



# Annual Report 1999

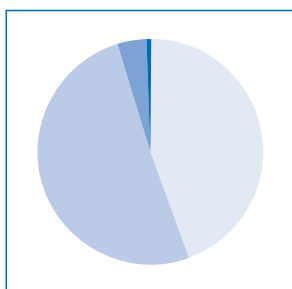
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# Polar Real Estate Corporation

Polar Real Estate Corporation is a stock-exchange listed real estate investment company focusing on owning, leasing and developing office and commercial facilities. Its main areas of emphasis are the Helsinki Metropolitan Area, Tampere and Turku. The Group's main field of business is real estate investment. Together with its subsidiaries, the company constitutes a corporate group.

## Real estate portfolio, FIM 2,586 million

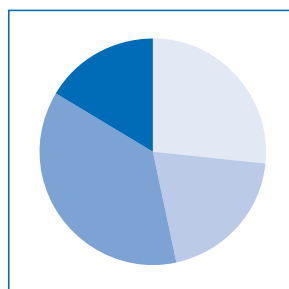


Office premises	FIM 1,143 m
Commercial premises	FIM 1,321 m
Business plots	FIM 103 m
Other investments	FIM 19 m

Business operations include the sale of assets distinct from real estate investment in addition to real estate investment itself. The commissioning of housing construction will be wound up in 2000, according to plan.

On a motion from the Board of Directors, the annual general meeting held on 18 March 1999 passed a resolution to amend the company's name, then Polar Corporation, to Polar Real Estate Corporation.

## Property distinct from real estate investment, FIM 485 million



Housing plots	FIM 130 m
Plots for business premises and others	FIM 97 m
Completed business premises and other assets	FIM 179 m
Foreign receivables	FIM 79 m

## The accounting period in brief

The Group's net sales for the financial year 1999 were FIM 622 million (FIM 1,434 million in 1998). The Group's operating profit was FIM 99 million (loss of FIM 19 million in 1998) and the profit before reserves and taxes was FIM 16 million (loss of FIM 116 million). The Group's equity ratio was 28.2% (28.4%). The share indicator equity per share was FIM 5.23 (5.96).

The Real Estate Division's net sales were FIM 526 million (FIM 584 million). The Real Estate Division's operating profit was FIM 94 million.

The net rental income from real estate investment business was FIM 155 million (FIM 148 million). The rental occupancy rate was 99% (98%).

Capital expenditure on real estate investment business totalled FIM 118 million, sales of property at values net of tax were FIM 132 million, sales of shares in housing construction amounted to FIM 189 million. The impact of sales on the net profit totalled FIM 21 million. The

book value (net of debt) of the assets related to real estate investment business was FIM 2,586 million.

Previously unconsolidated real estate holding companies forming part of real estate investment were included in the consolidated balance sheet as at 31 December 1999 and their value was written down by FIM 148 million.

Property not included in real estate investment business was sold for FIM 148 million and the effect of this on profits was FIM 5 million. The total value of assets distinct from real estate investment business was FIM 485 million at year-end.

Secured debts which fell due at the end of 1999 under the terms of the restructuring programme were refinanced with fresh five-year credits. In the course of 1999, roughly FIM 320 million of instalments on loans in net amounts was paid.

# President's report

The past decade was a time of changes and operational stabilization within the Polar Group. Polar Real Estate Corporation had its first full year in business as a real estate investment company in 1999. The company name was changed to reflect its present field of business. Polar Real Estate concentrates on owning, leasing and developing office and commercial properties. The portfolio of investment properties is clustered in the Helsinki Metropolitan Area, Tampere and Turku. It is the company's aim to grow and to develop in its strategic area and to relinquish property which is not part of its real estate investment business.

Polar Real Estate's business made positive progress; rental income and occupancy rates were up. Active work was done on the structure of assets, with investments in renovations and newbuilds, purchases, sales and swaps. Sales of property distinct from real estate investment achieved the target set for them and the market is still favourable for sales in the financial year 2000. Cash flow from business operations and the sales which took place made it possible to pay off more than FIM 300 million in net amounts on loans. Most of the company's outstanding loans were refinanced at the end of the year with fresh five-year credits. The actions implemented in the company during the financial year, combined with the favourable outlook for the economy, further improve the prospects for the company's operations. On the other hand, the possibility of a rise in interest rates is a risk to a company in a capital-intensive field.

A considerable amount of the nation's wealth is tied up in real estate, and business related to it is recognized as an economically important sector. The services of companies active in the sector help to create a framework for customers' operational efficiency and competitive edge. Companies which recognize needs and fulfil them, organizations in the sector and the authorities

have begun to create new operating models for the construction, maintenance and utilization of premises. The goal is efficient and flexible usage of business premises combined with effective services, so that the owners of the buildings will be better able to serve the occupants. Fostering a customer-centred culture of service is a future challenge for Polar Real Estate's employees. We intend to be in the vanguard as a company providing services related to premises.

Finnish real estate investment companies have not had the favour of investors. It is my opinion that the growth of listed companies and their increasing number, combined with a favourable trend in profits, will make this sector of business more attractive, also boosting the securitization of real estate.

I express my thanks to all customers and other stakeholders for the good work we have done together in 1999.

Helsinki, February 2000



Erkka Valkila  
President



# Real estate investment

The Real Estate Investment Division embraces the ownership, leasing and development of offices and commercial properties, as well as commissioning the construction of housing (which is scheduled to be terminated in 2000).

The net sales of the Polar Group's real estate investment business in 1999 were FIM 526 million, of which rental income contributed FIM 213 million. The operating profit from real estate investment in 1999 was FIM

94 million. The division's investments totalled FIM 118 million. Sales of assets at values net of debt were FIM 132 million and sales of shares in housing construction totalled FIM 189 million.

The book value, net of debt, of Polar's Real Estate Investment Division's portfolio of business premises at year-end was FIM 2,464 million. The book value, net of debt, of the office plots was FIM 103 million at year-end.

## Net sales and profitability, FIM million

	Leasing	Sales	Total
Net sales	213	313	526
Gross profit	145	25	170
Operating profit	-	-	94

## Leasing and maintenance of premises

Operations and the organization were improved with the aim of enhancing customer service and long-term partnership with customers. The rental occupancy rate stayed high throughout the period under review. Investments in renovation and maintenance totalling FIM 12 million were made in compliance with buildings' long-term development plans.

The rental occupancy rate was 99% (98%) at year-end. The actual net rental income of the leasable premises was FIM 155 million (FIM 148 million). According to the situation at year-end, the net yield of lease agreements was 6.9% (6.0%) calculated on the book value net of debt amounting to FIM 2,407 million (FIM 2,537 million).

As a result of the strong market, new lease agreements were made at a higher level of rent than in the previous year. The number of new leases and extensions was 162 (285), comprising some 48,000 square metres. The rise in rent in new agreements was in line with the level indicated in the 1999 report of the Finnish Institute

for Real Estate Economics, which was, for office facilities for example, 7-15% per year depending on the area. The floor space available for leasing was 300,000 square metres, of which less than 2,000 square metres was vacant at year-end. In all, the company has some 700 customers. The biggest of these include Espoo Tax Office, the University of Helsinki, the City of Helsinki, Inex Partners Oy, Kesko Corporation, Kone Corporation, McDonalds Oy, Radiolinja Oy, Seppälä Oy and the S-Group. The biggest customer's share of rental income is about 12%.

## New lease agreements 1999

Property	Customer	Sq.m
Kiinteistö Oy Kivikukkaro, Turku	Kesko Oyj	9,880
Kiinteistö Oy Sörnäisten rantatie 25, Helsinki	Kotimaisten kielten tutkimuskeskus	3,701
Kiinteistö Oy Hatanpäänvaltatie 44, Tampere	Automaa Oy	3,600
Kiinteistö Oy Sinimäentie 10, Espoo	RTS Finland Oy	2,029
Kiinteistö Oy Sinimäentie 10, Espoo	RTS Networks Finland	1,885
Kiinteistö Oy Tapiontuuli, Espoo	Viatek Oy	1,733
Kiinteistö Oy Pasilanraito 5, Helsinki	Intrum Justitia Oy	1,696
Tampereen Koskikeskus, Tampere	S.A.M.I.-Films Oy	1,400
Tampereen Koskikeskus, Tampere	Lindex Oy	1,024
Kiinteistö Oy Kotkan Seurahuone, Kotka	T:mi Maija Pekkonen	834
Kiinteistö Oy Vilhonkatu 5, Helsinki	IIR Finland Oy	810
Kiinteistö Oy Kilon Timantti, Espoo	IFS Finland Oy	790
Kiinteistö Oy Sörnäisten rantatie 25, Helsinki	Partek Oyj Abp	786
Kiinteistö Oy Kilon Timantti, Espoo	Integrated Electronics Oy	749

## Real estate investment's capital spending, development and sales

In the course of 1999, Polar Real Estate actively developed its office and commercial properties to boost its operations in its core businesses in line with its strategy. The sales and swaps of real estate which were carried out streamlined holdings, providing financing for development and new construction projects, and paid instalments on loans.

Of the new foci of investment, the main was the Shopping Centre Jumbo in the Vantaanportti district, which was completed in October. Polar Real Estate's interest in Jumbo is 16.5%, which is the equivalent of roughly 8,900 square metres of commercial facilities. All the units in the shopping centre have been leased out.

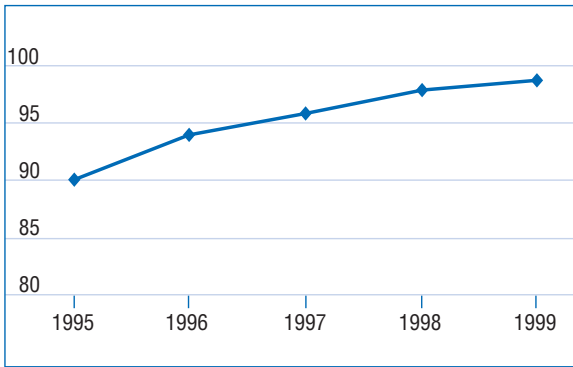
In the Tapiola district of Espoo, the entire building owned by the property holding company Koy Tapiontuuli was subjected to a major renovation which was completed around the end of the year. The main user of the office building is Espoo Tax Office. Some 6,000 square metres of office premises in a building in Vallila was refurbished for the use of the Finnish cooperative Wholesale Society SOK. In the building in the centre of Turku owned by Koy Kivikukkaro, renovations and alterations were started on premises intended for an Anttila department store. They will be completed in October 2000.

A 50% holding in the building in central Helsinki owned by Koy Vilhonkatu 5 was acquired from the Finnish Co-operative Wholesale Society SOK. Following this transaction Polar Real Estate is the sole owner of this 5,600 square metre property. Koy Vilhonkatu 5's premises are rented by the retailer Tarjoustalo Oy, IIR Finland Oy, City Apartments Oy and others. Polar acquired shares in Pasilanraito 5 which confer entitlement to ownership of some 4,600 square metres of office facilities. Polar Real Estate now owns approximately 60% of Koy Pasilanraito 5. The lessees in Pasilanraito 5 are Intrum Justitia Oy and Maersk Finland Oy. Polar Real Estate moved into these premises in the beginning of November 1999. These acquisitions were partly financed by the surrender in lieu of payment of the commercial facilities in Kaisaniemi metro station ticket hall, plots of land in Espoo and Lahti, and other property.

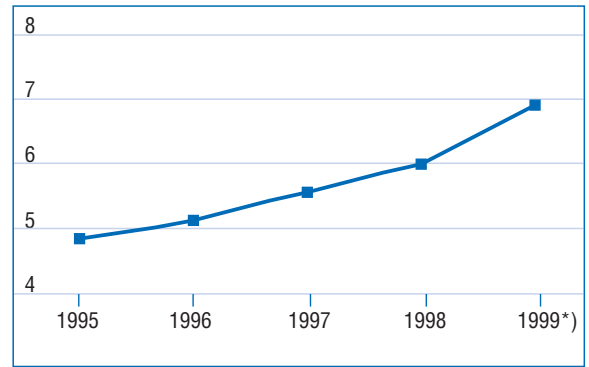
The main sale of the financial year was when Itätuulentie 8, an office and commercial building of some 4,000 square metres in Tapiola, was sold to Merita Life Assurance Ltd.

Of the privately financed dwellings commissioned by Polar Real Estate, 445 were completed during the financial year and a total of 154 were under construction at the end of the year. The number of unsold dwellings was 48. The commissioned housing under construction will be completed in 2000. The intention is to develop the remaining housing plots and sell them.

**Rental occupancy rate, % 1995 - 1999**

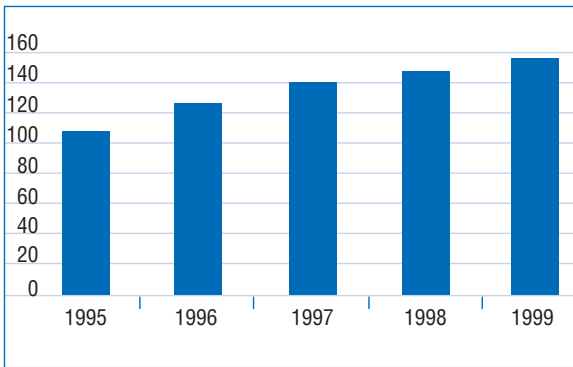


**Net rental income, % 1995 - 1999**

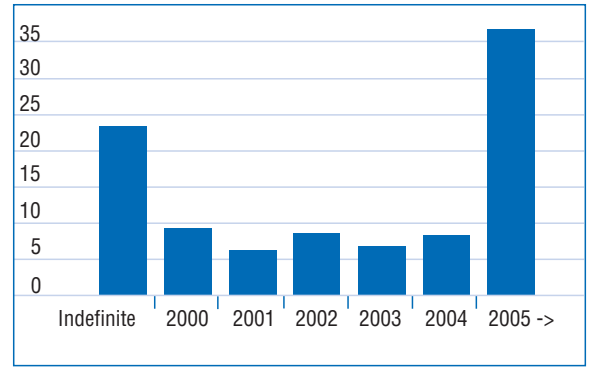


\*) The effect of write-downs made in 1999 is 0.4 percentage points.

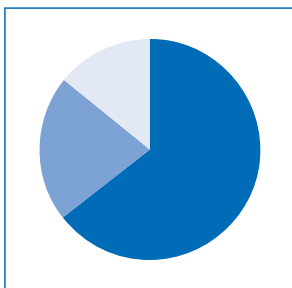
**Net rental income, FIM million 1995 - 1999**



**Termination of lease agreements, % (calculated on annual rental income)**

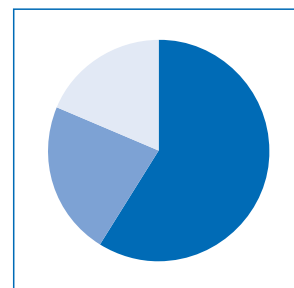


**Office and net rental income by region, FIM 155 m**



- Helsinki Metropolitan Area FIM 100 m
- Tampere and Turku FIM 33 m
- Other Finland FIM 22 m

**Business and commercial premises by region at book value net of debt, FIM 2,407 m**



- Helsinki Metropolitan Area FIM 1,413 m
- Tampere and Turku FIM 540 m
- Other Finland FIM 454 m

### Assets of Real Estate Investment, FIM million

	1999	1998
Office and commercial facilities	2,407	2,537
Under construction	57	34
<b>Total</b>	<b>2,464</b>	<b>2,571</b>
Plots for business premises	103	165
Other investments	19	9
<b>Total</b>	<b>2,586</b>	<b>2,745</b>

### Plots held by Real Estate Investment

	Helsinki Metropolitan Area	Tampere and Turku	Other Finland	Total
Plots for business premises, FIM million	88	5	10	103
Plots for business premises, 1,000 sq.m. of net floor area	122	21	29	172

### Regional distribution of business premises

	Book value net of debt, FIM million	Net leasable area, sq.m.	Occupancy rate, %	Net *) rent, FIM million	Net yield, % 1999	Net yield, % 1998
<b>Office premises</b>						
Helsinki Metropolitan Area	957	128,384	85	70	89	7.3
Tampere and Turku	77	12,137	8	5	7	7.1
Rest of Finland	52	11,297	7	3	4	6.1
<b>Total</b>	<b>1,086</b>	<b>151,818</b>	<b>100</b>	<b>79</b>	<b>100</b>	<b>7.3</b>
<b>Commercial premises</b>						
Helsinki Metropolitan Area	456	44,903	32	39	44	8.5
Tampere and Turku	463	37,722	26	30	33	6.4
Rest of Finland	402	59,803	42	20	23	5.0
<b>Total</b>	<b>1,321</b>	<b>142,428</b>	<b>100</b>	<b>89</b>	<b>100</b>	<b>6.7</b>
<b>Business premises, total</b>						
Helsinki Metropolitan Area	1,413	173,287	59	109	65	7.7
Tampere and Turku	540	49,859	17	35	21	6.6
Rest of Finland	454	71,100	24	23	14	5.1
<b>Total</b>	<b>2,407</b>	<b>294,246</b>	<b>100</b>	<b>167</b>	<b>100</b>	<b>6.9</b>

\*) Net rents as at year-end



## Real Estate Investment Division's business premises

	Location	Net leasable area sq.m.	Rental occupancy rate %	Book value net of debt FIM million
<b>Office premises</b>				
Koy Kaivokatu 8	Helsinki	1,611	100%	36
Koy Kansakoulukatu 3	Helsinki	6,545	100%	69
Koy Kornetintie 6	Helsinki	3,289	100%	26
Koy Kutomotie 6	Helsinki	7,626	100%	39
Koy Malmin Kauppatie 8	Helsinki	4,699	98%	22
Koy Niittylänpolku 16	Helsinki	2,990	100%	13
Koy Pasilanraito 5	Helsinki	4,608	100%	32
Koy Satomalmi	Helsinki	3,623	100%	18
Koy Sörnäisten rantatie 25	Helsinki	7,002	100%	55
Koy Vanha Talvitie 11	Helsinki	6,674	100%	33
Koy Vuorikatu 20	Helsinki	6,740	100%	35
Munkkiniemen liiketalo	Helsinki	6,690	100%	89
Vallilan yhtiöt 1)	Helsinki	34,798	100%	244
Koy Kilon Helmi	Espoo	4,069	100%	42
Koy Kilon Timantti	Espoo	4,035	100%	41
Koy Scifin Alfa	Espoo	4,651	100%	36
Koy Sinimäentie 10	Espoo	9,702	100%	60
Koy Pakkalan Kartanonkoski 3	Vantaa	9,033	100%	63
Koy F-Medi	Tampere	2,826	100%	24
Koy Turun Asemakeskus	Turku	6,576	100%	44
Koy Turun Kalevantie 25	Turku	2,735	93%	9
Koy Jyväskylän Väinönkeskus	Jyväskylä	2,266	99%	15
Koy Pitkäsillankatu 1-3	Kokkola	6,740	97%	26
Koy Vesijärvenkatu 74	Lahti	1,334	100%	6
Koy Ins-Teräs	Oulu	957	100%	5
Kamppi Parkki Oy	Helsinki			3
Office premises total		151,818	100%	1,086
<b>Commercial premises</b>				
Koy Helsingin Kanavakatu 8-22	Helsinki	14,393	100%	153
Koy Vilhonkatu 5	Helsinki	5,766	100%	115
Koy Sisustaja	Vantaa	15,866	100%	98
Koy Vantaanportin Liikekeskus 2)	Vantaa	8,878	100%	90
Koy Hatanpäänvaltatie 44	Tampere	3,200	100%	11
Tampereen Koskikeskus 1)	Tampere	17,262	100%	277
Koy Viinikan Kauppakeskus	Tampere	6,400	100%	7
Koy Kivikukkaro	Turku	10,860	100%	168
Seinäjoen Torikeskus 1)	Seinäjoki	11,698	97%	132
Valkeakosken Koskikara 1)	Valkeakoski	5,898	100%	46
Koy Hollolan Liikekeskus	Hollola	2,740	94%	9
Koy Hollolan Ostospaikka	Hollola	5,442	100%	39
Koy Koskenportti	Imatra	2,312	88%	15
Koy Jämsän Forum	Jämsä	2,665	100%	10
Koy Nuaskatu 2	Kajaani	2,722	100%	6
Liikekeskus Zeppelin 1)	Kempele	2,480	100%	11
Koy Kotkan Seurahuone	Kotka	7,534	97%	81
Koy Torniorava	Kotka	1,313	100%	5
Ankkuri-halli	Lahti	4,900	100%	18
Koy Lentäjätie 17-19	Lappeenr.	7,600	100%	24
Koy Kaijonharjun Liiketalo	Oulu	2,500	100%	5
Commercial premises total		142,428	99%	1,321
Office and commercial facilities total		294,246	99%	2,407
<b>Business premises under construction</b>				
Koy Tapiointuuli	Espoo	6,940		57
Total		301,186		2,464

1) stakes in several property holding companies

2) also includes an affiliated company's stake

# Assets distinct from real estate investment business

Property not included in real estate investment business totalled FIM 485 million at year end. It comprises Finnish real estate intended for sale and receivables from foreign subsidiaries and affiliated companies.

Sales of property not included in real estate investment business were FIM 148 million and the sales margin was FIM 5 million.

Planning permission was confirmed for the Kartanonkoski housing estate in Vantaa. A letter of intent on the sale of the area was made in November 1999 with Skanska Oy and NCC Finland Oy. The final deal was signed on 31 January 2000. Polar's share of the permitted building volume to be sold was approximately 43,000 square metres of floor area.

Sales of interests in the USA, Luxembourg and Germany are currently under negotiation, and because of the sales option contract made, a write-down in the amount of about FIM 10 million was entered on foreign receivables.

Compensation in the amount of FIM 10 million has been received on Finnish liabilities previously booked as expenses. This was posted to the net profit in 1999.

## Assets not included in real estate investment business, FIM million

	Helsinki Metropolitan Area	Rest of Finland	International	Total
Residential plots and tracts of land to be zoned for housing construction	82	48	-	130
Plots for business premises and other land areas	46	51	-	97
Completed business premises and other assets	13	166	-	179
Foreign receivables	-	-	79	79
<b>Total</b>	<b>142</b>	<b>265</b>	<b>79</b>	<b>485</b>

# Annual report of the Board 1 Jan. - 31 Dec. 1999

The Polar Group's field of business is real estate investment. Polar Real Estate Corporation is a stock-exchange listed real estate investment company focusing on owning, leasing and developing office and commercial facilities. Its main areas of emphasis are the Helsinki Metropolitan Area, Tampere and Turku. Together with its subsidiaries, the company constitutes a corporate group.

It is intended to sell off assets unrelated to commercial and office facilities and plots of land for development as business premises or to exchange them for properties suited to real estate investment business. These assets comprise plots for housing and other plots, properties and foreign properties.

## Net sales and financial result

In 1999 the Group's net sales were FIM 622 million (FIM 1,434 million in 1998).

The Group's operating profit was FIM 99 million (loss of FIM 19 million). The profit after financing items was FIM 16 million (loss of FIM 116 million). Taxes, being refunds of taxes from previous years, were FIM 1 million (FIM -5 million).

The return on investment was 3.6% (-0.2%) and the return on equity was 1.7% (-14.5%). Earnings per share were FIM 0.09 (FIM -0.76).

### Net sales and operating profit/loss, FIM million

	Net sales		Operating profit/loss	
	1999	1998	1999	1998
Real estate	622	584	99*)	-26*)
Construction	-	877	-	23
Group administration	-	1	-	-16
Internal invoicing	-	-28	-	-
<b>Total</b>	<b>622</b>	<b>1,434</b>	<b>99</b>	<b>-19</b>
Operating profit/loss includes depreciation on goodwill:				
Real estate			-	37
Construction			-	47

\*) Includes FIM 54 million (67) in write-downs.

The figures for the Construction Division, which was sold in 1998, are for the period 1 Jan. -31 Aug. 1998.

### Real estate investment assets, FIM million

Real estate investment assets	Total
Office premises and commercial premises	2,464
Plots for business premises	103
Other securities	19
<b>Total</b>	<b>2,586</b>
<b>Assets not included in real estate investment business</b>	
Residential plots and tracts of land scheduled for housing construction	130
Plots for business premises and other plots	97
Completed business premises and other assets	179
Foreign receivables	79
<b>Total</b>	<b>485</b>
<b>Assets, total</b>	<b>3,071</b>

## Real estate development

Polar Real Estate Corporation actively developed its office and commercial facility properties on the basis of the customers' needs. The sales and swaps of real estate which were carried out streamlined holdings, providing financing for development and new construction projects, and paid instalments on loans.

The Real Estate Division's net sales in 1999 were FIM 526 m, of which rental income accounted for FIM 213 m. Sales of property totalled FIM 132 m and sales of shares in housing were FIM 189 m. Real estate investment business capital spending was FIM 118 m.

According to the situation at year-end, the net yield of lease agreements was 6.9% (6.0%) calculated on the book value net of debt amounting to FIM 2,407 m (FIM 2,537 m). The rental occupancy rate for premises rose to 99% (98%). The book value net of debt of assets included in real estate investment was FIM 2,586 m (FIM 2,745 m), of which development plots account for FIM 103 m. The previously unconsolidated real estate holding companies included in real estate investment business have been included in the consolidated balance sheet as at 31 December 1999. Their values have been reduced by FIM 148 m. In drawing up the consolidated financial statements, write-downs were posted direct to the balance sheet as a reduction in shareholders' equity. The yield from real estate has improved, but for some properties it still falls short of a satisfactory level.

## Assets not included in real estate investment business

Sales of assets not included in real estate investment business were sold for FIM 148 m. The margin on the sales was FIM 5 m.

Assets not included in real estate investment property amounted to FIM 485 m at year-end, and they comprise real property in Finland and abroad which is intended for sale.

## Financing

The Group's liquid assets at year-end were FIM 65 m (FIM 144 m). Pledged assets amounted to a further FIM 16 m (FIM 22 m). Net financing expenses were FIM -83 m (FIM -97 m).

The total for interest-bearing liabilities was FIM 1,858 m (FIM 1,919 m). (The comparative figure does not

include FIM 210 m of real estate holding companies' interest-bearing liabilities). Approximately FIM 320 m in net amounts was repaid on loans.

The Group's equity ratio was 28.2% (28.4%). In the calculation of the key indicators, equity loans were figured into liabilities.

The secured debts which fell due for payment at the end of 1999 under the restructuring programme were refinanced with new, five-year credits, with the exception of debts with a principal totalling some FIM 120 m. It has been agreed that FIM 93 m will be paid on these in 2000 and FIM 25 m in 2001.

## Obligatory reserves

Obligatory reserves in the consolidated balance sheet total FIM 120 m (FIM 113 m), of which FIM 60 m (FIM 68 m) consists of rental liabilities.

## Shares

There were 180,018,374 Polar Real Estate Corporation shares and the share capital at year-end was FIM 900,091,870. By the end of the financial year, 20,301,100 Polar shares had been exchanged for convertible bonds and 3,940,200 for equity loans. The remaining convertible bonds and equity loan in the hands of non-Group parties confer entitlement to roughly 23.4 million shares.

The annual general meeting granted the Board of Directors an authorization to decide on the issue of a maximum of 20 million new shares with a par value of FIM 5. The authorization is valid for one year from the date of the annual general meeting's decisions.

The annual general meeting passed a proposal by the Board of Directors concerning management share options. In accordance with the resolution, the management were issued 5,700,000 options.

Warrants of the 1994 issue of warrant bonds in the hands of non-Group parties may be used to subscribe for approximately seven million shares. The subscription price for the bearer is FIM 10 and the subscription period for the warrants expires on 31 December 2001.

At year-end, the company's market capitalization was FIM 342 m and the last traded price was FIM 1.90.

## Implementation of the restructuring programme

A statutory restructuring programme was confirmed for

Polar Real Estate 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 Konttinen. Attorney-at-law Pekka Sirviö serves as the supervisor; he reports to the committee of creditors and to the creditors themselves.

During the financial year under review, Polar Real Estate Corporation carried out its duties under the restructuring programme.

## International commitments

The value, net of debt, of foreign real estate as at 31 December 1999 totalled FIM 183 m (FIM 185 m). Since the 1993 financial statements the subsidiaries associated with operations in Europe and the USA have been consolidated with the equity method. At the end of 1999, the remaining unrealized guarantee liabilities amounted to FIM 7 m (FIM 6.4 m). Through a subsidiary, Polar Real Estate Corporation has receivables in the USA amounting to \$4.7 m (\$7.3 m). Payment of this receivable depends on the trend in business in the USA. Also, guarantees in the amount of approximately \$12 m (\$12 m) are valid for operations in the USA. It is forecast that the guarantees will not be realized.

## Change of company name

Polar Corporation's company name was changed by resolution of the annual general meeting held on 18 March 1999 to Polar Real Estate Corporation to bring it into line with the company's present field of business. The change of name was entered in the Trade Register on 23 March 1999.

## Board of Directors and auditors

Polar Real Estate Corporation's annual general meeting re-elected Kari Heinistö and Helena Walldén to the Board

of Directors with terms ending in 2002, and Hannu Sipilä was elected to succeed Heikki Hyppönen for the remainder of his term. Jukka Peltola resigned from the Board of Directors. The Board of Directors elected from among its members Jan-Henrik Kulp as Chairman and Jukka Salminen as Deputy Chairman.

The auditors elected were the firm of Authorized Public Accountants SVH PricewaterhouseCoopers Ltd, with Risto Laitinen, M.Sc. (Econ.), APA, as the auditor in charge, and Jorma Jäske, M.Sc. (Econ.), APA.

Members of the Board	Serving since	Term of office expires
Jan-Henrik Kulp, chairman	1996	2000
Jukka Salminen, deputy chairman	1993	2001
Heikki Allonen	1998	2000
Kari Heinistö	1993	2002
Hannu Sipilä	1999	2001
Helena Walldén	1998	2002

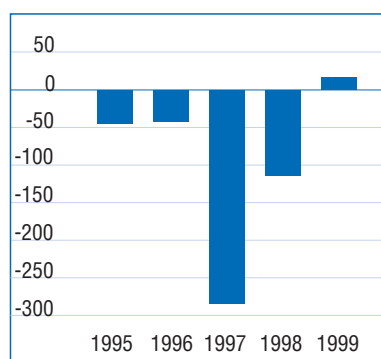
## Management and personnel

Erkka Valkila served as the Group's President and Risto Varpula served as Executive Vice President as of 1 January 1999. At the end of the year, the Group had 45 (60) employees. The salaries paid by the Group totalled FIM 16.2 m, of which the salaries and emoluments of the Board of Directors and the President accounted for FIM 1.8 m.

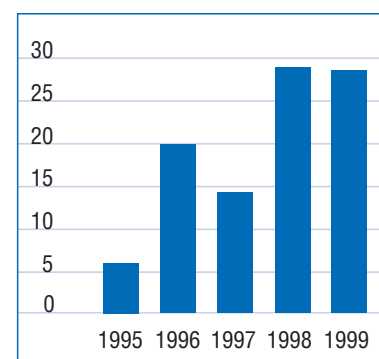
## Outlook

According to the forecasts published, good economic growth will continue in Finland during the year 2000. Economic growth will enhance the prospects for the company's real estate investment business and promote the sale of assets distinct from real estate investment business. On the other hand, the uncertainty visible in the marketplace may result in continuing rises in interest rates.

**Group's profit/loss before extraordinary items, FIM m**



**Group's equity, %**



# Profit and loss account

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>Net sales</b>	<b>622.1</b>	1,433.7	<b>576.1</b>	528.9
Change in stock of finished goods	-	-3.7	-	-
Production for own use	-	0.6	-	-
Share in affiliates' profit/loss	<b>-1.0</b>	0.2	-	-
Other income from business operations	<b>15.7</b>	72.3	<b>9.0</b>	8.8
<b>Expenses</b>				
Materials and services	<b>-446.8</b>	-985.5	<b>-417.9</b>	-282.0
Personnel expenses	<b>-19.4</b>	-195.2	<b>-19.3</b>	-22.6
Depreciation and write-downs	<b>-55.6</b>	-114.9	<b>-40.3</b>	-117.1
Other expenses of business operations	<b>-16.0</b>	-226.6	<b>-13.8</b>	-392.6
	<b>-537.9</b>	-1,522.1	<b>-491.4</b>	-814.3
<b>Operating profit/loss</b>	<b>99.0</b>	-19.0	<b>93.7</b>	-276.7
<b>Financing income and expenses</b>				
Dividend income	<b>0.5</b>	0.3	<b>0.6</b>	4.7
Interest income on long-term investments	<b>7.3</b>	4.2	<b>22.5</b>	14.5
Other financing income	<b>6.3</b>	6.9	<b>4.8</b>	8.8
Interest expenses	<b>-92.6</b>	-99.6	<b>-89.6</b>	-94.6
Other financing expenses	<b>-4.4</b>	-9.0	<b>-4.3</b>	-8.9
	<b>-82.9</b>	-97.2	<b>-66.0</b>	-75.6
<b>Profit/loss before extraordinary items</b>	<b>16.1</b>	-116.2	<b>27.8</b>	-352.2
Extraordinary expenses	-	-	<b>-129.3</b>	73.8
<b>Profit loss before reserves and taxes</b>	<b>16.1</b>	-116.2	<b>-101.6</b>	-278.4
Appropriations	-	-	<b>13.4</b>	2.5
Direct taxes	<b>1.3</b>	-5.4	<b>1.3</b>	-4.2
Minority interest	-	-0.6		
<b>Net profit/loss for year</b>	<b>17.4</b>	-122.2	<b>-86.9</b>	-280.1

# Consolidated balance sheet

	Group		Parent company	
	1999	1998	1999	1998
<b>Assets, FIM million</b>				
<b>Permanent assets</b>				
Immaterial goods	38.3	35.9	23.0	23.6
Tangible assets	2,262.9	788.8	100.9	151.7
Investments	239.4	1,627.0	267.6	2,368.0
Holdings in companies in same Group	-	-	2,606.5	604.9
Holdings in cross-ownership companies	34.8	1.1	10.0	0.9
Other investments	1.8	2.9	1.3	1.3
	<b>2,577.2</b>	<b>2,455.7</b>	<b>3,009.3</b>	<b>3 150.4</b>
<b>Current assets</b>				
Inventories	459.9	655.3	334.3	526.2
Short-term receivables	355.7	539.1	480.2	511.8
Securities included in financial assets	23.6	82.8	23.6	82.8
Cash in hand and banks	48.8	61.8	40.9	58.4
	<b>888.0</b>	<b>1,339.0</b>	<b>879.0</b>	<b>1,179.2</b>
<b>Assets, total</b>	<b>3,465.2</b>	<b>3,794.7</b>	<b>3,888.3</b>	<b>4,329.5</b>
<b>Liabilities and shareholders' equity</b>				
<b>Shareholders' equity</b>				
Share capital	900.1	900.1	900.1	900.1
Share premium account	297.0	297.0	297.0	297.0
Own shares fund	0.4	0.3	0.0	0.0
Reserve fund	0.2	0.2	0.2	0.2
Losses from previous years	-274.3	-3.9	-30.0	250.1
Net profit/loss for year	17.4	-122.2	-86.9	-280.1
Equity loans	260.6	260.2	657.5	657.5
	<b>1,201.4</b>	<b>1,331.8</b>	<b>1,737.8</b>	<b>1,824.7</b>
<b>Accumulation of appropriations</b>	-	-	<b>16.5</b>	<b>29.8</b>
<b>Obligatory reserves</b>	<b>119.6</b>	<b>112.9</b>	<b>84.1</b>	<b>87.9</b>
<b>Liabilities</b>				
Long-term liabilities	1,808.6	539.1	1,752.5	527.2
Current liabilities	335.6	1,810.9	297.4	1,859.9
	<b>2,144.2</b>	<b>2,350.0</b>	<b>2,049.4</b>	<b>2,387.1</b>
<b>Liabilities and shareholders' equity, total</b>	<b>3,465.2</b>	<b>3,794.7</b>	<b>3,888.3</b>	<b>4,329.5</b>

# Statement of source and application of funds

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>Business operations</b>				
Operating profit/loss	99.0	-19.0	93.7	-276.7
Depreciation and write-downs	79.8	182.2	64.4	184.4
Change in net working capital	-6.4	-142.5	154.0	16.8
Interest received	7.3	4.2	22.5	14.5
Interest paid	-92.6	-99.6	-89.6	-94.6
Dividend received	0.5	0.3	0.6	4.7
Other financing items	2.0	-2.1	0.5	-0.1
Extraordinary income	-	-	3.2	73.8
Share in affiliates' profit/loss	1.0	-0.6	-	-
Taxes paid	1.3	-5.4	-1.3	-4.2
<b>Net cash flow from business operations</b>	<b>91.8</b>	<b>-82.5</b>	<b>248.2</b>	<b>-81.4</b>
<b>Investments</b>				
Group companies acquired	-0.1	-0.7	0.1	-0.7
Purchases of other fixed assets	-75.8	-17.0	-10.6	-12.2
Group companies sold	5.5	57.1	5.5	57.1
Sales of other shares	74.3	78.0	74.6	71.4
Sales of other fixed assets	47.8	14.9	49.4	-
Increase in long-term investments	10.0	-	10.0	-
Decrease in long-term investments	-	59.0	-	59.0
<b>Cash flow from investments, total</b>	<b>61.8</b>	<b>191.3</b>	<b>129.0</b>	<b>174.7</b>
<b>Cash flow before financing</b>	<b>153.6</b>	<b>108.9</b>	<b>377.2</b>	<b>93.4</b>
<b>Financing</b>				
Use of long-term loans	1,164.2	-	1,163.9	-
Instalments on long-term loans	-1,498.1	-1,867.0	-1,494.8	-1,898.8
Increase/decrease in long-term receivables	-	-17.2	-58.2	60.3
Increase/decrease in short-term financing	-3.6	1,520.0	-10.5	1,519.9
Increase/decrease in equity loans	0.4	-324.3	0.4	-339.3
Increase in share capital	-	299.1	-	299.1
Share premium account	-	297.0	-	297.0
Decrease in minority interest	-	-3.1	-	-
Liabilities of new, consolidated, separate companies	169.2	-	-	-
<b>Financing, total</b>	<b>-168.0</b>	<b>-95.5</b>	<b>-399.2</b>	<b>-61.8</b>
<b>Increase/decrease in liquid assets</b>	<b>-14.4</b>	<b>13.3</b>	<b>-22.0</b>	<b>31.6</b>
Liquid assets 1.1.	79.8	66.4	79.4	47.8
<b>Liquid assets 31.12.</b>	<b>65.3</b>	<b>79.8</b>	<b>57.4</b>	<b>79.4</b>



# Supplementary information on the financial statements

## Consolidated financial statements

### Scope of the consolidated financial statements

The consolidated financial statements cover, in addition to Polar Real Estate Corporation, those companies included in non-current assets in which the parent company holds shares conferring entitlement, directly or indirectly, to more than 50% of the voting rights.

### Implementation of the consolidation

The consolidation is implemented on mutual real estate holding companies which are owned 50% or more, in such a way that the consolidated financial statements include a proportion of the real estate holding companies' assets and debts equivalent to the Group's stake. The companies which own the real estate holding companies included in the consolidated financial statements as at 31 December 1999 have booked write-downs amounting to FIM 148 million in their separate financial statements. In drawing up the consolidated financial statements, the write-downs have been posted direct to the balance sheet as a reduction of shareholders' equity.

### Changes in the Group structure

A new subsidiary was founded in the Group, Suomen Osakaskiinteistöt Oy. In the course of the financial year, the issued stock of Asoy Kevätkallio was sold, and Koy Markonki and Koy Maniplus were wound up.

### International subsidiaries

The financial statements as at 31 December 1999 include FIM 79 million in receivables from subsidiaries connected with European business plus FIM 7 million unrealized guarantee liabilities in the obligatory reserves. The guarantees were provided for loans whose remaining principal is FIM 20 million (excluding guarantees in the USA) and the maximum total of the guarantees is FIM 20 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 was greater than the shareholders' equity on the acquisition date, the difference has been treated as Group goodwill. The subsidiary's 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 debt 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 financial year. All exchange rate differences have been credited or charged to income.

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>1. Net sales</b>				
<b>By division</b>				
Construction	-	869.3	-	-
Real Estate	622.1	562.9	576.1	527.6
Others	-	1.5	-	1.3
	<b>622.1</b>	<b>1,433.7</b>	<b>576.1</b>	<b>528.9</b>
<b>Income recognition by degree of completion</b>				
Share in net sales of the net sales booked as income according to the degree of completion	-	856.6	-	-
<b>Net sales booked as income in previous years on projects not handed over</b>	-	-	-	-
<b>2. Other income of business operations</b>				
Capital gains on sales of fixed assets	9.9	3.8	8.9	8.4
Other income of construction business	5.6	68.5	-	-
Other	0.2	-	0.2	0.4
	<b>15.7</b>	<b>72.3</b>	<b>9.0</b>	<b>8.8</b>
<b>3. Expenses of business operations</b>				
Materials and services				
Purchases during the year	-189.0	-292.3	-202.7	-8.6
Change inventories	-194.3	-270.1	-183.6	-255.5
External services and Maintenance expenses	-63.5	-423.1	-31.6	-18.0
	<b>-446.8</b>	<b>-985.5</b>	<b>-417.9</b>	<b>-282.1</b>
Personnel expenses				
Wages and salaries				
Salaries for Board of Directors and President	-1.8	-2.5	-1.8	-1.9
Other wages and salaries	-14.4	-142.0	-14.4	-16.0
	<b>-16.2</b>	<b>-144.5</b>	<b>-16.2</b>	<b>-17.9</b>
Indirect employee costs				
Pension expenses	-1.5	-22.6	-1.5	-2.8
Other indirect employee costs	-1.7	-27.5	-1.6	-1.9
	<b>-19.4</b>	<b>-194.6</b>	<b>-19.3</b>	<b>-22.6</b>
Other expenses of business operations	-16.0	-226.6	-13.8	-392.6
<b>Total</b>	<b>-482.2</b>	<b>-1,407.3</b>	<b>-451.1</b>	<b>-697.2</b>
<b>Personnel, average</b>	<b>48</b>	<b>919</b>	<b>46</b>	<b>65</b>

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>4. Planned depreciation and write-downs</b>				
<b>Depreciation on immaterial goods</b>				
Other long-term expenses	-6.5	-6.3	-5.7	-5.2
Goodwill	-	-10.6	-29.5	-12.7
	<b>-6.5</b>	<b>-16.9</b>	<b>-35.1</b>	<b>-17.9</b>
<b>Depreciation on tangible assets</b>				
Buildings	-13.6	-14.6	-2.5	-3.4
Machinery and equipment	-6.0	-9.6	-2.6	-3.3
	<b>-19.6</b>	<b>-24.2</b>	<b>-5.1</b>	<b>-6.7</b>
<b>Write-downs on fixed assets and long-term investments</b>				
Long-term investments	-29.5	-0.6	-	-0.6
Additional depreciation on goodwill	-	-73.1	-	-91.9
	<b>-29.5</b>	<b>-73.7</b>	<b>-</b>	<b>-92.5</b>
<b>Total</b>	<b>-55.6</b>	<b>-114.8</b>	<b>-40.3</b>	<b>-117.1</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 residual value / acquisition cost
Goodwill	10.0% of acquisition cost

The difference between the total depreciation applied in the accounting and planned depreciation is given in the parent company's profit and loss account as an appropriation. The accumulated depreciation difference is given on the liabilities and shareholders' equity side of the balance sheet as an accumulation of appropriations. The depreciation difference does not cause any deferred tax liability because the company has confirmed losses.

The Group goodwill of the subsidiaries 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 item in question.

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>5. Financing income and expenses</b>				
<b>Dividend income</b>				
From companies in the same Group	-	-	-	3.2
From cross-ownership companies	-	-	0.2	1.3
From others	0.5	0.3	0.5	0.2
	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>4.7</b>
<b>Dividend income on long-term investments</b>				
From companies in the same Group	-	-	15.2	13.8
From others	7.3	4.2	7.2	0.6
	<b>7.3</b>	<b>4.2</b>	<b>22.4</b>	<b>14.4</b>
<b>Income on long-term investments, total</b>	<b>7.8</b>	<b>4.5</b>	<b>23.1</b>	<b>19.1</b>
<b>Other interest and financing income</b>				
From others	6.3	6.9	4.8	8.8
<b>Financing income, total</b>	<b>14.1</b>	<b>11.4</b>	<b>27.9</b>	<b>27.9</b>
<b>Write-downs on investments</b>				
Write-downs on long-term investments	3.4	-	3.4	-
<b>Interest expenses and other financing expenses</b>				
To companies in the same Group	-	-	-6.4	-4.8
To others	-100.4	-108.6	-90.9	-98.7
	<b>-100.4</b>	<b>-108.6</b>	<b>-97.3</b>	<b>-103.5</b>
<b>Financing income and expenses, total</b>	<b>-82.9</b>	<b>-97.2</b>	<b>-66.0</b>	<b>-75.6</b>
<b>The item interest and financing income includes exchange rate gains</b>	<b>0.2</b>	<b>1.5</b>	<b>0.2</b>	<b>0.5</b>
<b>6. Extraordinary income and expenses</b>				
<b>Extraordinary income</b>				
Group subventions received	-	-	3.2	73.8
<b>Extraordinary expenses</b>				
Write-downs on fixed assets and related receivables	-	-	-132.5	-
<b>7. Effect of change in obligatory reserves on profit and loss account</b>				
Increases in obligatory reserves and such reductions as are caused by a reduction in a previously estimated expenditure are credited or charged to income.				
<b>8. Direct taxes</b>				
Taxes for the year	-	-0.9	-	-
Taxes for previous years	1.3	-4.4	1.3	-4.2
	<b>1.3</b>	<b>-5.4</b>	<b>1.3</b>	<b>-4.2</b>

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>9. Permanent assets</b>				
<b>Immaterial goods</b>				
<b>Intangible rights</b>				
Acquisition cost 1.1.	8.6	8.6	-	-
Increases during year	-	-	-	-
Decreases during year	-0.9	-	-	-
Acquisition cost 31.12.	7.7	8.6	-	-
Accumulated planned depreciation	-	-	-	-
<b>Book value 31.12.</b>	<b>7.7</b>	<b>8.6</b>	<b>-</b>	<b>-</b>
<b>Other long-term expenditure</b>				
Acquisition cost 1.1.	97.5	84.4	52.0	38.8
Increases during year	9.8	14.5	9.4	13.2
Decreases during year	-	-1.5	-4.3	-
Acquisition cost 31.12.	107.3	97.5	57.0	52.0
Accumulated planned depreciation	-76.7	-70.2	-34.0	-28.4
<b>Book value 31.12.</b>	<b>30.6</b>	<b>27.3</b>	<b>23.0</b>	<b>23.6</b>
<b>Immaterial goods total</b>				
Acquisition cost 1.1.	106.1	93.0	52.0	38.8
Increases	9.8	14.5	9.4	13.2
Decreases during year	-0.9	-1.5	-4.3	-
Acquisition cost 31.12.	115.0	106.0	57.0	52.0
Accumulated planned depreciation	-76.7	-70.2	-34.0	-28.4
<b>Book value 31.12.</b>	<b>38.3</b>	<b>35.9</b>	<b>23.0</b>	<b>23.6</b>
<b>Tangible assets</b>				
<b>Land areas</b>				
Acquisition cost 1.1.	542.6	215.1	33.9	35.4
Increases during year	-	-	-	-
Decreases during year	-3.5	-3.6	-3.5	-1.5
Acquisition cost 31.12.	539.1	211.5	30.4	33.9
Accumulated planned depreciation	-61.4	-0.4	-	-
<b>Book value 31.12.</b>	<b>477.7</b>	<b>211.1</b>	<b>30.4</b>	<b>33.9</b>
<b>Buildings and structures</b>				
Acquisition cost 1.1.	1,893.7	686.4	125.5	126.3
Increases during year	64.5	1,243.1	-	-
Decreases during year	-42.8	-1.8	-42.8	-0.8
Acquisition cost 31.12.	1,915.5	685.9	82.7	125.5
Accumulated planned depreciation	-188.5	-126.5	-18.7	-16.2
<b>Book value 31.12.</b>	<b>1,727.1</b>	<b>559.4</b>	<b>64.0</b>	<b>109.3</b>
<b>Machinery and equipment</b>				
Acquisition cost 1.1.	473.0	424.7	50.4	49.1
Increases during year	1.5	2.5	1.2	2.1
Decreases during year	-0.6	-8.0	-0.6	-0.8
Acquisition cost 31.12.	473.8	419.2	51.0	50.4
Accumulated planned depreciation	-414.5	-400.8	-44.5	-41.9
<b>Book value 31.12.</b>	<b>59.4</b>	<b>18.3</b>	<b>6.5</b>	<b>8.5</b>
<b>Tangible assets, total</b>				
Acquisition cost 1.1.	2,909.3	1,326.2	209.8	210.9
Increases during year	66.0	3.8	1.2	2.1
Decreases during year	-46.9	-13.4	-46.9	-3.1
Acquisition cost 31.12.	2,928.5	1,316.6	164.1	209.8
Accumulated planned depreciation	-664.3	-527.7	-63.2	-58.1
<b>Book value 31.12.</b>	<b>2,264.1</b>	<b>788.8</b>	<b>100.9</b>	<b>151.7</b>

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>Investments</b>				
<b>Group companies</b>				
Shares 1.1.	-	-	<b>604.9</b>	655.2
Increases during year	-	-	<b>0.1</b>	-
Decreases during year	-	-	<b>-4.1</b>	-50.4
Transfers between items	-	-	<b>999.8</b>	-
Shares 31.12.	-	-	<b>1,600.6</b>	604.9
Loans receivable 1.1.	-	-	<b>1,005.9</b>	-
Increases during year	-	-	-	-
Decreases during year	-	-	-	-
Transfers between items	-	-	-	-
Loans receivable 31.12.	-	-	<b>1,005.9</b>	-
Write-downs				
Increases during year	-	-	-	-
Decreases during year	-	-	-	-
	-	-	-	-
<b>Book value 31.12.1999</b>	-	-	<b>2,606.5</b>	604.9
<b>Cross-ownership companies</b>				
Shares 1.1.	<b>1.1</b>	11.9	<b>0.9</b>	10.5
Increases during year	-	-	-	-
Decreases during year	-	-10.8	<b>-0.9</b>	-
Transfers between items	<b>23.8</b>	-	-	-
Shares 31.12.	<b>24.9</b>	1.1	-	10.5
Loans receivable 1.1.	-	0.1	-	-
Increases during year	<b>10.0</b>	-	<b>10.0</b>	-
Decreases during year	-	-0.1	-	-
Transfers between items	-	-	-	-
Loans receivable 31.12.	<b>10.0</b>	-	<b>10.0</b>	-
Write-downs				
Increases during year	-	-	-	-9.7
Decreases during year	-	-	-	-
	-	-	-	-9.7
<b>Book value 31.12.1999</b>	<b>34.9</b>	1.1	<b>10.0</b>	0.8
<b>Other investments</b>				
Shares 1.1.	<b>1,372.6</b>	1,586.0	<b>2,369.3</b>	2,369.3
Increases during year	-	-	-	0.0
Decreases during year	-	-213.5	-	-
Transfers between items	<b>-1,370.7</b>	-	<b>-2,100.3</b>	-
Shares 31.12.	<b>1.8</b>	1,372.6	<b>268.9</b>	2,369.3
Loans receivable 1.1.	<b>257.4</b>	240.1	-	-
Increases during year	-	17.2	-	-
Decreases during year	<b>-18.0</b>	0.0	-	-
Transfers between items	-	-	-	-
Loans receivable 31.12.	<b>239.4</b>	257.4	-	-
Write-downs				
Increases during year	-	-	-	-
Decreases during year	-	-	-	-
	-	-	-	-
<b>Book value 31.12.1999</b>	<b>241.3</b>	1,629.9	268.9	2,369.3

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>10. Current assets</b>				
<b>Inventories</b>				
Materials and supplies	0.1	0.1	-	-
Work in progress	19.8	-	11.7	-
Land areas and buildings	78.2	113.1	76.6	110.1
Shares	361.8	542.2	246.0	416.1
<b>Inventories total</b>	<b>459.9</b>	<b>655.3</b>	<b>334.3</b>	<b>526.2</b>
<b>Current receivables</b>				
Accounts receivable	125.9	249.6	121.0	225.3
Short-term loans receivable	173.2	245.0	183.1	244.4
Accrued assets	20.5	20.8	6.3	14.0
Other receivables	26.0	23.5	17.3	17.0
<b>Current receivables Total</b>	<b>345.6</b>	<b>538.9</b>	<b>327.7</b>	<b>500.8</b>
<b>Receivables from companies in the same Group</b>				
Accounts receivable	-	-	60.9	4.1
Short-term loans receivable	-	-	68.0	6.9
Accrued assets	-	-	10.4	0.0
Other receivables	-	-	3.2	-
	-	-	142.5	11.0
<b>Receivables from cross-ownership companies</b>				
Accounts receivable	0.1	0.0	-	-
Short-term loans receivable	10.0	0.2	10.0	-
Accrued assets	-	-	-	-
Other receivables	-	-	-	-
	10.0	0.2	10.0	-
<b>Significant items included in short-term accrued assets</b>				
Matched dividend income	0.0		10.4	3.4
Commissions	4.3		4.3	5.6
Service charges	0.0		-	1.0
VAT receivable	12.0		-	-
Others	4.1		1.9	4.1
	20.5	20.8	16.6	14.1

**Cash loans to company management**

As at 31.12.1999, the company management and members of the Board of Directors had no cash loans from the company or its subsidiaries.

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>11. Shareholders' equity</b>				
Share capital 1.1	900.1	1,202.1	900.1	1,202.1
New issue	-	299.1	-	299.1
Reduction in share capital	-	-601.2	-	-601.2
<b>Share capital 31.12.</b>	<b>900.1</b>	<b>900.1</b>	<b>900.1</b>	<b>900.1</b>
Share premium account 1.1.	297.0	-	297.0	-
New issue	-	297.0	-	297.0
<b>Share premium account 31.12.</b>	<b>297.0</b>	<b>297.0</b>	<b>297.0</b>	<b>297.0</b>
Reserve fund 1.1.	0.2	0.2	0.2	0.2
Issue premium	-	-	-	-
<b>Reserve fund 31.12.</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Own shares' fund 1.1.	0.3	0.3	0.0	0.0
Increase	0.1	-	-	-
<b>Own shares' fund 31.12.</b>	<b>0.4</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
Accumulated losses 1.1.	-126.1	-3.9	-30.0	-351.1
Transfer to own shares' fund	-0.1	-	-	0.0
In separate company during year				
Write-downs effected	-148.1	-	-	-
Other changes	0.0	-	-	601.2
Net profit/loss for year	17.4	-122.2	-86.9	-280.1
<b>Accumulated losses 31.12.</b>	<b>-256.9</b>	<b>-126.1</b>	<b>-117.0</b>	<b>-30.0</b>
<b>Equity loans 1.1.</b>	<b>260.2</b>	<b>584.6</b>	<b>657.5</b>	<b>996.7</b>
Increases	0.4	14.8	-	-
To share capital	-	-84.9	-	-85.1
To share premium account	-	-254.2	-	-254.2
<b>Equity loans 31.12.</b>	<b>260.6</b>	<b>260.2</b>	<b>657.5</b>	<b>657.5</b>
<b>Shareholders' equity Total 31.12.</b>	<b>1,201.4</b>	<b>1 331.8</b>	<b>1,737.8</b>	<b>1,824.7</b>
<b>Calculation of distributable assets</b>				
Accumulated losses	-274.3	-3.9	-30.0	250.1
Net profit/loss for year	17.4	-122.2	-86.9	-280.1
Portion of accumulated depreciation				
Entered in shareholders' equity	-110.5	-130.2	-	-
<b>Total</b>	<b>-367.5</b>	<b>-256.3</b>	<b>-117.0</b>	<b>-30.0</b>



FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>12. Equity loans</b>				
<b>Quasi-equity convertible bonds</b>				
Unpaid on issue	<b>52.2</b>	51.8	<b>273.8</b>	273.8
Conversion ratio	1 share for a FIM 20 portion of loan			
Conversion period	1.6.1994 - 31.12.2001 for the 1994 issue 5.7.1996 - 31.12.2001 for the 1996 issue			
Interest rate	zero			
Instalments	paid only if the company's restricted equity is fully covered according to the most recently adopted company and consolidated balance sheets. 50% in 2000 50% in 2001			
<b>Convertible equity loan</b>				
Unpaid on issue	<b>208.4</b>	208.4	<b>383.7</b>	383.7
Conversion ratio	100 shares for FIM 1,000 of bonds			
Conversion period	1.1.1997 - 31.12.2046			
Interest rate	As of 1.1.2001, 12-month Helibor rate plus a margin of 2 percentage points 1.1.2001 - 31.12.2007, and 5 percentage points as of 1.1.2008. Interest can only be paid if the amount due can be distributed according to the most recently adopted company and consolidated balance sheets for the past financial year.			
Instalments	The principal of the loan can only be repaid to the extent that the restricted equity and other non-distributable items are fully covered in the most recently adopted company and consolidated balance sheets.			
<b>Equity loans to Group companies</b>				
Quasi-equity convertible bonds	-	-	<b>222.0</b>	222.0
Convertible equity loan	-	-	<b>175.2</b>	175.2
<b>13. Obligatory reserves</b>				
Annual repair liabilities	<b>2.2</b>	0.1	<b>2.2</b>	0.1
10-year liabilities	<b>13.1</b>	13.1	<b>0.1</b>	0.1
Additional caution for Construction division	<b>10.0</b>	10.0	-	-
Municipal engineering reserves	<b>10.6</b>	-	-	-
Rental liabilities	<b>60.0</b>	67.9	<b>60.0</b>	67.9
Guarantee liabilities / Finland	<b>2.5</b>	2.5	<b>2.5</b>	2.5
Guarantee liabilities / foreign	<b>6.7</b>	6.4	<b>6.7</b>	6.4
Other obligatory reserves	<b>14.6</b>	12.9	<b>12.6</b>	10.9
<b>Total</b>	<b>119.6</b>	112.9	<b>84.1</b>	87.9
<b>14. Accumulated appropriations</b>				

The accumulated appropriations in the parent company are comprise of the accumulated depreciation difference.

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>15. Long-term liabilities</b>				
Secured debts	25.1	-	25.1	-
Other rescheduled debt	1.2	1.2	1.2	1.2
Corporate bonds	166.7	166.7	166.7	301.0
Loans from financial institutions	1,602.5	321.2	1,292.9	134.0
Pension loans	1.1	3.2	-	2.5
Other long-term debts	12.0	46.7	266.6	88.6
<b>Total</b>	<b>1,808.6</b>	<b>539.1</b>	<b>1,752.5</b>	<b>527.2</b>
<b>Debts maturing in five years</b>				
Pension loans	0.6	1.2	-	0.7
Loans from financial institutions	10.8	24.5	5.0	21.3
Corporate bonds	-	90.3	-	90.3
<b>Debts to Group companies</b>				
Corporate bonds	-	-	134.3	134.3
Other long-term debts	-	-	168.4	41.9
Accounts payable	-	-	1.1	2.4
Deferred liabilities	-	-	1.7	-
Other short-term debts	-	-	0.0	94.0
<b>Debt to affiliates</b>				
Other long-term debts	-	-	-	-
Other short-term debts	-	0.6	0.2	-
<b>Warrant bonds</b>				
Unpaid from 1994 issue	1.7	9.7	1.7	9.7
Subscription entitlement	60 warrants for FIM 1,000 in bonds			
Subscription rate	1 share for 1 equity warrant			
Subscription price	FIM 10 / share			
Subscription period	1.6.1994 - 31.12.2001			
Interest rate	zero			
Instalments	10% in 1997			
	30% in 1998			
	30% in 1999			
	30% in 2000			
<b>Corporate bonds</b>				
Unpaid from 1996 issue	166.7	166.7	301.0	301.0
Interest rate	As of 1.1.1998, 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>Deferred tax liability</b>				
Deferred tax liability has been settled against the deferred tax credit arising from the parent company's confirmed losses. The amount of the deferred tax credit figured in is equal to the deferred tax liability.				

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>16. Current liabilities</b>				
Warrant bonds	1.7	9.7	1.7	9.7
Secured debts	93.1	1,540.4	93.1	1,540.4
Loans from financial institutions	44.7	22.8	37.1	21.2
Pension loans	0.1	0.5	0.1	0.4
Advances received	129.7	144.8	125.7	141.9
Accounts payable	11.6	16.2	9.9	11.9
Deferred liabilities	23.4	45.8	14.1	17.9
Other short-term debts	31.4	30.7	9.6	20.1
<b>Total</b>	<b>335.6</b>	<b>1,810.9</b>	<b>291.1</b>	<b>1,763.5</b>
<b>Short-term debt to companies in the same Group</b>				
Accounts payable	-	-	1.1	2.4
Deferred liabilities	-	-	1.7	-
Other short-term debts	-	-	4.5	94.0
	-	-	6.3	96.4
<b>Significant items included in deferred liabilities</b>				
Matched financing expenses	4.2		3.3	6.7
Personnel expenses	2.7		2.7	5.1
Reservation fees	5.3		5.3	2.4
Others	11.1		2.8	3.6
	23.4	45.8	14.1	17.9

FIM million	Group		Parent company	
	1999	1998	1999	1998
<b>17. Contingent liabilities</b>				
<b>Pledges</b>				
To secure own liabilities	1,450.4	1,649.4	702.9	803.9
To secure own and Group companies' liabilities		-	436.7	379.0
To secure own and other subsidiaries' liabilities	0.3	0.3	0.3	0.3
To secure Group companies' liabilities		-	110.0	283.5
To secure other subsidiaries' liabilities		-	0.3	-
To secure other companies' liabilities	-	0.2	-	0.2
<b>Total</b>	<b>1,450.6</b>	<b>1,649.8</b>	<b>1,250.2</b>	<b>1,466.8</b>
Of which shares	1,275.8		1,084.6	
deposits	22.8		13.5	
receivables	152.7		152.7	
<b>Mortgages</b>				
To secure own liabilities	1,888.1	1,511.3	1,182.9	1,209.9
To secure own and other subsidiaries' liabilities	-	7.2	-	3.6
To secure Group companies' liabilities		-	43.0	52.1
To secure affiliated companies' liabilities		-	-	-
<b>Total</b>	<b>1,888.1</b>	<b>1,518.5</b>	<b>1,225.9</b>	<b>1,265.6</b>
Of which real estate mortgages	992.2		330.0	
corporate mortgages	895.9		895.9	
<b>Guarantees</b>				
<b>Solely</b>				
For Group companies	-	-	141.0	228.1
For other subsidiaries	7.8	8.3	7.8	8.3
For affiliated companies	60.2	43.4	60.2	43.4
For other companies	1.0	2.2	1.0	2.2
<b>Jointly</b>				
For affiliated companies	8.7	12.0	8.7	12.0
For other companies	0.8	0.8	0.8	0.8
<b>Total</b>	<b>78.4</b>	<b>66.6</b>	<b>219.4</b>	<b>294.7</b>
<b>Other contingent liabilities</b>				
Purchase commitments	-	4.5	-	4.5
Other contingent liabilities	0.5	0.5	0.5	0.5
Derivative instruments				
Forward rate agreements sold				
par value	43.2	63.5	43.2	63.5
market value	-1.3	-0.2	-1.3	-0.2
Liabilities which have been secured with pledges and mortgages, total	<b>FIM 1,726 m</b>	FIM 2,030 m		
Liabilities which have been secured with Guarantees total,	<b>FIM 128 m</b>	FIM 121 m		
of which has already been booked as an expense	<b>FIM 9 m</b>	FIM 9 m		
<b>Liabilities which have been secured with mortgages on real estate</b>				
Financial institution loans	336.6		326.6	
Mortgages given as collateral total	468.0		457.6	
<b>Liabilities which have been secured with shares</b>				
Pension loans	0.3		0.3	
Pledged shares' book value	0.3		0.3	
Financial institution loans	537.4		445.4	
Pledged shares' book value	1,164.8		971.9	
Pledged shares, total	1,165.1		972.3	

# Shares included in fixed assets

Company FIM 1,000	Group shareholding %	Parent co.'s holding %	Company FIM 1,000	Group shareholding %	Parent co.'s holding %
<b>Subsidiaries included in consolidated financial statements</b>					
<b>Companies in Finland</b>					
Ferenda Oy	100	100	Koy Koskenportti*	100	100
Kiinteistösolari Oy	100	100	Koy Kotkan Seurahuone*	100	100
Kolmostien Aluekeskus Oy	100	100	Koy Kutomotie 6	100	100
OK-Maanrakennus Oy	100	100	Koy Lahden Vesijärvenkatu 74*	100	100
Osohallit Oy	100	100	Koy Lappenrannan Lentäjätie 17-19*	100	100
Oulun Myllykiinteistöt Oy	100	100	Koy Larvalankatu 13*	100	100
Polar-Betoni Oy	100	100	Koy Malmin Kauppatie 8*	100	100
Polar-International Oy	100	100	Koy Niittylänpolku 16*	100	100
Polar-Rakennus Oy	100	100	Koy Pakkalan Kartanonkoski 3	100	100
Polar-Yhtymä Oy	100	100	Koy Pasilanraatio 5*	60	60
Povarstock Oy	100	100	Koy Pitkänsillankatu 1-3*	100	100
PY-Investointi Oy	100	100	Koy Sahanparkki*	100	100
Rakennusliike Nurmi & Loivamäki Oy	100	100	Koy Satomalmi*	76	70
Seinäjoen Torikeskus Oy	100	100	Koy Scifin Alfa	100	100
Subtili Oy	100	100	Koy Seinäjoen Kino*	90	90
Suomen Osakaskiinteistöt Oy	100	100	Koy Sinimäentie 10*	77	77
Tampereen Koskikeskus Oy	100	100	Koy Sisustaja	100	100
Vantaanportti Oy	100	100	Koy Solartalo 2001*	100	100
Koy Ankkurikulma*	100	100	Koy Solartalo 2002*	100	100
Koy Hagströminkulma*	100	100	Koy Solartalo 2003*	100	100
Koy Hatanpäänvaltatie 44*	100	100	Koy Solartalo 2004*	100	100
Koy Helsingin Kanavakatu 8-22*	50	50	Koy Solartalo 2005*	100	100
Koy Helsingin Kansakoulukatu 3*	100	100	Koy Sörnäisten rantatie*	100	100
Koy Helsingin Vuorikatu 20*	100	100	Koy Tampereen Hatanpää*	100	100
Koy Hollolan Liikekeskus*	97	97	Koy Tampereen Suvantokatu	100	100
Koy Hollolan Ostospaikka*	100	100	Koy Tapiontuuli*	100	100
Koy Ins - Teräs*	100	100	Koy Torniorava*	61	61
Koy Jyväskylän Väinönkeskus*	75	75	Koy Turun Asemakeskus*	100	100
Koy Jämsän Forum*	54	54	Koy Turun Kalevantie 25*	100	100
Koy Kajonharjun Liiketalo*	100	100	Koy Valkeakosken Torikatu 2*	100	100
Koy Kajaanin Nuaskatu*	100	100	Koy Vallilan Solar 1*	100	100
Koy Kalustaja	100	100	Koy Vallilan Solar 2*	100	100
Koy Kilometri	100	100	Koy Vallilan Solar 3*	100	100
Koy Kilon Helmi*	100	100	Koy Vallilan Solar 4*	100	100
Koy Kilon Timantti*	100	100	Koy Vanha Talvitie 11	100	100
Koy Kivikkukaro	100	100	Koy Viinikan Kauppakeskus*	100	100
Koy Kornetintie 6	100	100	Koy Vilhonkatu 5*	100	100
			Koy Zeppelinin kauppapörssi*	52	52
			Koy Ässätalo 2001*	100	100
<b>Foreign</b>					
Polar Holding Inc.	100	100	*) Consolidated for the first time on 31.12.1999		
Polar Property Development Inc.	100				
Polarland Finance B.V.	100	100			
S + T Bautrading GmbH	100	100			

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
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## Affiliated companies

Finn-Stroi Oy	31.5	31.5	31.5	1,010	10,100	0	594
Koskikeskuksen Huolto Oy*	49.4	742	0	0	9	9	-349
Koy F-Medi*	22	4,814	22	4,814	5	31,730	109,378
Koy Valkeakosken Liikekeskus*	25	304,623	25	304,623	1,218	9,143	42,926
Koy Zeppelinin kulmatori*	28	883	28	883	88	1,635	
Laadukkaat Vuokra-Asunnot Oy	49	49	49	49	25	25	55
Polar Construction Ukraine JSC	37	1,060	37	1,060		0	
Suomen Kiinteistökehitys SKK Oy	50	20,000	50	20,000	20,000	0	11,744
Vantaanportti Invest Oy	33	15.00	33	15	1,493	1,493	670

\*) Consolidated for the first time on 31.12.1999

## Other companies

### Companies in Finland

Helsinki Halli Oy				12		1,000	
Kamppi Parkki Oy Ab	10	47	10	47	940	3,101	
Koy Helsingin Kaivokatu 8	9	1,611	9	1,611	1,611	36,007	
Koy Ryttilahden Maja				40	25	1,000	
Koy Tampereen Koskenranta	15	3,805	15	3,805	46	31,335	
Koy Vantaanportin Liikekeskus				16	11,287	60,793	
Koy Zeppelinin city-keskus	7	183	7	183	3	3,254	
Lomodynastia Oy				13,960	1,396	1,473	
Yrityspuiston Autopaikat Oy	4	76			1	740	
Muut (49 kpl)						2,318	
<b>Foreign</b>							
Spes Capital S.A. Luxemburg	0	26		26		1,819	
Muut (1 kpl)							

The complete list of shares included in fixed assets is included in the company's official financial statements.

# Polar Group in figures

Profit and loss account	1999	1998	1997	1996	1995
Net sales, FIM m	622	1,434	1,604	1,503	1,710
Other income and expenses of business operations, FIM m	16	72	1	0	0
Operating profit/loss, FIM m	99	-19	-186	54	51
Profit/loss before extraordinary items, FIM m	16	-116	-281	-40	-44
Extraordinary income and expenses, FIM m	-	-	0	-23	-46
Profit/loss before reserves and taxes, FIM m	16	-116	-282	-63	-90
<b>Balance sheet</b>					
Fixed assets	2,577	2,456	2,763	2,690	2,770
inventory and financial assets (net)	762	1,321	1,475	1,667	1,795
<b>Assets, FIM m<sup>1)</sup></b>	<b>3,339</b>	<b>3,777</b>	<b>4,238</b>	<b>4,358</b>	<b>4,565</b>
Shareholders' equity	1,201	1,201	1,036	1,268	483
Equity loans	261	-	-	-	-
Minority interest	-	-	3	3	24
Reserves and accumulated depreciation difference	-	130	146	167	183
Obligatory reserves	120	113	345	176	236
Long-term liabilities	-	-	-	-	-
- non-interest-bearing	12	184	395	445	1 228
- interest-bearing	1,797	355	2,011	1,975	2,106
Current liabilities	-	-	-	-	-
- non-interest-bearing	78	230	289	255	280
- interest-bearing	249	1,564	12	69	25
<b>Liabilities and shareholders' equity, FIM m<sup>1)</sup></b>	<b>3,339</b>	<b>3,777</b>	<b>4,238</b>	<b>4,358</b>	<b>4,565</b>

1) excludes advance invoicing and developer-contractor advances

## Key figures for financial trends

Return on equity, % ROE	1.7	-14.5	-12.6	-10.0	-15.0
Return on investment, % ROI	3.6	-0.2	0.5	2.8	2.4
Equity ratio,-%	28.2	28.4	14.2	19.4	5.9

## Key indicators for business operations

Average number of personnel	48	919	1,169	1,142	1,377
Dividend payment, FIM m	0.0	0.0	0.0	0.0	0.0

## Key figures for shares

Earnings per share (EPS), FIM	0.09 *)	-0.76 *)	-2.40	-0.77	-0.93
Equity per share, FIM	5.23 *)	6.65 *)	5.03	14.69	4.70
Dividend per share, FIM	-	-	-	-	-
Dividend /profit-%	-	-	-	-	-
Effective dividend yield-%	-	-	-	-	-
Price/earnings ratio	20.84	-2.97	-6.28	-3.52	-3.23
Trend in share price and turnover					
Issue-adjusted share price, FIM					
average price	2.06	3.49	6.99	5.79	4.43
lowest traded price	1.72	2.15	4.50	2.50	2.50
highest traded price	3.09	8.50	8.50	8.20	9.00
last traded price at year-end	1.90	2.25	4.80	6.60	3.00
Market capitalization, 31.12., FIM m	342	405	577	767	156
Trend in share turnover					
shares traded (1,000)	19,455	28,149	25,592	25,106	2,519
% of shares, average	10.81/10.82**)	17.4/17.5**)	21.5/21.5**)	43.7/43.7**)	4.9/4.9**)
Issue-adjusted number of shares					
average (1,000)	180,018/179,878**)	161,343/161,258**)	118,966/118,880**)	57,498/57,420**)	51,912/51,811**)
at year-end (1,000)	180,018/179,878**)	180,018/179,933**)	120,211/120,125**)	116,275/116,197**)	51,983/51,883**)

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

\*\*) Internal shareholdings eliminated

# Formulas for the key indicators

Return on equity (ROE), %	=	$\frac{\text{Profit/loss before extraordinary items - taxes for year}}{\text{Shareholders' equity + minority interest}} \times 100$
Return on investment (ROI), %	=	$\frac{\text{Profit/loss before extraordinary items + financing expenses}}{\text{Balance sheet total - non-interest-bearing debts (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance invoicing - spec contracting advances}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit/loss before extraordinary items +/- minority interest in profit for year} - \text{taxes for year}}{\text{Issue-adjusted number of shares during year}}$
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Issue-adjusted number of shares held by non-Group parties}}$
Dividend per share	=	$\frac{\text{Dividend paid for the financial year}}{\text{Issue-adjusted number of shares at year-end}}$
Dividend/profit, %	=	$\frac{\text{Dividend paid for the financial year}}{\text{Earnings (as in EPS)}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Issue-adjusted last traded share price during year}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Issue-adjusted last traded share price during year}}{\text{EPS}}$
Issue-adjusted average share price	=	$\frac{\text{Total trading in shares, FIM}}{\text{Issue-adjusted number of shares traded during year}}$
Market capitalization	=	Number of shares at year-end x last traded share price during the year

In the calculation of the key indicators, the equity loans have been included in liabilities.

The dilution effect of convertible bonds, warrant bonds and the management share option scheme is not figured in as their effect is not significant.

# Shares and shareholders

Polar Real Estate 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.

## The biggest shareholders 31 December 1999

	Osakkeita 1,000 kpl	%
Cervuctum Oy *)	49,093	27.27
Merita Pankki Oyj	35,717	19.84
UPM-Kymmene Oyj	14,836	8.24
Metra Oyj Abp	14,463	8.03
Partek Oyj Abp	10,905	6.06
Suomen Osuuskauppojen Keskuskunta SOK	5,305	2.95
Pohjola-Yhtymä Vakuutus Oyj	3,884	2.16
Stockmann Oyj Abp	3,627	2.01
Sampo-konserni	2,385	1.32
Keskon Eläkekassa	1,850	1.03
Ten biggest, total	142,065	78.91
Nominee-registered	8,163	4.53
Grand total	180,018	100.00

\*) The owners of Cervuctum Oy are Metra Corporation and UPM-Kymmene Corporation, each with roughly 31%, and Partek Corporation and the Finnish Cooperative Wholesale Society SOK, each with roughly 19%

## Share capital

At year-end, there were 180,018,374 shares in Polar Real Estate Corporation. According to the book-entry securities register, the company had a total of 5,192 registered shareholders on 31 December 1999. 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.

## 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 1999, been used to subscribe for a total of 89,489,416 shares.

## Management holdings

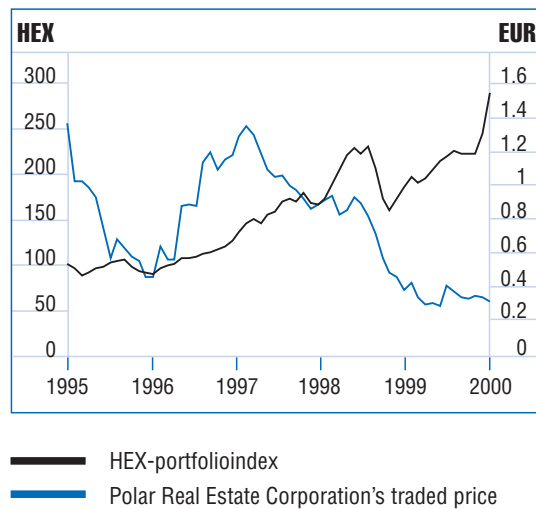
According to the register of industry insiders 31 January 1999, the members of the Board of Directors and the Management Committee held a total of 73,442 shares. These figures correspond to approximately 0.04% of shares and voting rights.

## Holdings by number of shares, 31 December 1999

Number of shares	Shareholders	%	Shares	%
1 - 100	1,650	31.78	55,893	0.03
101 - 1,000	1,512	29.12	754,668	0.42
1,001 - 10,000	1,555	29.95	6,649,375	3.69
10,001 - 100,000	423	8.15	11,877,405	6.60
100,001 - 1,000,000	40	0.77	11,041,269	6.13
yli 1,000,000	12	0.23	149,455,608	83.02
Total	5,192	100.0	179,834,218	99.90
Total on waiting list			0	0.00
On joint accounts			184,156	0.10
Issued stock			180,018,374	100.00

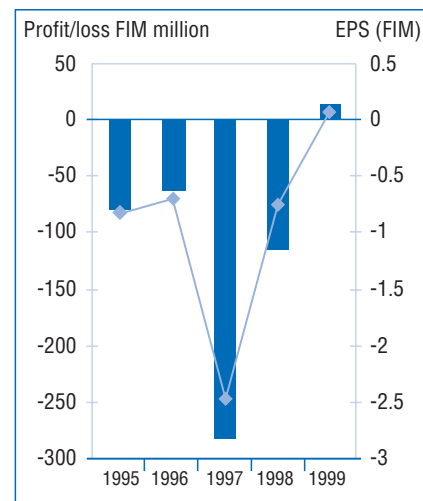


### Traded share price relative to The HEX portfolio index



### Profit/loss\*, FIM million and EPS, FIM

\*) before reserves and taxes



## 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 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 under the restructuring programme, without the unanimous consent of the committee of creditors. Since the start of 1997, the contracting parties have been able to relinquish their shares to a third party on the condition that they must first be offered to the creditors affected by the restructuring programme. The restrictions on transferring shares do not apply to transfers between contracting parties.

The shareholder agreement will be in force for the duration of Polar Real Estate 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 19,455,366 Polar Real Estate Corporation shares were traded for a total of FIM 41,796,496. The share turnover corresponds to 10.8% of the company's issued stock. The lowest traded price during the year was FIM 1.72 and the highest was FIM 3.09. At year-end, the market capitalization was FIM 342 million and the last traded price was FIM 1.90.

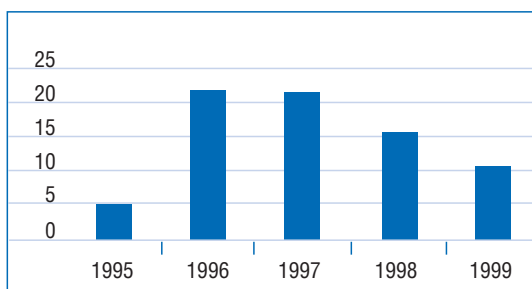
## Effect of the restructuring programme on dividend payments

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.

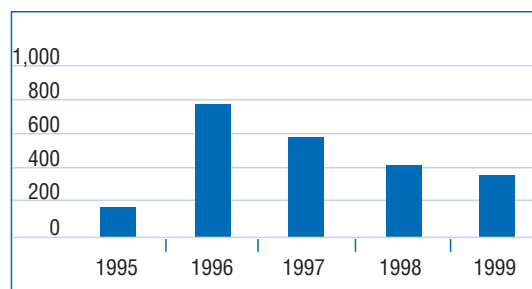
### Warrant bonds, convertible bonds and convertible equity loans as at 31 December

	Non-Polar Group		Polar Group		Total	
	1999	1998	1999	1998	1999	1998
Warrants (1,000)	8,179	8,118	2,339	2,400	10,518	10,518
Convertible bonds (FIM 1,000)	51,904	51,525	221,873	222,252	273,777	273,777
Options to convert to shares (1,000)	2,595	2,576	11,094	11,113	13,689	13,689
Convertible equity loan (FIM 1,000)	207,878	207,878	175,795	175,795	383,673	383,673
Options to convert to shares (1,000)	20,788	20,788	17,579	17,579	38,367	38,367

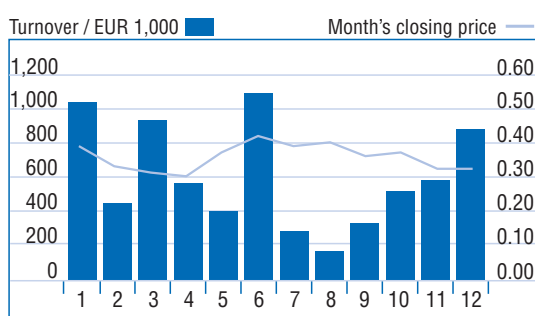
### Relative trading in shares, %



### Market capitalization, FIM m



### Share turnover and price trend, 1999



### Shareholders and voting rights by type of shareholder, 31 December 1999

Type of shareholder	%
Companies	56
Financial institutions and insurers	28
Households	9
Nominee-registered and foreigners	5
Others and non-registered	2

### 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		709,100	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	24,041,500	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		3,913,300	39,130,000		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

## Proposal by the Board of Directors of Polar Real Estate Corporation to the annual general meeting

The Board of Directors proposes to the annual general meeting that no dividend be paid for the 1999 accounting period.

Helsinki, 17 February 2000



Jan-Henrik Kulp  
Chairman



Jukka Salminen  
Deputy Chairman



Heikki Allonen



Kari Heinistö



Hannu Sipilä



Helena Walldén



Erkkä Valkila  
President

### Auditors' report

We have inspected the accounts, financial statements and administration of Polar Real Estate Corporation for the 1999 financial year. The financial statements produced by the Board of Directors and the President contain the Annual Report, the profit and loss accounts, balance sheets, 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 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 drawn up correctly in the essential respects. The administrative audit examined compliance by the members of the Board of Directors and the President on the basis of the regulations laid down in the Companies Act.

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's and parent company's earnings from business operations and their financial status. 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 financial year audited by us. The proposal by the Board of Directors on the treatment of the net profit is in accordance with the Companies Act.

Helsinki, 20 February 2000

SVH Pricewaterhouse Coopers Oy  
Firm of Authorized Public Accountants



Risto Laitinen  
APA



Jorma Jäske  
APA

# Board of Directors, Management and Auditors



Board of Directors:  
Back row from left:  
Jukka Salminen, Hannu Sipilä,  
Jan-Henrik Kulp, Helena Walldén  
Front row: Heikki Allonen, Kari Heinistö

## 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

Deputy Chairman **Jukka Salminen**, born 1947  
M.Sc.(Econ.)  
Senior Vice-President of the Finnish Wholesale  
Cooperative 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

**Hannu Sipilä**, born 1944  
Attorney-at-law  
Chief Legal Counsel, Merita Bank Plc  
Member of the Board of Directors since 1999

**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.)

## Auditors

SVH Pricewaterhouse Coopers Oy  
(APA firm), with  
**Risto Laitinen**  
M.Sc.(Econ.), APA as the auditor in charge

**Jorma Jäske**  
M.Sc.(Econ.), APA



Members of the Management Committee:

Back row from left:  
Erkka Valkila, Risto Varpula,  
Heidi Ant-Wuorinen

Front row:  
Timo Stenius ja Pekka Komulainen

### **The Management Committee of Polar Real Estate Corporation**

**Erkka Valkila, 46**

B.Sc.(Eng.)

President

Has served the Polar Group since 1991

**Risto Varpula, 54**

M.Sc. (Econ.)

Executive Vice President

Senior Vice President, Finance and Treasury

Has served the Polar Group since 1988

**Heidi Ant-Wuorinen, 48**

M.Sc. (Econ.)

Senior Vice President, Business Development

Has served the Polar Group since 1997

**Pekka Komulainen, 41**

M.Sc.(Eng.)

Senior Vice President, Commercial Premises

Has served the Polar Group since 1994

**Timo Stenius, 43**

M.Sc.(Eng.)

Senior Vice President, Office Premises

Has served the Polar Group since 1991

# Information for shareholders

## **Annual general meeting**

The annual general meeting of Polar Real Estate Corporation will be held on Tuesday 7 March 2000 at 5 p.m. in the Helsinki Hall at Finlandia Hall, Mannerheimintie 13 e, Helsinki.

Shareholders wishing to attend the AGM must give notice no later than 4 p.m. on 6 March 2000, either in writing addressed to Polar Real Estate Corporation, Sari Ahokas, PO Box 102, FIN-00241 Helsinki, Finland, or by phone to +358 9 8259 2535 / Sari Ahokas.

Proxy documents for use in voting at the AGM must be sent to Sari Ahokas at the address Pasilanraitio 5, FIN-00240 Helsinki, Finland, before the deadline.

## **Payment of dividend**

The Board of Directors propose to the AGM that no dividend be paid for the 1999 financial year.

## **Financial disclosures**

Polar Real Estate Corporation publishes its annual report for the financial year in Finnish and English.

Publication dates for interim reports:

27 April 2000 for January – March

22 August 2000 for January – June

26 October 2000 for January – September

The annual report for the financial year and interim reports are published in Finnish and English.

## **To order publications**

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REAL ESTATE