Division the renting of real estate followed a healthy trend in the period under review. Plots were exchanged for properties generating rental income. The number of real estate deals and swaps exceeded the number made in the previous year. Project development gathered momentum during the review period.

The annual result for the entire Polar Group in 1997 was worse than that of the previous year. Expectations for 1998 are better.

The company has channelled efforts into developing service products and projects as well as investing, training, and maintaining the employees' capacity for work. Efforts in these areas will continue in the present year.

After the period under review, in spring 1998, a proposal for a share issue will be presented to the annual general meeting by Polar Corporation's Board of Directors. After the share issue the Group's equity ratio will be approximately 34%. At the same time, an agreement has been made for the refinancing of most of the secured debts. These

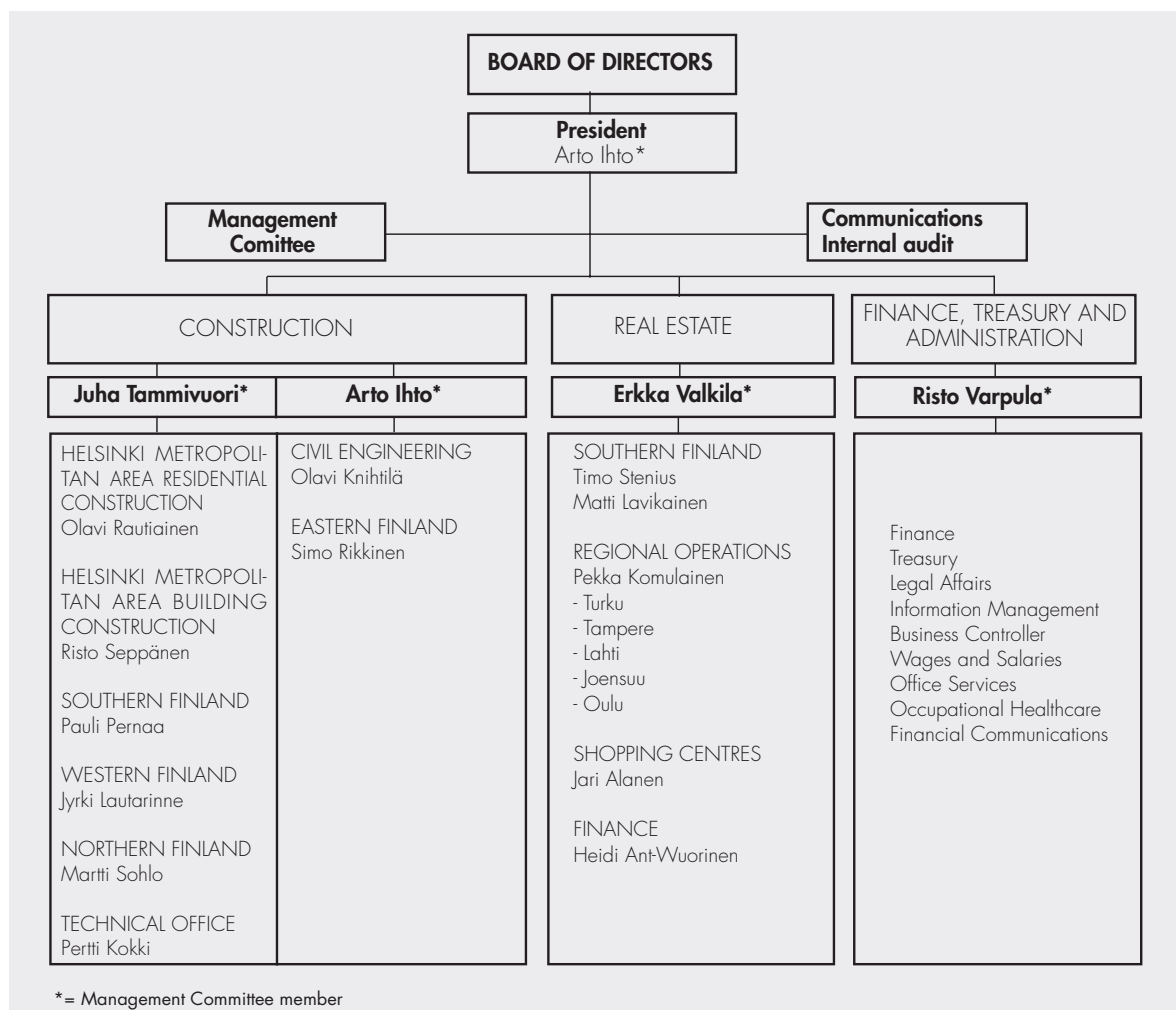
actions will substantially enhance the Group's operating prospects.

I would like to express my thanks to the owners and financial backers for the confidence they showed towards the Group and the customers for the good work we have done together in 1997. I thank the Group's personnel for their energy and their work for the good of Polar.

Vantaa, March 1998

Arto Ihto  
President

## ORGANIZATION, 1 JANUARY 1998







## CONSTRUCTION

A recovery took place in construction in comparison with the trough of the recession. This is seen most distinctly in the growth centres of Southern and Central Finland and in the Oulu region, where demand for housing caused by urban migration, combined with a number of substantial projects for business premises and commercial buildings, led to a tangible upswing in building construction. However, residential construction is still based on state-supported building. Privately financed construction has revived after a recession of many years, but the expectations attached to it were not yet fulfilled in the past accounting period.

### ORGANIZATION

Polar's construction operations were targeted in line with the market-driven increase in demand on the domestic market. Regional business names were discontinued at the same time as Polar Construction Ltd's profile was raised with the opening of new regional offices in locations such as Kouvola, Mikkeli, Seinäjoki and Porvoo. In Oulu an office was opened in place of an old subsidiary.

In the Helsinki Metropolitan Area a reshuffle was carried out among the regional units. The reorganized building construction unit concentrates on the growing market of the Helsinki Metropolitan Area's core district for both new construction and renovation. The new Southern Finland regional unit operates as a general builder in the areas bordering the Helsinki Metropolitan Area. After the reorganization, Polar Construction Ltd's building construction operations comprise residential and building construction units in the Helsinki Metropolitan Area plus the provincial units in Southern, Western and Northern Finland. The Eastern Finland regional unit operates as a general builder in its own area and it is responsible for industrial and water treatment projects throughout the country. The civil engineering unit operates nationwide within its own speciality.

To support the regional construction units, a technical office was established with the mission of providing the units with the services they need in estimating, planning and development. The aim of the organizational developments is to ensure improvements in results and to beef up the units' resources in line with growing demand.

### REGIONAL UNITS

**The Helsinki Metropolitan Area residential construction unit's** operations strengthened along with the recovering market. It concentrates on new construction, mainly of apartment buildings. The most important project under construction was a block of experimental buildings in the Herttoniemi district of Helsinki, which involved the development of steel construction, in situ casting and façade systems. After an interval of some years, the first privately financed terraced house projects were launched in the Mankkaa district of Espoo.

The unit's net sales were FIM 306 million (FIM 210 million).

On the construction of the Vuoksenniska bypass on Highway 6, Polar's civil engineering unit carried out an embracing the subgrade contract, motorway roads, public roads, cloverleaves and environmentally important protection of aquifers. Client: Finnish National Road Administration, Southeast Finland District.



**The Helsinki Metropolitan Area building construction unit** operates as a new builder of business premises in its area and as a contractor specializing in all types of renovation. Among the major new construction projects were Helsinki University Central Hospital library in Meilahti and the Saga up-scale retirement home in Munkkiniemi, and an extensive residential renovation job at Pakilantie 10-20 was the main renovation project. After the organizational changes of August, the unit concentrated on the construction markets of Helsinki, Espoo and Vantaa, upgrading its operating models with the accent on project management contracting. The project management contract for the Vantaanportti Shopping Centre, which was started at the end of the year, will mean a substantial reinforcement of this form of operations. The project management for the Vantaanportti Shopping centre is being carried out in collaboration by Polar Real Estate and Polar Construction Ltd's Helsinki Metropolitan Area building construction unit. Residential renovation will also maintain its part as one of the mainstays of the unit.

The unit's net sales were FIM 253 million (FIM 221 million) including jobs transferred to the Southern Finland regional unit in August.

**The Southern Finland unit** went into business in August. It covers the profit centres operating in the economic zones of Porvoo, Lahti and Hämeenlinna, in addition to which the subsidiary Rakennus-Haaparanta Oy in Vihti also belongs to the regional unit. The units are mainly local general builders, of which the Lahti profit centre also has a considerable amount of negotiation-based contracting in the Ankkurilahti district.

The regional unit is strengthening its operations in central Uusimaa Province. The main projects under construction are Vihti library and a warehouse for Kesko Ltd in Kerava.

**The Western Finland regional unit** operates as a general builder in the Tampere, Turku and Jyväskylä economic zones, in addition to which the subsidiary Rakennus-Vuorenpää Oy in Pori also belongs to the regional unit. In the second half of the year the regional unit started up construction operations in Seinäjoki. The regional unit's operations focused on negotiation-based residential and commercial building projects and on renovations of public buildings. The main projects were a car showroom building for Auto-Starckjohann in Tampere, the renovation of the University of Turku administration building, an extension and renovation job for the Central Finland Central Hospital in Jyväskylä, and renovation of the Satakunta Central Hospital in Pori. Privately financed residential construction was launched in Tampere, Nokia and Lahti.

The regional unit's net sales were FIM 295 million (FIM 191 million).

**The Eastern Finland regional unit** operates as a builder in the economic zones of Lappeenranta, Kotka, Kuopio and Mikkeli; it also practised nationwide industrial and water treatment construction. The planning and design work for water treatment is located in Helsinki. In the course of the year the regional unit pulled out of Russian border projects in the St Petersburg economic zone.

The regional unit's most important project was an extension to the Summa mill's effluent treatment plant for Enso, which was carried out as a design build project. Privately financed housing construction got under way in Karhula, where apartments were built for As.Oy Kotkan Tapionvalli.

The regional unit's net sales were FIM 201 million (FIM 261 million). The unit reports to the President.



JUHA TAMMIVUORI, SENIOR VICE PRESIDENT

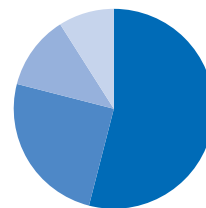
#### KEY FIGURES FOR CONSTRUCTION DIVISION

FIM million	1997	1996
Net sales	1,226	1,183
Operating margin	0	35
Operating profit/loss	-7	28
Personnel 31 Dec.	1,154	998

#### COMPARATIVE FIGURES FOR CONSTRUCTION DIVISION

	1997	1996	1995	1994	1993
Invoicing, FIM million	1,220	1,155	1,376	1,274	1,453
International construction, % of invoicing	2	8	8	9	12
Uninvoiced orders in hand, 31 Dec. FIM million	532	588	685	670	592
Output completed, million cu.m.	0.9	0.9	1.1	1.0	2.1
No. of completed dwellings	1,857	1,712	2,092	1,733	2,611

#### CONSTRUCTION DIVISION NET SALES FIM 1,226 MILLION BY THE TYPE OF BUILDING, 1997, %



	%	FIM million
Housing	54	658
Commercial and business premises	25	313
Civil engineering	12	150
Industrial construction	9	105
	100	1,226
Of net sales		
Construction abroad	2	28
Renovation	19	228
Construction on own plots	21	255



The mushroom model is a popular solution for many of the water towers built by Polar under contract throughout the land. The picture shows the Kuokkala water tower built for the Jyväskylä Water Utility.



Finland's longest bridge, at Raippaluoto near Vaasa, was opened to traffic two months ahead of schedule in August 1997. The client was Vaasa Regional Road Administration.



Tenant-owner homes on Takomatie in the Pitäjänmäki district of Helsinki, built for the VVO Group.

**The Northern Finland regional unit** operates as a general builder in the Oulu economic zone. The unit was opened at the end of the year in place of the enterprise company that formerly operated there. The regional unit includes the subsidiary YR-Insinöörit Oy, which operates in Ylivieska.

**The civil engineering unit** operates as a nationwide contractor in its specialist field. Its sphere of operations includes road and bridge construction, demanding underground construction, industrial earthworks, underpinning foundations, repairs to concrete structures, harbours and wharves, and excavation and tunnelling.

The unit's main projects were Raippaluoto bridge, Vuoksenniska motorway contracts, Helsinki Ring Road II and Bridge Contract 1, and underground construction in the centre of Helsinki, including the Forum underground car park and the Forum-Sokos department store underpass below the main street, Mannerheimintie.

The unit's net sales were FIM 148 million (FIM 182 million). The unit reports to the President.

**The technical office** provides the construction units and the Real Estate Division's project development with estimation and planning services. The unit is also responsible for the company's development and training.

## RESEARCH AND DEVELOPMENT

There is a continuous action in quality assurance and control issues. In connection with the ten-year guarantee given to housing associations and real estate holding companies, a maintenance agreement has been developed on the basis of the maintenance book developed by the Ministry of the Environment. The first maintenance agreement was signed during the present accounting period.

The Eastern and Western Finland units were granted ISO 9001 certification. Efforts were devoted to renovation. All major renovation operations in the Helsinki Metropolitan Area have been placed under Building Construction Unit and renovation methods have been developed.

## NET SALES AND FINANCIAL RESULT

The Group's construction net sales in 1997 were FIM 1,226 million (FIM 1,183 million), of which residential construction accounted for FIM 658 million (FIM 495 million). The number of dwellings completed during the accounting period was 1,857 (2,092). Of the net sales, commercial and business premises accounted for FIM 313 million (FIM 288 million), and industrial construction for FIM 105 million (FIM 224 million). The Construction Division's operating loss was FIM 7 million (profit of FIM 28 million).

New contracting agreements valued at FIM 1,195 million (FIM 967 million) were signed during the accounting period. Orders in hand at year-end stood at FIM 532 million (FIM 588 million).

The construction projects in Russia were completed in the course of the accounting period and they were handed over to the client.

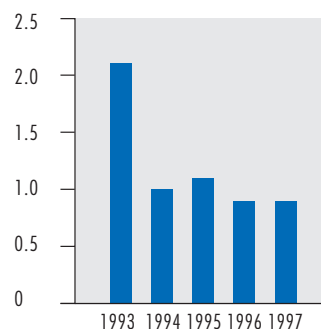
## OUTLOOK

Construction is continuing to grow steadily. Polar Construction is applying effort to initiating construction which requires in-house planning and marketing. The reorganization carried out will have a positive impact on operations in 1998.

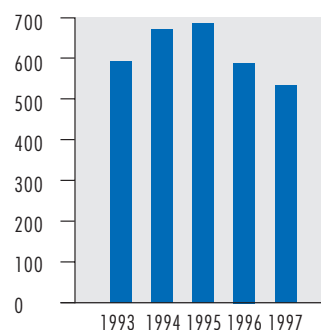
## MAIN PROJECTS UNDER CONSTRUCTION AT YEAR-END

Project	Unit	Client
Kiint.oy Maakaarenkuja, Helsinki New construction, 135 dwellings	Helsinki Metropolitan Area Residential Construction Unit	City of Helsinki Housing Production Office
Kiint.oy Kilonneilikka, Espoo New construction, 58 dwellings	Helsinki Metropolitan Area Residential Construction Unit	City of Espoo Housing Production Unit
Vantaanportti Shopping Centre, Vantaa	Helsinki Metropolitan Area Building Construction Unit	Kiinteistö Oy Vantaanportin Liikekeskus
Annealing plant for Brukens Oy, Espoo New construction, 13,500 cu.m.	Helsinki Metropolitan Area Building Construction Unit	Brukens Ltd
Pakilantie 10-20, Helsinki Major renovation of 284 apartments	Southern Finland Regional Unit	City of Helsinki Housing Production Office
Heavy-goods warehouse for Kesko, Kerava New construction, 72,000 cu.m.	Southern Finland Regional Unit	Kesko Ltd
As.oy Lappeenrannan Kasinon- puisto, Lappeenranta	Eastern Finland Regional Unit	As Oy / Polar Corporation
Nenäinniemi sewage plant, Jyväskylä Pretreatment building	Eastern Finland Regional Unit	Jyväskylän seudun Puhdistamo Ltd
Vehicle center Hatanpää, Tampere	Western Finland Regional Unit	Autokeskus Ltd
Tampere College of Health Professions, Stage II	Western Finland Regional Unit	State Real Property Authority
Ring Road II road and bridge contract 1, Espoo	Civil Engineering Unit	Uusimaa Regional Road Administration
Major renovation of National Museum, Construction stage I	Civil Engineering Unit	National Board of Antiquities

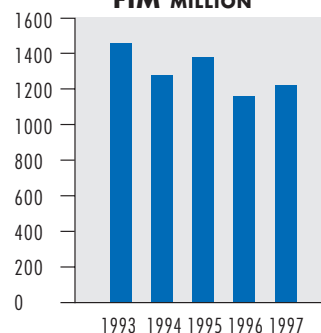
## CONSTRUCTION, MILLION CU.M.



## UNINVOICED ORDERS 31 DEC., FIM MILLION



## CONSTRUCTION INVOICING, FIM MILLION



## UNINVOICED ORDERS AT YEAR-END, FIM MILLION

	1997	1996	1995	1994	1993
Residential	324	295	161	237	138
Business premises and public buildings	126	108	137	180	143
Civil engineering	49	53	153	110	64
Industrial construction	33	23	81	30	23
International construction	-	109	153	113	224
Total	532	588	685	670	592

## REAL ESTATE

**T**he Polar Group engages in real estate business under the name Polar Real Estate. Polar Real Estate is responsible for all of Polar Corporation's real estate business and for its property portfolio, valued at FIM 3.7 billion. Net sales were FIM 416 million (FIM 346 million), of which rental income accounted for FIM 218 million (FIM 207 million) and sales revenue accounted for FIM 198 million (FIM 139 million). Polar Real Estate's operating profit was FIM 49 million (FIM 65 million).

Polar Real Estate's 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 in Vantaa.

**The Southern Finland unit** is mainly responsible for real estate business in the Helsinki Metropolitan Area and its surrounding municipalities. The unit's net sales in 1997 were FIM 200 million (FIM 129 million).

**The Regional Operations unit** is responsible for real estate holdings in other parts of Finland. The unit has business locations in Turku, Tampere, Oulu, Lahti and Joensuu. Net sales in 1997 were FIM 172 million (FIM 173 million).

**The Shopping Centres unit** is responsible for the management and development of shopping centres at the Tampere Koskikeskus, Seinäjoki Torikeskus and Valkeakoski Koskikara. The unit's net sales in 1997 were FIM 44 million (FIM 44 million).

The real estate company Suomen Osakaskiinteistöt Oy became a wholly owned subsidiary of Polar Group during the accounting period; it will be merged with the Polar Corporation in 1998. Polar Corporation holds 50% of Suomen Kiinteistökehitys SKK Oy and 33% of Vantaanportti Invest Oy. Polar is also a shareholder in Citycon Oy, a real estate investment company.

### REAL ESTATE MARKET

The market for real estate made positive progress during the accounting period. An economic recovery, combined with low interest rates, has created good prospects for improving the profitability of real estate operations. Numerous projects for commercial and business premises have been started, particularly in the Helsinki Metropolitan Area and in the centres of growth, in line with rising demand for rented premises. Occupancy rates have risen and rental prices have firmed up in the regional centres. There has been further growth in privately financed residential construction and the demand for plots has picked up.

### PROPERTY PORTFOLIO

The value, net of debt, of the property portfolio in Finland was FIM 3,707 million (FIM 3,810 million). Of this, the portfolio of completed property accounted for FIM 2,690 million (FIM 2,560 million). Holdings of plots accounted for FIM 926 million (FIM 1,135 million) and dwell-

The Ankkurilahti district of Lahti has been developed systematically. According to the holistic construction plan, the area is to be developed with a wide variety of housing. A concert hall and an athletes' village for the 2001 World Skiing Championships are also being planned for the area.



ings for FIM 22 million (FIM 33 million). Other assets accounted for FIM 69 million (FIM 82 million).

At the end of the accounting period there were in all 341,000 square metres (310,000 sq.m.) of leasable floor area in the commercial and office buildings owned by the company. The premises are located mainly in the Helsinki Metropolitan Area and in regional centres. The number of completed dwellings was 63 (82), most of which had been rented out. The combined total of permitted building volume for the plot holdings at the end of 1997 was 1.6 million square metres of gross floor area (1.9 million square metres).

## SALES

Real estate to a value of FIM 264 million was sold during the accounting period (FIM 162 million), taken at selling prices net of debt. Plots of land accounted for FIM 205 million (FIM 117 million), including FIM 3 million in sales of land by unconsolidated real estate holding companies. Business premises accounted for FIM 10 million of this (FIM 25 million). Dwellings accounted for FIM 29 million (FIM 16 million), including FIM 21 million in sales of shares in developer contraction. Other assets were sold for FIM 3 million (FIM 4 million). The margin on these sales was FIM 13 million (FIM 28 million). Polar Real Estate's other sales revenue was FIM 17 million (FIM 6 million) with a margin of FIM 8 million (FIM 4 million).

## ACQUISITIONS

Polar Corporation acquired shares in Kiinteistö Oy Sato-malmi from Sato-Yhtymä Oy conferring entitlement to office premises comprising some 2,500 square metres in the centre of the Malmi district of Helsinki. During the accounting period Polar acquired the entire issued stock of Suomen Osakaskiinteistöt Oy. The sellers were Postipankki Ltd, Kesko Ltd and Pohjola Insurance Company. Suomen Osakaskiinteistöt Oy has two large office buildings in Helsinki with a combined area of some 7,700 square metres. In August Polar Corporation acquired a leased-out office building of some 7,000 square metres at the address Sörnäisten rantatie 25 in Helsinki from Celliifast Oy, a subsidiary of Partek Corporation. During the accounting period plots of land were purchased for privately financed residential construction in the Helsinki Metropolitan Area and Lappeenranta totalling 8,073 square metres of gross floor area.

## INVESTMENT DECISIONS

During the period under review decisions were made on investments to be made during 1998 and 1999, totalling FIM 100 million, in the Vantaanportti Shopping Centre and the Turku Station Centre.

## LEASING

The occupancy rate at year-end was 93% (91%), divided among the units as follows: Southern Finland 96% (94%), Regional Operations 90% (87%) and Shopping Centres 94% (93%). Because of the high occupancy rate, leasing business during the accounting period favoured renewals of existing lease agreements.



ERKKA VALKILA, SENIOR VICE PRESIDENT

## KEY FIGURES

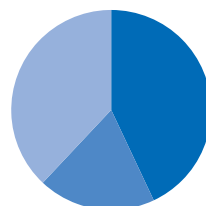
	1997 FIM million	1996 FIM million
Net sales	416	346
Operating margin	75*	87
Operating profit	49*	65
Personnel 31 Dec.	43	39

\*) Reduced by FIM 10 million in expenses which would have been posted to extraordinary expenses under previous accounting practice.

## RENTAL OCCUPANCY RATE

	1997 %	1996 %
Southern Finland	96	94
Shopping centres	94	93
Regional operations	90	87
Whole of Finland	93	91

## LENGTH OF RENTAL AGREEMENTS, 31 DEC. 1997, %

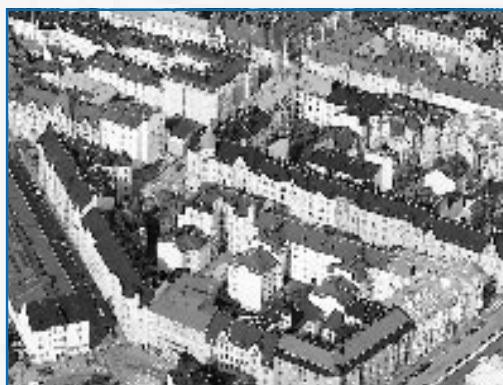


0-2 years	43%
2-5 years	19%
over 5 years	38%





The Vantaanportti Shopping Centre, at the junction of Helsinki Ring Road III and the airport highway in Vantaa, will be completed in autumn 1999. Finland's second-biggest shopping centre will have 53,000 sq.m. of rentable space on two storeys. The shopping centre is owned by HOK, Kesko, Merita Real Estate, Polar Corporation, Penson Varma, and Enterprise Fennia.



At the corner of Kauppiaankatu and Katajanokankatu in the Katajanokka district of central Helsinki, a deluxe apartment building designed to fit in with its venerable surroundings is under construction.



The so-called Lokomo area of Tampere is becoming a major centre for the motor trade. Built by Polar, Starckjohann's car showroom building was inaugurated in January. Construction began on a vehicle centre for the Aro Group in February.

The net rental income from properties available for leasing was FIM 140 million (FIM 130 million). As a proportion of the book value net of debt, the net yield of the lease agreements at the end of the year for leasable premises was 5.3% (5.1%).

By year-end, 277 lease agreements had been made. The main contracts were with the Finnish Cooperative Wholesale Society and Inex Partners Oy for premises totalling 27,725 square metres in Vallila. Among the renewed long-term lease agreements were a five-year agreement with the City of Helsinki for 6,545 square metres of space at Kansakoulukatu 3, and an agreement signed with Helsinki Media Company Oy for 953 square metres of office premises at Kornetintie 6.

For all the major properties, appraisals were initiated and long-term development plans were started with the aim of protecting the value of the properties.

### PRIVATELY FINANCED RESIDENTIAL CONSTRUCTION

During the accounting period, 42 privately financed dwellings were completed, all of which have been sold. The number of privately financed dwellings under construction at year-end was 112 at 6 locations. Of these, 83 dwellings have been sold. There are plans to start the construction of 300 dwellings during the current year.

### PROJECT DEVELOPMENT

The Vantaanportti Shopping Centre, which received building permission during the accounting period, has advanced to the construction stage. Agreements on the construction and a project management contract were signed on 30 December 1997. The construction of the project got under way in January 1998. The shopping centre will be completed by the end of 1999 and it will be Finland's second-biggest shopping centre (gross floor area 60,000 square metres). Polar Corporation owns a total of 16% of the project, directly and indirectly.

Planning permission for phase I of the Vaskipuisto housing estate in the Kaivoksela district of Vantaa has been confirmed and the construction of the first buildings will begin in 1998. In Lahti, an old industrial shed in the Ankurilahti district was renovated as a practice icehall. During the accounting period a showroom building of approximately 4,600 square metres for Starckjohann Oy was built in the so-called Lokomo area of Tampere. The investor in the project is Ilmarinen Pension Insurance Company Ltd. Polar Corporation sold a plot for a commercial building in the Friisilä district of Espoo to Oy Stockmann Ab, at the same time making an agreement to build on the site.

### VALUE OF PROPERTIES COMPLETED, NET OF DEBT AND NET YIELD, 1997

	FIM million	%
Helsinki Metropolitan Area	1,458	5.7
Turku, Tampere, Lahti	744	5.5
Rest of Finland	488	3.7
Total	2,690	5.3

## DEVELOPMENT

In the course of 1997 a project was carried out for the commoditization of leasing business, part of which took the form of a manual. Product development continues with the enhancement of the production model for key customers and by establishing partnership-based operating models with service providers.

The recovery of privately financed residential construction, a new land law code and a new law on sales of housing have brought with them new features of and demands for privately financed housing construction. In order to make allowance for these changes and to ensure a consistent, customer-oriented operating method, a development committee was established. As a result of the committee's work, the process manual of the Polar developer/contractor model was published in early 1998.

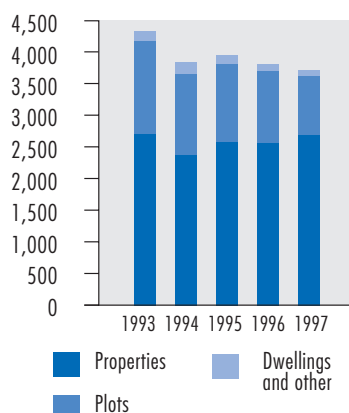
Energetic efforts have been devoted to augmenting the professional skills of Polar Real Estate's personnel with in-house and external. During 1997 three of Polar Real Estate's personnel took examinations for building managers and project managers, and two took real estate book-keeping examinations.

## OUTLOOK

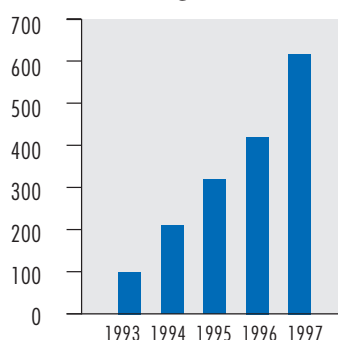
It is believed that the trend in real estate business will continue to be favourable: demand for leased premises will continue to be brisk and new construction projects will be launched, rents will continue to rise and privately financed residential construction will increase.

Polar Real Estate's sales will focus primarily on sales and exchanges of plots of land for profitable properties. Polar Real Estate's operating profit is expected to improve.

PROPERTY PORTFOLIO IN FINLAND AT VALUES NET OF DEBT, 31 DEC., FIM MILLION



ACCUMULATIVE SALES OF PLOTS, FIM MILLION 1993-1997



## THE GROUP'S REAL ESTATE IN FINLAND, 31 DECEMBER 1997

	Helsinki region	Turku, Tampere and Lahti economic zones	Rest of Finland	Total
<b>Properties</b>				
Net floor area (1000 sq.m.)	164	76	101	341
Net rental yield (FIM million)	84	41	18	143
Yield/book value net of debt (%)	5.7	5.5	3.7	5.3
Occupancy rate (%)	96	94	89	93
<b>Value net of debt (FIM million)</b>	<b>1,458</b>	<b>744</b>	<b>488</b>	<b>2,690</b>
<b>Plots (gross floor area, 1000 sq.m.)</b>				
Residential	257	329	232	818
Office and commercial	130	183	63	376
Industrial	217	97	23	337
Rental	16	14	37	67
Total	620	623	355	1,598
<b>Value net of debt (FIM million)</b>	<b>445</b>	<b>325</b>	<b>156</b>	<b>926</b>
<b>Dwellings and others</b>				
<b>Value net of debt (FIM million)</b>	<b>35</b>	<b>22</b>	<b>34</b>	<b>91</b>
<b>Total value net of debt (FIM million)</b>	<b>1,938</b>	<b>1,091</b>	<b>678</b>	<b>3,707</b>





Partek has leased the 7,000 sq.m. of office space at Sörnäisten Rantatie 25 in Helsinki on a five-year lease. Polar acquired the office building in a swap with Partek's subsidiary Cellifast.



Polar owns 50% of Kiint. Oy Vilhonkatu 5 in the Kaisaniemi district of Helsinki. The building was renovated by Polar Construction Ltd.



The Koskikeskus complex in the heart of Tampere is Polar's biggest shopping centre. Ten years old, this varied complex has a 100% rental occupancy rate.

## POLAR REAL ESTATE'S ASSETS IN THE CONSOLIDATED BALANCE SHEET

1997 (FIM MILLION)

### FIXED ASSETS

INTANGIBLE RIGHTS	9
OTHER LONG-TERM EXPENSES	8
LAND AND WATER AREAS	191
BUILDINGS AND STRUCTURES	518
MACHINERY AND EQUIPMENT	15
REAL ESTATE COMPANY SHARES	1,581
OTHER SECURITIES	32
LONG-TERM LOANS RECEIVABLE	101

**TOTAL FIXED ASSETS 2,455**

### INVENTORIES

LAND AREAS AND PROPERTIES	317
SHARES IN PLOTS	384
SHARES IN HOUSING COMPANIES	10
SHARES IN BUSINESS PREMISES	105
ACCOUNTS RECEIVABLE	120
SHORT-TERM ACCOUNTS RECEIVABLE	112

**TOTAL INVENTORIES 1,048**

TOTAL IN BALANCE SHEET 3,503

SHARES IN COMPANY LOANS 204

**TOTAL 3,707**

## MAIN RENTAL ITEMS

### NET LEASABLE AREA, SQ.M.

#### Office properties

Kiint.oy Kivikkukaro, Turku	10,860
Kiint.oy Pakkalan Kartanonkoski 3, Vantaa	9,033
Kiint.oy Kutomotie 6, Helsinki	7,626
Kiint.oy Sörnäisten Rantatie 25, Helsinki	7,002
Kiint.oy Vuorikatu 20, Helsinki	6,740
Munkkiniemen liiketalo, Helsinki	6,690
Kiint.oy Helsingin Kansakoulukatu 3, Helsinki	6,545
Kiint.oy Malmin Kauppatie 8, Helsinki	4,699
Kiint.oy Scifin Alfa, Espoo	4,651
Kiint.oy Kilon Helmi, Espoo	4,069
Kiint.oy Kilon Timatti, Espoo	4,035
Kiint.oy Satomalmi, Helsinki <sup>1)</sup>	3,623
Itätuulentie 8, Espoo	3,583
Kiint.oy Niittylänpolku 16, Helsinki	2,990
Kiint.oy Vilhonkatu 5, Helsinki <sup>1)</sup>	2,883
Kiint.oy F-Medi, Tampere	2,826
Kiint.oy Kaivokatu 8, Helsinki <sup>1)</sup>	1,611

#### Shopping centres/business premises

Tampereen Koskikeskus Oy, Tampere <sup>1)</sup>	16,725
Kiint.oy Sisustaja, Vantaa	15,866
Seinäjoen Torikeskus, Seinäjoki <sup>1)</sup>	11,699
Valkeakosken Koskikara, Valkeakoski <sup>1)</sup>	5,898
Kiint.oy Hollolan Ostospaikka (Kompassi), Hollola	5,442

#### Manufacturing/office premises

Vallilan yhtiöt, Helsinki	34,798
---------------------------	--------

#### Hotels

Kiint.oy Helsingin Kanavakatu 8-22, Helsinki <sup>1)</sup>	14,393
Kiint.oy Kotkan Seurahuone, Kotka	7,534

<sup>1)</sup> Part ownership, Polar's stake

### MAIN LESSEES/USERS

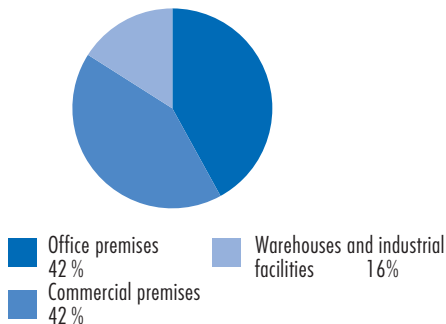
OmaisuuDENHOIToyhtiö Arsenal Oy  
 Nike Finland Oy, Polar-Yhtymä Oy, Polar-Rakennus Oy  
 Pictus Oy, HS Finland Oy  
 Partek Oyj Abp  
 Helsingin Yliopisto  
 Kone Oy, Tuokko Deloitte & Touche Oy, Microdata Oy  
 Helsingin kaupunki, kaupunkisuunnitteluvirasto  
 Datatie Oy  
 Intergraph Finland Oy, AST Finland Oy, TT-Prosolution Oy  
 Fujitsu ICL Computers Oy, Fag Finland Oy  
 Fujitsu ICL Computers Oy  
 Sato-Yhtymä Oy  
 Espoon kaupunki, Lindex Oy, Ihme ja Kumma Oy  
 Peek Traffic Oy, Setele Oy  
 Kera, KTM, City Apartments Oy, Tarjoustalo Oy  
 Tampereen Terveystieteiden tutkimuskeskus  
 Aros Securities Oy, PetraSol Ky

Lindex Oy, Seppälä, Finnkino Oy  
 Anttila Oy  
 Burger Inn Oy, Seurojen Tuki r.y., Oy Sokoteria Ab,  
 Jysk-Vuodevarasto Oy  
 Oy Alko Ab, Burger Inn Oy, Seppälä, Pirkanmaan Ok  
 Kesko Oy, Päijät-Hämeen Osuuspankki, Seppälä

Meira Oy, SOK, Teatterikorkeakoulu

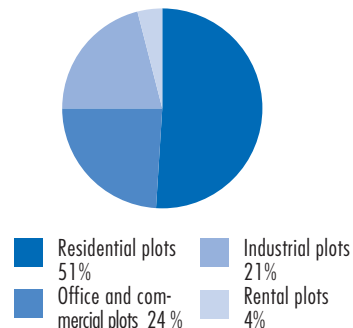
Arctia Oy  
 Osuuskauppa Ympyrä

**PROPERTY PORTFOLIO IN FINLAND (NET LEASABLE AREA, SQ.M.) ACCORDING TO INTENDED PURPOSE, 31 Dec.1997, %**



Total 341,000 net leasable area, sq.m.

**PERMITTED BUILDING VOLUME (NET FLOOR AREA) ACCORDING TO INTENDED PURPOSE, 31 Dec.1997, %**

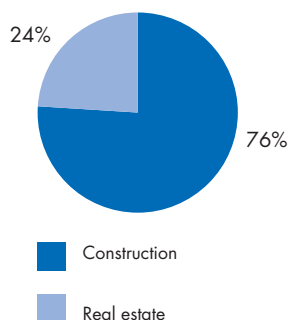


Total 1.6 FIM million net floor area

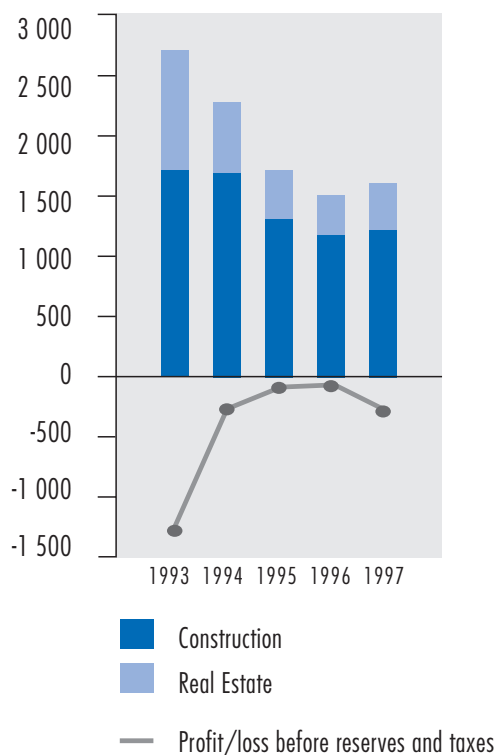
## ANNUAL REPORT OF THE BOARD 1 JANUARY - 31 DECEMBER 1997

The Polar Group's lines of business are construction and real estate. Construction business made a loss. Real estate continued along its growth track.

NET SALES BY FIELDS OF BUSINESS, %



NET SALES AND EARNINGS, FIM MILLION



### NET SALES AND FINANCIAL PERFORMANCE

The Group's net sales were FIM 1,604 million (FIM 1,503 million in 1996). The Construction Division's net sales were FIM 1,226 million (FIM 1,183 million). The Real Estate Division's net sales were FIM 416 million (FIM 346 million).

The Group's operating margin was FIM 62 million (FIM 103 million). In the 1997 consolidated profit and loss account there is an item for FIM 200 million posted as an adjustment expense, after which the operating margin was FIM -138 million (FIM 103 million). The adjustment expenses concern the reorganization of the capital structure to be proposed to the annual general meeting and a plan to accelerate sales and exchanges of assets for properties generating rental yield.

The Group's operating loss was FIM 186 million (profit of FIM 54 million). The loss after financing items was FIM 281 million (loss of FIM 40 million). Extraordinary expenses were FIM 4 million (FIM 29 million). The extraordinary expenses in the interim reports published during the financial year (FIM 5 million) were posted to other expenses in the consolidated financial statements. If the previous practice had been followed, the extraordinary expenses for the entire financial year would have been FIM 14 million. Extraordinary income amounted to FIM 4 million (FIM 7 million).

The taxes for the accounting period were FIM 3 million (FIM 4 million).

The net loss for the year was FIM 265 million (loss of FIM 52 million). The return on investment was -5.3% (2.4%) and the return on equity was -21.7% (-4.1%). Earnings per share were FIM -2.40 (FIM -0.77).

### FINANCING

The Group's liquid assets at year-end were FIM 131 million (FIM 173 million). There was also FIM 24 million (FIM 42 million) in pledged assets.

Net financing expenses were FIM -95 million (FIM -94 million). The balance sheet total declined by FIM 145 million to FIM 4,292 million.

Interest-bearing liabilities totalled FIM 2,024 million (FIM 2,044 million), of which interest-bearing current liabilities amounted to FIM 12 million.

On 31 December 1997 the holders of warrant bonds were paid FIM 13 million in accordance with the terms of the issue.

During the year under review, FIM 111 million (FIM 125 million) was paid off loans on the consolidated balance sheet. During the present financial year, FIM 53 million will be repaid on loans in accordance with the repayment schedule.

The Group's equity ratio was 28.5% (33.5%).

The consolidated balance sheet includes FIM 1,680 million in secured debt. Secured debt falls due for payment as properties are sold off and the remainder falls due on 31 December 1999. The interest rate on the secured debt is fixed at 5% p.a. until the loan reaches maturity.

## OBLIGATORY RESERVES

There is a total of FIM 345 million of obligatory reserves in the consolidated balance sheet. Of these it is estimated that, on liquidation, FIM 21 million will be converted to warrant bonds, FIM 21 million to convertible bonds, FIM 11 million to secured debt, and FIM 92 million to expenses affecting the cash position, of which FIM 72 million comprises rent liabilities. Of the rent liabilities, it is estimated that roughly FIM 7 million will fall due for payment annually.

Obligatory reserves include an item posted in the consolidated profit and loss account for FIM 200 million as an adjustment expense. The adjustment expense concerns the reorganization of the capital structure to be proposed to the annual general meeting and a plan to accelerate sales and exchanges of assets for properties generating rental yield.

## CONSTRUCTION

The Construction Division's net sales were FIM 1,226 million (FIM 1,183 million). The operating margin was FIM 0 million (FIM 35 million) and the operating loss was FIM 7 million (profit of FIM 28 million). The Group's uninvoiced orders in hand at year-end, all of which were in Finland, were FIM 532 million (FIM 588 million).

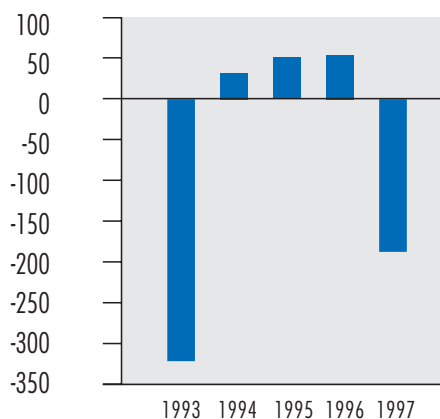
Construction in Russia has ended, with the possible exception of guarantee works. The construction projects in Russia were completed during the accounting period and handed over to the client. During the accounting period, the disputes over the Brusnitschnoje-2 border station and the Tapiola Multipurpose Arena were settled.

## REAL ESTATE

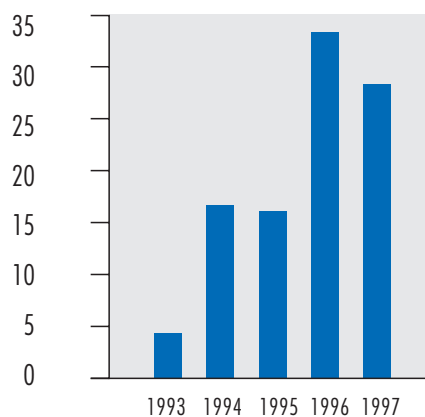
The net sales of real estate business in Finland were FIM 416 million (FIM 346 million). The operating margin was FIM 75 million (FIM 87 million) and the operating profit was FIM 49 million (FIM 65 million).

The value of the Group's real estate portfolio in Finland was FIM 3,707 million net of debt. This figure comprises capital tied up in property with a book value of FIM 3,503 million, plus FIM 204 million in non-Group loans against Group property in unconsolidated real estate holding companies.

OPERATING PROFIT/LOSS, FIM MILLION



EQUITY RATIO, %



## NET SALES AND OPERATING PROFIT, FIM MILLION

	Net sales 1997	1996	Operating profit/loss 1997	1996
Construction	1,226	1,183	-7	28
Real estate	416	346	49	65
Group administration	3	1	-15	-23
Adjustment expenses *)	-	-	-200	-
Depreciation of goodwill and Group goodwill	-	-	-14	-16
Internal invoicing	-41	-27	-	-
Total	1,604	1,503	-186	54

\*) The expense applies to Real Estate and Construction business

## VALUATION OF PROPERTIES

The annual net rental yield, calculated at year-end, of the business premises owned was FIM 143 million (FIM 130), which yielded 5.3% (5.1%) of the value net of debt. The occupancy rate of the Group's leasable business premises rose to 93% (91%).

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 the land portfolio involves factors of uncertainty.

## SHARES

Polar Corporation's share capital at year-end was FIM 1,202,105,060. By the end of the accounting period, Polar shares exchanged for convertible bonds was 3,357,050, and 3,919,300 shares were exchanged for equity loan. The convertible bonds and equity loan remaining in the hands

of non-Group parties confer entitlement to exchange for approximately 39 million shares.

The warrants of the 1994 warrant bond issue confer entitlement to non-Group parties to exchange for approximately 7 million shares.

The annual general meeting of 20 March 1997 granted the Board of Directors authority to exercise the convertible bonds and warrant bonds issued in 1994 and 1996 which were in the hands of the subsidiaries. On the basis of this authorization the share capital may be raised by no more than FIM 348,939,000 by issuing a maximum of 34,893,900 Polar Corporation shares with a par value of FIM 10. The authorization includes entitlement to bypass existing shareholders' preemption rights on the condition that there is a compelling financial reason for the Polar Group to exercise the authorization, such as a corporate and/or property deal, cooperative arrange-

## THE GROUP'S REAL ESTATE IN FINLAND, 31 DECEMBER 1997

	Helsinki region	Turku, Tampere and Lahti economic zones	Rest of Finland	Total
<b>Properties</b>				
Net floor area (1000 sq.m.)	164	76	101	341
Net rental yield (FIM million)	84	41	18	143
Yield/book value net of debt (%)	5.7	5.5	3.7	5.3
Occupancy rate (%)	96	94	89	93
<b>Value net of debt (FIM million)</b>	<b>1,458</b>	<b>744</b>	<b>488</b>	<b>2,690</b>
<b>Plots (gross floor area, 1000 sq.m.)</b>				
Residential	257	329	232	818
Office and commercial	130	183	63	376
Industrial	217	97	23	337
Rental	16	14	37	67
Total	620	623	355	1,598
<b>Value net of debt (FIM million)</b>	<b>445</b>	<b>325</b>	<b>156</b>	<b>926</b>
<b>Dwelling and others</b>				
<b>Value net of debt (FIM million)</b>	<b>35</b>	<b>22</b>	<b>34</b>	<b>91</b>
<b>Total value net of debt (FIM million)</b>	<b>1,938</b>	<b>1,091</b>	<b>678</b>	<b>3,707</b>

## WARRANT BONDS, CONVERTIBLE BONDS AND CONVERTIBLE EQUITY LOANS AS AT 31 DECEMBER 1997

	Non-Polar Group	Polar Group	Total
Warrant bonds (FIM 1,000)	122,779	36,000	158,779
Warrants (1,000)	8,130	2,400	10,530
Convertible bonds (FIM 1,000)	389,894	222,965	612,859
Options to convert to shares (1,000)	19,495	11,148	30,643
Convertible equity loan (FIM 1,000)	193,847	190,035	383,882
Options to convert to shares (1,000)	19,385	19,003	38,388

ments, or the implementation of the restructuring programme. The authorization is valid until decided otherwise. On the basis of the authorization, Kiint. Oy Ins-Motelli surrendered convertible equity loan issued in 1996 in the amount of FIM 13 million to finance a real estate deal. In order to implement the restructuring programme, Kiint. Oy Ins-Motelli also surrendered convertible bonds issued in 1994 in the amount of FIM 8,576,000 and corporate bonds in the amount of FIM 11,193,000, which were converted into equity loans by agreements made.

### 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.

Polar Corporation fulfilled its obligations under the restructuring programme during the financial year.

### INTERNATIONAL BUSINESS

In the course of the accounting period, properties and land were sold for FIM 101 million (FIM 83 million), of which FIM 37 million (FIM 64 million) was in Europe and FIM 64 million (FIM 19 million) was in the USA. The value net of debt of properties, land and shares outside Finland at year-end totalled FIM 239 million (FIM 294 million), of which FIM 168 million (FIM 189 million) was in Europe and FIM 71 million (FIM 105 million) was in the USA. Since the 1993 financial statements, the subsidiaries connected with business in Europe and the USA have been consolidated by the equity method. 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 subsidiaries operating in Europe. The remaining unrealized guarantee liabilities at the end of 1997 amounted to FIM 50 million (FIM 59 million). The final total of the guarantee liabilities will depend mainly on the property market trend in Britain and Germany.

Polar Corporation has receivables in the USA, through an unconsolidated subsidiary, in the amount of US\$ 8.8 million. Payment of this receivable depends on the trend in business in the USA. Also, guarantees in the amount of approximately US\$ 7 million (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.

### INVESTMENTS

The Group's investments amounted to FIM 125 million (FIM 90 million).

### SUPERVISORY BOARD WOUND UP

The annual general meeting that convened on 20 March 1997 passed a resolution to wind up the Supervisory Board and to alter the articles of association so that the election of the members of the Board of Directors becomes a duty of the annual general meeting, and the references to the Supervisory Board were deleted from the articles of association.

### BOARD OF DIRECTORS AND AUDITORS

The annual general meeting elected the following members of the Board of Directors: Kurt Stenvall, Jan-Henrik Kulp, Jukka Salminen, Kari Heinistö, Arto Korhonen, Seppo Siljama and Jukka Peltola, so that the first members whose terms will expire (in 1998) are Seppo Siljama and Jukka Salminen, followed by Kari Heinistö and Kurt Stenvall in 1999, and Jukka Peltola, Jan-Henrik Kulp and Arto Korhonen in 2000. The Board of Directors elected Jan-Henrik Kulp as its Chairman and Jukka Salminen as Vice-Chairman.

The auditor elected was SVH Coopers & Lybrand Oy (APA firm) and Jorma Jäske, M.Sc./Econ.), APA.

Board of Directors	Member of the Board since
Jan-Henrik Kulp, Chairman.	as of 16 November 1996
Jukka Salminen, Vice-chairman.	as of 30 March 1993
Kari Heinistö	as of 29 November 1993
Arto Ihto	until 20 March 1997
Arto Korhonen	as of 9 November 1994
Jukka Peltola	as of 20 March 1997
Seppo Siljama	as of 10 February 1994
Kurt Stenvall	as of 10 February 1994

### PERSONNEL

During the financial year the Group had an average of 1,169 employees (1,142), of whom 59 (57) were employees of the parent company. At the beginning of the year the Group had 1,061 employees and 1,215 at the end.

The total of the salaries and emoluments paid to the Supervisory Board, to Group company Boards of Directors and the Presidents was FIM 3.4 million (FIM 4.2 million). Other Group employees were paid a combined total of FIM 182.8 million (FIM 185.9 million). The salaries and emoluments paid to the parent company's Supervisory Board, Board of Directors and President totalled FIM 1.9 million (FIM 2.0 million) and FIM 14.4 million (FIM 14.2 million) was paid to the other employees of the parent company. No bonuses were paid to the members of Boards of Directors and Presidents.

### POST-BALANCE SHEET EVENTS

On 3 March 1998 the Board of Directors passed a resolution to propose to the annual general meeting that the share capital be halved and that an offering be held so that the shareholders' equity will rise by at least FIM 257 million, after which the equity ratio will be approximately 34%. Also, an agreement was made for the refinancing of secured debts, covering some FIM 1.6 billion of the FIM 1,680 million principal of the secured debts. In respect of some FIM 1.4 billion in secured debt, agreement was reached on new five-year credits for the debts which mature at the end of 1999.

### OUTLOOK

The Construction Division and the Real Estate Division is expected to improve their operating profit level.

## PROPOSAL BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Board of Directors proposes to the annual general meeting that no dividend be paid for the 1997 accounting period.

Vantaa, 3 March 1998



Jan-Henrik Kulp  
Chairman



Jukka Salminen  
Vice-chairman



Kari Heinistö



Arto Korhonen



Seppo Siljama



Kurt Stenvall



Jukka Peltola



Arto Ihto  
President



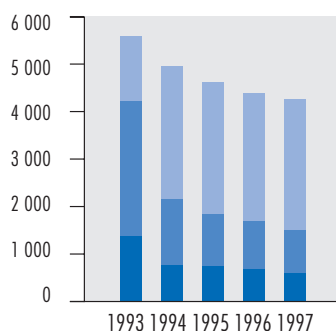
# PROFIT AND LOSS ACCOUNT

FIM million	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>Net sales</b>	<b>1,603.6</b>	1,502.7	<b>313.9</b>	291.5
Change in stock of finished products	-1.8	2.2	-	-
Production for own use	2.6	4.6	-	-
Share in affiliates' profit/loss	1.3	0.4	-	-
Other income and expenses of business operations	1.3	-0.4	1.6	0.2
<b>Expenses</b>				
Materials, goods and supplies:				
Purchases	-396.0	-372.4	-7.4	-7.4
Non-Group services	-581.2	-539.8	-5.1	-2.1
Personnel expenses	-245.5	-249.8	-21.0	-20.9
Rents	-0.7	-0.6	-0.3	-0.2
Other expenses	-217.4	-166.5	-172.9	-139.1
Change in inventories	-104.6	-77.2	-76.2	-67.7
Adjustment expenses	-200.0	-	-	-
	<b>-1,745.4</b>	-1,406.3	<b>-282.9</b>	-237.4
<b>Operating margin</b>	<b>-138.3</b>	103.2	<b>32.6</b>	54.3
<b>Depreciation</b>				
Fixed assets and other long-term expenses	-47.9	-46.2	-28.3	-26.2
Group goodwill	-	-3.5	-	-
	<b>-47.9</b>	-49.7	<b>-28.3</b>	-26.2
<b>Operating profit</b>	<b>-186.2</b>	53.5	<b>4.3</b>	28.1
<b>Financing income and expenses</b>				
Dividend income	1.0	1.4	2.6	1.4
Interest income on long-term investments	1.3	14.4	14.1	32.0
Other financing income	5.7	5.3	5.1	4.9
Interest expenses	-102.2	-110.5	-93.2	-101.5
Other financing expenses	-0.8	-4.4	-0.5	-4.2
	<b>-95.1</b>	-93.8	<b>-71.8</b>	-67.4
<b>Loss before extraordinary items, reserves and taxes</b>	<b>-281.3</b>	-40.2	<b>-67.5</b>	-39.3
<b>Extraordinary income and expenses</b>				
Group subventions	-	-	2.2	25.5
Extraordinary income	4.1	6.6	4.1	6.4
Extraordinary expenses	-4.4	-29.2	-17.9	-28.8
	<b>-0.3</b>	-22.6	<b>-11.5</b>	3.1
<b>Loss before reserves and taxes</b>	<b>-281.5</b>	-62.8	<b>-79.1</b>	-36.2
<b>Change in depreciation difference</b>	<b>16.3</b>	14.9	<b>0.5</b>	-0.5
<b>Change in voluntary reserves</b>	<b>4.5</b>	0.2	<b>0.2</b>	-
<b>Direct taxes</b>				
For the accounting period	-2.9	-1.2	-	-
For the previous accounting periods	-	-2.5	-	-2.4
	<b>-2.9</b>	-3.7	<b>-</b>	-2.4
<b>Loss for year before minority interest</b>	<b>-263.6</b>	-51.4	<b>-78.4</b>	-39.0
<b>Minority interest</b>	<b>-1.0</b>	-0.6	<b>-</b>	-
<b>Net loss for year</b>	<b>-264.6</b>	-52.0	<b>-78.4</b>	-39.0

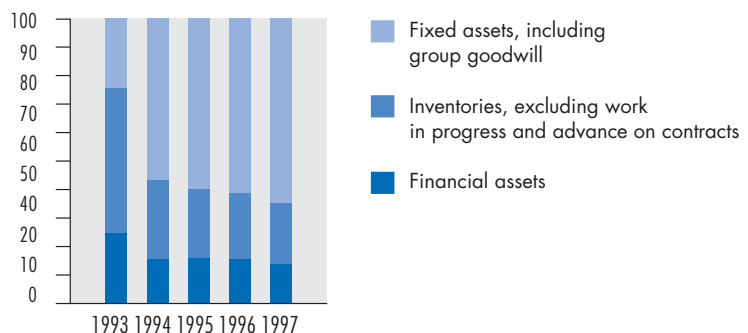
## BALANCE SHEET

ASSETS, FIM million	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>Fixed assets and other long-term investments</b>				
Immaterial goods				
Intangible rights	8.6	8.6	-	-
Goodwill	83.7	97.4	104.6	120.8
Other long-term expenses	20.6	18.6	15.6	13.1
	<b>112.9</b>	124.7	<b>120.2</b>	133.9
Material goods				
Land and water areas	214.7	216.0	35.4	35.8
Buildings and structures	574.5	603.6	113.5	117.7
Machinery and equipment	33.5	39.2	10.5	11.6
Own work in progress	-	0.1	-	-
	<b>822.7</b>	858.9	<b>159.5</b>	165.2
Securities included in fixed assets and other long-term investments				
Shares in Group companies	-	-	655.2	623.6
Other subsidiary shares	0.0	0.0	0.0	0.0
Shares in affiliates	11.9	18.4	10.5	19.1
Shares in real estate companies	1,533.1	1 406.5	1 358.6	1 277.8
Other securities	38.7	43.7	38.3	42.2
Loans receivable	240.1	236.8	1 158.8	1 170.8
Other investments	1.3	1.4	1.3	1.3
Advanced payments	2.1	-	-	-
	<b>1,827.3</b>	1,706.7	<b>3,222.8</b>	3,134.8
<b>Inventories and financial assets</b>				
Inventories				
Work in progress	3.7	5.4	-	-
Products	0.1	0.1	-	-
Land areas and properties	330.2	374.8	283.6	320.7
Shares	603.8	686.0	498.1	549.3
	<b>937.8</b>	1,066.3	<b>781.7</b>	870.0
Receivables				
Accounts receivable	243.9	306.5	131.6	176.8
Loans receivable	157.7	93.1	145.9	142.3
Accrued receivables	49.2	65.8	16.7	19.5
Other receivables	27.5	42.3	18.8	18.0
	<b>478.4</b>	507.7	<b>313.0</b>	356.5
Securities included in financial assets				
Other securities	46.9	90.5	43.8	84.5
Cash in hand and banks	66.4	82.3	47.8	46.7
<b>ASSETS, TOTAL</b>	<b>4,292.3</b>	4,437.1	<b>4,688.8</b>	4,791.6

### TREND IN ASSETS, FIM MILLION

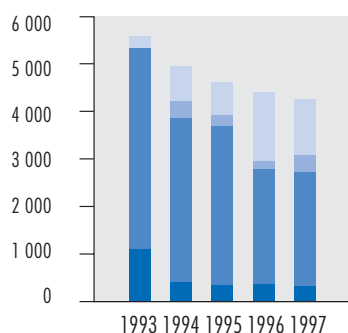


### TREND IN ASSETS, %

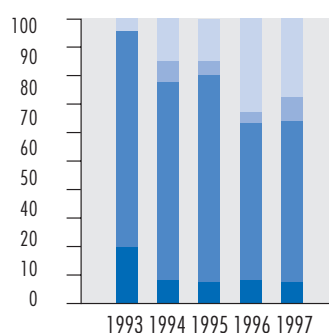


LIABILITIES AND SHAREHOLDERS' EQUITY, FIM million	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>Shareholders' equity</b>				
Restricted equity				
Share capital	<b>1,202.1</b>	1,162.8	<b>1,202.1</b>	1,162.8
Reserve fund	<b>0.2</b>	-	<b>0.2</b>	-
	<b>1,202.3</b>	1,162.8	<b>1,202.3</b>	1,162.8
Non-restricted equity				
Accumulated losses	<b>-486.4</b>	-434.4	<b>-272.7</b>	-233.6
Loss for year	<b>-264.6</b>	-52.0	<b>-78.4</b>	-39.0
	<b>-751.0</b>	-486.4	<b>-351.1</b>	-272.7
Equity loan	<b>584.6</b>	591.5	<b>996.7</b>	1,036.2
<b>Shareholders' equity, total</b>	<b>1,035.8</b>	1,267.9	<b>1,847.9</b>	1,926.3
<b>Minority interest</b>	<b>3.1</b>	2.6	-	-
<b>Untaxed reserves</b>				
Accumulated difference in depreciation	<b>146.5</b>	162.7	<b>32.3</b>	32.8
Voluntary reserves	-	4.5	-	-
Obligatory reserves	<b>345.5</b>	176.0	<b>130.5</b>	149.8
<b>Liabilities</b>				
Long-term				
Warrant bonds	<b>81.3</b>	122.0	<b>105.3</b>	158.0
Secured debts	<b>1,680.1</b>	1,708.7	<b>1,680.1</b>	1,708.7
Other restructuring debts	<b>1.4</b>	20.3	<b>1.4</b>	20.3
Bonds and debentures	<b>281.1</b>	272.5	<b>436.0</b>	436.0
Loans from financial institutions	<b>299.5</b>	255.9	<b>100.6</b>	57.8
Loans from pension funds	<b>4.2</b>	5.2	<b>2.9</b>	2.7
Other long-term liabilities	<b>58.3</b>	35.8	<b>99.7</b>	76.8
	<b>2,406.1</b>	2,420.3	<b>2,426.0</b>	2,460.3
Current				
Warrant bonds	<b>41.5</b>	13.6	<b>53.5</b>	17.6
Secured debts	-	50.0	-	50.0
Loans from financial institutions	<b>11.3</b>	11.2	<b>8.5</b>	5.4
Loans from pension funds	<b>0.6</b>	0.6	<b>0.4</b>	0.3
Advances received	<b>63.8</b>	81.5	<b>55.6</b>	37.2
Advance invoicing	<b>29.1</b>	48.2	-	-
Accounts payable	<b>58.6</b>	62.9	<b>9.8</b>	7.3
Accrued liabilities	<b>120.6</b>	106.3	<b>24.6</b>	17.6
Other current liabilities	<b>29.9</b>	28.7	<b>99.8</b>	87.0
	<b>355.4</b>	403.0	<b>252.0</b>	222.3
<b>LIABILITIES AND SHAREHOLDERS' EQUITY, TOTAL</b>	<b>4,292.3</b>	4,437.1	<b>4,688.8</b>	4,791.6

FINANCIAL STRUCTURE, FIM MILLION



FINANCIAL STRUCTURE, %



- Shareholders' equity, accumulated difference in depreciation, voluntary reserves
- Obligatory reserves
- Long-term liabilities
- Current liabilities, excluding advance invoicing and work in progress

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FIM million	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>Business operations</b>				
<b>Income financing</b>				
Operating margin	-138.3	103.2	32.6	54.3
Financing income and expenses	-95.1	-93.8	-71.8	-67.4
Extraordinary income and expenses	-0.3	-22.6	-11.5	3.1
Direct taxes	-2.9	-3.7	0.0	-2.4
Minority interest in profit	-1.0	-0.6	-	-
	<b>-237.5</b>	-17.3	<b>-50.7</b>	-12.3
<b>Change in working capital</b>				
Increase (-) or decrease (+) in inventories	126.4	80.1	64.4	67.4
Increase (-) or decreases (+) in current receivables	47.2	63.7	61.4	-11.9
Increase (+) or decrease (-) in non-interest-bearing debts	150.1	-114.7	13.9	-99.5
	<b>323.8</b>	29.1	<b>139.8</b>	-44.0
<b>Cash flow from business operations</b>	<b>86.3</b>	11.8	<b>89.0</b>	-56.3
<b>Investments</b>				
Investments in fixed assets	-147.2	-108.5	-96.0	-130.8
Sales of fixed assets	32.0	74.5	11.1	45.7
	<b>-115.2</b>	-34.0	<b>-84.9</b>	-85.1
<b>Cash flow before financing</b>	<b>-28.9</b>	-22.2	<b>4.1</b>	-141.4
<b>Financing</b>				
Increase (-) or decrease (+) in long-term receivables	-3.3	63.7	12.0	-82.0
Increase (+) or decrease (-) in long-term loans	-14.3	-913.2	-34.3	-1,097.4
Increase (+) or decrease (-) in short-term loans	-28.3	57.1	-3.5	92.1
Share issue	39.5	667.0	39.5	667.0
Increase (+) or decrease (-) in equity loans	-6.9	169.8	-39.5	555.0
Increase (+) or decrease (-) in minority interest	0.6	-21.7	-	-
Other financing items	-	0.4	-	-
	<b>-12.8</b>	23.1	<b>-25.8</b>	134.6
<b>Increase (+) or decrease (-) in liquid assets</b>	<b>-41.7</b>	0.9	<b>-21.7</b>	-6.7

## SUPPLEMENTARY INFORMATION ON THE FINANCIAL STATEMENTS

### CONSOLIDATED FINANCIAL STATEMENTS

#### THE SCOPE OF THE 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 per cent of the voting rights on 31 December 1997. 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 consolidated financial statements in accordance with previous practice. A separate report has been made of the companies not consolidated. These 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 Niirova Oy, Kota-Rakennus Oy, Rakennusliike Ossi Eurén Oy, Rakennusliike Kramno Oy and Serajo Oy were merged into Porenus Oy. Porenus Oy and Atnarapa Oy were merged into Polar Corporation. Rakennus-Ankkuri was merged into Rakennus Vuorenpää Oy. Haukirakennus Oy wound up its construction business. Polar Corporation bought a minority interest in Haukirakennus Oy. Suomen Osakaskiinteistöt Oy became a wholly owned subsidiary of the Polar Group. As. Oy Vantaa Pioni-kuja, which owns only shares in Suomen Osakaskiinteistöt and Kiint. oy Satomalmi, was included in the consolidation. Kolmostien Aluekeskus Oy was placed in bankruptcy.

#### INTERNATIONAL SUBSIDIARIES

The financial statements as at 31 December 1997 include FIM 128 million in receivables from these companies plus FIM 50 million in unrealized guarantee liabilities in the obligatory reserves. Guarantees have been provided for loans whose remaining principal is FIM 113 million (excluding guarantees in the USA) and the maximum total of the guarantee liabilities is FIM 104 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.

#### 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 7 million less than their degree of completion warrants has been charged or credited 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.

FIM million	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>1. NET SALES BY DIVISION</b>				
Construction	1,217.3	1,175.7	0.0	0.0
Real estate business	384.4	325.6	312.2	290.1
Other	1.9	1.3	1.7	1.4
<b>Total</b>	<b>1,603.6</b>	<b>1,502.7</b>	<b>313.9</b>	<b>291.5</b>
<b>2. PERCENTAGE OF COMPLETION ACCOUNTING</b>				
Share of net sales booked as income according to the percentage of completion method in the total net sales	1,207.4	1,167.0	-	-
Net sales from projects not yet handed over recognized as income during the accounting period and previous accounting periods	372.0	590.1	-	-
Orders Booked according to the percentage of completion method	531.6	587.8	-	-
<b>3. PERSONNEL EXPENSES AND PERQUISITES</b>				
Wages and salaries	183.0	183.2	16.4	15.9
Pension expenses	30.8	32.3	2.1	2.5
Other indirect personnel expenses	31.7	34.3	2.5	2.5
Personnel expenses in the profit and loss account	245.5	249.8	21.0	20.9
Cash value of perquisites	3.7	3.6	0.9	0.8
<b>Total</b>	<b>249.3</b>	<b>253.4</b>	<b>21.9</b>	<b>21.7</b>
<b>4. DEPRECIATION AND CHANGE IN DEPRECIATION DIFFERENCE</b>				
<b>Planned depreciation</b>				
Other long-term expenses	5.5	2.9	4.4	2.3
Buildings	15.6	14.8	3.4	3.5
Machinery and equipment	12.5	13.1	3.7	3.7
Shares	0.6	0.6	0.6	0.6
Goodwill	13.7	14.8	16.2	16.2
Group goodwill	-	3.5	-	-
<b>Total</b>	<b>47.9</b>	<b>49.7</b>	<b>28.3</b>	<b>26.2</b>
<b>Change in depreciation difference</b>				
Other long-term expenses	0.0	0.5	0.2	0.7
Buildings	-8.9	-9.3	0.4	0.6
Machinery and equipment	-4.0	-6.1	-0.9	-0.8
Shares	-	-	-	-
Goodwill	-	-	-	-
Group goodwill	-	-	-	-
Restoration of depreciation difference	-12.9	-14.9	-0.3	0.4
<b>Total</b>	<b>-3.4</b>	<b>0.0</b>	<b>-0.2</b>	<b>0.0</b>
<b>Total depreciation</b>				
Other long-term expenses	5.5	3.4	4.6	2.9
Buildings	6.7	5.5	3.8	4.1
Machinery and equipment	8.5	7.0	2.8	2.9
Shares	0.6	0.6	0.6	0.6
Goodwill	13.7	14.8	16.2	16.2
Group goodwill	-	3.5	-	-
<b>Total</b>	<b>35.0</b>	<b>34.8</b>	<b>28.1</b>	<b>26.7</b>

The planned depreciation is calculated according to the economic life as follows:

Other long-term expenses	10.0 % - 33.3 % of acquisition cost
Land areas	depreciation of net asset value on acquisition cost
Buildings	2.0 % - 6.6 % of acquisition cost
Machinery and equipment	10.0 % - 30.0 % of acquisition cost
Goodwill	10.0 % of acquisition cost

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 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 % 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 % 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 assets 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	
	1997	1996	1997	1996
<b>5. INTRA GROUP FINANCING INCOME AND EXPENSES</b>				
<b>Financing income</b>				
Dividend income	-	-	1.6	-
Interest income on long-term investments	-	-	13.6	19.4
Other financing income	-	-	0.1	0.1
<b>Total</b>	-	-	15.3	19.5
<b>Financing expenses</b>				
Interest expenses	-	-	1.9	2.2
Other financing expenses	-	-	-0.1	0.0
<b>Total</b>	-	-	1.8	2.2
<b>6. EXTRAORDINARY INCOME AND EXPENSES</b>				
<b>Extraordinary income</b>				
Capital gains on sale of fixed assets	-	2.2	-	2.0
Group subventions received	-	-	2.2	25.5
Other	4.1	4.4	4.1	4.4
<b>Total</b>	4.1	6.6	6.3	31.9
<b>Extraordinary expenses</b>				
Losses on sales of fixed assets	-	0.0	-	-
Write-downs on fixed assets and related receivables	1.2	35.8	6.4	36.4
Write-downs on inventories and related receivables	-	3.2	-	2.3
Change in guarantee liabilities	3.2	-13.0	3.2	-13.0
Companies withdrawing from the Group	-	0.4	-	-
Losses on mergers	-	-	8.3	0.3
Other	-	2.8	-	2.8
<b>Total</b>	4.4	29.2	17.9	28.8
<b>7. EFFECT OF CHANGE IN OBLIGATORY RESERVES ON THE PROFIT AND LOSS ACCOUNT</b>				
Increases in the obligatory reserves, and those decreases that resulted from a reduction in expenses estimated previously, are debited/credited to income.				
<b>8. CHANGES IN FIXED ASSETS</b>				
<b>Intangible rights</b>				
Acquisition cost, 1 Jan.	8.6	8.6	-	-
Decreases during accounting period	0.0	-	-	-
Acquisitions cost, 31 Dec.	8.6	8.6	-	-
Accumulated planned depreciation, 31 Dec.	-	-	-	-
<b>Book value, 31 Dec.</b>	8.6	8.6	-	-
<b>Goodwill</b>				
Acquisition cost, 1 Jan.	135.5	143.3	161.9	161.9
Decreases during accounting period	-	-7.9	-	-
Acquisition cost, 31 Dec.	135.5	135.5	161.9	161.9
Accumulated planned depreciation, 31 Dec.	-51.7	-38.0	-57.4	-41.2
<b>Book value, 31 Dec.</b>	83.7	97.4	104.6	120.8
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 31 Dec.	-	-	1.8	1.8
<b>Group goodwill</b>				
Acquisition cost, 1 Jan.	248.3	261.3	-	-
Increases during accounting period	0.0	0.0	-	-
Decreases during accounting period	-	-13.0	-	-
Acquisition cost, 31 Dec.	248.4	248.3	-	-
Accumulated planned depreciation, 31 Dec.	-248.4	-248.3	-	-
<b>Book value, 31 Dec.</b>	-	-	-	-



	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>Other long-term expenditure</b>				
Acquisition cost, 1 Jan.	77.0	70.0	31.9	25.3
Increases during accounting period	7.6	7.4	7.0	6.5
Decreases during accounting period	-0.2	-0.4	-0.1	-
Acquisition cost, 31 Dec.	84.4	77.0	38.8	31.9
Accumulated planned depreciation, 31 Dec.	-63.9	-58.4	-23.2	-18.7
<b>Book value, 31 Dec.</b>	<b>20.6</b>	18.6	<b>15.6</b>	13.1
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	0.9	0.4	1.1	0.4
Increase in depreciation difference during accounting period	0.2	0.7	0.2	0.7
Decrease in depreciation during accounting period	-0.2	-0.2	-	-
Accumulated depreciation difference, 31 Dec.	0.9	0.9	1.3	1.1
<b>Land areas</b>				
Acquisition cost, 1 Jan.	216.3	216.8	35.8	36.3
Increases during accounting period	-	0.0	-	0.0
Decreases during accounting period	-1.2	-0.5	-0.4	-0.5
Acquisition cost, 31 Dec.	215.1	216.3	35.4	35.8
Accumulated planned depreciation 31 Dec.	-0.4	-0.4	-	-
<b>Book value, 31 Dec.</b>	<b>214.7</b>	216.0	<b>35.4</b>	35.8
<b>Buildings and structures</b>				
Acquisition cost, 1 Jan.	708.0	705.9	127.5	124.6
Increases during accounting period	-	3.3	-	3.1
Decreases during accounting period	-21.6	-1.2	-1.2	-0.3
Acquisition cost, 31 Dec.	686.4	708.0	126.3	127.5
Accumulated planned depreciation	-112.0	-104.4	-12.8	-9.8
<b>Book value, 31 Dec.</b>	<b>574.5</b>	603.6	<b>113.5</b>	117.7
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	152.2	163.5	25.0	21.2
Increase in depreciation during accounting period	0.6	3.9	0.4	3.7
Decrease in depreciation during accounting period	-12.9	-15.2	-0.2	0.0
Accumulated depreciation difference, 31 Dec.	139.9	152.2	25.2	25.0
<b>Machinery and equipment</b>				
Acquisition cost, 1 Jan.	418.1	418.9	46.8	46.1
Increases during accounting period	12.3	6.4	2.9	1.6
Decreases during accounting period	-5.7	-7.2	-0.5	-0.9
Acquisition cost, 31 Dec.	424.7	418.1	49.1	46.8
Accumulated planned depreciation	-391.2	-378.9	-38.6	-35.1
<b>Book value, 31 Dec.</b>	<b>33.5</b>	39.2	<b>10.5</b>	11.6
Accumulated difference between booked and planned depreciation				
Accumulated depreciation difference, 1 Jan.	9.6	13.9	4.9	8.9
Increase in depreciation difference during accounting period	0.5	5.1	-	-
Decrease in depreciation difference during accounting period	-4.5	-9.4	-0.9	-4.0
Accumulated depreciation difference, 31 Dec.	5.7	9.6	4.0	4.9
<b>9. TAXATION VALUES OF FIXED ASSETS</b>				
Land areas	65.9	64.1	18.7	18.7
Buildings	228.7	240.6	50.7	51.8
Group company shares	-	-	463.4	369.4
Other subsidiary shares	0.0	0.0	0.0	0.0
Shares in affiliated companies	12.1	5.5	12.1	5.5
Shares in real estate companies	547.7	581.9	454.0	502.4
Other securities	23.0	20.2	22.7	19.4
<b>10. LONG TERM INVESTMENTS AND LOANS RECEIVABLE/ GROUP AND AFFILIATED COMPANIES</b>				
<b>Group companies</b>				
Shares	-	-	655.2	623.6
Loans receivable	-	-	932.7	942.0
<b>Total</b>	-	-	<b>1,587.9</b>	1,565.6
<b>Affiliated companies</b>				
Shares	11.9	18.4	10.5	19.1
Loans receivable	0.1	0.4	-	0.3
<b>Total</b>	<b>12.0</b>	18.8	<b>10.5</b>	19.4

	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>11. INVENTORIES AND FINANCIAL ASSETS</b>				
<b>Shares included in inventories</b>				
Shares in plots	<b>480,2</b>	563,7	<b>383,4</b>	438,8
Residential property shares	<b>16,7</b>	21,2	<b>15,7</b>	17,6
Commercial property shares	<b>106,3</b>	98,6	<b>98,3</b>	90,5
Publicly quoted shares	<b>0,7</b>	2,4	<b>0,7</b>	2,4
<b>Total</b>	<b>603,8</b>	686,0	<b>498,1</b>	549,3
<b>Receivables from Group companies</b>				
Accounts receivable	-	-	<b>5,0</b>	2,4
Short-term loans receivable	-	-	<b>3,9</b>	64,2
Accrued receivables	-	-	<b>0,7</b>	2,1
<b>Receivables from affiliated companies</b>				
Accounts receivable	<b>0,0</b>	0,0	<b>0,0</b>	0,0
Short-term loans receivable	<b>0,2</b>	0,3	<b>0,2</b>	0,3
<b>12. LOANS GRANTED TO SHAREHOLDERS AND SUBORDINATED LOANS GRANTED</b>				
Loans to shareholders	-	-	<b>311,9</b>	357,4
Subordinated loans granted	<b>35,8</b>	0,1	<b>160,4</b>	115,3
<b>13. CHANGE IN SHAREHOLDERS' EQUITY</b>				
<b>Restricted equity</b>				
Share capital, 1 Jan.	<b>1 162,8</b>	519,8	<b>1 162,8</b>	519,8
New issue of shares	<b>39,4</b>	642,9	<b>39,4</b>	642,9
<b>Share capital 31 Dec.</b>	<b>1 202,1</b>	1 162,8	<b>1 202,1</b>	1 162,8
Reserve fund, 1 Jan.	-	1 361,0	-	1 363,0
Issue premium	<b>0,2</b>	24,1	<b>0,2</b>	24,1
Losses covered	-	-1 387,0	-	-1 387,0
Change in elimination of own shares	-	2,0	-	-
<b>Reserve fund, 31 Dec.</b>	<b>0,2</b>	-	<b>0,2</b>	-
<b>Non-restricted equity</b>				
Accumulated losses, 1 Jan.	<b>-486,4</b>	-1 819,9	<b>-272,7</b>	-1 620,7
Transfers from reserve fund	-	1 387,0	-	1 387,0
Change in elimination of own shares	-	-1,6	-	-
Other changes	<b>-0,1</b>	0,0	-	-
Net loss for year	<b>-264,6</b>	-52,0	<b>-78,4</b>	-39,0
<b>Non-restricted equity, 31 Dec.</b>	<b>-751,0</b>	-486,4	<b>-351,1</b>	-272,7
<b>14. EQUITY LOANS</b>				
<b>Quasi-equity convertible bonds</b>				
Unpaid on issue	<b>390,2</b>	382,1	<b>612,9</b>	613,2
Conversion ratio	1 share for a FIM 20 portion of loan			
Conversion period	1 June 1994 - 31 December 2001 for the 1994 issue 5 July 1996 - 31 December 2001 for the 1996 issue			
Interest rate	zero			
Instalments	only paid if the company's restricted equity is fully covered when calculated according to the adopted balance sheet and consolidated balance sheet for the previous accounting period. 50 % in 2000 50 % in 2001			
<b>Convertible equity loan</b>				
Unpaid on loan	<b>194,4</b>	209,4	<b>383,9</b>	423,1
Conversion ratio	100 shares for FIM 1,000 of bonds			
Conversion period	1 January 1997 - 31 December 2046			
Interest rate	as of 1 January 2001, 12-month Helibor rate plus a margin of 2 percentage points for 1. January 2001 - December 2007, and 5 percentage points as of 1 January 2008. Interest can only be paid if the amount can be distributed according to the adopted balance sheets for the company and Group for the previous accounting period.			
Instalments	the principal of the loan can only be repaid to the extent that the shareholders' equity and other distributable items are fully covered in the most recently adopted company and consolidated balances sheets.			
<b>Equity loans to Group companies</b>				
Quasi-equity convertible bonds	-	-	<b>222,7</b>	231,1
Convertible equity loan	-	-	<b>189,5</b>	213,7

	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>15. OBLIGATORY RESERVES</b>				
Annual repair liabilities	6.0	5,2	0.1	0.0
10-year liability	7.1	5,8	0.1	-
Loss-making work in progress	0.1	0,3	-	-
Rental liabilities	71.7	76,4	71.7	76.4
Guarantee liabilities / Finland	3.8	6,3	3.8	6.3
Guarantee liabilities / international	50.0	59.1	50.0	59.1
Losses arising from Haka Corp.	-	13.0	-	-
Adjustment expenses	200.0	-	-	-
Other	6.8	10.0	4.8	8.0
<b>Total</b>	<b>345.5</b>	<b>176.0</b>	<b>130.5</b>	<b>149.8</b>
<b>16. LIABILITIES</b>				
<b>Debts maturing in more than five years</b>				
Pension loans	1.9	2.8	1.0	1.3
Loans from financial institutions	31.8	2.4	25.0	-
Corporate bonds	168.7	245.2	261.6	392.4
<b>Debts to Group companies</b>				
Warrant bonds	-	-	36.0	40.0
Corporate bonds	-	-	154.9	163.5
Other long-term debts	-	-	41.4	41.1
Short-term accounts payable	-	-	4.0	1.5
Accrued expenses	-	-	0.0	0.1
Other current liabilities	-	-	73.5	66.1
<b>Debts to affiliated companies</b>				
Other long-term debts	-	0.2	-	0.2
Other short-term debts	-	10.5	-	10.5
<b>Warrant bonds</b>				
Unpaid from 1994 issue	122.8	135.5	158.8	175.5
Subscription entitlements	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			
<b>Corporate bonds</b>				
Unpaid from 1996 issue	281.1	272.5	436.0	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			
<b>17. VOLUNTARY RESERVES</b>				
<b>Change in voluntary reserves</b>				
Transition reserve, 1 Jan.	4.5	4.7	-	-
Change in profit and loss account	-4.5	-0.2	-	-
Transition reserve, 31 Dec.	-	4.5	-	-
<b>Tax debts corresponding to the voluntary reserves</b>	-	1.3	-	-

	GROUP		PARENT COMPANY	
	1997	1996	1997	1996
<b>18. CONTINGENT LIABILITIES</b>				
<b>Pledges</b>				
To secure own liabilities	<b>1,654.1</b>	1,666.4	<b>801.9</b>	790.3
To secure own and Group company liabilities	-	-	<b>253.9</b>	256.1
To secure own and other subsidiaries' liabilities	<b>4.0</b>	4.0	<b>4.0</b>	4.0
To secure Group company liabilities	-	-	<b>399.1</b>	402.4
To secure other subsidiaries' liabilities	<b>0.3</b>	0.3	<b>0.3</b>	0.3
To secure other companies' liabilities	<b>4.2</b>	3.0	<b>4.2</b>	3.0
<b>Total</b>	<b>1,662.6</b>	1,673.7	<b>1,463.4</b>	1,456.0
<b>Mortgages</b>				
To secure own liabilities	<b>1,564.8</b>	1,630.1	<b>1,246.0</b>	1,298.3
To secure own and other subsidiaries' liabilities	<b>3.6</b>	3.6	<b>3.6</b>	3.6
To secure Group company liabilities	-	-	<b>52.1</b>	52.1
To secure affiliated companies' liabilities	<b>2.0</b>	2.0	<b>2.0</b>	2.0
<b>Total</b>	<b>1,570.4</b>	1,635.7	<b>1,303.7</b>	1,356.0
<b>Guarantees solely</b>				
For subsidiaries' included in the consolidated financial statements	<b>87.9</b>	197.8	<b>412.1</b>	519.5
For subsidiaries not included in the consolidated financial statements	<b>13.7</b>	14.1	<b>13.7</b>	14.1
For affiliated companies	<b>64.5</b>	88.8	<b>64.5</b>	88.8
For other companies	<b>18.1</b>	18.6	<b>18.1</b>	18.6
<b>jointly</b>				
For affiliated companies	<b>12.1</b>	23.2	<b>12.1</b>	23.2
For other companies	<b>14.3</b>	14.3	<b>14.3</b>	14.3
<b>Total</b>	<b>210.6</b>	356.8	<b>534.9</b>	678.4
<b>Other contingent liabilities</b>				
Purchase commitments	<b>26.2</b>	25.5	<b>26.2</b>	25.5
Liabilities for which the pledges and mortgages have been given total	<b>2,261</b>	2,202		
Liabilities for which guarantees have been given total	<b>277</b>	430		
of which has already been booked as expense.	<b>52</b>	73		

## 19. MANAGEMENT PENSION COMMITMENTS

The agreed retirement age for the presidents of companies in the Group and for certain other management members is 55-62 years.

## MAIN SHARES INCLUDED IN FIXED ASSETS

COMPANY FIM 1,000	GROUP SHARE- HOLDING %	NO. OF GROUP'S SHARES	PARENT CO.'S HOLDING %	NO OF PARENT CO.'S SHARES	PAR VALUE OF SHARES	BOOK VALUE OF SHARES	COMPANY'S EQUITY	NET PROFIT/ LOSS FOR YEAR
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### SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

#### ENTERPRICE COMPANIES

RAKENNUS-HAAPARANTA OY	100	900			900	900	907	6
RAKENNUS VUORENPÄÄ OY	80	800	80	800	800	5,399	14 974	7 192
YR-INSINÖÖRIT OY	90	180	90	180	900	900	1 222	4

#### OTHER COMPANIES IN FINLAND \*)

INS-MOTELLI KIINT. OY	100	100	100	100	100	1,86	3,724	-9
KALUSTAJA KIINT. OY	100	10,000	100	10,000	750	755	744	0
KEVÄTKALLIO ASUNTO OY	100	21	100	21	21	4,082	3,989	-35
KIINTEISTÖSOLAR OY	100	1,000	100	1,000	5,000	3,814	4,769	68
KIVIKUKKARO KIINT. OY	100	33,339	100	33,339	33,339	147,285	133,360	0
KORNETINTIE 6 KIINT. OY	100	15,000	100	15,000	15	511	28	0
KUTOMOTIE 6 KIINT. OY	100	625	100	625	500	35,389	518	0
OTSOHALLIT OY	100	201	100	201	1,005	9,867	3,634	85
PAKKALAN KARTANONKOSKI 3 KIINT. OY	100	32,000	100	32,000	84,000	18,882	91,782	-3,125
POLAR-BETONI OY	100	20,000	100	20,000	20,000	21,386	20,762	1,645
POLAR-RAKENNUS OY	100	100	100	100	50,000	50,000	54,536	-7,165
POVARSTOCK OY	100	7,506	100	7,506	150	68,358	71,261	-2,207
RAKENNUSLIIKE								
NURMI&LOIVAMÄKI OY	100	600	100	600	3,000	2,234	219	-511
SCIFIN ALFA KIINT. OY	100	4,431	100	4,431	22	30,496	30,013	0
SISUSTAJA KIINT. OY	100	15,369	100	15,369	1,003	29,583	29,358	0
SUOMEN OSAKASKIINT. OY	100	25,000,000	55	13,750,000	25,000	28,911	28,091	-9
TAMPEREEN SUVANTOKATU KIINT. OY	100	13,930	100	13,930	139	122,225	96,651	-114
VANHA TALVITIE 11 KIINT. OY	100	19,146	100	19,146	19	11,519	10,968	-6
VANTAAN PIONIKUJA ASOY	100	16,830	100	16,830	17	22,000	22,309	309
VANTAANPORTTI OY	100	10,000	100	10,000	5,000	51,783	-5,315	6,033

OTHERS (8)

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COMPANIES FIM 1,000	GROUP SHARE- HOLDING, %	NO. OF GROUP'S SHARES	PARENT CO.'S HOLDING, %	NO OF PARENT CO.'S SHARES	PAR VALUE OF SHARES	BOOK VALUE OF SHARES	COMPANY'S EQUITY	NET PROFIT/ LOSS FOT YEAR
FOREIGN								
POLAR HOLDING INC.	100	100	100	100	USD 0	0		
POLAR PROPERTY DEVELOPMENT INC.	100	100			USD 4,200	0		
POLARLAND FINANCE B.V.	100	19,367	100	19,367	NLG 19,367	0		
S & T BAUTRADING GMBH	100		100		DEM 5,000	0		

\*) COMPANIES WITH A BOOK VALUE LESS THAN FIM 100,000 ARE NOT LISTED.

### AFFILIATED COMPANIES

FINN-STROI OY	31.5	1,010	31.5	1,010	10,100	0	4,324	-4
KALAJOEN KONEPAJA OY	24.1	3,500	24.1	3,500	3,500	3,500	13,643	794
LAADUKKAAT VUOKRA-ASUNNOT								
LVA OY	49	49	49	49	25	25	43	-7
SUOMEN KIINTEISTÖKEHITYS SKK OY	50	20,000	50	20,000	20,000	7,000	14,030	-13,736
POLAR CONSTRUCTION UKRAINE JSC	37	1,060	37	1,060	USD 106	0		

### OTHER COMPANIES \*\*)

#### FINLAND

CITYCON OY	8	2,400,000	8	2,400,000	24,000	24,000		
FINNKERI OY		5		5	5	813		
GOLFSARFVIK OY		8		8	200	921		
HELSINGIN PUHELINYHDISTYS		357		339	422	1,252		
LOMADYNASTIA		13,960		13,960	1,396	5,473		
SEINÄJOEN KAUPPASEURA OY		10		10	500	500		
TAPIOLAN KEILAHALLI OY		526		526	526	893		

OTHER (86) 3,018

#### FOREIGN

EURO-AUDACES S.A. LUXEMBURG 26 26 1,862

OTHER (1)

\*\*) 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

	NO. OF PARENT CO.'S	PARENT CO.'S HOLDING	NO. OF GROUP'S	GROUP'S HOLDING	BOOK VALUE OF SHARES	PAR VALUE OF SHARES	COMPANY'S EQUITY	COMPANY'S DEBITS TO POLAR GROUP	COMPANY'S DEBITS TO OTHERS	COMPANY'S NET PROFIT/LOSS FOR YEAR	COMPANY'S BALANCE SHEET TOTAL
	SHARES	%	SHARES	%							
<b>SHARES IN SUBSIDIARIES</b>											
HAGSTRÖMINKULMA KOY	10 000	100	10 000	100	2 515	15	2 421	0	0	0	2 421
HATANPÄÄN VALTATIE 44 KOY	15 000	100	15 000	100	4 759	15	5 243	4 349	0	470	9 592
HELSINGIN KANSAKOULLUKATU 3 KOY			8 425	100	78 019	34	69 615	63 939	0	-43	133 555
HELSINGIN VUORIKATU 20 KOY	500	100	500	100	50	50	49	32 194	0	0	32 244
HOLLOLAN OSTOSPAIKKA KOY	9 998	100	9 998	100	24 342	60	31 713	0	15 995	129	47 707
IISVEDEN HELMIRANTA SUONENJOEN AS OY	10 000	100	10 000	100	100	100	100	1 334	2 219	4	3 653
INS - TERÄS KOY	1 700	100	1 700	100	4 371	1 700	3 165	0	41	0	3 206
JOENSUUN TAPIONKESKUS KOY	8 317	100	8 317	100	17 000	17	23 337	0	24	0	23 337
KAJAANIN LIKEPORTTI KOY	500	100	500	100	2 567	50	3 452	279	4 908	0	8 638
KARJAANTALO KOY	2 328	100	2 328	100	5 048	23	4 444	0	9	-10	4 453
KILON TIMANTTI KOY			19 975	100	45 000	20	40 152	486	11	29	40 648
KILON HELMI KOY			19 975	100	45 000	20	41 994	93	6	-6	42 093
KOSKENPORTTI KOY	5 033	100	5 033	100	15 229	503	21 321	0	38	-65	21 360
KOTKAN SEURAHUONE KOY	15 000	100	15 000	100	80 000	6 000	80 000	0	130	0	80 130
KUOPION SATAMA 4 KOY	1 500	100	1 500	100	14 228	15	18 887	0	45	-114	18 932
KUORMATIE 3 KOY	1 103	100	1 103	100	2 046	15	1 989	0	1	0	1 990
LAHDEN VIIPUSENKATU 3 KOY	300	100	300	100	7 112	3 000	6 533	0	3	0	6 536
LAPPENRANNAN LENTÄJÄNTIE 17-19 KOY	1 500	100	1 500	100	1 579	15	1 662	0	23 475	115	25 137
LUMIJOENTIE 4 KOY	146	100	146	100	10 500	7 300	7 267	0	1	0	7 268
MALMIN KAUPPATIE 8 KOY			15 000	100	23 000	15	16 757	0	167	0	16 925
NIITYLÄNPOLKU 16 KOY			15 000	100	14 000	15	14 136	0	99	-1	14 235
ORIVONKALLIO KOY			296	100	630	30	181	0	0	-4	181
PITKÄNSILLANKATU 1-3 KOY	100	100	100	100	16 632	2 000	15 641	89	2 804	-35	18 534
ROVA-AUKIO KOY	150	100	150	100	15	15	15	3 447	0	0	3 462
ROVATORI KOY	2 000	100	2 000	100	203	200	186	17 554	0	11	17 739
SEINÄJOEN JOUPINPUISTO KOY	500	100	500	100	0	50	8 498	0	0	0	8 498
SIHTALANKUMPU AS OY	774	100	774	100	1 447	8	282	521	6	0	809
SOLARTALO 2001 KOY	20 000	100	20 000	100	44 582	20	33 285	0	32	0	33 317
SOLARTALO 2002 KOY	20 000	100	20 000	100	44 582	20	33 285	0	32	0	33 317
SOLARTALO 2003 KOY	20 000	100	20 000	100	44 582	20	33 285	0	32	0	33 317
SOLARTALO 2004 KOY	20 000	100	20 000	100	44 582	20	33 285	0	32	0	33 317
SOLARTALO 2005 KOY	20 000	100	20 000	100	44 582	20	33 285	0	32	0	33 317
SUUTARILAN HUOLTOKESKUS KOY	500	100	500	100	50	50	50	9 750	4	0	9 804
SÖRNÄISTEN RANTATIE KOY	150 000	100	150 000	100	72 539	150	19 007	0	26	-0	19 033
TAMPEREEN HANKKIONKULMA KOY	1 000	100	1 000	100	16 459	1 000	11 797	0	0	0	11 797
TAMPEREEN HATANPÄÄ KOY	14 100	100	14 100	100	147 320	141	87 983	0	184	-64	88 167
TELKKISTENTIE 5 KOY	2 000	100	2 000	100	1 392	20	1 293	0	0	0	1 293
TOPPILAN LIKETALO KOY	800	100	800	100	5 001	800	4 449	1	2	0	4 452
TURUN AUTOPIHA KOY	820	100	820	100	3 158	820	4 950	3 443	22	-3	8 414
TURUN KALEVANTIE 25 KOY	5 000	100	5 000	100	13 501	50	9 122	0	3	0	9 125
VALKEAKOSKEN TORIKATU 2 KOY	38 850	100	38 850	100	26 304	389	33 638	0	7 095	-17	40 734
VALLILAN SOLAR 1 KOY	20 000	100	20 000	100	12 618	20	10 577	23	0	2	10 600
VALLILAN SOLAR 2 KOY	20 000	100	20 000	100	12 618	20	10 577	23	0	2	10 600
VALLILAN SOLAR 3 KOY	20 000	100	20 000	100	12 618	20	10 577	23	0	2	10 600
VALLILAN SOLAR 4 KOY	20 000	100	20 000	100	12 618	20	10 577	23	0	2	10 600
VESIJÄRVENKATU 74 KOY	500	100	500	100	4 669	50	4 635	1 314	37	2	5 987
ÄSSÄTALO 2001 KOY	20 000	100	20 000	100	12 618	20	10 577	23	0	2	10 600
HOLLOLAN LIIKEKESKUS KOY	32 066	97	32 066	97	15 107	641	7 329	0	35	-44	7364
LARVALANKATU 13 KOY	4 457	96	4 665	96	71 298	70	89 304	0	183	-137	89 487
SEINÄJOEN KINO KOY	4 687	90	4 687	90	59 552	70	85 668	0	239	-195	85 907
JYVÄSKYLÄN VÄINÖNKESKUS KOY	2 749	83	2 749	83	15 955	5 773	34 613	0	44	65	34 658
SKOGSTERIN KULMA KOY *)	8 180	82	8 180	82	10 000	82	14 284	0	1 024	0	15 308
SATOMAMI KOY	3 106	35	6 679	76	22 617	13	23 192	0	68	0	23 260
TORNIOVA KOY	1 541	61	1 541	61	6 750	616	12 465	0	45	0	12 510
AHDINLUOTO KOY	119	60	119	60	993	12	3 243	0	1	-2	3 244
JÄMSÄN FORUM KOY	2 746	54	2 746	54	10 000	2 746	30 008	0	45	-345	30 052
ZEPELININ KAUPPAÖRSSI KOY	1 226	52	1 226	52	4 283	123	6 145	0	4 153	-264	10 298



## SHARES IN REAL ESTATE COMPANIES

	NO. OF PARENT CO.'S PARENT CO.'S SHARES	PARENT CO.'S HOLDING, %	NO. OF GROUP'S GROUP'S SHARES	GROUP'S HOLDING, %	BOOK VALUE OF SHARES	PAR VALUE OF SHARES	COMPANY'S EQUITY	COMPANY'S DEBTS TO POLAR GROUP	COMPANY'S DEBTS TO OTHERS	COMPANY'S NET PROFIT/ LOSS FOR YEAR	COMPANY'S BALANCE SHEET TOTAL
<b>SHARES IN AFFILIATES</b>											
HELSINGIN KANAVAKATU 8-22 KOY	14 063	50	14 063	50	76 268	9 000	104 381	25	155 477	-9 248	259 883
KAISANIEMEN METROHALLI KOY	7 725	50	7 725	50	34 286	773	125 600	0	46 412	1 085	172 012
SATKAMA AS OY	13 050	50	13 050	50	157	157	1 525	0	397	0	1 922
VILHONKATU 5 KOY	50 004	50	50 004	50	45 502	18 001	66 899	0	105 896	-5 835	172 795
LINTUPARKKI OY	35	38	35	38	823	12	5 110	75	0	0	5 185
SAVOLINNAN VIISKULMA KOY *)			6 420	36	5 839	2 568	19 308	0	18	-10	19 326
HAUKIPUTAAN VIRASTOLIHKETALO KOY *)	763	34	763	34	5 124	153	21 307	0	194	0	21 501
PORIN LÄNSIPIIUSTO AS OY *)			4 791	32	5 664	4 791	28 936	0	8	0	28 944
ZEPPELININ KULMATORI KOY	883	28	883	28	1 635	88	6 813	0	7 023	0	13 836
SAVOLINNAN LINJA-AUTOSEMA OY	3 883	26	3 883	26	6 988	3 883	23 028	0	482	-89	23 510
UUDENMAANKATU 13 AS OY	519	26	519	26	14 739	21	4	0	225	10	228
VALKEAKOSKEN LIIKEKESKUS KOY	304 623	25	304 623	25	8 623	305	42 406	0	20 885	0	63 291
KUOKKALAN TORITALO AS OY	764	24	764	24	1 888	4	21 864	0	441	0	22 305
F-MEDI KOY	4 814	22	4 814	22	31 730	5	109 353	0	8 041	0	117 393
MARINKUJA 2 KOY	2 000	20	2 000	20	1 321	140	...	...	...	...	...
<b>OTHER SHARES</b>											
TAMPEREEN KOSKENRANTA KOY	4 575	18	4 575	18	31 335	46					
BLASIEHOLMA KOY			1 860	18	691	19					
JYVÄSKYLÄN OPISTOKUJA 6-8 AS OY *)	747	18	747	18	1 619	635					
OOPPENRANTA II KOY	16	16	16	16	0	0					
NIISITTÄJÄ KOY	744	14	744	14	4 200	7					
HÄMEENPOHJA AS OY	706	13	706	13	6 000	71					
TOHTORINMÄKI AS OY *)	1 303	13	1 303	13	2 776	65					
YLVIESKAN KIRKKOPIIUSTO AS OY			154	13	406	15					
LAHDEN VAPAUDENKATU 1 AS OY	1 108	11	1 108	11	5 937	2					
KAMPPI PARKKI OY AB	47	10	47	10	3 101	940					
PORIN HALLI KOY			1 811	10	7 500	36					
HAAPAVEDEN TEKNOLOGIAKYLÄ OY	190	10	190	10	193	190					
HAUKIPUTAAN PALVELUKULMA OY	16 565	10	16 565	10	345	17					
JYVÄSHELMI OY *)	10 000	10	10 000	10	30 277	10 000					
HELSINGIN KAIVOKATU 8 KOY	1 611	10	1 611	10	42 007	1 611					
KYLMÄSENKULMA KOY	2 168	9	2 168	9	593	22					
VUORIKATU 6 AS OY	129	8	129	8	4 048	3					
NUMMELAN KESKUS KOY	330	8	330	8	492	3					
PORIN PUISTOKULMA AS OY	45	8	45	8	2 750	54					
ZEPPELININ CITY-KESKUS KOY *)	183	7	183	7	3 254	183					
KUOPION ASEVELJENKATU 4 AS OY	332	7	332	7	600	33					
JULININKULMA KOY			6 375	6	5 473	638					
KAIVOPIRTTI AS OY	608	6	608	6	250	43					
NUKANLEIKKAJA KOY	394	5	394	5	1 912	4					
YRITYSPIIUSTON AUTOPAIKAT OY			76	4	740	1					
VERKAVIRKA AS OY *)			2 158	2	404	2					
MESTARITALO TEHDASKIINTEISTÖ OY *)	46	2	46	2	2 540	23					
OTHER SHARE (7)					848	277					
GRAND TOTAL **)					1 609 217	89 938					

\*\*) BEFORE GROUP ELIMINATIONS  
A COMPLETE LIST OF THE SHARES INCLUDED IN FIXED ASSETS, AS REQUIRED BY THE COMPANIES ACT,  
IS INCLUDED IN THE COMPANY'S OFFICIAL FINANCIAL STATEMENT DOCUMENTS.

\*) INFORMATION FROM PREVIOUS FINANCIAL YEAR  
... INFORMATION NOT RECEIVED

## POLAR GROUP IN FIGURES

<b>PROFIT AND LOSS ACCOUNT</b>	<b>1997</b>	1996	1995	1994	1993
Net sales, FIM million	<b>1,604</b>	1,503	1,710	2,275	2,705
Other income and expenses of business operations, FIM million	<b>1</b>	-0	-0	7.0	-17.0
Operating margin, FIM million	<b>-138</b>	103	107	83	-257
% of net sales	<b>-8.6</b>	6.9	6.3	3.7	-9.5
Operating profit/loss, FIM million	<b>-186</b>	54	51	32	-321
% of net sales	<b>-11.6</b>	3.6	3.0	1.4	-11.9
Profit/loss before extraordinary items, FIM million	<b>-281</b>	-40	-44	-46	-510
% of net sales	<b>-17.5</b>	-2.7	-2.6	-2.0	-18.9
Extraordinary income and expenses, FIM million	<b>-0</b>	-23	-46	-215	-779
Profit/loss before reserves and taxes, FIM million	<b>-282</b>	-63	-90	-262	-1,289
% of net sales	<b>-17.6</b>	-4.2	-5.3	-11.5	-47.6

### BALANCE SHEET

Fixed assets and other long-term investments	<b>2,763</b>	2,690	2,770	2,801	1,578
Inventories and financial assets (net)	<b>1,475</b>	1,667	1,795	2,109	3,993
<b>Assets, FIM million *)</b>	<b>4,238</b>	4,358	4,565	4,911	5,571
Shareholders' equity	<b>1,036</b>	1,268	483	511	-566
Minority interest	<b>3</b>	3	24	25	24
Voluntary reserves and accumulated difference in depreciation	<b>146</b>	167	183	203	787
Obligatory reserves	<b>345</b>	176	236	360	-
Long-term liabilities					
non-interest-bearing	<b>395</b>	445	1,228	1,230	-
Interest-bearing	<b>2,011</b>	1,975	2,106	2,211	4,220
Current liabilities					
non-interest-bearing *)	<b>289</b>	255	280	340	1,034
Interest-bearing	<b>12</b>	69	25	31	73
<b>Liabilities and shareholders' equity, FIM million *)</b>	<b>4,238</b>	4,358	4,565	4,911	5,571

\*) excludes advance invoicing and developer/contractor project advances

### KEY FIGURES FOR FINANCIAL TRENDS

Return on equity, % ROE	<b>-21.7</b>	-4.1	-6.5	-9.7	-66.5
Return on investment, % ROI	<b>-5.3</b>	2.4	2.1	1.6	-2.8
Equity ratio, % *)	<b>28.5</b>	33.5	16.2	16.7	4.4

\*) calculated with the formulas given on page 39

### KEY INDICATORS FOR BUSINESS OPERATIONS

Gross investments in fixed assets, FIM million	<b>125</b>	90	129	41	25
% of net sales	<b>7.8</b>	6.0	7.6	1.8	0.9
Invoicing, FIM million	<b>1,220</b>	1,155	1,438	1,304	1,491
Orders not yet invoiced, 31 Dec. FIM million	<b>532</b>	588	685	670	592
Average number of personnel	<b>1,169</b>	1,142	1,377	1,746	2,418
Dividend, FIM million	<b>0.0*</b>	0.0	0.0	0.0	0.0

\*) proposal by the Board of Directors

### KEY FIGURES FOR SHARES

Earnings per share (EPS), FIM *)	<b>-2.40</b>	-0.77	-0.93	-1.14	-15.95
Equity per share, FIM	<b>7.43</b>	9.19	9.12	10.08	7.04
Dividend per share, FIM	<b>***</b>	-	-	-	-
Dividend/profit, %	<b>-</b>	-	-	-	-
Effective dividend yield, %	<b>-</b>	-	-	-	-
Price/earnings ratio (P/E)	<b>neg.</b>	neg.	neg.	neg.	neg.
Trend in share price and trading					
Issue-adjusted share price, FIM					
average price	<b>6.99</b>	5.79	4.43	11.61	8.41
lowest traded price	<b>4.50</b>	2.50	2.50	7.50	3.01
highest traded price	<b>8.50</b>	8.20	9.00	16.40	19.00
last traded price at year end	<b>4.80</b>	6.60	3.00	9.75	11.00
Market capitalization 31 Dec., FIM million	<b>577</b>	767	156	505	344
Trend in share turnover					
shares traded (1,000 shares)	<b>25,592</b>	25,106	2,519	3,481	6,560
% of shares, average	<b>21.5/21.5**</b>	43.7/43.7**	4.9/4.9**	8.0/8.0**	21.0
Issue-adjusted number of shares					
average number (1,000 shares)	<b>118,966/</b>	57,498/	51,912/	43,568/	31,287
number at year-end (1,000 shares)	<b>118,880**</b>	57,420**	51,811**	43,401**	31,287
	<b>120,211/</b>	116,275/	51,983/	51,755/	31,287
	<b>120,125**</b>	116,197**	51,883**	51,589**	

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

\*\*\*) Internal share ownership eliminated

\*\*\*\*) Proposal by the Board of Directors

## FORMULAS FOR THE KEY INDICATORS

Return on equity (ROE) %	=	$\frac{\text{Profit/loss before extraordinary items - taxes for year}}{\text{Shareholders' equity} + \text{accumulated depreciation difference} + \text{voluntary reserves} + \text{minority interest (average for year)}}$	x100
Return on investment (ROI) %	=	$\frac{\text{Profit/loss before extraordinary items} + \text{financing expenses}}{\text{Balance sheet total} - \text{non-interest-bearing debts for year (average for year)}}$	x100
Equity ratio %	=	$\frac{\text{Shareholders' equity} + \text{estimated proportion of obligatory reserves to be converted into quasi-equity convertible bonds *)} + \text{accumulated depreciation difference} + \text{voluntary reserves} + \text{minority interest}}{\text{Balance sheet total} - \text{advance invoicing} - \text{spec contracting advances}}$	x100
Earnings per share (EPS)	=	$\frac{\text{Profit/loss before extraordinary items} + /- \text{minority interest in profit} - \text{taxes for year}}{\text{Issue-adjusted average number of shares during the year}}$	
Equity per share	=	$\frac{\text{Shareholders' equity} + \text{accumulated depreciation difference} + \text{voluntary reserves}}{\text{Issue-adjusted number of shares held by non-Group parties} + \text{number of shares exchangeable by convertible bonds held by non-Group parties}}$	
Dividend per share	=	$\frac{\text{Divident paid for the accounting period}}{\text{Issue-adjusted number of shares at yearend}}$	
Dividend/profit, %	=	$\frac{\text{Dividend paid for the accounting period}}{\text{Earnings (as in earnings per share)}}$	x100
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Issue-adjusted last traded price of share}}$	x100
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	=	Number of shares at yearend x last traded share price	

\*) Estimated at 21 FIM million

## AUDITORS' REPORT

We have inspected the accounts, financial statements and administration of Polar Corporation for the 1997 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 accounting practice. 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 compliance with the Companies Act of the members of the Board of Directors and 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 Board of Directors and the President may be discharged from personal liability for the accounting period audited by us. The proposal of 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, 3 March 1998

Jorma Jäske  
APA\*

SVH Coopers & Lybrand Oy  
APA\*firm

Risto Laitinen  
APA\*

\*Authorized Public Accountant

## BOARD OF DIRECTORS

**Jan-Henrik Kulp**, Chairman, born 1943  
B.Sc. (Econ.)  
Chief Financial Officer of UPM-Kymmene Group  
Member of the Board of Directors since 1996

**Jukka Salminen**, Vice-Chairman, 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 Group  
Member of the Board of Directors since 1993

**Arto Korhonen**, born 1943  
M.Sc. (Eng.)  
Senior Vice-President of Metra Corporation  
Member of the Board of Directors since 1994

**Jukka Peltola**, born 1947  
M.Sc. (Social Sciences)  
Senior Vice-President of the Pohjola Insurance Group  
Member of the Board of Directors since 1997

**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

## PRESIDENT

**Arto Ihto**, born 1947  
LL.M.  
President of Polar Corporation since 1994

## AUDITORS

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(APA FIRM)

**Jorma Jäske**  
M.Sc (Econ.), APA \*

\*) Authorized Public Accountant

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