

# **POLAR**

## **Annual Report 1998**

# Information for shareholders

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### Annual general meeting

The annual general meeting of Polar Corporation will be held on Thursday 18 March 1999 at 5 p.m. in the Helsinki room at Finlandia Hall, Mannerheimintie 13e, Helsinki.

Shareholders who wish to attend the AGM must give notice no later than 4 p.m. on 17 March 1999, 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 payment of dividend for the 1998 accounting period.

### Annual report 1998

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

### Interim reports in 1999

The four-month interim report (1 January – 30 April 1999) will be published on 2 June and the eight-month report (1 January – 31 August 1999) on 6 October 1999.

### To order publications:

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# Polar Corporation

Polar Corporation is a stock-exchange listed real estate investment company focusing on leasing and developing office and commercial facilities. Its main areas of emphasis are the Helsinki Metropolitan Area, Tampere and Turku. With its subsidiaries, the company forms a consolidated group. The Polar Group's Construction Division was sold to Skanska Oy on 31 August 1998.

The Group's net sales in 1998 totalled FIM 1,434 million. The net sales of the Group's Real Estate Division were FIM 584 million. The Construction

Division, which was sold off, contributed FIM 877 million of net sales.

Polar's portfolio of real property and land in Finland had a book value, net of debt, of FIM 3,302 million at year-end. Polar had 58 employees at the end of the financial year.

The Board of Directors will place a motion before the annual general meeting of 18 March 1999 to change the name of the company to Polar Kiinteistö Oyj (Polar Real Estate Corporation).

## The Polar Group in 1998

	Net sales FIM million	Operating profit/loss FIM million
Real estate	584	-26*)
Construction (1 January –31 August 98)	877	23
Group administration	1	-16
Internal invoicing	-28	-
Total	1,434	-19

The operating loss includes depreciation on goodwill:

Real Estate Division	37
Construction Division	47

The goodwill in the balance sheet has been entirely depreciated.

\*) Includes FIM 67 million in write-downs

## The Accounting period in brief

The Group's operating loss was FIM 19 million (loss of FIM 186 million in 1997). Net sales were FIM 1,434 million (FIM 1,604 million).

The Real Estate Division's rental occupancy rate, rental income and gross profit improved. The Real Estate Division's operating margin was FIM 37 million (loss of FIM 122 million). Write-downs on inventory exerted a drag on the operating profit, as did depreciation of remaining goodwill, totalling FIM 99 million.

The operating margin of the Construction Division, which was sold at the end of August, was FIM 74 million (loss of FIM 5 million). The sale of the Construction Division generated FIM 80 million in goodwill. The remaining goodwill value of the Con-

struction Division, FIM 41 million, was booked as a non-recurring depreciation item.

The par value of the share was reduced from FIM 10 to FIM 5 and the share capital was reduced to FIM 601 million. The amount of the reduction was used to cover losses. In share issues the share capital has risen to FIM 900 million. Most of the creditors agreed on refinancing the secured debt falling due at the end of 1999 with new credits to be repaid in five years.

Net financing expenses were FIM -97 million (FIM -95 million). The loss before extraordinary items, reserves and taxes was FIM 116 million (loss of FIM 281 million).

The Group's equity ratio was 35.3% (28.5%).

# President's report

In 1998 the Polar Group's operations and structure were changed. Polar's Construction Division was sold and since the sale the Group has concentrated on real estate investment and development. The company's Board of Directors has decided to put a motion before the annual general meeting to change the name of the company to Polar Real Estate Corporation in accordance with the company's line of business.

The trend in earnings in Polar's real estate business has been positive. The net yield from real estate has further improved and the rental occupancy rate of business premises has held steady at a high level. Sales of plots, new purchases and the development projects started up in the course of 1998 support the strategy we have created. Confidence in a positive trend for Polar was boosted by the making of a financing agreement in spring 1998. The increase in shareholders' equity and the rescheduling of secured debts provide a stronger base for the long-term development of Polar.

The goal is further to improve the yield from office and commercial space and to concentrate on the Helsinki Metropolitan Area, Tampere and Turku, where Polar has familiarity with the market and expertise. Properties not related to the core business will be sold off, with due consideration for the state of the market.

The trend in the real estate market is likely to continue this year, although the upswing is likely to level out. Real estate investment companies and other investors are buying real property from

companies which wish to free up their capital. The start-up of new real estate investment companies which have gone public on the stock exchange has increased interest in the sector as an investment. This requires efforts to be devoted to improving information and making it more conveniently comparable.

Polar Real Estate offers its customers comprehensive services and it is a dependable partner, not only for customers already operating in our facilities but also for companies looking for solutions to their business location needs.

I express my thanks to all the stakeholders who have contributed to Polar's favourable trend.

Vantaa, March 1999



Erkkä Valkila

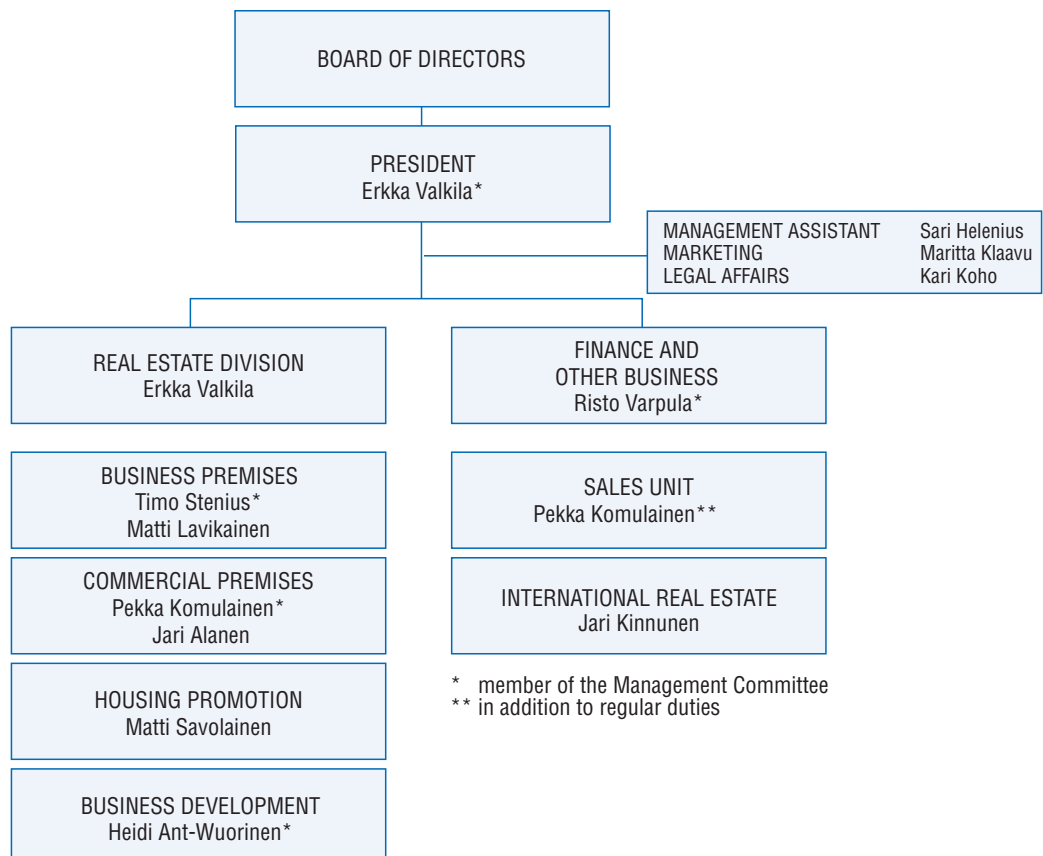
President

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Members of the Management Committee back row from left:  
Risto Varpula, Erkkä Valkila and Timo Stenius  
Front row: Heidi Ant-Wuorinen and Pekka Komulainen

## Organization, 1 January 1999



# Real Estate in 1998

The Polar Group engaged in real estate business in 1998 under the name Polar Real Estate. The Real Estate Division's net sales in 1998 were FIM 584 million (FIM 416 million). The share of net sales due to rental income was FIM 233 million

(FIM 218 million) and sales revenue accounted for FIM 351 million (FIM 198 million). Polar Real Estate's operating loss for 1998 was FIM 26 million (FIM 152 million). The entire real estate portfolio at the end of 1998 had a book value net of debt of FIM 3,302 million (FIM 3,707 million).

## Key indicators

	1998 FIM million	1997*) FIM million
Net sales	584	416
Operating margin	37	-122
Operating loss	-26	-152

\*) The figures in the adjusted financial statements after the allocation of a FIM 200 million adjustment expense.

## Business premises leasing

The Group' rental occupancy rate for business premises at year-end was 95% (93%). Because of the high occupancy rate, leasing activities tending towards renewals of existing leases.

The actual net rental income from rented business premises was FIM 148 million (FIM 140 million). The net yield of leases on rental premises at year-end, relative to their book value net of debt, was 5.8% (5.3%). The net yield was 6.0% after the write-downs made on business premises for sale.

By the end of the financial year, 285 lease agreements had been made (277).

Appraisals were carried out on all the main locations during the financial year, the risks for the year 2000 were charted and a long-range development plan was drawn up to ensure the value of the properties. The first of the major renovations based on these plans will be carried out in the course of 1999.

## Main lease agreements in 1998

Property	Tenant	Area (sq.m)
Koy Kaivokatu 8, Helsinki	Ky PetraSol	1,020
Koy Malmin Kauppatie 8, Helsinki	Oy Datatie Ab	1,670
Koy Kilon Helmi, Kutojantie 11, Espoo	Oy Telia InfoMedia Ab	1,030
Koy Scifin Alfa, Piispantilankuja 4, Espoo	Oy Radiolinja Ab	2,650
Koy Sinimäentie 10, Espoo	Roche Oy	950
Koy Tapiontuuli, Itätuulentie 1, Espoo	Espoon verotoimisto	4,250
Koy Pakkalan Kartanonkoski 3, Pakkalankuja 6, Vantaa	Skanska Etelä-Suomi Oy	3,400
Koy Kilon Timantti, Kutojantie 3, Espoo	Enator-ryhmä Oy	790
Koy Sörnäisten Rantatie 25, Helsinki	Kehitysyhteistyön Palvelukeskus Ry	1,070
Tampereen Koskikeskus, Tampere	Notex-Yhtiöt Oy	1,127
Tampereen Koskikeskus, Tampere	Pelika RAY Oy	780
Seinäjoen Torikeskus, Seinäjoki	Seinäjoen Työvoimatoimisto	950
Koy Turun Asemakeskus, Turku	Enator-ryhmä Oy	1,300
Koy Turun Asemakeskus, Turku	Varsinais-Suomen Liitto	1,500
Koy Turun Asemakeskus, Turku	Varsinais-Suomen TE-Keskus	3,430

## **Sales**

During 1998 Polar Real Estate's total sales, net of debt, were FIM 454 million (FIM 264 million), of which FIM 351 million (FIM 198 million) was posted to net sales.

Sales of plots accounted for FIM 318 million (FIM 205 million). The main deals were part of the sale of the Construction Division to Skanska Oy and its subsidiaries, being FIM 200 million in plots and swaps for office premises valued at FIM 70 million.

Other sales amounted to FIM 136 million (FIM 59 million), of which developer construction accounted for FIM 80 million (FIM 21 million).

The sales margin was FIM 19 million (FIM 21 million).

## **Investments and real estate development**

In spring 1998 Polar Real Estate acquired from Finvest Oy a leased-out office building with some 7,000 square metres of space in the Tapiola district of Espoo. In August 1998 Polar Real Estate swapped plots for housing and business premises with 9,700 metres of office premises, owned by YIT Corporation, at Sinimäki in Espoo.

The building owned by the real estate holding company Kiinteistö Oy Turun Asemakeskus was upgraded and converted from a warehouse facility into a modern and highly functional office building. The tenants in the approx. 6,600 square metres of space in the building are the Southwest Finland Labour and Industry Centre, the Regional Council of Southwest Finland, and Enator-ryhmä Oy.

The topping-out celebration for the roughly 60,000 square metre Jumbo shopping centre under construction at Vantaanportti was held in October 1998 and the centre will be opened on schedule in October 1999. All the facilities in it have already been leased out. Polar's share in the facilities, both directly and indirectly through an affiliated company, is about 16%.

Renovations were started on office buildings in the Vallila district of Helsinki and the Tapiola district of Espoo. The incoming tenants will be the Finnish Cooperative Wholesale Society in Vallila and in Tapiola the Espoo Tax Office. The combined area of the premises being renovated is more than 12,500 square metres of net leasable area.

The acquisitions, investments in renovations and new construction in 1998 totalled FIM 164 million, of which FIM 70 million took the form of a plot swap.

## **Housing development**

The number of privately financed dwellings completed on plots owned by Polar Real Estate was 241, of which 236 have been sold. At year-end the number of privately financed dwellings under construction was 301, of which 199 had been sold. Of these, the largest are on the shore of Lake Näsijärvi in Tampere, on riverside sites by the Aurajoki River in Turku's Tervatori, in the centre of Oulu and in Vaskipuisto in the Kaivoksela district of Vantaa.

The consolidated balance sheet shows some FIM 302 million tied up in housing construction, and after advance payments received the capital tied up in this is FIM 183 million. The portfolio of housing plots is valued at FIM 146 million.

## **Area development**

The City of Vantaa Planning Committee approved a plan for a garden city in the Pakkala district of Vantaa in October 1998. The new plan permits the construction of an estate with housing for about 3,000 people in an area of some 60 hectares, of which Polar Real Estate owns 66% and Merita Real Estate 34%.

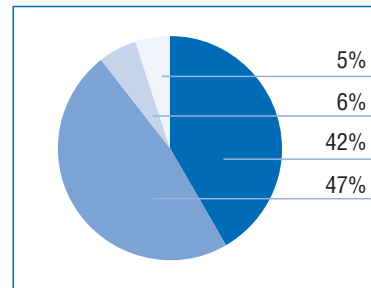
A change in the plan was approved for the Vaskipuisto district in Kaivoksela, Vantaa, where the tracts owned by Polar were granted 8,000 square metres of floor area of permitted building volume for housing in addition to the plan passed in 1997. The first privately financed apartment building was started in the area.

## The reorganization of the Polar Group

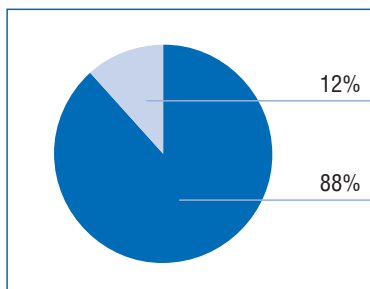
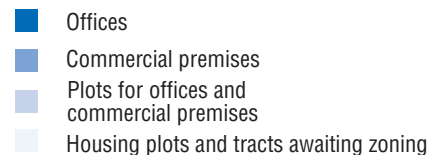
Polar Corporation's operations were reorganized on 1 January 1999. Business was divided into Real Estate and Other Business.

Real Estate is responsible for leasing out and developing office facilities and commercial premises. It also commissions the building of dwellings on company-owned plots and develops zoned tracts of land owned by the company.

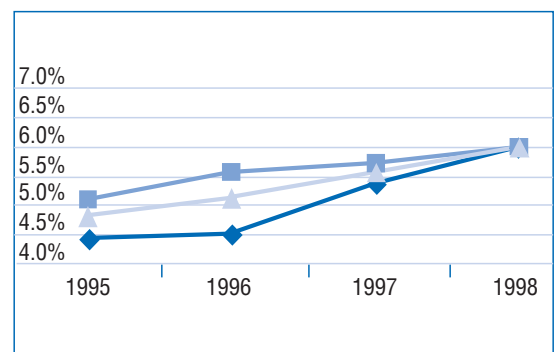
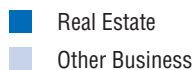
Other Business is comprised of sales of real estate in Finland and abroad.



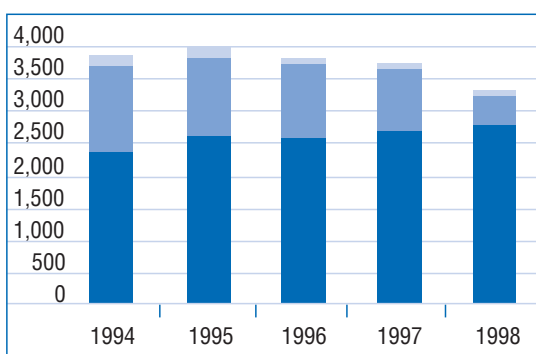
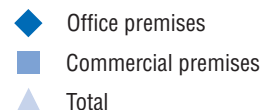
**Distribution of Real Estate property**  
FIM 2,912 million, %



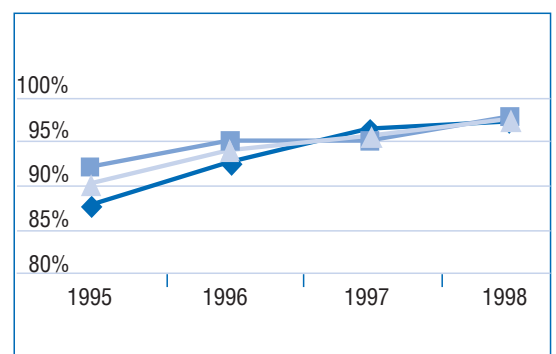
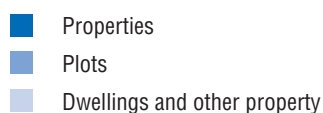
**Distribution of property** FIM 3,302 million, %



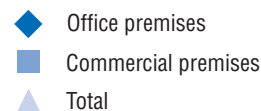
**Trend in net yield, 1995-1998**



**Property portfolio in Finland at values net of debt, FIM million, 1994-1998**



**Trend in rental occupancy rate, 1995-1998**





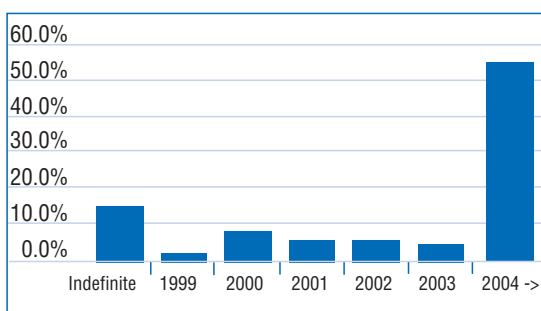
## Real estate holdings

**The completed business premises of the Real Estate Division is divided geographically as follows:**

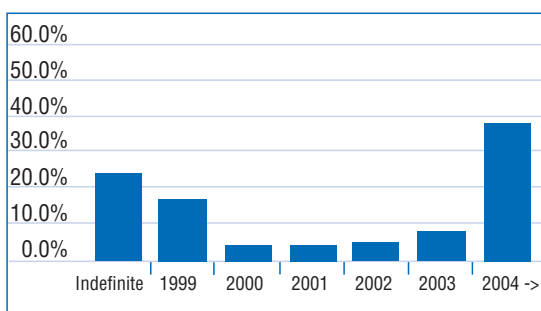
Completed business premises	Net leasable area sq.m.	Occupancy rate		Net*) rent		Net*) yield-% 1998	Net*) yield-% 1997
		%	%	FIM million	%		
<b>Office premises</b>							
Helsinki Metropolitan Area	130,716	85	98	63	89	6.0	5.4
Tampere and Turku	12,137	8	97	5	7	5.7	5.1
Rest of Finland	10,851	7	94	3	4	5.3	5.1
<b>Total</b>	<b>153,704</b>	<b>100</b>	<b>97</b>	<b>71</b>	<b>100</b>	<b>6.0</b>	<b>5.3</b>
<b>Commercial premises</b>							
Helsinki Metropolitan Area	37,525	28	98	31	38	7.2	6.7
Tampere and Turku	37,722	28	100	30	36	6.0	5.8
Rest of Finland	59,803	44	97	21	26	5.0	4.6
<b>Total</b>	<b>135,050</b>	<b>100</b>	<b>98</b>	<b>82</b>	<b>100</b>	<b>6.1</b>	<b>5.7</b>
<b>Completed business premises total</b>							
Helsinki Metropolitan Area	168,241	58	98	94	62	6.4	5.8
Tampere and Turku	49,859	17	99	35	23	6.0	5.7
Rest of Finland	70,654	25	96	24	15	5.1	4.6
<b>Total</b>	<b>288,754</b>	<b>100</b>	<b>98</b>	<b>153</b>	<b>100</b>	<b>6.0</b>	<b>5.6</b>

\*) Net rents as at year-end

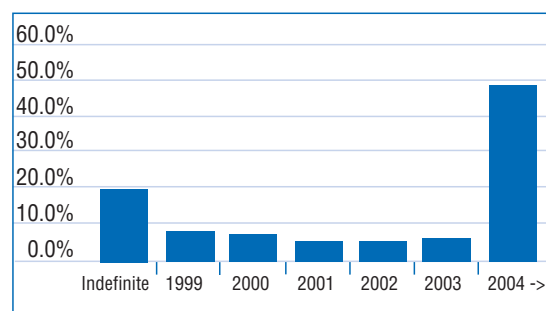
## Termination of leases



### Offices



### Commercial premises (incl. hotels)



### Business premises total

### The Real Estate Division's plots divided geographically, 31 December 1998

Plot holdings FIM million	Helsinki Metropolitan Area	Tampere, Turku and Lahti	Rest of Finland	Total
Office plots	103	7	3	113
Commercial premises plots	35	7	10	52
Residential plots	31	38		69
Tracts subject to planning permission	76			76
<b>Total</b>	<b>245</b>	<b>52</b>	<b>13</b>	<b>310</b>

Plot holdings 1,000 sq.m. of net leasable space	Helsinki Metropolitan Area	Tampere, Turku and Lahti	Rest of Finland	Total
Office plots	145	36	3	184
Commercial premises plots	18	42	10	70
Residential plots	22	29		51
Tracts subject to planning permission	135			135
<b>Total</b>	<b>320</b>	<b>107</b>	<b>13</b>	<b>440</b>

### The Real Estate Division's completed business premises by profit centre:

#### OFFICE PREMISES 31 December 1998

	Location	Net leasable area sq.m.	Rental occupancy rate %	Book value net of debt FIM million
Koy Kaivokatu 8	Helsinki	1,611	100%	42
Koy Kansakoulunkatu 3	Helsinki	6,545	100%	66
Koy Kornetintie 6	Helsinki	3,289	100%	27
Koy Kutomotie 6	Helsinki	7,626	79%	40
Koy Malmin Kauppatie 8	Helsinki	4,699	100%	22
Koy Niittylänpolku 16	Helsinki	2,990	100%	13
Koy Satomalmi	Helsinki	3,623	100%	23
Koy Sörnäisten Rantatie 25	Helsinki	7,002	100%	73
Koy Vanha Talvitie 11	Helsinki	6,674	86%	34
Koy Vuorikatu 20	Helsinki	6,740	100%	34
Munkkiniemen commercial building	Helsinki	6,690	100%	92
Vallila companies 1)	Helsinki	34,798	100%	296
Koy Kilon Helmi	Espoo	4,069	100%	45
Koy Kilon Timantti	Espoo	4,035	100%	46
Koy Scifin Alfa	Espoo	4,651	98%	37
Koy Sinimäentie 10	Espoo	9,702	98%	60
Koy Tapiontuuli	Espoo	6,940	100%	36
Koy Pakkalan Kartanonkoski 3	Vantaa	9,033	100%	65
Koy F-Medi	Tampere	2,826	100%	32
Koy Turun Asemakeskus	Turku	6,576	97%	47
Koy Turun Kalevantie 25	Turku	2,735	93%	14
Koy Jyväskylän Väinönkeskus	Jyväskylä	2,505	82%	15
Koy Pitkänsillankatu 1-3	Kokkola	6,055	97%	22
Koy Vesijärvenkatu 74	Lahti	1,334	100%	6
Koy Ins-Teräs	Oulu	957	100%	5
Kamppi Parkki Oy	Helsinki			3
<b>Office premises total</b>		<b>153,704</b>	<b>97%</b>	<b>1,193</b>

1) ownership shared by several real estate holding companies

**COMMERCIAL PREMISES  
31 December 1998**

	Location	Net leasable area sq.m.	Rental occupancy rate %	Book value net of debt FIM million
Koy Kaisaniemen Metroasema	Helsinki	800	90%	34
Koy Vilhonkatu 5 (50%)	Helsinki	2,883	80%	99
Itätuulentie 8	Espoo	3,583	100%	45
Koy Sisustaja	Vantaa	15,866	100%	101
Koy Hatanpään Valtatie 44	Tampere	3,200	100%	10
Tampereen Koskikeskus 1)	Tampere	17,262	100%	308
Koy Viinikan Kauppakeskus	Tampere	6,400	98%	7
Koy Kivikukkaro	Turku	10,860	100%	172
Seinäjoen Torikeskus 1)	Seinäjoki	11,698	94%	133
Valkeakosken Koskikara 1)	Valkeakoski	5,898	100%	47
Koy Hollolan Liikekeskus	Hollola	2,740	94%	16
Koy Hollolan Ostospaikka	Hollola	5,442	100%	40
Koy Koskenportti	Imatra	2,312	77%	15
Koy Jämsän Forum	Jämsä	2,665	96%	10
Koy Nuuskatu 2	Kajaani	2,722	100%	6
Liikekeskus Zeppelin 1)	Kempele	2,480	100%	14
Koy Torniorava	Kotka	1,313	100%	5
Ankkuri-halli	Lahti	4,900	100%	19
Koy Lentäjätie 17-19	Lappeenranta	7,600	97%	25
Koy Kaijoharjun Liiketalo	Oulu	2,500	100%	5
Total		113,123	98%	1,110

**HOTELS  
31 December 1998**

Koy Helsingin Kanavakatu 8-22 ( 50%) (Hotel Grand Marina)	Helsinki	14,393	100%	152
Koy Kotkan Seurahuone	Kotka	7,534	96%	82
Hotels total		21,927	99%	234
Commercial premises total		135,050	98%	1,344

1) ownership shared by several real estate holding companies

## Other Business

### The property for sale held by the Other Business Division is divided geographically as follows:

Real estate 31 December 1998 at book values net of debt FIM million	Southern Finland	Western Finland	Northern Finland	Eastern Finland	Total
Completed business premises	50	56	35	59	200
Plots and land areas	95	27	20	10	152
Other property	1	17	13	7	38
<b>Total</b>	<b>146</b>	<b>100</b>	<b>68</b>	<b>76</b>	<b>390</b>

Other Business also includes property and receivables of liquidated business interests, totalling FIM 138 million.

## Real Estate's assets in the consolidated balance sheet 1998 (FIM million)

### Fixed assets

Intangible rights	9
Other long-term expenses	22
Land and water areas	115
Buildings and structures	581
Machinery and equipment	11
Shares in real estate holding companies	1,228
Other securities	179
Long-term loans receivable	167

**Fixed assets total** **2,313**

### Inventories

Land areas and buildings	91
Shares in plots	161
Shares in dwellings	16
Shares in commercial property	308
Accounts receivable	99
Short-term loans receivable	95

**Inventories total** **770**

Consolidated balance sheet, total 3,083

Shares in company loans 219

**Total** **3,302**

# Annual report of the Board 1 Jan. – 31 Dec. 1998

The Polar Group's field of business is real estate. On 31 August 1998 the Polar Group sold its Construction Division to Skanska Oy. The trend in the Real Estate Division continued to be favourable. Rental income rose, as did occupancy rates in leased premises. FIM 434 million's worth of the Real Estate Division's property was sold at values net of debt. The increase in real estate holdings was FIM 164 million.

## Net sales and financial result

In 1998 the Group's net sales were FIM 1,434 million (FIM 1,604 million in 1997). The Real Estate Division's net sales were FIM 584 million (FIM 416 million) and the Construction Division's net sales were FIM 877 million (FIM 1,226 million).

The Group's operating margin was FIM 96 million (loss of FIM 138 million).

The Group's operating loss was FIM 19 million (loss of FIM 186 million).

The loss after financing items was FIM 116 million (loss of FIM 281 million).

Taxes were FIM 5 million, of which FIM 4 million was for previous financial years and FIM 1 million was for the 1998 financial year (FIM 3 million).

The net loss for the year was FIM 106 million (loss of FIM 265 million). Return on investment was -0.2% (-5.3%) and return on equity was -9.7% (-21.7%). Earnings per share were FIM 0.76 negative (FIM 2.40 negative).

## Financing

The Group's liquid assets at year-end were FIM 144 million (FIM 131 million). Pledged assets amounted to a further FIM 22 million (FIM 24 million).

Net financing expenses were FIM -97 million (FIM -95 million). The balance sheet total was reduced by FIM 497 million to FIM 3,795 million.

Interest-bearing liabilities were FIM 1,919 million (FIM 2,024 million). The amount of current, interest-bearing liabilities was FIM 1,564 million, (FIM 12 million), of which FIM 1,540 million was secured debt (FIM 1,680 million). The secured debt falls due for payment when assets are sold, and the amount remaining falls due on 31 December 1999, until which time the interest on secured debt is fixed at 5% p.a. By a contract signed on 3 March 1998, most of the secured creditors agreed on refinancing the secured debts with fresh credits with a maturity of five years.

The remaining principal of the warrant bond issue, FIM 40 million, was paid to the bearers on 31 December 1998. During the past financial year, FIM 180 million (FIM 111 million) was paid in instalments on the loans in the consolidated balance sheet.

The Group's equity ratio was 35.3% (28.5%).

## Obligatory reserves

Obligatory reserves in the consolidated balance sheet total FIM 113 million (FIM 345 million), of which FIM 68 million (FIM 72 million) is rental liabilities. Roughly FIM 7 million (FIM 7 million) of rental liabilities is estimated to fall due for payment annually.

## Real Estate Division

The net sales of real estate business in Finland were FIM 584 million (FIM 416 million). Of this, rental income accounted for FIM 233 million and sales for FIM 351 million. The operating margin was FIM 37 million (FIM 122 million negative) and the operating loss was FIM 26 million (loss of FIM 152 million).

The Group's business operations were reorganized after the sale of the Construction Division. Operations are divided between real estate and other business. The Real Estate Division is comprised of an office premises unit, a commercial premises

**The Group's real estate portfolio in Finland as at 31 December 1998 was divided between the following units as follows:**

REAL ESTATE BOOK VALUES NET OF DEBT, FIM million	REAL ESTATE				Sales	Total 31.12.1998	Total 31.12.1997
	Offices unit	Commercial premises unit 1)	Residential development	Total			
Completed business premises	1,193	1,344		2,537	200	2,737	2,690
Business premises, under construction		34		34		34	22
Plots and land areas	113	51	146	310	152	462	926
Other property	23	8		31	38	69	69
<b>Total</b>	<b>1,329</b>	<b>1,437</b>	<b>146</b>	<b>2,912</b>	<b>390</b>	<b>3,302</b>	<b>3,707</b>
1) includes hotels							

unit and a housing promoter unit. Other Business comprises sales of real estate in Finland and abroad.

The value of the Group's real estate, net of debt, was FIM 3,302 million (FIM 3,707 million). This figure comprises capital tied up in property with a book value of FIM 3,083 million (FIM 3,503 million), plus FIM 219 million (FIM 204 million) in non-Group loans against Group property in unconsolidated real estate holding companies. Real estate has been valued at the direct acquisition cost less depreciation applied and write-downs applied.

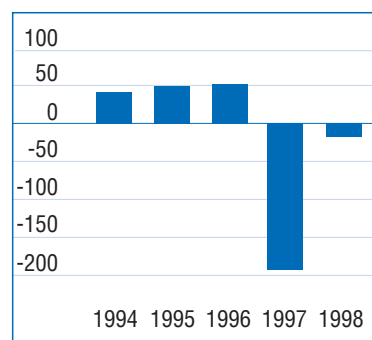
At the end of the year, the net yield of the office and commercial premises included in the Real Estate Division was 6.0% of their book value net of debt. The occupancy rate of these premises rose to 98% (96%). The yield from the real estate has improved, but the values involve factors of uncertainty.

The property for sale in Finland totalled FIM 390 million, including plots and tracts of land worth FIM 152 million, business premises worth FIM 200 million and other property worth FIM 38 million. The property intended to be sold, after write-downs on property for sale and the allocation of obligatory reserves effected in the 1997 financial statements, is valued at the acquisition cost or probable selling price. Also, other business operations include a total of FIM 138 million in assets and receivables of wound-up operations in Finland and abroad.

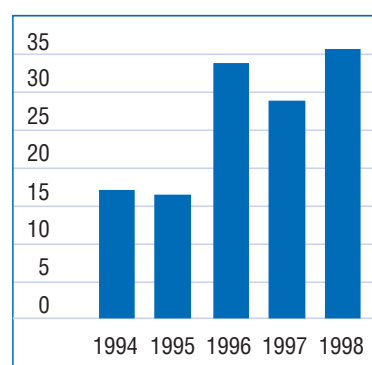
## Construction Division

The Polar Group and Skanska Oy and its subsidiaries signed contracts on 31 August 1998 for the sale of Polar's construction interests in Finland to Skanska Oy. In the deal, Skanska took possession of Polar Construction Ltd's business operations and the shares in the other construction subsidiaries owned by Polar.

The Construction Division's net sales for the period 1 January – 31 August 1998 were FIM 875 million



**Group operating profit/loss, FIM million**



**Group equity ratio, %**

(FIM 721 million). The operating margin was FIM 74 million (loss of FIM 5 million) and the operating profit was FIM 23 million (loss of FIM 19 million), including the effect of Construction Division sales on income.

Skanska paid FIM 80 million for goodwill for the construction interests sold by Polar as well as ap-

proximately FIM 150 million for the balance sheet items reassigned in the deal, accepting some FIM 150 million of debt.

As part of the sale of construction interests, the liability for maintenance and expenses of construction in Finland was transferred to Skanska up to the estimated probable amount of these liabilities.

### Net sales and operating profit, FIM million

1998	Net sales		Operating profit/loss	
	1997	1998	1997 **)	
Real estate	584	416	-26 *)	-152
Construction	877	1,226	23	- 19
Group administration	1	3	-16	-15
Internal invoicing	-28	-41	-	-
<b>Total</b>	<b>1,434</b>	<b>1,604</b>	<b>-19</b>	<b>- 186</b>

The operating loss includes depreciation on goodwill:

Real Estate Division	37	5
Construction	47	8

The goodwill in the balance sheet has been entirely depreciated.

\*) Includes FIM 67 million in write-downs.

\*\*\*) The figures in the adjusted financial statements after the allocation of a FIM 200 million adjustment expense.

The figures for constructiondivision are for the period 1 Jan. - 31 Aug. 1998.

### Warrant bonds, convertible bonds and convertible equity loans as at 31 December

	Non-Polar Group		Polar Group		Total	
	1998	1997	1998	1997	1998	1997
Warrant bonds (FIM 1,000)	9,700*)	122,779	0	36,000	9,700	158,779
Warrants (1,000)	8,118	8,130	2,400	2,400	10,518	10,530
Convertible bonds (FIM 1,000)	51,525	389,894	222,252	222,965	273,777	612,859
Options to convert to shares (1,000)	2,576	19,495	11,113	11,148	13,689	30,643
Convertible equity loan (FIM 1,000)	207,878	193,847	175,795	190,035	383,673	383,882
Options to convert to shares (1,000)	20,788	19,385	17,580	19,003	38,368	38,388

\*) Number not yet exercised as at 31 Dec. 1998

## Shares

Polar Corporation's share capital at year-end was FIM 900,091,870. By the end of the financial year, 16,994,050 Polar shares had been exchanged for convertible bonds and 19,384,700 for equity

loans. Non-Group parties hold remaining entitlements to exchange convertible bonds and equity loans for some 23.3 million shares.

In accordance with a motion from the Board of Directors, the annual general meeting of 19 March 1998 passed a resolution to change the company's minimum authorized capital to FIM 600 million, the maximum authorized capital to FIM 2,400 million, and the par value of shares to FIM five each. The share capital was reduced from FIM 1,202,314,060 to FIM 601,157,030. The reduction in the share capital was effected by lowering the par value of the share from FIM 10 to FIM 5. It was decided to use the amount of the reduction to cover old losses. The AGM also passed a resolution to increase the share capital by a new issue of shares in the amount of no less than FIM 200 million and no more than FIM 500 million. The share capital has risen to FIM 900 million.

The Board of Directors has not exercised the authorization to increase the share capital that was granted by the annual general meeting of 19 March 1998.

## **Implementation of the restructuring programme**

A statutory restructuring programme was confirmed for Polar Corporation in February 1994. It is scheduled to end on 31 December 2001.

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

Polar Corporation took care of its obligations under the restructuring programme during the financial year under review.

## **International commitments**

During the accounting period, real estate and land areas were sold for FIM 67 million (FIM 101 million), of which FIM 52 million (FIM 37 million) was in Europe and FIM 15 million (FIM 64 million) was in the USA. The value, net of debt, of foreign real estate, land areas and shares amounted to

FIM 185 million on 31 December 1998 (FIM 239 million), of which FIM 119 million (FIM 168 million) was in Europe and FIM 66 million (FIM 71 million) was in the USA. Since the 1993 financial statements the subsidiaries associated with operations 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 subsidiaries operating in Europe. At the end of 1998, the remaining unrealized guarantee liabilities amounted to FIM 6.4 million (FIM 50 million).

Through a subsidiary, Polar Corporation has receivables in the USA amounting to \$7.3 million (\$8.8 million). Payment of this receivable depends on the trend in business in the USA. Also, guarantees in the amount of approximately \$5 million (\$7 million) are valid for operations in the USA.

Construction in Russia in previous years has left Polar with the possibility of guarantee liabilities.

## **Investments**

The Group's investments were FIM 164 million (FIM 125 million), of which the main items were the acquisition of Koy Sinimäki 10 and Koy Tapiontuuli, the renovation of the building owned by Koy Turun Asemakeskus, and the Jumbo shopping centre under construction for Koy Vantaanportin Liikekeskus.

## **The change of the field of business and the company name**

In accordance with a motion proposed by the Board of Directors, the annual general meeting of Polar Corporation held on 19 March 1998 changed the form of the company to that of a public limited-liability company. An extraordinary meeting of the shareholders on 27 August 1998 passed the Board's motion to change the company's main field of business to real estate. Polar Corporation's industry grouping in the stock exchange list became Investments on 15 September 1998.



Board of Directors will put a motion to the annual general meeting convening on 18 March 1999 to change the company's name to Polar Kiinteistöt Oyj, in English Polar Real Estate Corporation, in line with its field of business.

## Board of Directors and auditors

The annual general meeting elected to the Board of Directors Jan-Henrik Kulp, Jukka Salminen, Heikki Allonen, Kari Heinistö, Heikki Hyppönen, Jukka Peltola and Helena Walldén, with the terms in office of Kari Heinistö and Helena Walldén to expire at the end of the 1999 annual general meeting, those of Jan-Henrik Kulp, Heikki Allonen and Jukka Peltola to expire at the end of the 2000 annual general meeting, and those of Jukka Salminen and Heikki Hyppönen to expire at the end of the 2001 annual general meeting. The Board of Directors elected Jan-Henrik Kulp as its Chairman and Jukka Salminen as its Vice Chairman.

The auditors elected were the firm of Authorized Public Accountants SVH Pricewaterhouse Coopers Ltd with the auditor in charge being Risto Laitinen, M.Sc. (Econ.), APA, 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
Heikki Allonen	as of 19 March 1998
Kari Heinistö	as of 29 November 1993
Heikki Hyppönen	as of 19 March 1998
Jukka Peltola	as of 20 March 1997
Helena Walldén	as of 19 March 1998

## Management

Company President Arto Ihto resigned from his post on 1 January 1999 after his appointment as CEO of the Elanto Cooperative Society. Polar Corporation's Board of Directors appointed Erkka Valkila, Senior Vice President of the Real Estate Division, as the company's President, also appointing Risto Varpula, Senior Vice President, Finance and Treasury, as Executive Vice President.

## Personnel

During the first eight months of the year, the Group had an average of 1,349 employees (1,147), of whom 67 (59) were employed by the parent company. At the start of the first eight months, the Group had 1,215 employees and 1,422 at the end. After the sale of the Construction Division, the Group had 67 employees on 1 September 1998 and 58 on 31 December 1998. The average number of personnel for the period 1 September – 31 December 1998 was 60.

## Outlook

The goal in 1999 is a healthy profit from operations before extraordinary items. The yield from the leased premises of Polar's Real Estate Division was 6.0%. The targeted figure is a net yield of over 7%.

The Real Estate Division continues to concentrate on selected priority areas, and it is intended to consolidate the real estate holding companies dealing in long-term property investment with the 1999 financial statements for the Group. This consolidation may have a negative impact on the Group shareholders' equity.

The effects of the turn of the millennium will not be significant for Polar. The action required on computer software, financial administration and building maintenance has been checked out and initiated on schedule.

## 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 1998 accounting period.

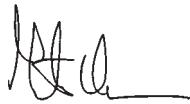
Vantaa, 1 March 1999



Jan-Henrik Kulp  
Chairman



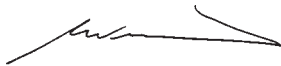
Jukka Salminen  
Vice Chairman



Heikki Allonen



Kari Heinistö



Heikki Hyppönen



Jukka Peltola



Helena Walldén



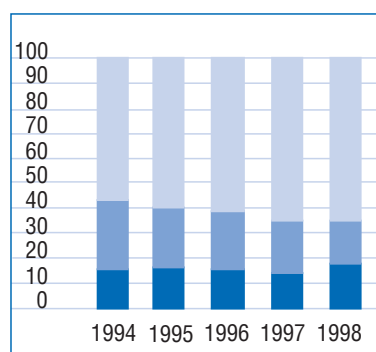
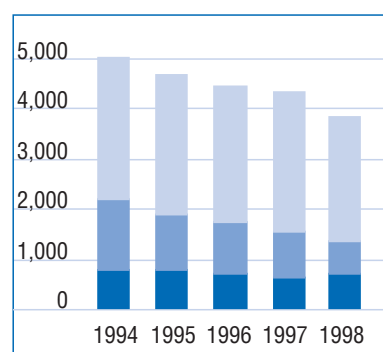
Erkka Valkila  
President

# Profit and loss account

FIM million	Group		Parent company	
	1998	1997	1998	1997
<b>Net sales</b>	<b>1,433.7</b>	1 603.6	<b>528.9</b>	313.9
Change in stock of finished products	-3.7	-1.8	-	-
Production for own use	0.6	2.6	-	-
Share in affiliates' profit/loss	0.2	1.3	-	-
Other income and expenses of business operations	72.3	1.3	8.8	1.6
<b>Expenses</b>				
Materials, goods and supplies:				
Purchases	-292.3	-396.0	-8.6	-7.4
Non-Group services	-423.1	-581.2	-18.0	-5.1
Personnel expenses	-195.2	-245.5	-22.6	-21.0
Rents	-0.4	-0.7	-0.1	-0.3
Other expenses	-226.2	-217.4	-392.4	-172.9
Change in inventories	-270.1	-104.6	-255.5	-76.2
Adjustment expenses	-	-200.0	-	-
	<b>-1,407.3</b>	-1 745.4	<b>-697.2</b>	-282.9
<b>Operating margin</b>	<b>95.8</b>	-138.3	<b>-159.6</b>	32.6
<b>Depreciation</b>				
Fixed assets and other long-term expenses	-41.7	-47.9	-25.2	-28.3
Additional depreciation on goodwill	-73.1	-	-91.9	-
	<b>-114.8</b>	-47.9	<b>-117.1</b>	-28.3
<b>Operating profit</b>	<b>-19.0</b>	-186.2	<b>-276.7</b>	4.3
<b>Financing income and expenses</b>				
Dividend income	0.3	1.0	4.7	2.6
Interest income on long-term investments	4.2	1.3	14.5	14.1
Other financing income	6.9	5.7	8.8	5.1
Interest expenses	-99.6	-102.2	-94.6	-93.2
Other financing expenses	-9.0	-0.8	-8.9	-0.5
	<b>-97.2</b>	-95.1	<b>-75.6</b>	-71.8
<b>Loss before extraordinary items, reserves and taxes</b>	<b>-116.2</b>	-281.3	<b>-352.2</b>	-67.5
<b>Extraordinary income and expenses</b>				
Group subventions	-	-	73.8	2.2
Extraordinary income	-	4.1	-	4.1
Extraordinary expenses	-	-4.4	-	-17.9
	<b>-</b>	-0.3	<b>73.8</b>	-11.5
<b>Loss before reserves and taxes</b>	<b>-116.2</b>	-281.5	<b>-278.5</b>	-79.1
<b>Change in depreciation difference</b>	<b>16.3</b>	16.3	<b>2.5</b>	0.5
<b>Change in voluntary reserves</b>	-	4.5	-	0.2
<b>Direct taxes</b>				
For the accounting period	-0.9	-2.9	-	-
For the previous accounting periods	-4.4	-	-4.2	-
	<b>-5.4</b>	-2.9	<b>-4.2</b>	-
<b>Loss for year before minority interest</b>	<b>-105.3</b>	-263.6	<b>-280.1</b>	-78.4
<b>Minority interest</b>	<b>-0.6</b>	-1.0	-	-
<b>Net loss for year</b>	<b>-105.9</b>	-264.6	<b>-280.1</b>	-78.4

# Balance sheet

	Group		Parent company	
	1998	1997	1998	1997
<b>Assets, FIM million</b>				
<b>Fixed assets and other long-term investments</b>				
Immaterial goods				
Intangible rights	8.6	8.6	-	-
Goodwill	-	83.7	-	104.6
Other long-term expenses	27.3	20.6	23.6	15.6
	<b>35.9</b>	112.9	<b>23.6</b>	120.2
Material goods				
Land and water areas	211.1	214.7	33.9	35.4
Buildings and structures	558.1	574.5	109.3	113.5
Machinery and equipment	18.3	33.5	8.5	10.5
Own work in progress	1.2	-	-	-
	<b>788.8</b>	822.7	<b>151.7</b>	159.5
Securities included in fixed assets and other long-term investments				
Shares in Group companies	-	-	604.9	655.2
Other subsidiary shares	0.0	0.0	0.0	0.0
Shares in affiliates	1.1	11.9	0.9	10.5
Shares in real estate companies	1,324.6	1,533.1	1,224.5	1,358.6
Other securities	45.0	38.7	45.0	38.3
Loans receivable	257.4	240.1	1,098.5	1,158.8
Other investments	2.9	1.3	1.3	1.3
Advanced payments	-	2.1	-	-
	<b>1,631.0</b>	1,827.3	<b>2,975.0</b>	3,222.8
<b>Inventories and financial assets</b>				
Inventories				
Work in progress	-	3.7	-	-
Products	0.1	0.1	-	-
Land areas and properties	113.1	330.2	110.1	283.6
Shares	542.2	603.8	416.1	498.1
	<b>655.3</b>	937.8	<b>526.2</b>	781.7
Receivables				
Accounts receivable	249.6	243.9	229.5	131.6
Loans receivable	245.1	157.7	251.3	145.9
Accrued receivables	20.8	49.2	14.1	16.7
Other receivables	23.5	27.5	17.0	18.8
	<b>539.1</b>	478.4	<b>511.8</b>	313.0
Securities included in financial assets				
Other securities	82.8	46.9	82.8	43.8
Cash in hand and banks	61.8	66.4	58.4	47.8
<b>Assets, total</b>	<b>3,794.7</b>	4,292.3	<b>4,329.5</b>	4,688.8

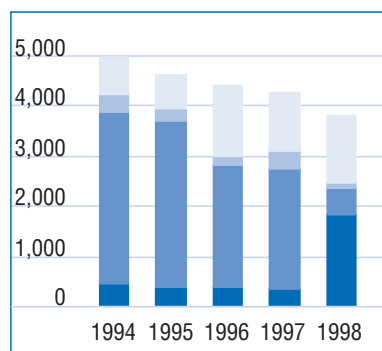


- Fixed assets, including group goodwill
- Inventories, excluding work in progress and advance on contracts
- Financial assets

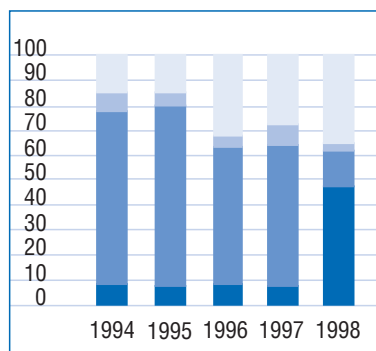
**Trend in assets, FIM million**

**Trend in assets, %**

	<b>Group</b>		<b>Parent company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
<b>Liabilities and shareholders' equity, FIM million</b>				
<b>Shareholders' equity</b>				
Restricted equity				
Share capital	<b>900.1</b>	1,202.1	<b>900.1</b>	1,202.1
Share premium account	<b>297.0</b>	-	<b>297.0</b>	-
Reserve fund	<b>0.2</b>	0.2	<b>0.2</b>	0.2
	<b>1,197.3</b>	1,202.3	<b>1,197.3</b>	1,202.3
Non-restricted equity				
Retained profits	<b>-150.4</b>	-487.8	<b>250.1</b>	-272.7
Own share fund	<b>0.3</b>	1.4	<b>0.0</b>	-
Loss for year	<b>-105.9</b>	-264.6	<b>-280.1</b>	-78.4
	<b>-255.9</b>	-751.0	<b>-30.0</b>	-351.1
Equity loan	<b>260.2</b>	584.6	<b>657.5</b>	996.7
<b>Shareholders' equity, total</b>	<b>1,201.5</b>	1,035.8	<b>1,824.7</b>	1,847.9
<b>Minority interest</b>	-	3.1	-	-
<b>Untaxed reserves</b>				
Accumulated difference in depreciation	<b>130.2</b>	146.5	<b>29.8</b>	32.3
Obligatory reserves	<b>112.9</b>	345.5	<b>87.9</b>	130.5
<b>Liabilities</b>				
Long-term				
Warrant bonds	-	81.3	-	105.3
Secured debts	-	1,680.1	-	1,680.1
Other restructuring debts	<b>1.2</b>	1.4	<b>1.2</b>	1.4
Bonds and debentures	<b>166.7</b>	281.1	<b>301.0</b>	436.0
Loans from financial institutions	<b>321.2</b>	299.5	<b>134.0</b>	100.6
Loans from pension funds	<b>3.2</b>	4.2	<b>2.5</b>	2.9
Other long-term liabilities	<b>46.7</b>	58.3	<b>88.6</b>	99.7
	<b>539.1</b>	2,406.1	<b>527.2</b>	2,426.0
Current				
Warrant bonds	<b>9.7</b>	41.5	<b>9.7</b>	53.5
Secured debts	<b>1,540.4</b>	-	<b>1,540.4</b>	-
Loans from financial institutions	<b>22.8</b>	11.3	<b>21.2</b>	8.5
Loans from pension funds	<b>0.5</b>	0.6	<b>0.4</b>	0.4
Advances received	<b>144.8</b>	63.8	<b>141.9</b>	55.6
Advance invoicing	-	29.1	-	-
Accounts payable	<b>16.2</b>	58.6	<b>14.4</b>	9.8
Accrued liabilities	<b>45.8</b>	120.6	<b>17.9</b>	24.6
Other current liabilities	<b>30.7</b>	29.9	<b>114.1</b>	99.8
	<b>1,810.9</b>	355.4	<b>1,859.9</b>	252.0
<b>Liabilities and shareholders' equity, total</b>	<b>3,794.7</b>	4,292.3	<b>4,329.5</b>	4,688.8



**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	
	1998	1997	1998	1997
<b>Business operations</b>				
<b>Income financing</b>				
Operating margin	95.8	-138.3	-159.6	32.6
Write-downs	67.4	-	67.4	-
Financing income and expenses	-97.2	-95.1	-75.6	-71.8
Extraordinary income and expenses	-	-0.3	73.8	-11.5
Direct taxes	-5.4	-2.9	-4.2	-
Minority interest in profit	-0.6	-1.0	-	-
	60.0	-237.5	-98.2	-50.7
<b>Change in working capital</b>				
Increase (-) or decrease (+) in inventories	215.1	126.4	188.1	64.4
Increase (-) or decrease (+) in current receivables	-78.7	47.2	-216.7	61.4
Increase (+) or decrease (-) in non-interest-bearing debts	-297.0	150.1	24.4	13.9
	-160.6	323.8	-4.2	139.8
<b>Cash flow from business operations</b>	<b>-100.5</b>	86.3	<b>-102.4</b>	89.0
<b>Change in fixed assets</b>	<b>209.4</b>	-115.2	<b>174.8</b>	-84.9
<b>Cash flow before financing</b>	<b>108.9</b>	-28.9	<b>72.3</b>	4.1
<b>Financing</b>				
Increase (-) or decrease (+) in long-term receivables	-17.2	-3.3	60.3	12.0
Increase (+) or decrease (-) in long-term loans	-1,867.0	-14.3	-1,898.8	-34.3
Increase (+) or decrease (-) in short-term loans	1,520.0	-28.3	1,540.9	-3.5
Share issue	-	39.5	-	39.5
Increase in share capital	299.1	-	299.1	-
Share premium fund	297.0	-	297.0	-
Increase (+) or decrease (-) in equity loans	-324.3	-6.9	-339.3	-39.5
Increase (+) or decrease (-) in minority interest	-3.1	0.6	-	-
	-95.5	-12.8	-40.8	-25.8
<b>Increase (+) or decrease (-) in liquid assets</b>	<b>13.3</b>	-41.7	<b>31.6</b>	-21.7

# 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 1998. 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 during the accounting period, have been included in the consolidated financial statements in accordance with previous practice. A separate report has been made of the companies not consolidated.

In 1999 it is intended to consolidate those real estate holding companies which are intended for long-term real estate investment business. This consolidation may have an adverse effect on the Group's non-restricted equity.

### Changes in the group structure

During the accounting period, the shares in Rakennus Vuorenpää Oy, YR-Insinöörit Oy and Rakennus-Haaparanta Oy were sold off. Haukirakennus Oy, Suomen Osakaskiinteistöt Oy and As Oy Vantaan Pionikuja were amalgamated with Polar Corporation.

### International subsidiaries

The financial statements as at 31 December 1998 include FIM 96 million in receivables from subsidiaries connected with European business plus FIM 6.4 million in unrealized guarantee liabilities in the obligatory reserves. Guarantees have been provided for loans whose remaining principal is FIM 28.7 million (excluding guarantees in the USA) and the maximum total of the guarantee liabilities is FIM 28.7 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.

### 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	
	1998	1997	1998	1997
<b>1. Net sales by division</b>				
Construction	869.3	1,217.3	-	0.0
Real estate business	562.9	384.4	527.6	312.2
Other	1.5	1.9	1.3	1.7
<b>Total</b>	<b>1,433.7</b>	<b>1,603.6</b>	<b>528.9</b>	<b>313.9</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	856.6	1,207.4	-	-
Net sales from projects not yet handed over recognized as income during the accounting period and previous accounting periods	-	372.0	-	-
Orders				
Booked according to the percentage of completion method	-	531.6	-	-
<b>3. Personnel expenses and perquisites</b>				
President and Board of Directors	2.5	3.4	1.9	1.9
Other personnel	142.0	179.6	16.0	14.5
Bonuses for President and Board of Directors	-	-	-	-
Pension expenses	22.6	30.8	2.8	2.1
Other indirect personnel expenses	28.0	31.7	1.9	2.5
Personnel expenses in the profit and loss account	195.2	245.5	22.6	21.0
Cash value of perquisites	2.8	3.7	1.0	0.9
<b>Total</b>	<b>198.0</b>	<b>249.3</b>	<b>23.6</b>	<b>21.9</b>
<b>4. Depreciation and change in depreciation difference</b>				
<b>Planned depreciation</b>				
Other long-term expenses	6.3	5.5	5.2	4.4
Buildings	14.6	15.6	3.4	3.4
Machinery and equipment	9.6	12.5	3.3	3.7
Shares	0.6	0.6	0.6	0.6
Goodwill	10.6	13.7	12.7	16.2
Additional depreciation on goodwill	41.7	47.9	25.2	28.3
<b>Total</b>	<b>73.1</b>	<b>-</b>	<b>91.9</b>	<b>-</b>
<b>Change in depreciation difference</b>				
Other long-term expenses	-0.3	0.0	0.1	0.2
Buildings	-10.5	-8.9	-0.2	0.4
Machinery and equipment	-5.5	-4.0	0.9	-0.9
Goodwill	-	-	1.7	-
Restoration of depreciation difference	-16.3	-12.9	2.5	-0.3
<b>Total</b>	<b>-</b>	<b>-3.4</b>	<b>-</b>	<b>-0.2</b>
<b>Total depreciation</b>				
Other long-term expenses	6.1	5.5	5.1	4.6
Buildings	4.1	6.7	3.7	3.8
Machinery and equipment	4.1	8.5	2.3	2.8
Shares	0.6	0.6	0.6	0.6
Goodwill	83.7	13.7	102.8	16.2
<b>Total</b>	<b>-98.6</b>	<b>35.0</b>	<b>114.6</b>	<b>28.1</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 total booked depreciation and planned depreciation is given in the profit and loss account as an appropriation before the change in voluntary reserves. The accumulated depreciation difference is shown as a separate item on the liabilities and shareholders' equity side of the balance sheet among the reserves. The depreciation difference does not cause any deferred tax liability because the company has confirmed losses. The group goodwill of the subsidiaries transferred to Polar Corporation in the merger of Ferenda Oy has been allocated to the fixed asset items and depreciation on it has been effected in compliance with the accounting principles for planned depreciation on the fixed asset items in question.



	<b>Group</b>		<b>Parent company</b>	
	1998	1997	1998	1997
<b>5. Intra group financing income and expenses</b>				
<b>Financing income</b>				
Dividend income	-	-	3.2	1.6
Interest income on long-term investments	-	-	13.8	13.6
Other financing income	-	-	0.2	0.1
<b>Total</b>	-	-	17.2	15.3
<b>Financing expenses</b>				
Interest expenses	-	-	4.8	1.9
Other financing expenses	-	-	-	-0.1
<b>Total</b>	-	-	4.8	1.8
<b>6. Extraordinary income and expenses</b>				
<b>Extraordinary income</b>				
Group subventions received	-	-	73.8	2.2
Other	-	4.1	-	4.1
<b>Total</b>	-	4.1	73.8	6.3
<b>Extraordinary expenses</b>				
Write-downs on fixed assets and related receivables	-	1.2	-	6.4
Change in guarantee liabilities	-	3.2	-	3.2
Losses on mergers	-	-	-	8.3
<b>Total</b>	-	4.4	-	17.9
<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	-	-
Acquisition 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	135.5	161.9	161.9
Decreases during accounting period	-	-	-	-
Acquisition cost, 31 Dec.	135.5	135.5	161.9	161.9
Accumulated planned depreciation, 31 Dec.	-62.4	-51.7	-70.0	-57.4
Additional depreciations	-73.1	-	-91.9	-
<b>Book value, 31 Dec.</b>	-	83.7	-	104.6
<b>Group Goodwill</b>				
Acquisition cost, 1 Jan.	-	248.3	-	-
Decreases during accounting period	-	0.0	-	-
Acquisition cost, 31 Dec.	-	248.4	-	-
Accumulated planned depreciation, 31 Dec.	-	-248.4	-	-
<b>Book value, 31 Dec.</b>	-	-	-	-
<b>Other long-term expenditure</b>				
Acquisition cost, 1 Jan.	84.4	77.0	38.8	31.9
Increases during accounting period	14.5	7.6	13.2	7.0
Decreases during accounting period	-1.5	-0.2	-	-0.1
Acquisition cost, 31 Dec.	97.5	84.4	52.0	38.8
Accumulated planned depreciation 31 Dec.	-70.2	-63.9	-28.4	-23.2
<b>Book value, 31 Dec.</b>	27.3	20.6	23.6	15.6

	<b>Group</b>		<b>Parent company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
<b>Land areas</b>				
Acquisition cost, 1 Jan.	<b>215.1</b>	216.3	<b>35.4</b>	35.8
Increases during accounting period	-	-	-	-
Decreases during accounting period	<b>-3.6</b>	-1.2	<b>-1.5</b>	-0.4
Acquisition cost, 31 Dec.	<b>211.5</b>	215.1	<b>33.9</b>	35.4
Accumulated planned depreciation	<b>-0.4</b>	-0.4	-	-
Book value, 31 Dec.	<b>211.1</b>	214.7	<b>33.9</b>	35.4
<b>Buildings and structures</b>				
Acquisition cost, 1 Jan.	<b>686.4</b>	708.0	<b>126.3</b>	127.5
Increases during accounting period	<b>-1.8</b>	-	-	-
Decreases during accounting period	-	-21.6	<b>-0.8</b>	-1.2
Acquisition cost, 31 Dec.	<b>684.7</b>	686.4	<b>125.5</b>	126.3
Accumulated planned depreciation	<b>-126.5</b>	-112.0	<b>-16.2</b>	-12.8
Book value, 31 Dec.	<b>558.1</b>	574.5	<b>109.3</b>	113.5
<b>Machinery and equipment</b>				
Acquisition cost, 1 Jan.	<b>424.7</b>	418.1	<b>49.1</b>	46.8
Increases during accounting period	<b>2.5</b>	12.3	<b>2.1</b>	2.9
Decreases during accounting period	<b>-8.0</b>	-5.7	<b>-0.8</b>	-0.5
Acquisition cost, 31 Dec.	<b>419.2</b>	424.7	<b>50.4</b>	49.1
Accumulated planned depreciation	<b>-400.8</b>	-391.2	<b>-41.9</b>	-38.6
Book value, 31 Dec.	<b>18.3</b>	33.5	<b>8.5</b>	10.5
<b>9. Taxation values of fixed assets</b>				
Land areas	<b>65.4</b>	65.9	<b>18.5</b>	18.7
Buildings	<b>227.9</b>	228.7	<b>50.2</b>	50.7
Group company shares	-	-	<b>356.4</b>	463.4
Other subsidiary shares	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Shares in affiliated companies	<b>12.1</b>	12.1	<b>12.1</b>	12.1
Shares in real estate companies	<b>467.4</b>	547.7	<b>415.1</b>	454.0
Other securities	<b>14.8</b>	23.0	<b>14.8</b>	22.7
<b>10. Long term investments and loans receivable/ group and affiliated companies</b>				
<b>Group companies</b>				
Shares	-	-	<b>604.9</b>	655.2
Loans receivable	-	-	<b>845.5</b>	932.7
<b>Total</b>	-	-	<b>1,450.4</b>	1,587.9
<b>Affiliated companies</b>				
Shares	-	11.9	<b>0.9</b>	10.5
Loans receivable	-	0.1	-	-
<b>Total</b>	-	12.0	<b>0.9</b>	10.5
<b>11. Inventories and financial assets</b>				
<b>Shares included in inventories</b>				
Shares in plots	<b>223.7</b>	480.2	<b>201.5</b>	383.4
Residential property shares	<b>34.4</b>	16.7	<b>33.4</b>	15.7
Commercial property shares	<b>284.1</b>	106.3	<b>181.3</b>	98.3
Publicly quoted shares	-	0.7	-	0.7
<b>Total</b>	<b>542.1</b>	603.8	<b>416.1</b>	498.1
<b>Receivables from Group companies</b>				
Accounts receivable	-	-	<b>4.1</b>	5.0
Short-term loans receivable	-	-	<b>6.9</b>	3.9
Accrued receivables	-	-	<b>0.0</b>	0.7
<b>Receivables from affiliated companies</b>				
Accounts receivable	-	0.0	-	0.0
Short-term loans receivable	-	0.2	-	0.2

	<b>Group</b>		<b>Parent company</b>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>12. Loans granted to shareholders and subordinated annetut pääomallainat</b>				
Loans to shareholders		-	<b>242.5</b>	311.9
Subordinated loans granted	<b>45.2</b>	35.8	<b>170.4</b>	160.4
<b>13. Change in shareholder´s equity</b>				
<b>Restricted equity</b>				
Share capital, 1 Jan.	<b>1,202.1</b>	1,162.8	<b>1,202.1</b>	1,162.8
New issue of shares	<b>299.1</b>	-	<b>299.1</b>	-
Reduction in share capital	<b>-601.2</b>	39.4	<b>-601.2</b>	39.4
<b>Share capital 31 Dec.</b>	<b>900.1</b>	1,202.1	<b>900.1</b>	1,202.1
Share premium fund, 1 Jan.	-	-	-	-
New issue of shares	<b>297.0</b>	-	<b>297.0</b>	-
<b>Share premium fund 31 Dec.</b>	<b>297.0</b>	-	<b>297.0</b>	-
Reserve fund, 1 Jan.	<b>0.2</b>		<b>0.2</b>	-
Issue premium	-	0.2	-	0.2
<b>Reserve fund, 31 Dec.</b>	<b>0.2</b>	0.2	<b>0.2</b>	0.2
<b>Non-restricted equity</b>				
Accumulated losses, 1 Jan.	<b>-150.4</b>	-486.4	<b>-351.1</b>	-272.7
Transfer to own share fund	-	-1.4	<b>0.0</b>	-
Own share fund	<b>0.3</b>	1.4	<b>0.0</b>	-
Other changes	-	-0.1	<b>601.2</b>	-
Net loss for year	<b>-105.9</b>	-264.6	<b>-280.1</b>	-78.4
<b>Non-restricted equity, 31 Dec.</b>	<b>-255.9</b>	-751.0	<b>-30.0</b>	-351.1
Equity loans 1 Jan.	<b>584.6</b>	591.3	<b>996.7</b>	1,036.2
Increases	<b>14.8</b>	32.8	-	-
To shareholders´ equity	<b>-84.9</b>	-39.5	<b>-85.1</b>	-39.5
To share premium fund	<b>-254.2</b>	-	<b>-254.2</b>	-
<b>Equity loans 31 Dec.</b>	<b>260.2</b>	584.6	<b>657.5</b>	996.7
<b>14. Own shares</b>	<b>0.3</b>	1.4	<b>0.0</b>	-
<b>15. Equity loans</b>				
<b>Quasi-equity convertible bonds</b>				
Unpaid on issue	<b>51.8</b>	390.2	<b>273.8</b>	612.9
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 to loan	<b>208.4</b>	194.4	<b>383.7</b>	383.9
Conversion ratio		100 share 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 - 31 December 2007, and 5 percentage points as of 1 January 2008. Interest can only be paid if the amount due 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>222.0</b>	222.7
Convertible equity loan	-	-	<b>175.2</b>	189.5

	<b>Group</b>		<b>Parent company</b>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>16. Obligatory reserves</b>				
Annual repair liabilities	<b>0.1</b>	6.0	<b>0.1</b>	0.1
10-year liability	<b>13.1</b>	7.1	<b>0.1</b>	0.1
Additional caution for construction division	<b>10.0</b>	-	-	-
Rental liabilities	<b>67.9</b>	71.7	<b>67.9</b>	71.7
Guarantee liabilities/Finland	<b>2.5</b>	3.8	<b>2.5</b>	3.8
Guarantee liabilities/international	<b>6.4</b>	50.0	<b>6.4</b>	50.0
Adjustment expenses	-	200.0	-	-
Other obligatory reserves	<b>12.9</b>	6.9	<b>10.9</b>	4.8
<b>Total</b>	<b>112.9</b>	345.5	<b>87.9</b>	130.5
<b>17. Liabilities</b>				
<b>Debts maturing in more than five years</b>				
Pension loans	<b>1.2</b>	1.9	<b>0.7</b>	1.0
Loans from financial institutions	<b>24.5</b>	31.8	<b>21.2</b>	25.0
Corporate bonds	<b>90.3</b>	168.7	<b>90.3</b>	261.8
<b>Debts to Group companies</b>				
Warrant bonds	-	-	-	36.0
Corporate bonds	-	-	<b>134.3</b>	154.9
Other long-term debts	-	-	<b>41.9</b>	41.4
Short-term accounts payable	-	-	<b>2.4</b>	4.0
Accrued expenses	-	-	-	0.0
Other current liabilities	-	-	<b>94.0</b>	73.5
<b>Debts to affiliated companies</b>				
Other long-term debts	-	-	-	-
Other short-term debts	-	-	-	-
<b>Warrant bonds</b>				
Unpaid from 1994 issue	<b>9.7</b>	122.8	<b>9.7</b>	158.8
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	<b>166.7</b>	281.1	<b>301.0</b>	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>Group</b>		<b>Parent company</b>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>18. Voluntary reserves</b>				
<b>Change in voluntary reserves</b>				
Transition reserve, 1 Jan.	-	4.5	-	-
Change in profit and loss account	-	-4.5	-	-
Transition reserve, 31 Dec.	-	-	-	-
<b>Tax debts corresponding to the voluntary reserves</b>	-	-	-	-
<b>19. Contingent liabilities</b>				
<b>Pledges</b>				
To secure own liabilities	<b>1,649.4</b>	1,654.1	<b>803.9</b>	801.9
To secure own and Group company liabilities	-	-	<b>379.0</b>	253.9
To secure own and other subsidiaries' liabilities	<b>0.3</b>	4.0	<b>0.3</b>	4.0
To secure Group company liabilities	-	-	<b>283.5</b>	399.1
To secure other subsidiaries' liabilities	-	0.3	-	0.3
To secure other companies' liabilities	<b>0.2</b>	4.2	<b>0.2</b>	4.2
<b>Total</b>	<b>1,649.8</b>	1,662.6	<b>1,466.8</b>	1,463.4
<b>Mortgages</b>				
To secure own liabilities	<b>1,511.3</b>	1,564.8	<b>1,209.9</b>	1,246.0
To secure own and other subsidiaries' liabilities	<b>7.2</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	-	2.0	-	2.0
<b>Total</b>	<b>1,518.5</b>	1,570.4	<b>1,265.6</b>	1,303.7
<b>Guarantees solely</b>				
For subsidiaries included in the consolidated financial statements	<b>45.4</b>	87.9	<b>228.1</b>	412.1
For subsidiaries not included in the consolidated financial statements	<b>8.3</b>	13.7	<b>8.3</b>	13.7
For affiliated companies	<b>43.4</b>	64.5	<b>43.4</b>	64.5
For other companies	<b>2.2</b>	18.1	<b>2.2</b>	18.1
<b>jointly</b>				
For affiliated companies	<b>12.0</b>	12.1	<b>12.0</b>	12.1
For other companies	<b>0.7</b>	14.3	<b>0.7</b>	14.3
<b>Total</b>	<b>112.0</b>	210.6	<b>294.7</b>	534.9
<b>Other contingent liabilities</b>				
Purchase commitments	<b>4.5</b>	26.2	<b>4.5</b>	26.2
Liabilities for which the pledges and mortgages have been given total	<b>2,030</b>	2,261		
Liabilities for which quarantees have been given total of which has already been booked as expense	<b>121</b>	277		
	<b>9</b>	52		

# Main shares included in fixed assets

Company FIM 1,000	Group shareholding, %	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

### Companies in Finland\*)

PY-Investointi Oy	100	100	100	100	100	1,586	2,620	-1,104
Kalustaja Koy	100	10,000	100	10,000	750	755	743	0
Kevätkallio Asunto Oy	100	21	100	21	21	4,082	3,921	-68
Kiinteistösolari Oy	100	1,000	100	1,000	5,000	3,813	4,522	-75
Kivikukkaro Koy	100	33,339	100	33,339	33,339	147,285	131,865	-1,495
Kornetintie 6 Koy	100	15,000	100	15,000	15	1,011	402	-126
Kutomotie 6 Koy	100	625	100	625	500	35,387	518	0
Otsohallit Oy	100	201	100	201	1,005	4,192	3,767	134
Pakkalan Kartanonkoski 3 Koy	100	32,000	100	32,000	84,000	18,882	89,099	-2,682
Polar-Betoni Oy	100	20,000	100	20,000	20,000	21,386	17,116	-3,646
Polar-Rakennus Oy	100	100	100	100	50,000	50,000	36,588	17,948
Povarstock Oy	100	7,506	100	7,506	150	68,358	39,390	-31,870
Rakennusliike Nurmi & Loivamäki Oy	100	600	100	600	3,000	2,234	4,733	-2,489
Scifin Alfa Koy	100	4,431	100	4,431	22	30,496	30,012	0
Sisustaja Koy	100	15,369	100	15,369	1,003	29,583	29,358	0
Tampereen Suvantokatu Koy	100	13,930	100	13,930	139	122,225	96,648	-2
Vanha Talvitie 11 Koy	100	19,146	100	19,146	19	11,519	10,960	-7
Vantaanportti Oy	100	10,000	100	10,000	5,000	51,783	-102,964	-6,121

Others (8)

278

### 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 Bau trading GmbH	100		100		DEM 5,000	0		

\*) Companies with a book value of less than FIM 100,000 are not listed.

## Affiliated companies

Finn-Stroi Oy	31.5	1,010	31.5	1,010	10,100	0	594	430
Kalajoen Konepaja Oy	24.1	3,500	24.1	3,500	3,500	845	14,646	0
Laadukkaat Vuokra-Asunnot Oy	49	49	49	49	25	25	55	17
Suomen Kiinteistökehitys SKK Oy	50	20,000	50	20,000	20,000	0	11,744	-2,286
Polar Construction Ukraine JSC	37	1,060	37	1,060	106	0		

## Other companies\*\*)

### Companies in Finland

Kiinteistösisjoitus Oy Citycon	1	1,009,091	1	1,009,091	10,092	7,568		
Helsingin Puhelinyhdistys		356		339	422	1,237		
Jyväskylä-Helmi Oy	10	10,000	10	10,000	10,000	30,277		
Finnkeri Oy	5	5	5		5	813		
Lomadynastia Oy		13,960		13,960	1,396	1,473		
Seinäjoen Kauppaseura Oy		10		10	500	500		

Others (51)

1,384

### Foreign

Spéf Capital S.A. Luxemburg	0	26		26		1,819		
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Others (1)

\*\*) Companies with a book value of 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 shares	Parent co.'s holding, %	No. of 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 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	5,669	4,278	0	-51	9,947
Helsingin Kansakoulukatu 3 Koy			8,425	100	78,019	34	69,615	63,897	20	0	133,533
Helsingin Vuorikatu 20 Koy	500	100	500	100	50	50	49	33,639	0	0	33,689
Ins - Teräs Koy	1,700	100	1,700	100	4,371	1,700	3,170	2,412	36	5	5,617
Kilon Timantti Koy			19,975	100	45,000	20	40,123	523	12	-29	40,658
Kilon Helmi Koy			19,975	100	45,000	20	41,985	93	14	-9	42,092
Koskenportti Koy	5,033	100	5,033	100	15,229	503	21,376	0	44	55	21,420
Kotkan Seurahuone Koy	15,000	100	15,000	100	80,000	6,000	79,927	0	108	-73	80,035
Lappenrannan Lentäjätie 17-19 Koy	1,500	100	1,500	100	1,579	15	1,805	0	23,347	143	25,152
Larvalankatu 13 Koy	4,863	100	4,863	100	71,298	73	89,115	0	47	-189	89,161
Malmin Kauppatie 8 Koy	15,000	100	15,000	100	23,000	15	16,137	0	325	-620	16,462
Niittylänpolku 16 Koy	15,000	100	15,000	100	14,000	15	13,866	0	51	-271	13,917
Pitkäsillankatu 1-3 Koy	100	100	100	100	16,686	2,000	15,576	89	4,531	0	20,196
Solartalo 2001 Koy	20,000	100	20,000	100	44,582	20	33,285	0	264	0	33,549
Solartalo 2002 Koy	20,000	100	20,000	100	44,582	20	33,285	0	264	0	33,549
Solartalo 2003 Koy	20,000	100	20,000	100	44,582	20	33,285	0	264	0	33,549
Solartalo 2004 Koy	20,000	100	20,000	100	44,582	20	33,285	0	264	0	33,549
Solartalo 2005 Koy	20,000	100	20,000	100	44,582	20	33,285	0	264	0	33,549
Sörnäisten Rantatie Koy	150,000	100	150,000	100	72,542	150	19,007	5	-16	0	18,995
Tampereen Hatanpää Koy	14,100	100	14,100	100	147,320	141	87,983	0	16	0	87,999
Tapiontuuli Koy	6,633	100	6,633	100	598	0	639	0	34,690	-24	35,329
Turun Kalevantie 25 Koy	5,000	100	5,000	100	13,501	50	9,122	0	6	0	9,128
Valkeakosken Torikatu 2 Koy	38,850	100	38,850	100	27,004	9,984	34,338	0	6,380	0	40,718
Vallilan Solar 1 Koy	20,000	100	20,000	100	12,618	20	10,577	0	23	0	10,600
Vallilan Solar 2 Koy	20,000	100	20,000	100	12,618	20	10,577	0	23	0	10,600
Vallilan Solar 3 Koy	20,000	100	20,000	100	12,618	20	10,577	0	23	0	10,600
Vallilan Solar 4 Koy	20,000	100	20,000	100	12,618	20	10,577	0	23	0	10,600
Vesijärvenkatu 74 Koy	500	100	500	100	4,669	50	4,638	1,304	28	2	5,969
Ässätaalo 2001 Koy	20,000	100	20,000	100	12,618	20	10,577	0	23	0	10,600
Hollolan Ostospaikka Koy	9,998	100	9,998	100	26,076	60	33,447	0	14,098	0	47,545
Hollolan Liikekeskus Koy	32,066	97	32,066	97	15,107	641	7,341	0	55	12	7,396
Seinäjoen Kino Koy	4,687	90	4,687	90	59,552	70	85,580	0	146	-88	85,726
Jyväskylän Väinökeskus Koy	2,638	79	2,638	79	15,181	5,540	34,599	0	40	-14	34,639
Sinimäentie 10 Koy	92,547	77	92,547	77	378	7,404	29,872	59,493	76	0	89,441
Satomalmi Koy	6,173	70	6,679	76	22,617	13	23,180	0	47	-33	23,227
Torniorava Koy	1,541	61	1,541	61	5,213	616	12,465	0	34	0	12,499
Jämsän Forum Koy	2,746	54	2,746	54	10,000	2,746	29,954	0	141	-54	30,095
Zeppelinin kauppapörssi Koy	1,226	52	1,226	52	4,283	123	...	...	...	...	...
<b>Shares in affiliates</b>											
Vilhonkatu 5 Koy	50,004	50	50,004	50	45,502	18,001	63,050	0	105,844	-6,046	168,893
Helsingin Kanavakatu 8-22 Koy	14,063	50	14,063	50	81,361	9,000	106,105	0	145,403	-8,461	251,508
Zeppelinin kulmatori Koy	883	28	883	28	1,635	88	...	...	...	...	...
Valkeakosken Liikekeskus Koy	304,623	25	304,623	25	9,143	1,218	42,926	0	18,682	0	61,608
F-Medi Koy	4,814	22	4,814	22	31,730	5	109,354	0	6,861	1	116,215
Kaisaniemen Metrohalli Koy	3,200	21	3,200	21	33,684	320	127,044	0	42,151	-1,834	169,195
<b>Other shares</b>											
Tampereen Koskenranta Koy	4,575	18	4,575	18	31,335	46					
Kamppi Parkki Oy Ab	47	10	47	10	3,101	940					
Helsingin Kaivokatu 8 Koy	1,611	9	1,611	9	42,007	1,611					
Zeppelinin city-keskus Koy	183	7	183	7	3,254	3					
Yrittäjäseuran Autopaikat Koy			76	4	740	1					
Other share (3)					338	150					
<b>Grand total</b> *					1,395,376	69,647					

\* Before Group eliminations

... Information not received

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.

# Polar Group in figures

Profit and loss account	1998	1997	1996	1995	1994
Net sales, FIM million	1,434	1,604	1,503	1,710	2,275
Other income and expenses from business operations, FIM million	72	1	-0	-0	7
Operating margin, FIM million	96	-138	103	107	83
% of net sales	6.7	-8.6	6.9	6.3	3.7
Operating profit/loss, FIM million	-19	-186	54	51	32
% of net sales	-1.3	-11.6	3.6	3.0	1.4
Profit/loss before extraordinary items, FIM million	-116	-281	-40	-44	-46
% of net sales	-8.1	-17.5	-2.7	-2.6	-2.0
Extraordinary income and expenses, FIM million	-	0	-23	-46	-215
Profit/loss before reserves and taxes, FIM million	-116	-282	-63	-90	-262
% of net sales	-8.1	-17.6	-4.2	-5.3	-11.5

## Balance sheet

Fixed assets and other long-term investments	2,456	2,763	2,690	2,770	2,801
Inventories and financial assets (net)	1,321	1,475	1,667	1,795	2,109
<b>Assets, FIM million*)</b>	<b>3,777</b>	<b>4,238</b>	<b>4,358</b>	<b>4,565</b>	<b>4,911</b>
Shareholders' equity	1,201	1,036	1,268	483	511
Minority interest	-	3	3	24	25
Voluntary reserves and accumulated difference in depreciation	130	146	167	183	203
Obligatory reserves	113	345	176	236	360
Long-term liabilities					
non-interest-bearing	184	395	445	1,228	1,230
interest-bearing	355	2,011	1,975	2,106	2,211
Current liabilities					
non-interest-bearing	230	289	255	280	340
interest-bearing	1,564	12	69	25	31
<b>Liabilities and shareholders' equity, FIM million*)</b>	<b>3,777</b>	<b>4,238</b>	<b>4,358</b>	<b>4,565</b>	<b>4,911</b>

\*) Excludes advance invoicing and developer/contractor project advances.

## Key figures for financial trends

Return on equity % (ROE)	-9.7	-21.7	-4.1	-6.5	-9.7
Return on investment % (ROI)	-0.2	-5.3	2.4	2.1	1.6
Equity ratio, %	35.3	28.5	33.5	16.2	16.7

## Key indicators for business operations

Average number of personnel		1,169	1,142	1,377	1,746
1 Jan. – 31 Aug. 1998	1,349				
1 Sept. – 31 Dec. 1998	60				
Dividend, FIM million	0.0 *)	0.0	0.0	0.0	0.0

\*) Proposal by the Board of Directors

## Key figures for shares

Earnings per share (EPS), FIM *)	-0.76	-2.40	-0.77	-0.93	-1.14
Equity per share, FIM	6.55	7.43	9.19	9.12	10.08
Dividend per share, FIM	-***)	-	-	-	-
Dividend / profit, %	-	-	-	-	-
Effective dividend yield, %	-	-	-	-	-
Price/earnings ration (P/E)	neg.	neg.	neg.	neg.	neg.
Trend in share price and trading					
Issue-adjusted share price, FIM					
average price	3.49	6.99	5.79	4.43	11.61
lowest traded price	2.15	4.50	2.50	2.50	7.50
highest traded price	8.50	8.50	8.20	9.00	16.40
last traded price at year end	2.25	4.80	6.60	3.00	9.75
Market capitalization 31 Dec., FIM million	405	577	767	156	505
Trend in share turnover					
shares traded (1,000 shares)	28,149	25,592	25,106	2,519	3,481
% of shares, average	17.4/17.5**)	21.5/21.5**)	43.7/43.7**)	4.9/4.9**)	8.0/8.0**)
Issue-adjusted number of shares					
average number (1,000 shares)	161,343/161,258**)	118,966/118,880**)	57,498/57,420**)	51,912/51,811**)	43,568/43,401**)
number at year-end (1,000 shares)	180,018/179,933**)	120,211/120,125**)	116,275/116,197**)	51,983/51,883**)	51,755/51,589**)

\*) 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) %	=	$\frac{\text{Profit/loss before extraordinary items - taxes for year}}{\text{Shareholders' equity} + \text{accumulated depreciation difference} + \text{voluntary reserves} + \text{minority interest (average for year)}} \times 100$
Return on investment (ROI) %	=	$\frac{\text{Profit/loss before extraordinary items} + \text{financing expenses}}{\text{Balance sheet total} - \text{average of non-interest-bearing debts for year}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{estimated proportion of obligatory reserves to be converted into quasi-equity convertible bonds*}) + \text{accumulated depreciation difference} + \text{voluntary reserves} + \text{minority interest}}{\text{Balance sheet total} - \text{advance invoicing} - \text{spec contracting advances}} \times 100$ *) Estimated at 2 FIM million
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	=	$\frac{\text{Dividend paid during the accounting period}}{\text{Issue-adjusted number of shares at year-end}}$
Dividend/profit, %	=	$\frac{\text{Dividend paid for the accounting period}}{\text{Earnings (as in earnings per share)}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Issue-adjusted last traded price of share during the year}} \times 100$
P/E ratio	=	$\frac{\text{Issue-adjusted last traded price of share during the year}}{\text{Dividend per share}}$
Issue-adjusted average share price	=	$\frac{\text{Total trading in shares, FIM}}{\text{Issue-adjusted number of shares traded during the year}}$
Market capitalization	=	Number of shares at year-end x last traded share price during the year

# Auditors' report

We have audited the accounts, financial statements and administration of Polar Corporation for the 1998 accounting period. The financial statements produced by the Board of Directors and the President comprise the 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.

Vantaa, 2 March 1999

Jorma Jäske  
APA\*

\* Authorized Public Accountant

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.

SVH Pricewaterhouse Coopers Oy  
APA\* firm

Risto Laitinen  
APA\*

# Board of Directors

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

Vice-Chairman **Jukka Salminen**, born 1947  
M.Sc. (Econ.)  
Senior Vice-President of the Finnish Cooperative  
Wholesale Society (SOK)  
Member of the Board of Directors since 1993

**Heikki Allonen**, born 1954  
M.Sc. (Eng.)  
Senior Vice-President, Corporate Planning, of Metra  
Corporation  
Member of the Board of Directors since 1998

**Kari Heinistö**, born 1958  
M.Sc. (Econ.)  
Chief Financial Officer of the Partek Group  
Member of the Board of Directors since 1993

**Heikki Hyppönen**, born 1945  
M.Sc. (Econ. B.A.)  
Managing Director of Aleksia Ltd  
Member of the Board of Directors since 1998

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

**Helena Walldén**, born 1953  
M.Sc. (Eng.)  
Executive Director of OKOBANK  
Member of the Board of Directors since 1998

## President

**Erkka Valkila**, born 1953  
B.Sc. (Eng.)  
President of Polar Corporation since 1999

## Auditors

SVH Pricewaterhouse Coopers Oy  
(APA Firm)

**Risto Laitinen**  
M.Sc. (Econ.), APA\*

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

\*) Authorized Public Accountant



Board of directors from left:  
Heikki Hyppönen, Heikki Allonen, Kari Heinistö,  
Jan-Henrik Kulp, Helena Walldén, Jukka Salminen and Jukka Peltola

# Shares and shareholders

Polar Corporation's ordinary shares are quoted on the Helsinki Stock Exchange. For international share trading, the 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 5.

## Share capital

At year-end there were 180,018,374 shares in Polar Corporation. According to the book-entry securities register, the company had a total of 5,379 registered shareholders on 31 December 1998. The company's paid-in share capital entered in the Trade Register was FIM 900,091,870. The company's minimum capital is FIM 600 million and its maximum capital is FIM 2,400 million.

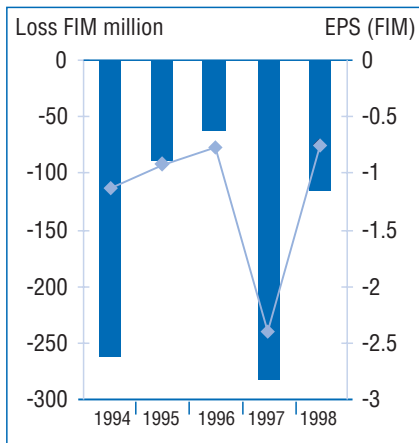
### Holdings by number of shares, 31 December 1998

Number of shares	Shareholders	%	Shares	%
1 - 100	1,744	32.42	59,400	0.03
101 - 1,000	1,645	30.58	840,957	0.47
1,001 - 10,000	1,593	29.62	6,592,942	3.66
10,001 - 100,000	351	6.53	9,937,130	5.52
100,001 - 1,000,000	34	0.63	9,736,337	5.41
over 1,000,000	12	0.22	152,621,498	84.78
<b>Total</b>	<b>5,379</b>	<b>100.0</b>	<b>179,788,264</b>	<b>99.87</b>
Total on waiting list			31,000	0.02
On joint accounts			199,110	0.11
<b>Issued stock</b>			<b>180,018,374</b>	<b>100.00</b>

### The biggest shareholders, 31 December 1998

	Shares (1,000)	Percentage holding and voting rights
Cervuctum Oy *)	49,219	27.34
Merita Bank Plc	35,750	19.86
UPM-Kymmene Corporation	14,836	8.24
Metra Corporation	14,463	8.03
Partek Corporation	10,905	6.06
Finnish Cooperative Wholesale Society SOK	5,305	2.95
Pohjola Group	3,826	2.13
Stockmann plc	3,627	2.01
Kesko Pension Fund	3,460	1.92
Industrial Insurance Company Ltd	1,879	1.04
<b>Total for 10 biggest Nominee-registered</b>	<b>143,270</b>	<b>79.58</b>
	9,704	5.39
<b>Total</b>	<b>180,018</b>	<b>100.00</b>

\*) The owners of Cervuctum Oy are Metra Corporation (approx. 31% holding), UPM-Kymmene Corporation (approx. 31% holding), Partek Corporation (approx. 19% holding), and the Finnish Cooperative Wholesale Society SOK (approx. 19% holding).



### Net profit/loss\*) and EPS

\*) Profit/loss before reserves and taxes

## Increases in share capital

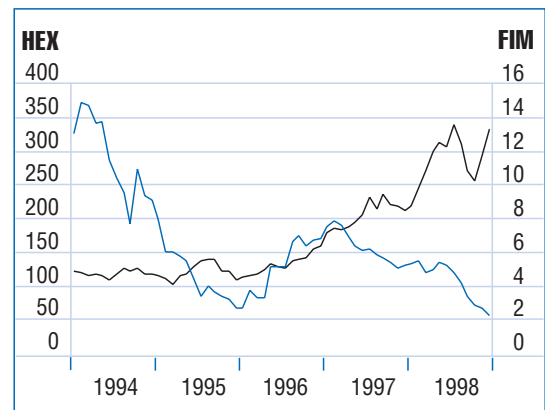
Convertible bonds issued in 1994 and 1996 and the quasi-equity convertible equity loan issued in 1996 had, by the end of 1998, been used to subscribe for a total of 89,489,416 shares, of which 571,250 were subscribed for in 1998.

## Management holdings

According to the register of industry insiders, on 31 January 1999 the members of the Board of Directors and the Management Committee held a total of 21,542 shares. Another 1,200 shares were subject to mandatory notification. These numbers correspond to approximately 0.01% of shares and voting rights.

## Shareholder agreements

According to a shareholder agreement made in 1994, the Finnish Cooperative Wholesale Society, Repola Corporation (now UPM-Kymmene Corporation), Partek Corporation, 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



### Polar's traded share price relative to HEX-index

— HEX – index  
 — Polar's traded share price

by the restructuring process. The restrictions on transferring shares do not apply to transfers between the contracting parties.

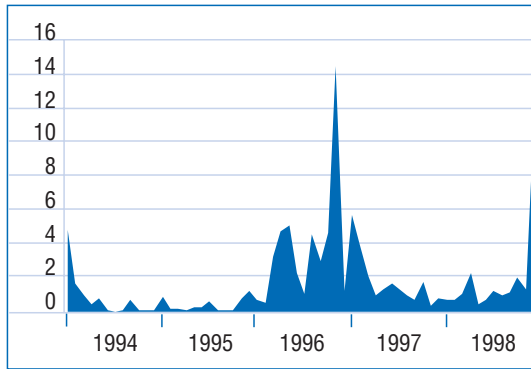
The shareholder agreement will be in force for the duration of Polar Corporation's restructuring programme. The agreement will cease to be in effect for a particular contracting party if his voting rights fall below 2%, and the entire agreement will be voided if the combined voting rights of the contracting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

## Trading in Polar shares and the price trend

A total of 28,149,358 Polar Corporation shares were traded for a total of FIM 94,187,160. The share turnover corresponds to 17,4% of the company's issued stock. The lowest traded price during the year was FIM 2.15 and the highest was FIM 8.50. The last traded price of the accounting period was FIM 2.25.

## 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.



**Relative trading in shares, %**

**Shareholders and voting rights by type of shareholder, 31 December 1998**

	%
Companies	54
Financial institutions and insurers	29
Households	8
Nominee-registered and foreigners	5
Others and non-registered	4

**Increases in share capital 1994-1998 and reduction in share capital 1998**

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		FIM 20	19,760,016	197,600,160	for fiscal 1995	510,470,560
Convertible bonds 1994 exchanged in 1994	FIM 20 of debt: 1 share		708,100	7,081,000	for fiscal 1995	517,551,560
Convertible bonds 1994 exchanged in 1995	FIM 20 of debt: 1 share		228,050	2,280,500	for fiscal 1996	519,832,060
Convertible bonds 1994 exchanged in 1996	FIM 20 of debt: 1 share		2,405,150	24,051,500	for fiscal 1997	543,883,560
New issue 18-29 Nov. 1996		FIM 10	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		1,201,947,560
Convertible bonds 1994 exchanged in 1997	FIM 20 of debt: 1 share		750	7,500	for fiscal 1998	1,201,955,060
Convertible bonds 1996 exchanged in 1997	FIM 20 of debt: 1 share		15,000	150,000	for fiscal 1998	1,202,105,060
Convertible bonds 1996/II exchanged in 1998	FIM 10 of debt: 1 share		20,900	209,000		1,202,314,060
Reduction in share capital 3 April 1998		FIM 5	120,231,406	-601,157,030		601,157,030
New issue 14-21 April 1998		FIM 6	59,236,618	296,183,090		897,340,120
Convertible bonds 1994 exchanged in 1998	FIM 20 of debt 1 share		550,350	2,751,750		900,091,870

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