



ANNUAL REPORT 2000

POLAR
REAL ESTATE

Table of contents

Polar Real Estate in brief	4
President's report	6
Description of the business climate	8
Polar Real Estate in 2000	9
Real estate investment	9
Property for sale	15
Environmental work at Polar Real Estate	16
Financial statements	18
Report by the Board of Directors	18
Profit and loss account	20
Balance sheet	21
Statement of source and application of funds	22
Supplementary information on the financial statements	23
Shares included in fixed assets	35
The Group's financial trend	36
Formulas for the key indicators	37
Shares and shareholders	38
Board's proposal to the annual general meeting	41
Auditors' report	41
Administration	42
Information to shareholders	45
Contact information	46

Polar Real Estate in brief

Description of operations

Polar Real Estate Corporation is a stock exchange listed real estate investment company concentrating on owning, leasing and developing offices and commercial premises. The main thrust in its operations is on the Helsinki Metropolitan Area, Tampere and Turku.

The balance sheet value of the company's real estate portfolio is EUR 386 million. Its investment business encompasses a total of 45 leasable properties valued at EUR 363 million, of which 64% are in the Helsinki Metropolitan Area and 24% are in Tampere and Turku. Plots of land for development are valued at EUR 15 million. The company also

has property for sale in Finland valued at EUR 34 million. Some 1,000 customers operate in premises owned by Polar Real Estate.

Polar Real Estate continues to focus operations on the main business regions and to improve its profitability and equity ratio. The focusing of operations and the development of real estate make it possible to increase earnings and reduce expenses.

An industrial block in the Vallila district of Helsinki is being converted into offices and commercial facilities: 6,000 sq m of modern offices were completed for SOK and Sonera.



Key indicators

Financial indicators	2000	1999
Turnover, M€	96.9	104.6
Write-downs, M€	-66.3	-7.9*
Operating profit/loss, M€	-40.2	16.6
Profit/loss before extraordinary items, M€	-55.9	2.7
Return on equity, % (ROE)	neg.	1.7
Return on investment, % (ROI)	neg.	3.6
Equity ratio, %	22.3	28.2
Investments in fixed assets, M€	19.8	19.9
Balance sheet total 31.12, M€	467.7	582.8
Personnel 31.12	37	45

Operative indicators of real estate investment	2000	1999
Investment properties, M€	362.8	404.8
Net yield of properties, M€	27.7	25.4
Net yield of properties, %, **	8.1	6.8
Rental occupancy rate, %	98	99

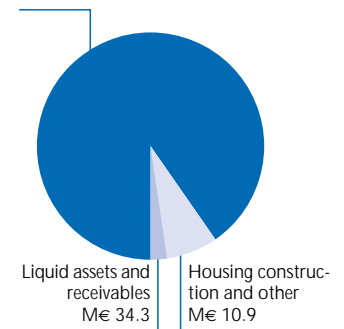
Indicators for shares	2000	1999
Earnings per share, €	-0.31	0.02
Equity per share, €	0.57	0.88
Number of shares at year-end, million	180	180

* M€ 24.9 was booked in the consolidation direct from shareholders' equity

** calculated on the year-end situation for net rent, less estimated variable expenses for leasing business

Balance sheet as at 31.12.2000
M€ 467.7

Real estate holdings
M€ 422.5





2000 in brief

The company's turnover for the financial year was EUR 96.9 million. Rental income was EUR 41.5 million and sales were EUR 55.4 million, of which sales of shares in commissioning of residential construction accounted for EUR 26.7 million.

Earnings from business operations for the financial year were EUR 8.7 million and after EUR 66.3 million in write-downs the gross loss was EUR 55.9 million. Write-downs totalling EUR 49.5 million were allocated to investment assets and EUR 16.8 million in write-downs was allocated to inventories.

A total of 110 new leases on business premises were signed, and the rent obtainable from these is EUR 5.6 million per year. The largest of these leases were made with SOK, Oy Datatie Ab and Wicom Communications Oy.

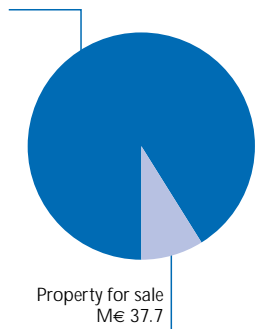
The company invested roughly EUR 20 million. The main investments were the conversion of the Kivikukkaro building into a department store for Anttila in Turku and the development of an office property in the Vallila district of Helsinki. Transactions in 2000 and early in 2001 increased the company's holdings in the Jumbo shopping centre in Vantaa to 21%.

Divestment of international operations continued. The office property Prince Henri S.A. in Luxembourg was sold for roughly EUR 13 million. An affiliated company in the USA and minor real estate holdings in Europe remain.

Polar Real Estate paid approximately EUR 54 million off its loans in net amounts during 2000.

Real estate holdings as at 31.12.2000
M€ 423.6

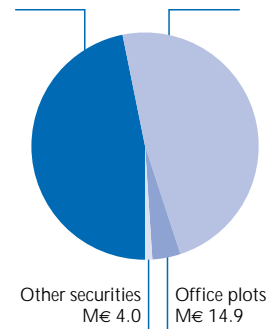
Real estate investment property
M€ 386.0



Real estate investment property as at
31.12.2000, M€ 386.0

Office premises
M€ 181.0

Commercial premises
M€ 186.1





President's report

In 2000 the continuing favourable economic trend in Finland kept demand for business premises high and the amount of vacant premises low. Premises in new buildings were leased out by the time they reached completion. The dynamic expansion of information technology companies generated demand for larger office premises, but a downturn in the rate of growth in their space requirement during the second half of the year is being reflected in the market for business premises in 2001.

The number of real estate transactions was large in the past year, but it was a quiet year for the real estate industry in the securities market: no new companies were listed and interest in listed real estate investment companies was slight. The recent trend in stock exchange prices may, however, induce investors to diversify

their placements into companies in more traditional industries and also in real estate investment companies.

Change as a real estate investment company continues

The concentration of operations on selected areas of emphasis continued in 2000. Our strategic objective is to focus on owning, leasing and developing commercial and office properties in the Helsinki Metropolitan Area, Tampere and Turku. I believe these centres of growth have the best potential for long-term real estate investment business. Concentrating on selected regions strengthens our business operations.

During the past financial year the company paid off EUR 54 million on loans to improve its equity ratio. The intention in 2001 is to pay off

roughly EUR 100 million on loans. In order to achieve this, holdings in hotels and other items have been sold and sales of inventories intended for sale are being continued on an accelerated schedule. Foreign holdings in Europe have mostly been sold off in accordance with the objectives, but the sale of the interest in the affiliated company in the USA has not been effected.

Investments in 2000 gave priority to the upgrading of our real estate by means of considerable conversions in cooperation with the occupants of the premises as well as expanding our holdings in the Jumbo shopping centre.

The balance sheet value of our investment real estate holdings was reviewed on the basis of a statement by an external appraiser to correspond to its market value. The values of the

inventories intended for sale were also lowered. These actions will promote further action by which we will be able more rapidly to channel resources to carrying out the strategy and to achieving a healthy trend in profits.

Better collaboration through open information flow

The company is continuing its deployment in enhanced customer service and in open, interactive information flow. By recognising and respecting changes in our customers' space requirements, we seek to create long-lasting customer relationships with which we will also be able to reduce our marketing and leasing expenses.

As one of the most important energy consumers, the real estate

business has adopted environmental awareness as one of its fields of development. Polar Real Estate produced an environmental programme of its own with the aim of acting in concert with its customers in compliance with the principles of sustainable development. The collection of information and its application in practice are continuing.

The trend in the Finnish economy is expected to continue to be good in the near future. The rental occupancy rates of our company's main business sectors will remain good and rents are forecast to go on rising, but the rate of the rise will slow down. However, rising construction expenses and yield requirements will lead to higher rents, whereupon the customers' commitment to new investments will be hampered.

I would like to express my warmest thanks to the personnel and other stakeholders for the excellent work we have done together and for their tireless work towards making Polar a profitable real estate investment company.

Helsinki, February 2001

Erkka Valkila
President & CEO

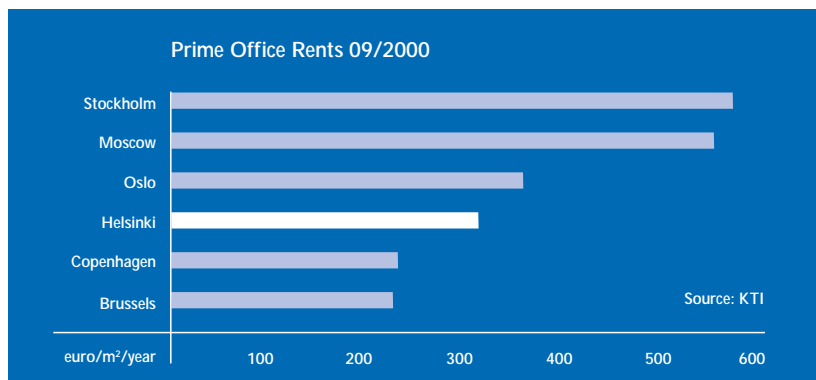
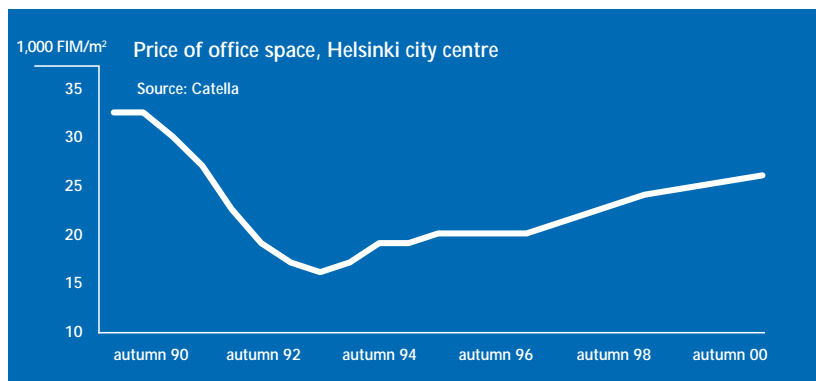
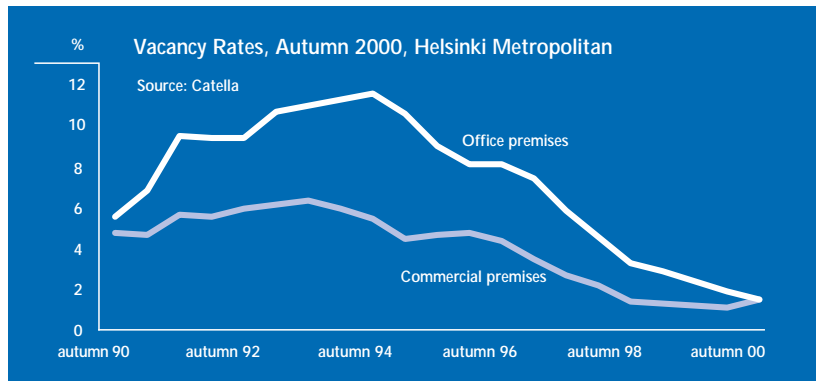
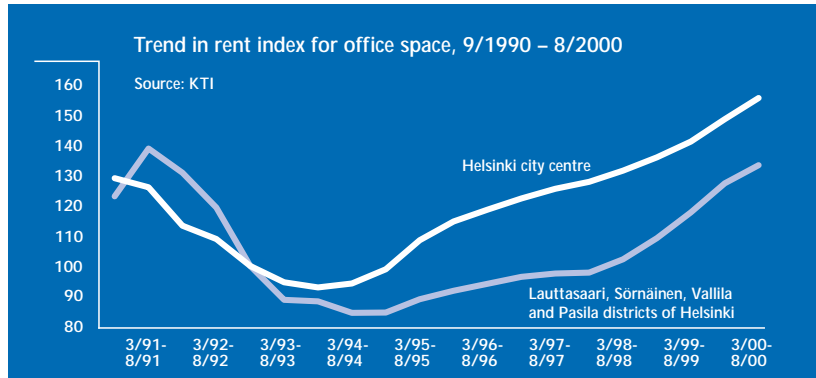
Description of the business climate

On the real estate market, demand for commercial and office premises continued to be strong both in the Helsinki Metropolitan Area and in Finland's other centres of growth in 2000. The number of vacant properties available on the open market has been in decline for some years. For example, the amount of vacant premises in Helsinki, or the vacancy rate, has been falling for several years and in 2000 it was less than two per cent.

With demand exceeding supply, rents have also continued to rise. KTI Finland, the Institute for Real Estate Economics, has developed a 'rent index' to describe the trend in nominal rents for new leases on office property in the Helsinki region. According to the rent index, nominal rents for office premises in Helsinki city centre in August 2000 had risen by 10.2% in a year. On the fringes of the Helsinki city centre the surge in nominal rents was even stronger, and the rent index went up by 13.3% year-on-year in August 2000. Rents for commercial facilities in the Helsinki city centre rose from autumn 1999 to autumn 2000 by roughly 4 - 8%. Rents have also been rising in other large cities in Finland, most distinctly in Turku and Tampere. However, the robust upswing in rents is now expected to begin to slow down in Finland's centres of growth.

Source:
Catella Property Consultants Ltd
and KTI Property Information Ltd

Rents for prime office space in Helsinki are very low compared with the capitals of neighbouring countries: the rent for a prime office in Stockholm, for example, is nearly double the rate for renting a similar space in Helsinki.



Polar Real Estate in 2000

Polar Real Estate Corporation is a real estate investment company concentrating on owning, leasing and developing office and commercial premises. Geographically the company's main thrust is on the Helsinki Metropolitan Area, Tampere and Turku. The company also has property not included in real estate investment, which it intends to sell.

Real estate investment

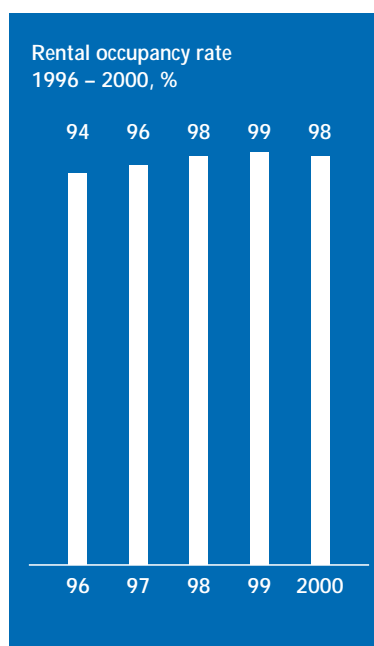
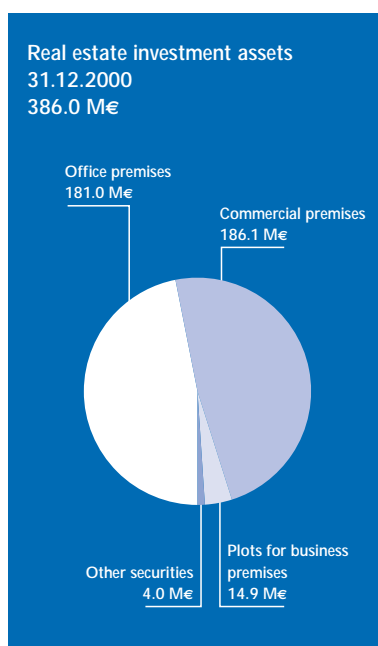
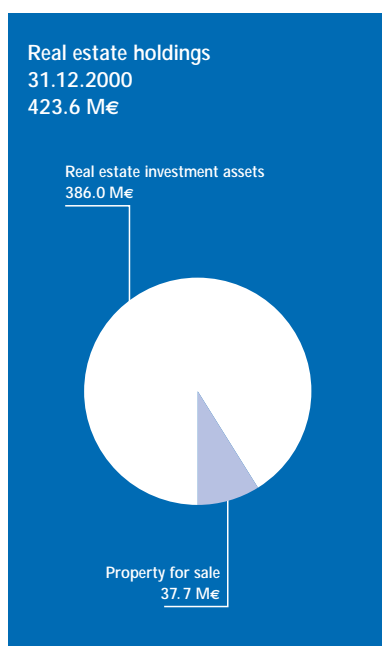
Polar Real Estate has about 800 lease agreements on the 300,000 square metres of real estate investment facilities it owns. The amount of unlet premises has held low, at about two per cent, for the past couple of years. Among the major occupants of the facilities are Kesko, Inex, SOK, the City of Helsinki, Datatie, Radio-linja, Southwest Finland Regional Labour and Business Centre, the Sato Group, and Espoo Tax Office.

The number of new leases and extensions on existing ones signed in 2000 was roughly 110 for a total of approximately 40,000 square metres of premises. Among these, the biggest customers were Baxter and Electrolux in Vantaa, Kesko in Lappeenranta, and SOK, Sonera and Datatie in Helsinki. The new tenants in shopping centres include JC, MicMac, Lisse and Dressman.

We develop our operations together with our partners

Polar Real Estate actively develops its customer service, collecting feedback by means of annual customer satisfaction questionnaires on the suitability and quality of premises as well as on the efficiency of maintenance and services. The questionnaires have yielded valuable information on success, problem points and needs for improvement in services. We further refine our customer service and boost the development of procedures in the sector.

We are also involved in collective development projects in the real estate business, among which some of the most important are the development of new, more flexible and precise model lease agreements and the building of e-communication based systems for feedback and surveillance to increase the efficiency of building maintenance.



Investment real estates	Location	Net leasible area sq m	Book value M€
Office premises			
KOy Kansakoulunkatu 3	Helsinki	6 545	10.9
KOy Kornetintie 6	Helsinki	3 289	3.5
KOy Kutomotie 6	Helsinki	7 626	6.7
KOy Malmin Kauppatie 8	Helsinki	4 699	3.6
KOy Niittylänpolku 16	Helsinki	2 990	2.1
KOy Pasilanraitio 5	Helsinki	5 577	6.2
KOy Satomalmi	Helsinki	3 623	3.0
KOy Sörnäisten Rantatie 25	Helsinki	7 002	9.2
KOy Vanha Talvitie 11	Helsinki	6 674	5.6
KOy Vuorikatu 20	Helsinki	6 740	5.9
Munkkiniemen liiketalo	Helsinki	6 690	12.4
Vallilan yhtiöt ¹⁾	Helsinki	34 798	40.4
KOy Kilon Helmi	Espoo	4 069	7.0
KOy Kilon Timantti	Espoo	4 035	6.8
KOy Scifin Alfa	Espoo	4 651	6.0
KOy Sinimäentie 10	Espoo	9 702	9.9
KOy Tapiontuuli	Espoo	6 940	9.7
KOy Pakkalan Kartanonkoski 3	Vantaa	9 033	10.7
KOy F-Medi	Tampere	2 826	3.3
KOy Turun Asemakeskus	Turku	6 576	6.6
KOy Turun Kalevantie 25	Turku	2 735	0.8
KOy Jyväskylän Väinönkeskus	Jyväskylä	2 266	2.4
KOy Pitkäsillankatu 1-3	Kokkola	6 740	2.8
KOy Vesijärvenkatu 74	Lahti	1 334	0.7
Kamppi Parkki Oy	Helsinki		0.5
Office premises total		157 160	176.7
Commercial premises			
KOy Helsingin Kanavakatu 8-22	Helsinki	14 393	24.4
KOy Vilhonkatu 5	Helsinki	5 766	15.7
KOy Sisustaja	Vantaa	15 866	16.3
KOy Vantaanportin Liikekeskus	Vantaa	10 197	17.0
KOy Hatanpään Valtatie 44	Tampere	3 200	1.8
Tampereen Koskikeskus ¹⁾	Tampere	17 262	46.0
KOy Viinikan Kauppakeskus	Tampere	6 385	1.1
KOy Kivikukkaro	Turku	10 860	27.0
Seinäjoen Torikeskus ¹⁾	Seinäjoki	11 698	7.6
Valkeakosken Koskikara ¹⁾	Valkeakoski	5 898	4.7
KOy Hollolan Liikekeskus	Hollola	2 670	1.5
KOy Hollolan Ostospaikka	Hollola	5 442	6.4
KOy Koskenportti	Imatra	2 312	0.8
KOy Jämsän Forum	Jämsä	2 665	1.7
KOy Nuaskatu 2	Kajaani	2 722	0.7
Liikekeskus Zeppelin ¹⁾	Kempele	2 480	1.5
KOy Kotkan Seurahuone	Kotka	7 534	6.7
KOy Torniorava	Kotka	1 313	0.9
KOy Lentäjätie 17-19	Lappeenranta	7 600	3.4
KOy Kaijonharjun Liiketalo	Oulu	2 500	0.7
Commercial premises total		138 763	186.1
Office and commercial premises total		295 923	362.8

¹⁾ stakes in several property holding companies



Shopping continues to be a major leisure pursuit, as is proved by the Tampereen Koskikeskus mall's 8% increase in sales during 2000 to EUR 92.5 million. It had almost 6.5 million visitors. See the website www.koskikeskus.fi.

Polar Real Estate works on cooperation with real estate maintenance companies. In 2000 a new, customer-centred model agreement for building maintenance was developed, and this will be applied to the first properties in the beginning of 2001. The goal is customer satisfaction, achieved by correctly timed and carefully performed maintenance work and by regular contact between the occupier, owner and service supplier.

A real-time system was created for energy monitoring by which any malfunctions can be detected rapidly. The system came into use partly in 2000, and it will be extended to embrace the properties we own in the course of 2001. In order to effect savings, the consolidation of electricity acquisition and other purchases was

continued, and for example maintenance contracts were put out for competitive bidding during the financial year. Building maintenance costs in 2000 were on a par with those of the previous year.

Added value through development work and investment

Polar Real Estate's development work includes newbuild projects, conversions and extensions of existing buildings, and the development of land areas for future investments. A good result from this demands close collaboration between the occupiers, authorities and investors as well as expert knowledge of the real estate market.

In development work, the company's goal is to get at least an 8% annual return on its new investments, and projects are prioritised with an eye to the rate of return and the leasing risk. For most of the facilities, there have to be binding lease agreements before construction work is started on the project.

Polar Real Estate's projects at the surveying, conceptualisation and planning stages include Duetto in the Käpylä district of Helsinki, an office building project in the Kilo district of Espoo, and studies on an extension to the Tampereen Koskikeskus mall.

Real estate investment holdings, M€	2000	1999
Office and commercial property	362.8	404.8
Investments in progress	4.3	9.6
Total	367.1	414.4
Plots for business premises	14.9	17.3
Other securities	4.0	3.2
Total	386.0	434.9

Real estate investment plots	Greater Helsinki	Tampere and Turku	Rest of Finland	Total
Business plots, M€	12.9	1.1	0.8	14.9
Permitted building volume, 1000 k-m ²	124	21	11	156

Regional distribution of business premises								
	Book value M€	%	Net leasible area sq m	Book value €/sq m	Occupancy rate %	Net rents*) M€	%	Net yield % 2000
Office premises								
Greater Helsinki	160.2	91	134,682	1,189	100	12.1	90	7.5
Tampere and Turku	10.7	6	12,137	878	98	0.9	7	8.5
Rest of Finland	5.9	3	10,340	570	97	0.4	3	7.6
Total	176.7	100	157,159	1,124	100	13.4	100	7.6
Commercial premises								
Greater Helsinki	73.4	39	46,222	1,589	100	7.2	45	9.8
Tampere and Turku	75.9	41	37,707	2,014	96	5.5	34	7.2
Rest of Finland	36.7	20	54,833	669	94	3.4	21	9.2
Total	186.1	100	138,762	1,341	96	16.1	100	8.6
Business premises total								
Greater Helsinki	233.6	64	180,904	1,291	100	19.3	65	8.3
Tampere and Turku	86.6	24	49,844	1,737	96	6.4	22	7.4
Rest of Finland	42.6	12	65,173	654	94	3.8	13	8.9
Total	362.8	100	295,921	1,226	98	29.5	100	8.1

*) net rents as at year-end, less estimated variable expenses attributable to leasing business

Things are moving at Vantaanportti

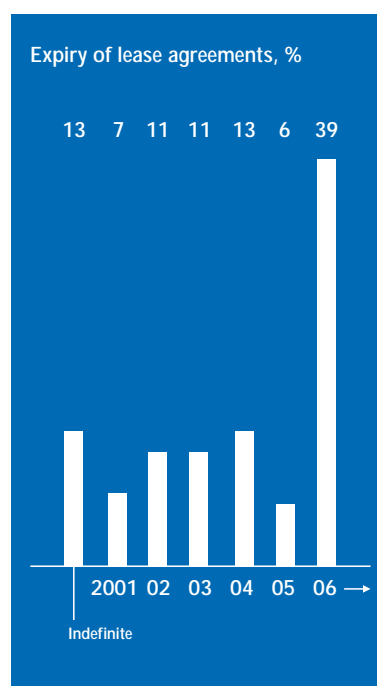
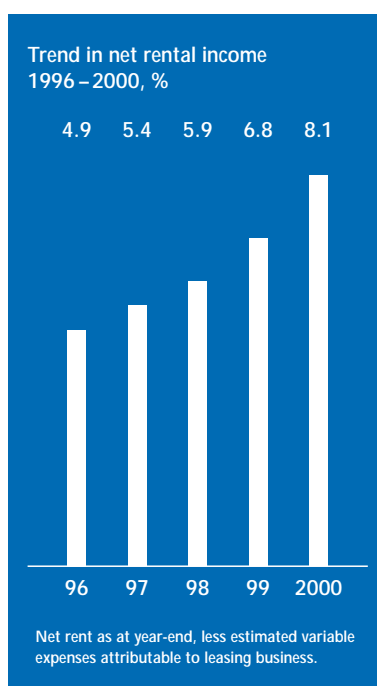
It was a busy year for the Vantaanportti area development project. In the Vantaanportti Business Park area, construction was begun on the environmental sector complex Leija. Phase I of the project encompasses some 10,000 square metres, the investors in which include Merita Real Estate Ltd and the City of Vantaa in addition to Polar Real Estate. Our share of the project corresponds to approximately 2,600 square metres and the premises, which will be completed in the autumn, have already been almost completely leased out. In the Business Park area, Polar and Merita Real Estate Ltd together sold Toimistoapu Oy a plot of roughly one hectare for an extension to a wholesale warehouse. Polar Real Estate's affiliated company Suomen Kiinteistökehitys SKK Oy sold its 210-room hotel in the Vantaanportti area.

In the Jumbo shopping centre precinct, the preliminary planning of an extension section and an office building was started, and Vantaa City Council approved a change in the land-use planning for the plots. The confirmation of the plan makes it possible to extend Jumbo by some 30,000 square metres as well as permitting the construction of an office building of approximately 10,000 square metres. Our portion of the permitted building volume is approximately 24,000 square metres, and the other owner and our partner on the project is Pension Fennia Mutual Insurance Company. Polar Real Estate also increased its holdings in the Jumbo shopping centre by acquiring some 1,300 square metres of specialist retailer premises, bringing our holdings up to 21%. The first phase of the shopping centre project has proved itself a winner, as the shops' sales for the first year exceeded targets and amounted to roughly EUR 190 million.

Facelift for Vallila block

Polar Real Estate's largest single real estate item under development is an industrial block in the Vallila district of Helsinki, which is being modernised and converted into an office centre. In the course of the year 2000, conversion work valued at EUR 3.6 million was carried out on some 6,000 square metres of office space. The leasable facilities total roughly 34,000 square metres, of which about 13,000 square metres has been converted into modern office facilities. The occupiers of the premises are Inex Partners Oy, SOK and Sonera.

In January 2001 Helsinki City Planning Committee approved a change in the land-use plan for the block, including the conversion of permitted industrial building volume into offices and commercial space as well as about 4,500 square metres of floor area for the block's inner courtyard.



From bank to department store: building uses move with the times

On Yliopistonkatu in the centre of Turku a major renovation of some 11,000 square metres, planned in collaboration with Kesko, was completed. A former bank building was converted into a department store, adjacent to which a 220-space indoor car park was also built. The building accommodates an Anttila department store, a K-Supermarket and a Carrols hamburger restaurant among other services. Polar Real Estate's investment was approximately EUR 8 million.

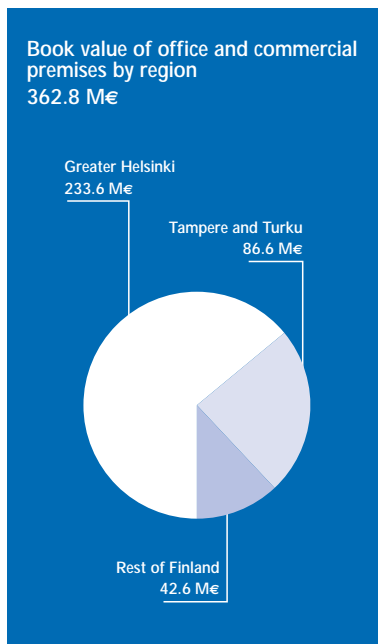
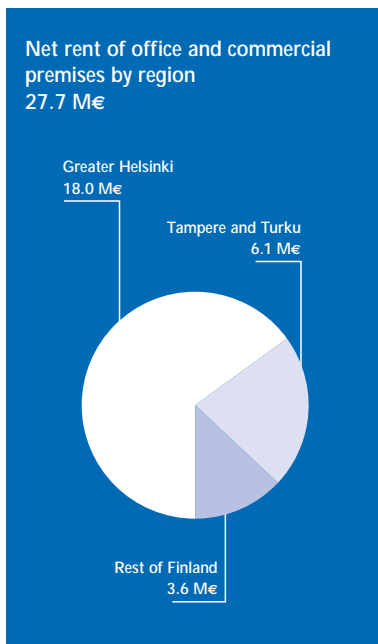
Properties bought and sold

A car showroom and office plot with 18,000 square metres of floor area in the Piispankylä district of Espoo, jointly developed, was sold to Veljek-

set Laakkonen Oy. Of the ready-built facilities, office premises at Kaivokatu 8 in Helsinki city centre comprising some 1,600 square metres were sold for EUR 5.7 million. Further holdings were acquired in Kiinteistö Oy Pasi-lanraito 5's roughly 1,000 square metres of commercial and office facilities in the Länsi-Pasila district of Helsinki, raising Polar Real Estate's interest in the company to approximately 77%.

Housing construction commissioning wound up

The last apartment building commissioned by Polar Real Estate was handed over in February 2001. In the course of the year, a total of 237 dwellings were completed in Helsinki, Vantaa, Tampere, Lahti and elsewhere. Total sales were EUR 26.7 million.



Property for sale

Sales in Finland

In the course of the year 2000, real estate property in Finland which was not part of real estate investment business was sold for a total of EUR 28.3 million at selling prices net of debt. The margin on the sales was EUR 3.5 million. The write-downs and provision for expenses booked totalled EUR 16.8 million.

In the beginning of the year Polar Real Estate, acting together with Merita Real Estate Ltd, sold their holdings in the Kartanonkoski residential area to Skanska and NCC Finland. A land-use plan permitting

the construction of a garden city development in the area, planned jointly with the City of Vantaa, had been confirmed. Polar Real Estate's share of the purchasing price was EUR 9.1 million, which corresponds to approximately 53,000 square metres of floor area of permitted building volume.

Other significant transactions effected during 2000 were the sale to Sato of residential plots totalling about 25,000 square metres of floor area in various parts of Finland, the sale of plots in and around Turku to Skanska Oy, and a warehouse property in the Suutarila district of Helsinki sold to Julius Tallberg-Kiinteistöt Oyj.

Sales outside Finland

The remainder of Polar Real Estate's properties outside Finland is a 49% holding in the Polar-BEK Company in the USA, which has real estate worth about 19 million US dollars. Also, there are a few minor holdings left in Europe.

The main sales were the Prince Henri S.A. office property in the centre of Luxembourg, which was sold in June for EUR 13 million. In Germany a contract was signed for the sale in 2004 of the Hotel Alpina in Garmisch-Partenkirchen to the present lessee.

The transactions have no effect on the balance sheet or net profit.

Property for sale, M€	2000	1999
Greater Helsinki		
Plots	12.2	21.6
Business premises and other property	1.0	2.1
Rest of Finland		
Plots	11.5	16.6
Business premises and other property	23.4	28.0
Non-marketability deduction*	-14.5	
Total	33.6	68.3
Foreign receivables	4.0	13.3
Total	37.7	81.6

* In addition an obligatory reserve in the amount of EUR 2.4 million was allocated.

In the construction of Leija, the environmental complex of the new age, the life-cycle approach means sustainable building methods and materials, energy conservation, good operation economy and healthiness.



Environmental work at Polar Real Estate

Construction and the running of buildings have been found to account for some 40% of Finland's energy consumption. The owners of buildings therefore have a real opportunity to influence through their actions the conservation of natural resources and the condition of the environment. For this reason, Polar Real Estate also pays attention in its operations to the consumption of heating energy, electricity and water, to the smooth running of waste disposal, and to the substances and materials used in repairs and new construction. The company is also involved in projects

promoting more awareness of environmental issues and their application in everyday business.

It is Polar Real Estate's objective to reduce the consumption of heating energy and to halt the increase in electricity consumption. In 2000 the company joined the real estate and construction industry's Kress energy-conservation agreement, the aim of which is to reduce heating consumption by 10% by the year 2005 and to halt the rise in electricity consumption. The energy consumption of all our properties has been charted, and half of the properties have been

inspected by the Information Centre for Energy Efficiency in order to reduce energy consumption. By the end of 2001 Polar Real Estate will have gradually introduced the monitoring of its properties' consumption of heating energy and electricity through the Internet.

We have checked out the amount of water used by our properties in the course of 2000. The amount of water consumed and the production of waste water in building management is reduced by advising and training the management staff.



Waste surveys were carried out at more than half of our properties in 2000 with the aim of increasing the recycling of waste. The implementation of surveys will be continued during 2001, as will guidance in the sorting of wastes.

In repairs and new construction we aim, together with the contractor, to make sure that the maximum possible of the waste produced is recycled. The industry is performing a major project to create environmental classifications for building materials. We are monitoring the progress of the work and we are

collecting information in our own organisation on the effects of alternative choices of materials on the health characteristics of a worksite and the resulting environmental impact.

We are an investor in the environmental sector complex Leija under construction in Vantaa, which is a ProGresS pilot project. The ProGresS programme was launched to promote environmental expertise and sustainable development in the Finnish real estate and construction industry.

Environmental policy

The aim of Polar Real Estate's environmental policy is to act in concert with our customers in accordance with the principles of sustainable development. In decisions on building management and commissioning construction, we take impacts on health and the environment into account in addition to financial, technical and functional factors.

The basic concept of environmental work at Polar Real Estate is to provide customers with a healthy and functional working environment while conserving natural resources as follows:

1. We pledge to comply with the norms set for environmental protection and we monitor and anticipate changes in legislation.
2. We reduce relative consumption of energy and water, prevent the spoiling of the environment, and increase recycling.
3. We commit ourselves to environmental work and we also assist our customers and contractual partners in reducing their environmental impact.
4. We emphasise energy efficiency and life-cycle economy in carrying out new construction and renovations.

Report by the Board of Directors

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

The company intends to pay down its loans by approximately EUR 100 million in 2001 by increasing sales of investment properties, including hotel holdings, and by selling off inventories on an accelerated schedule.

Turnover and net result

In 2000 the Group's turnover was EUR 96.9 million (EUR 104.6 million in 1999).

The Group's operating loss was EUR 40.2 million (profit of EUR 16.6 million) and the loss after financing items was EUR 55.9 million (profit of EUR 2.7 million). A drag on profits was exerted by EUR 66.3 million in write-downs and provisions for expenses posted against real estate investment property and for sales of inventory. Return on investment was 7.7% negative (3.6% positive) and return on equity was 42.9% negative (1.7% positive). Earnings per share were EUR 0.31 negative (EUR 0.02 positive).

Real estate investment

Polar Real Estate Corporation actively developed its office and commercial properties on the basis of its customers' needs.

The balance sheet value of the real estate investment holdings was reduced by approximately EUR 49.5

million. The background to this is an assessment of the holdings by an external, authorised assessor. Based on book values after the write-downs, the net yield of lease agreements on rental property at year-end was 8.1% (6.8%). The rental occupancy rate of the facilities was 98% (99%).

The turnover of real estate investment was EUR 72.3 million and the operating loss was EUR 28.3 million. The operating result was reduced by write-downs on real estate investment property in the amount of EUR 49.5 million. The rental income totalled EUR 38.8 million. Sales margin on leasing business was EUR 27.7 million and the depreciation on its holdings was EUR 6.3 million. Sales of assets net of shares in housing companies was EUR 11.1 million and its sales margin was EUR 1.6 million.

Sales of shares in housing construction commissioning, which was wound up according to plan in 2000, was EUR 26.7 million, and the sales margin from this was EUR 3.1 million. The last property item was handed over in February 2001.

Capital expenditure on real estate investment property was EUR 19.8 million.

The book value of real estate investment property at values net of debt was EUR 386.0 million (EUR 434.9 million), of which development plots account for EUR 14.9 million.

Property for sale in Finland

Sales of property for sale were EUR 28.3 million. The margin on the sales was EUR 3.5 million.

In order to facilitate the accelerated sale of property intended for sale, it was decided to effect non-marketability deduction and expense entry totalling EUR 16.8 million. The bal-

ance sheet value of property at year-end was EUR 33.6 million at values net of debt.

International commitments

The real estate holdings of subsidiaries in Europe were sold off during the year, with the exception of some minor items. In the obligatory reserves at the end of 2000, unrealised guarantee liabilities remained in the amount of EUR 0.9 million (EUR 1.2 million) for loans to companies in Europe.

The affiliated company in the USA (49% Polar-owned) has real estate property on its balance sheet totalling approximately 19 million dollars and debts to financial institutions of roughly 10 million dollars. The loans are subject to guarantees from Polar Real Estate Corporation in the amount of approximately 4.1 million dollars (7.4 million dollars). The guarantees are not expected to be realised.

The balance sheet has receivables from foreign companies in the amount of EUR 4.0 million (EUR 13.3 million).

Financing

The Group's liquid assets at year-end were EUR 23.5 million (EUR 10.9 million). Net financing expenses were EUR 15.8 million (EUR 14.0 million).

In the consolidated balance sheet, the total for interest-bearing liabilities was EUR 268.1 million (EUR 312.5 million). Approximately EUR 54 million in net amounts was repaid on loans. A total of EUR 43 million of the debts for which the company is liable became interest-bearing at the beginning of 2001. The company is also liable for

approximately EUR 4.8 million of loans to non-consolidated companies included in inventories and fixed assets.

The Group's equity ratio was 22.3% (28.2%), when equity loans are included in current liabilities. The equity ratio, including equity loans in shareholders' equity, was 31.9% (36.0%).

The Group's loans are mostly pegged to short-term interest rates and they are roughly three quarters hedged with interest rate derivatives in case of a significant rise in interest rates.

Obligatory reserves

Obligatory reserves in the consolidated balance sheet total EUR 21.5 million (EUR 20.2 million), of which rental liabilities lasting until 2012 account for EUR 8.7 million (EUR 10.1 million) and construction liabilities lasting until 2008 account for roughly EUR 3.8 million (EUR 3.8 million).

Shares

At year-end the number of Polar Real Estate Corporation shares was 180,018,374 and the share capital was FIM 900,091,870 (EUR 151,384,585.24).

The remaining convertible bonds and equity loan in the hand of non-Group parties confer entitlement to roughly 23.4 million shares.

The management of Polar Real Estate Corporation have options to subscribe for 5,700,000 shares in the company.

The authorisation given by an annual general meeting for the issue of shares expired on 18 March 2000. The authorisation was not exercised.

No authorisations for the issue of shares are currently valid.

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 EUR 1.68 and the subscription period expires on 31 December 2001.

At year-end, the company's market capitalisation was EUR 36.0 million and the last traded price was EUR 0.20.

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 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.

Board of Directors and auditors

Polar Real Estate Corporation's annual general meeting re-elected Jan-Henrik Kulp and Heikki Allonen to the Board of Directors for new, three-year terms. The Board of Directors elected from among its members Jan-Henrik Kulp as chairman and Jukka Salminen as deputy chairman. The other members of the Board of Directors are Heikki Allonen, Kari Heinistö, Hannu Sipilä and Helena Walldén.

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

Management and personnel

Erkka Valkila served as the Group's President and Risto Varpula served as Executive Vice President. At the end of the year, the Group had 37 (45) employees, and the average number of personnel for the year was 41 (48). The salaries paid by the Group totalled EUR 2.8 million, of which the salaries and emoluments of the Board of Directors and the President accounted for EUR 0.3 million.

Significant events since the end of the financial year

In the beginning of 2001 the company sold a 50% interest in the property holding company KOy Helsingin Kanavakatu 8 - 22 (Hotel Grand Marina) and KOy Kotkan Seurahuone. The combined price of these transactions, net of debt, was some EUR 31.1 million. The transactions will have no effect on net profit in 2001.

Outlook

The goal for the present year is to improve solvency by paying instalments on loans. It is forecast that the company will make a profit in 2001.

Profit and loss account

M€	Group		Parent company	
	2000	1999	2000	1999
Turnover	96.9	104.6	80.7	96.9
Share in affiliates' profit/loss	0.9	-0.2		
Other income from business operations	8.3	2.6	6.1	1.5
Expenses				
Materials and services	-81.6	-75.1	-72.1	-70.3
Personnel expenses	-3.0	-3.3	-3.0	-3.2
Depreciation and write-downs	-56.0	-9.4	-96.1	-6.8
Other expenses of business operations	-5.7	-2.7	-5.3	-2.3
	-146.3	-90.5	-176.5	-82.6
Operating profit/loss	-40.2	16.6	-89.6	15.8
Financing income and expenses				
Dividend income	0.1	0.1	0.1	0.1
Interest income on long-term investments	1.2	1.2	3.3	3.8
Other financing income	0.6	1.1	0.5	0.8
Interest expenses	-16.8	-15.6	-15.0	-15.1
Other financing expenses	-0.9	-0.7	-0.9	-0.7
	-15.7	-13.9	-11.9	-11.1
Profit/loss before extraordinary items	-55.9	2.7	-101.5	4.7
Extraordinary items	-	-	-	-21.8
Profit/loss before reserves and taxes	-55.9	2.7	-101.5	-17.1
Appropriations	-	-	5,6	2.3
Direct taxes	0.0	0.2	0.0	0.2
Net profit/loss for year	-55.9	2.9	-96.0	-14.6

Balance sheet

M€	Group		Parent company	
	2000	1999	2000	1999
Assets				
Non-current assets				
Immaterial goods	9.9	6.4	6.8	3.9
Tangible assets	338.4	380.6	13.7	17.0
Investments	29.0	40.3	22.7	45.0
Holdings in companies in same Group			366.4	438.4
Holdings in cross-ownership companies	6.6	5.8	5.7	1.7
Other investments	0.3	0.3	0.2	0.2
	384.1	433.5	415.4	506.1
Current assets				
Inventories	34.2	77.4	22.5	56.2
Short-term receivables	24.5	59.8	29.6	80.8
Securities included in financial assets	12.7	4.0	12.7	4.0
Cash in hand and banks	12.3	8.2	10.4	6.9
	83.6	149.4	75.2	147.8
Assets, total	467.7	582.8	490.7	654.0
Liabilities and shareholders' equity				
Shareholders' equity				
Share capital	151.4	151.4	151.4	151.4
Share premium account	50.0	50.0	50.0	50.0
Own shares fund	0.0	0.1	0.0	0.0
Reserve fund	0.0	0.0	0.0	0.0
Losses from previous years	-43.2	-46.1	-19.7	-5.1
Net profit/loss for year	-55.9	2.9	-96.0	-14.6
Equity loans	43.9	43.8	108.4	110.6
	146.2	202.1	194.2	292.3
Accumulation of appropriations			7.4	2.8
Obligatory reserves	21.5	20.1	16.0	14.2
Liabilities				
Long-term liabilities	266.6	304.2	246.1	294.7
Current liabilities	33.4	56.4	27.1	50.0
	300.0	360.6	273.2	344.8
Liabilities and shareholders' equity, total	467.7	582.8	490.7	654.0

Statement of source and application of funds

M€	Group		Parent company	
	2000	1999	2000	1999
Business operations				
Operating profit/loss	-40.2	16.6	-77.7	15.8
Depreciation and write-downs	56.0	13.4	112.4	10.8
Change in net working capital	73.1	-1.1	48.6	25.9
Interest received	1.6	1.2	3.3	3.8
Interest paid	-16.8	-15.6	-15.0	-15.1
Dividend received	0.1	0.1	0.1	0.1
Other financing items	-0.7	0.3	-0.4	0.1
Extraordinary income	-	-	-	0.5
Minority interest in profit/loss	-	0.2	-	-
Taxes paid	0.0	0.2	0.0	-0.2
Net cash flow from business operations	73.1	15.4	71.4	41.7
Investments				
Group companies acquired	-3.7	-0.0	-3.7	0.0
Affiliates acquired	-1.2	-	-1.2	-
Purchases of other shares	-2.3	-	-0.0	-
Purchases of other fixed assets	-23.8	-12.8	-4.1	-1.8
Group companies sold	0.8	0.9	0.8	0.9
Affiliates sold	0.0	-	-	-
Sales of other shares	6.3	12.5	5.2	12.6
Sales of other fixed assets	4.1	8.0	0.1	8.3
Increase in long-term investments	-0.1	1.7	-2.5	1.7
Decrease in long-term investments	9.4	-	-	-
Cash flow from investments, total	-10.6	10.4	-5.4	21.7
Cash flow before financing	62.5	25.8	66.0	63.4
Financing				
Use of long-term loans	15.9	195.8	14.8	195.8
Instalments on long-term loans	-68.4	-252.0	-66.4	-251.4
Increase/decrease in long-term receivables	-	-	-	-9.8
Increase/decrease in short-term financing	-1.9	-0.6	0.2	-1.8
Increase/decrease in equity loans	-	0.1	-2.1	0.1
Liabilities of new, consolidated, separate companies	4.9	28.5	-	-
Financing, total	-49.5	-28.3	-53.5	-67.1
Increase/decrease in liquid assets	13.0	-2.4	12.5	-3.7
Liquid assets 1.1	11.0	13.4	9.7	13.4
Liquid assets 31.12	24.0	11.0	22.2	9.7

Supplementary information on the 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.

For mutual real estate companies in which the holding is more than 50%, the consolidated financial statements include a proportion of the real estate company's assets and debts matching the Group's entitlement to the company. The subsidiaries related to international business are consolidated by the equity method. Companies are consolidated as affiliates when the proportion of voting rights held by Group companies is no less than 20% and no more than 50%.

Conventions of consolidation

The receivables and debts between the Group companies included in the consolidated financial statements have been eliminated, as have intra-Group transactions, unrealised internal margins and intra-Group dividends. Cross-ownership of shares has been eliminated by the acquisition cost method.

When the acquisition cost of the shares was greater than the shareholders' equity of the subsidiary on the acquisition date, the difference has been treated as Group goodwill. The Group goodwill is allocated to those of the Group company's asset and debt items from which the Group goodwill is deemed to derive. Group goodwill allocated to non-current assets is depreciated in accordance with the depreciation plan for the assets in question. Group goodwill allocated to other items is booked as an expense when earnings or expenses are due to the items.

The affiliated companies are 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 before other income from business operations.

Changes in the Group structure

In the course of the financial year a 33% interest in the issued stock of Vantaanportti Invest Oy was acquired, as a result of which the Group's interest rose to 66.7%. KOy Pakkalan Kartanonkoski 12 was added to the consolidated companies. Tampereen Koskikeskus Oy, Kiinteistösolari Oy, Rakennusliike Nurmi & Loivamäki Oy, Polar-Betoni Oy, and Seinäjoen Torikeskus Oy were merged with the parent company. Subtiili Oy was sold and Kolmostien Aluekeskus Oy was wound up.

Comparability with the previous year

There have been no substantial changes in the business of the Group and the parent company. There have been no changes in the accounting conventions of the financial statements compared with the previous financial year.

Principles of income-recognition

In the calculation of the net sales, indirect sales taxes and other sales adjustment items have been deducted from sales revenue. Rents have been recognised as income in net sales on an accruals basis. Sales have been income-recognised in connection with handover.

Other income from business operations

Other income from business operations includes sales margin on non-current assets.

Personnel pension coverage and pension expenses

Pension expenses are booked as expenses on an accruals basis. The pension cover of Finnish companies, together with any additional benefits, has been insured with pension insurance companies.

Income taxes

Tax for the financial year and previous years is booked on an accruals basis in taxes in the profit and loss account.

Deferred tax liabilities and credits

Deferred tax liability has been calculated in accumulated appropriations. The deferred tax credit resulting from the parent company's confirmed losses and obligatory reserves has, in accordance with the principle of prudence, been booked in the amount corresponding to the tax liability.

Principles of valuation and matching

Fixed assets and investments

The balance sheet values of fixed assets are based on the original acquisition cost less planned depreciation and actual write-downs. The valuation takes into account information available on the market and the rate of income to be derived from the item.

Planned depreciation is calculated on the basis of the estimated economic life as follows:

Other long-term expenditure	3 – 10 years straight-line depreciation
Buildings	1.5% residual value depreciation
Machinery and equipment	5.0% residual value depreciation

The difference in the accounts between total actual depreciation and planned depreciation is given in the separate company's profit and loss account appropriations and the accumulated depreciation difference is given in the accumulated appropriations on the liabilities and shareholders' equity side of the balance sheet.

Expenditure on repairs and renovations

Items which increase the standard of a building have been posted to capitalised expenditure on renovation and additional construction.

The annual repair and maintenance expenditure posted to maintenance expenses are expenses with which the building is kept up to its previous standard.

Inventories

Inventories are valued at the direct acquisition cost or probable disposal price, whichever is the lower.

Financial assets

Cash and short-term trade receivables and notes receivable are given at the acquisition price or at the market price if lower.

Receivables and debts in foreign currency

Receivables and debts denominated in foreign currency have been valued at the European Central Bank's average rates on the last day of the financial year. All exchange rate differences have been credited or charged to financial income and expenses.

Derivative instruments

The Group uses interest rate derivatives as a hedge against interest rate risks. Derivatives are not used in a trading capacity. The derivative instruments used are interest options, which are used to hedge against major changes in market interest rates. Premiums paid on the options purchased and premiums obtained on options set, and the changes in the value of these, are matched over the validity period of the hedged item and booked net in financing income and expenses.

The market value of interest rate options is determined on the basis of calculations by non-Polar parties.

Supplementary information on the profit and loss account

M€	Group		Parent company	
	2000	1999	2000	1999
1. Turnover				
Real estate business	96.9	104.6	80.7	96.9
2. Other income from business operations				
Capital gains on sales of fixed assets	0.7	1.7	0.7	1.5
Other income of construction business	1.7	0.9	-	-
Other	5.8	0.0	5.4	0.0
	8.3	2.6	6.1	1.5
3. Expenses of business operations				
Materials and services				
Purchases during the year	-21.1	-31.8	-36.2	-32.7
Change in inventories	-42.5	-32.7	-33.7	-32.3
External services and maintenance expenses	-18.1	-10.7	-2.2	-5.3
	-81.6	-75.1	-72.1	-70.3
Personnel expenses				
Wages, salaries and emoluments				
Salaries for Boards of Directors and President	-0.3	-0.3	-0.3	-0.3
Other wages and salaries	-2.3	-2.4	-2.3	-2.4
	-2.5	-2.7	-2.5	-2.7
Indirect personnel expenses				
Pension expenses	-0.3	-0.3	-0.3	-0.3
Other indirect personnel expenses	-0.2	-0.3	-0.2	-0.3
	-0.4	-0.5	-0.4	-0.5
Other expenses of business operations	-5.7	-2.7	-5.3	-2.3
Total	-90.3	-81.1	-80.4	-75.9
Personnel, average	41	48	41	46

M€	Group		Parent company	
	2000	1999	2000	1999
4. Planned depreciation and write-downs				
Depreciation on immaterial goods				
Other long-term expenditure	-1.4	-1.1	-1.0	-1.0
Goodwill	-	-	-	-5.0
	-1.4	-1.1	-1.0	-5.9
Depreciation on tangible assets				
Buildings	-4.7	-2.3	-0.2	-0.4
Machinery and equipment	-1.0	-1.0	-0.6	-0.4
	-5.7	-3.3	-0.8	-0.9
Write-downs on fixed assets and long-term investments				
Long-term investments	-48.9	-5.0	-94.3	-
Additional depreciation on goodwill	-	-	-	-
	-48.9	-5.0	-94.3	-
Total	-56.0	-9.4	-96.1	-6.8

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	1.5% - 6.6% of residual value/acquisition cost
Machinery and equipment	5.0% - 25.0% of residual value/acquisition cost
Goodwill	10.0% of acquisition cost

M€	Group		Parent company	
	2000	1999	2000	1999
5. Financing income and expences				
Dividend income				
From companies in the same Group	-	-	-	-
From cross-ownership companies	-	-	0.0	0.0
From others	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	0.1
Dividend income on long-term investments				
From companies in the same Group	-	-	2.1	2.6
From others	1.2	1.2	1.2	1.2
	1.2	1.2	3.3	3.8
Income on long-term investments, total	1.3	1.3	3.4	3.9
Other interest and financing income				
From others	0.6	1.1	0.5	0.8
Financing income, total	1.9	2.4	4.0	4.7
Other financing expenses				
Write-downs on long-term investments	-0.9	0.6	-0.9	0.6
Others	-0.0	-1.3	-0.0	-1.3
	-0.9	-0.7	-0.9	-0.7
Interest expenses				
To companies in the same Group	-	-	-1.6	-1.1
To others	-16.8	-15.6	-13.4	-14.0
	-16.8	-15.6	-15.0	-15.1
Financing income and expences, total	-15.7	-13.9	-11.9	-11.1
The item interest and financing income includes exchange rate gains	1.2	0.2	1.2	0.2
6. Extraordinary income and expences				
Extraordinary income				
Group subventions received	-	-	-	0.5
Extraordinary expenses				
Write-downs on fixed assets and related receivables	-	-	-	-22.3
7. Effect of change in obligatory reserves on profit and loss account				
Increases in obligatory reserves and such reductions as are caused by a reduction in a previously estimated expenditure are credited or charged to income.				
8. Direct taxes				
Taxes for the year	-	-	-	-
Taxes for previous years	0.0	0.2	0.0	0.2
	0.0	0.2	0.0	0.2

Supplementary information on the balance sheet

M€	Group		Parent company	
	2000	1999	2000	1999
9. Non-current assets				
Immaterial goods				
Intangible rights				
Acquisition cost 1.1	1.3	1.4	-	-
Increases during year	1.1	-	-	-
Decreases during year	-	-0.1	-	-
Acquisition cost 31.12	2.4	1.3	-	-
Accumulated planned depreciation	-	-	-	-
Book value 31.12	2.4	1.3	-	-
Other long-term expenditure				
Acquisition cost 1.1	18.0	16.4	9.6	8.7
Increases during year	-	1.6	4.0	1.6
Decreases during year	-3.2	-	-0.0	-0.7
Acquisition cost 31.12	14.8	18.0	13.6	9.6
Accumulated planned depreciation	-7.3	-12.9	-6.8	-5.7
Book value 31.12	7.5	5.1	6.8	3.9
Immaterial goods total				
Acquisition cost 1.1	19.3	17.8	9.6	8.7
Increases during year	1.1	1.6	4.0	1.6
Decreases during year	-3.2	-0.1	-0.0	-0.7
Acquisition cost 31.12	17.2	19.3	13.6	9.6
Accumulated planned depreciation	-7.3	-12.9	-6.8	-5.7
Book value 31.12	9.9	6.4	6.8	3.9
Tangible assets				
Land areas				
Acquisition cost 1.1	90.7	91.3	5.1	5.7
Increases during year	2.3	-	0.4	-
Decreases during year	-0.3	-0.6	-0.4	-0.6
Acquisition cost 31.12	92.6	90.7	5.1	5.1
Accumulated planned depreciation	-20.3	-10.3	-0.9	-
Book value 31.12	72.3	80.3	4.3	5.1
Buildings and structures				
Acquisition cost 1.1	322.0	318.5	13.9	21.1
Increases during year	16.3	10.6	-	-
Decreases during year	-0.0	-7.2	-0.0	-7.2
Acquisition cost 31.12	338.2	322.0	13.9	13.9
Accumulated planned depreciation	-81.3	-31.7	-5.0	-3.2
Book value 31.12	256.9	290.3	8.9	10.8
Machinery and equipment				
Acquisition cost 1.1	79.7	79.6	8.6	8.5
Increases during year	4.3	0.3	0.1	0.2
Decreases during year	-0.5	-0.1	-0.4	-0.1
Acquisition cost 31.12	83.5	79.7	8.3	8.6
Accumulated planned depreciation	-74.4	-69.7	-7.7	-7.5
Book value 31.12	9.2	10.0	0.6	1.1
Tangible assets, total				
Acquisition cost 1.1	492.3	489.3	27.6	35.3
Increases during year	22.9	10.9	0.6	0.2
Decreases during year	-0.8	-7.9	-0.8	-7.9
Acquisition cost 31.12	514.4	492.3	27.3	27.6
Accumulated planned depreciation	-176.0	-111.7	-13.6	-10.6
Book value 31.12	338.4	380.6	13.7	17.0

M€	Group		Parent company	
	2000	1999	2000	1999
Investments				
Group companies				
Shares 1.1	-	-	269.2	101.7
Increases during year	-	-	32.1	0.0
Decreases during year	-	-	-11.1	-0.7
Transfers between items	-	-	0.0	168.1
Shares 31.12	-	-	290.2	269.2
Loans receivable 1.1	-	-	169.2	-
Increases during year	-	-	-	169.2
Decreases during year	-	-	-5.3	-
Transfers between items	-	-	-	-
Loans receivable 31.12	-	-	163.9	169.2
Write-downs	-	-	-90.5	-
Increases during year	-	-	2.8	-
Decreases during year	-	-	-87.8	-
Book value 31.12	-	-	366.4	438.4
Cross-ownership companies				
Shares 1.1	4.2	0.2	-	0.1
Increases during year	-	-	-	-
Decreases during year	-0.0	-	-	-0.1
Transfers between items	-	4.0	7.4	-
Shares 31.12	4.2	4.2	7.4	-
Loans receivable 1.1	1.7	-	1.7	1.7
Increases during year	-	1.7	-	-
Decreases during year	-	-	-	-
Transfers between items	-	-	-	-
Loans receivable 31.12	1.7	1.7	1.7	1.7
Write-downs	-	-	-3.4	-
Increases during year	0.7	-	-	-
Decreases during year	0.7	-	-3.4	-
Book value 31.12	6.6	5.8	5.7	1.7
Other investments				
Shares 1.1	0.3	230.8	45.2	398.7
Increases during year	2.3	-	1.2	-
Decreases during year	-6.3	-	-6.3	-
Transfers between items	27.6	-230.5	-21.5	-353.5
Shares 31.12	23.9	0.3	18.7	45.2
Loans receivable 1.1	40.3	43.3	13.8	-
Increases during year	0.1	-	-	-
Decreases during year	-9.4	-3.0	-9.6	-
Transfers between items	-25.2	-	-	-
Loans receivable 31.12	5.9	40.3	4.2	-
Write-downs	-	-	-	-
Increases during year	-0.5	-	-	-
Decreases during year	-	-	-	-
	-0.5	-	-	-
Book value 31.12	29.3	40.6	22.9	45.2

M€	Group		Parent company	
	2000	1999	2000	1999
10. Current assets				
Inventories				
Materials and supplies	0.0	0.0	0.0	-
Work in progress	1.0	3.3	0.9	2.0
Land areas and buildings	5.4	13.2	5.4	12.9
Shares	42.2	60.8	30.6	41.4
Unallocated write-down	-14.5	-	-14.5	-
Inventories total	34.2	77.4	22.5	56.2
Current receivables				
Accounts receivable	7.0	21.2	9.1	30.6
Short-term loans receivable	13.0	30.8	15.4	43.9
Accrued assets	3.5	3.4	4.4	2.8
Other receivables	1.1	4.4	0.8	3.4
Current receivables total	24.5	59.8	29.6	80.8
Receivables From companies in the same Group				
Accounts receivable	-	-	4.3	10.2
Short-term loans receivable	-	-	2.7	11.4
Accrued assets	-	-	2.8	1.7
Other receivables	-	-	-	0.5
	-	-	9.8	24.0
Receivables from cross-ownership companies				
Accounts receivable	0.0	0.0	0.0	-
Short-term loans receivable	-	-	-	1.7
Accrued assets	-	-	-	-
Other receivables	-	-	-	-
	0.0	0.0	0.0	1.7
Significant items included in short-term accrued assets				
Matched interest rate income	0.0	0.0	2.8	1.7
Commissions	0.1	0.7	0.1	0.7
Service charges	-	-	-	-
VAT receivable on investments	1.8	2.0	-	-
Others	1.5	0.7	1.4	0.3
	3.5	3.4	4.4	2.8

Cash loans to company management

As at 31.12.2000, the company management and members of the Board of Directors had no cash loans from the company or its subsidiaries.

M€	Group		Parent company	
	2000	1999	2000	1999
11. Shareholders' equity				
Share capital 1.1	151.4	151.4	151.4	151.4
New issue	-	-	-	-
Reduction in share capital	-	-	-	-
Share capital 31.12	151.4	151.4	151.4	151.4
Share premium account 1.1	50.0	50.0	50.0	50.0
New issue	-	-	-	-
Share premium account 31.12	50.0	50.0	50.0	50.0
Reserve fund 1.1	0.0	0.0	0.0	0.0
Issue premium	-	-	-	-
Reserve fund 31.12	0.0	0.0	0.0	0.0
Own shares' fund 1.1	0.1	0.1	0.0	0.0
Increase/decrease	-0.0	0.0	-0.0	-
Own shares' fund 31.12	0.0	0.1	0.0	0.0
Accumulated losses 1.1	-43.2	-21.2	-19.7	-5.1
Transfer to own shares' fund	0.0	-0.0	-0.0	-
Write-downs effected at separate companies during year	-	-24.9	-	-
Other changes	-0.0	-0.0	-	-
Net profit/loss for year	-55.9	2.9	-96.0	-14.6
Accumulated losses 31.12	-99.1	-43.2	-115.7	-19.7
Equity loans 1.1	43.8	43.8	110.6	110.6
Increases	0.1	0.1	0.1	-
Decreases	-	-	-2.2	-
To share capital	-	-	-	-
To share premium account	-	-	-	-
Equity loans 31.12	43.9	43.8	108.4	110.6
Shareholders' equity, total 31.12	146.2	202.1	194.2	292.3
Calculation of distributable assets				
Accumulated losses	-43.2	-46.1	-19.7	-5.1
Net profit/loss for year	-55.9	2.9	-96.0	-14.6
Portion of accumulated depreciation entered in shareholders' equity	-12.5	-18.6	-	-
Total	-111.6	-61.8	-115.7	-19.7

M€	Group		Parent company	
	2000	1999	2000	1999
12. Equity loans				
Quasi-equity convertible bonds				
Unpaid on issue	8.8	8.8	45.1	46.0
Conversion ratio	1 share for an € 3.36 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			
Convertible equity loan				
Unpaid on issue	35.1	35.1	63.3	64.5
Conversion ratio	100 shares for € 168.19 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.			
Equity loans to Group companies				
Quasi-equity convertible bonds	-	-	36.4	37.3
Convertible equity loan	-	-	28.2	29.5
13. Obligatory reserves				
Annual repair liabilities	0.3	0.4	0.3	0.4
10-year liabilities	2.1	2.2	0.0	0.0
Additional caution for construction division	1.4	1.7	-	-
Municipal engineering reserves	1.6	1.8	-	-
Rental liabilities	8.7	10.1	8.7	10.1
Guarantee liabilities/Finland	0.2	0.4	0.2	0.4
Guarantee liabilities/foreign	0.9	1.1	0.9	1.1
Reserve for treating contaminated land	2.1	1.2	1.7	0.8
Liability reserve for commissioning housing construction	0.9	0.5	0.9	0.5
Guarantee reserve for commissioned housing construction	0.3	-	0.3	-
Reserve for expenses related to property for sale	2.4	-	2.4	-
Other obligatory reserves	0.8	0.8	0.8	0.8
Total	21.5	20.1	16.0	14.2
14. Accumulated appropriations				
The accumulated appropriations in the parent company are comprised of the accumulated depreciation difference.				

M€	Group		Parent company	
	2000	1999	2000	1999
15. Long-term liabilities				
Secured debts	-	4.2	-	4.2
Other rescheduled debt	0.2	0.2	0.2	0.2
Corporate bonds	25.3	28.0	45.6	50.6
Loans from financial institutions	237.5	269.5	181.7	217.4
Pension loans	0.2	0.2	0.1	-
Other long-term debts	3.5	2.0	18.6	22.2
Total	266.6	304.2	246.1	294.7
Debts maturing in five years				
Pension loans	0.0	0.1	0.0	-
Loans from financial institutions	9.9	1.8	9.9	0.8
Corporate bonds	-	-	-	-
Debts to Group companies				
Corporate bonds	-	-	20.2	22.6
Other long-term debts	-	-	16.6	28.3
Debt to affiliates				
Other long-term debts	-	-	-	-
Other short-term debts	-	-	0.0	0.0
Warrant bonds				
Unpaid from 1994 issue	0.3	0.3	0.3	0.3
Subscription entitlement	60 warrants for € 168.19 in bonds			
Subscription rate	1 share for 1 equity warrant			
Subscription price	€1.68/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			
Corporate bonds				
Unpaid from 1996 issue	28.0	28.0	50.6	50.6
Interest rate	As of 1.1.1998, 12-month Helibor rate plus 2% margin Interest 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 2003 30% in 2004			

M€	Group		Parent company	
	2000	1999	2000	1999
16. Current liabilities				
Warrant bonds	0.3	0.3	0.3	0.3
Secured debts	-	15.7	-	15.7
Corporate bonds	-	-	5.1	-
Loans from financial institutions	5.6	7.5	3.8	6.2
Pension loans	0.0	0.0	0.0	0.0
Advances received	9.7	21.8	9.6	21.1
Accounts payable	2.7	2.0	2.7	1.7
Deferred liabilities	3.4	3.9	2.7	2.7
Other short-term debts	11.7	5.3	3.0	2.4
Total	33.4	56.4	27.1	50.0
Short-term debt to companies in the same Group				
Corporate bonds	-	-	2.2	-
Accounts payable	-	-	0.3	0.0
Deferred liabilities	-	-	0.5	0.3
Other short-term debts	-	-	0.9	0.8
	-	-	3.9	1.1
Significant items included in deferred liabilities				
Matched financing expenses	1.1	0.7	1.2	0.6
Personnel expenses	0.7	0.5	0.7	0.5
Reservation fees	0.1	0.9	0.1	0.9
Others	1.4	1.9	0.6	0.8
	3.4	3.9	2.7	2.7

Other notes

M€	Group		Parent company	
	2000	1999	2000	1999
17. Contingent liabilities				
Pledges				
To secure own liabilities	209.7	243.9	108.9	118.2
To secure own and Group companies' liabilities	-	-	55.7	73.5
To secure own and other subsidiaries' liabilities	-	0.0	-	0.0
To secure Group companies' liabilities	-	-	8.5	18.5
To secure other subsidiaries' liabilities	-	-	-	0.1
To secure other companies' liabilities	-	-	-	-
Total	209.7	244.0	173.1	210.3
of which				
shares	177.4	214.6	141.1	182.4
deposits	0.7	3.8	0.5	2.3
receivables	31.5	25.6	31.5	25.6
Mortgages				
To secure own liabilities	250.9	317.6	146.2	198.9
To secure own and other subsidiaries' liabilities	-	-	-	-
To secure Group companies' liabilities	-	-	8.0	7.2
To secure affiliated companies' liabilities	-	-	-	-
Total	250.9	317.6	154.2	206.2
of which				
real estate mortgages	109.3	166.9	12.6	55.5
corporate mortgages	141.6	150.7	141.6	150.7
Guarantees				
Solely				
For consolidated Group companies	-	-	26.4	23.7
For other subsidiaries	-	1.3	-	1.3
For affiliated companies	5.2	10.1	5.2	10.1
For other companies	0.5	0.2	0.5	0.2
Jointly				
For affiliated companies	-	1.5	-	1.5
For other companies	0.1	0.1	0.1	0.1
Total	5.8	13.2	32.1	36.9
Other contingent liabilities				
Other contingent liabilities	-	0.1	-	0.1
Derivative instruments				
Forward rate agreements sold				
par value	-	7.3	-	7.3
market value	-	-0.2	-	-0.2
Interest rate instruments purchased				
par value	235.5	-	235.5	-
market value	-0.2	-	-0.2	-
Interest rate instruments sold				
par value	235.5	-	235.5	-
market value	0.1	-	0.1	-
Liabilities which have been secured with pledges and mortgages, total	244.2	290.3	204.1	258.0
Liabilities which have been secured with guarantees total,	11.6	21.5	11.6	21.5
of which has already been booked as an expense	1.0	1.5	1.0	1.5
Liabilities which have been secured with mortgages on real estate				
Long-term				
Financial institution loans	42.2	56.1	18.9	54.9
Mortgages given as collateral	107.2	78.7	71.8	77.0
Total	107.2	78.7	71.8	77.0
Liabilities which have been secured with shares				
Long-term				
Pension loans	0.1	0.1	0.1	0.1
Pledged shares' book value	0.1	0.1	0.1	0.1
Financial institution loans	80.2	90.4	56.7	74.9
Pledged shares' book value	159.9	195.9	118.6	163.5
Pledged shares, total	160.0	196.0	118.7	163.5

Shares included in fixed assets

Company	Group share-holding, %	Parent share-holding, %	Company	Group share-holding, %	Parent share-holding, %
Subsidiaries included in consolidated financial statements					
Companies in Finland					
Ferenda Oy	100	100	KOy Pakkalan Kartanonkoski 3	100	100
OK-Maanrakennus Oy	100	100	KOy Pakkalan Kartanonkoski 12	66	
Otsohallit Oy	100	100	KOy Pasilanraitio 5	77	77
Oulun Myllykiinteistöt Oy	100	100	KOy Pitkäsillankatu 1-3	100	100
Polar-International Oy	100	100	KOy Sahanparkki	100	100
Polar-Rakennus Oy	100	100	KOy Satomalmi	76	70
Polar-Yhtymä Oy	100	100	KOy Scifin Alfa	100	100
Povarstock Oy	100	100	KOy Seinäjoen Kino	90	90
PY-Investointi Oy	100	100	KOy Sinimäentie 10	77	77
Suomen Osakaskiinteistöt Oy	100	100	KOy Sisustaja	100	100
Vantaanportti Oy	100	100	KOy Solartalo 2001	100	100
Vantaanportti Invest Oy	67	67	KOy Solartalo 2002	100	100
KOy Ankkurikulma	100	100	KOy Solartalo 2003	100	100
KOy Hagströminkulma	100	100	KOy Solartalo 2004	100	100
KOy Hatanpään Valtatie 44	100	100	KOy Solartalo 2005	100	100
KOy Helsingin Kanavakatu 8-22	50	50	KOy Sörnäisten Rantatie 25	100	100
KOy Helsingin Kansakoulukatu 3	100		KOy Tampereen Hatanpää	100	100
KOy Helsingin Vuorikatu 20	100	100	KOy Tampereen Suvantokatu	100	100
KOy Hollolan Liikekeskus	94	94	KOy Tapiontuuli	100	100
KOy Hollolan Ostospaikka	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 Nuuskatu	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		KOy Vallilan Solar 4	100	100
KOy Kilon Timantti	100		KOy Vanha Talvitie 11	100	100
KOy Kivikkaro	100	100	KOy Viinikan Kauppakeskus	100	100
KOy Kornetintie 6	100	100	KOy Vilhonkatu 5	100	100
KOy Koskenportti	100	100	KOy Zeppelinin kauppapörssi	52	52
KOy Kotkan Seurahuone	100	100	KOy Ässäatalo 2001	100	100
KOy Kutomotie 6	100	100			
KOy Lahden Vesijärvenkatu 74	100	100	Foreign companies		
KOy Lappenrannan Lentäjätie 17-19	100	100	Polar Holding Inc.	100	100
KOy Larvalankatu 13	100	100	Polar Property Development Inc.	100	
KOy Malmin Kauppatie 8	100	100	Polarland Finance B.V.	100	100
KOy Niittylänpolku 16	100	100	S + T Baurtrading GmbH	100	100

Company	Group share-holding, %	Parent share-holding, %
Affiliated companies		
Finn-Stroi Oy	32	32
Koskikeskuksen Huolto Oy	49	
KOy F-Medi	22	4 814
KOy Valkeakosken Liikekeskus	25	25
KOy Zeppelinin kulmatori	28	28
Laadukkaat Vuokra-Asunnot Oy	49	49
Polar Construction Ukraine JSC	37	37
Suomen Kiinteistökehitys SKK Oy	50	50

The Group's financial trend

Profit and loss account	2000	1999	1998	1997	1996
Turnover, M€	96.9	104.6	241.1	269.7	252.7
Other income and expenses of business operations, M€	8.3	2.6	12.2	0.2	-0.1
Operating profit/loss, M€	-40.2	16.6	-3.2	-31.3	9.0
Profit/loss before extraordinary items, M€	-55.9	2.7	-19.5	-47.3	-6.8
Extraordinary income and expenses, M€	-	-	-	0.0	-3.8
Profit/loss before reserves and taxes, M€	-55.9	2.7	-19.5	-47.3	-10.6
Balance sheet					
Fixed assets	384.1	433.5	413.1	464.7	452.5
Inventory and financial assets (net)	74.0	128.2	222.2	248.1	280.4
Assets, M€ *)	458.1	561.7	635.2	712.8	732.9
Shareholders' equity	102.3	202.1	202.0	174.2	213.2
Equity loans	43.9	43.9	0.0	0.0	0.0
Minority interest	-	-	-	0.5	0.4
Reserves and accumulated depreciation difference	-	-	21.9	24.6	28.1
Obligatory reserves	21.5	20.1	19.0	58.1	29.6
Long-term liabilities					
- non-interest-bearing	0.0	2.0	30.9	66.4	74.9
- interest-bearing	266.6	302.2	59.7	338.3	332.2
Current liabilities					
- non-interest-bearing	21.0	13.1	38.7	48.5	42.8
- interest-bearing	12.4	41.9	263.0	2.1	11.6
Liabilities and shareholders' equity, M€ *)	458.1	561.6	635.2	712.8	732.9
*) excludes advance invoicing and developer-contractor advances					
Key figures for financial trends					
Return on equity, %, ROE	-42.9	1.7	-14.5	-12.6	-10.0
Return on investment, %, ROI	-7.7	3.6	-0.2	0.5	2.8
Equity ratio, %	31.9	36.0	35.3	28.5	33.5
Equity ratio, %, net of equity loans	22.3	28.2	28.4	14.2	19.4
Key indicators for business operations					
Average number of personnel	41	48	919	1169	1142
Dividend payment, M€	0.0	0.0	0.0	0.0	0.0
Key figures for shares					
Earnings per share (EPS), €	-0.31*)	0.02*)	-0.13*)	-0.40	-0.13
Equity per share, €	0.57*)	0.88*)	1.12*)	0.85	2.47
Dividend per share, €	-	-	-	-	-
Dividend/profit-%	-	-	-	-	-
Effective dividend yield-%	-	-	-	-	-
Price/earnings ratio	-0.64	3.51	-0.50	-1.06	-0.59
Trend in share price and turnover					
Issue-adjusted share price, €					
average price	0.30	0.35	0.59	1.18	0.97
lowest traded price	0.19	0.29	0.36	0.76	0.42
highest traded price	0.40	0.52	1.43	1.43	1.38
last traded price at year-end	0.20	0.32	0.38	0.81	1.11
Market capitalization, 31.12, M€	36.0	57.5	68.1	97.0	129.0
Trend in share turnover					
shares traded (1,000)	16 200	19 455	28 149	25 592	25 106
% of shares, average	9.00/9.01**	10.81/10.82**	17.4/17.5**	21.5/21.5**	43.7/43.7**
Issue-adjusted number of shares					
average (1,000)	180 018/179 878**	180 018/179 878**	161 343/161 258**	118 966/118 880**	57 498/57420**
at year-end (1,000)	180 018/179 878**	180 018/179 878**	180 018/179 933**	120 211/120 125**	116275/116197**

*) 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), %	=	$\frac{\text{Profit/loss before extraordinary items - taxes for year}}{\text{Shareholders' equity + minority interest (average)}} \times 100$
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)	=	$\frac{\text{Profit/loss before extraordinary items +/- minority interest in profit for year - taxes for year}}{\text{Issue-adjusted number of shares during year}}$
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	=	$\frac{\text{Total trading in shares, EUR}}{\text{Issue-adjusted number of shares traded during year}}$
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. The company has a single series of shares and all shares confer identical voting rights and entitlement to dividend. The share's trading code is POLKS and for international share trading the ISIN code is FI0009002760. A stock exchange lot is 1,000 shares and the shares have a par value of FIM 5.

Share capital

At year-end, there were 180,018,374 shares in Polar Real Estate Corporation and the share capital was FIM 900,091,870 (EUR 151,384,585.24). The company's minimum capital is FIM 600 million (EUR 101 million) and its maximum capital is FIM 2,400 million (EUR 404 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 2000, been used to subscribe for a total of 24,241,300 shares.

Warrant bonds, convertible bonds and convertible equity loans as at 31 December 2000

	Non-Polar Group		Polar Group		Total 2000	Total 1999
	2000	1999	2000	1999		
Warrant bonds (1,000)	8,179	8,179	2,339	2,339	10,518	10,518
Convertible bonds (FIM 1,000)	51,904	51,904	216,413	221,873	268,317	273,777
Options to convert to shares (1,000)	2,595	2,595	10,821	11,094	13,416	13,689
Convertible equity loan (FIM 1,000)	208,417	207,878	168,062	175,795	376,479	383,673
Options to convert to shares (1,000)	20,842	20,788	16,806	17,579	37,648	38,367

Increases and reductions in share capital 1996 - 2000

Increases Subscription period	Subscription/ conversion rate	Subscription price, FIM	Number of shares	Share capital, FIM	Dividend entitlement	New share capital, FIM
Convertible bonds 1994 exchanged in 1996	FIM 20 of debt 1 share		2,405,150	24,041,500	for year 1997	543,883,560
New issue 18-29.11.1996		FIM 10	61,887,100	618,871,000	for year 1997	1,162,754,560
Convertible equity loan 1996 exchanged in 1997	FIM 10 of debt 1 share		3,913,000	39,130,000		1,201,947,560
Convertible bonds 1994 exchanged in 1997	FIM 20 of debt 1 share		750	7,500	for year 1998	1,201,955,060
Convertible bonds 1996 exchanged in 1997	FIM 20 of debt 1 share		15,000	150,000	for year 1998	1,202,105,060
Convertible equity loan 1996 exchanged in 1998	FIM 10 of debt 1 share		20,900	209,000		1,202,314,060
Reduction in share capital 3.4.1998		FIM 5	120,231,406	-601,157,030		601,157,030
New issue 14.4-21.4.1998		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

Shareholdings

At the end of 2000 the company has a total of 4,993 shareholders and the total percentage held by nominee-registered parties and directly foreign-owned shares was 4.87%. The ten biggest shareholder groups held about 80% of the company's shares. There were no major changes in shareholdings during 2000.

According to the register of industry insiders on 31 December 2000, the members of the Board of Directors and the Management Committee held and controlled a total of 118,422 shares. These figures correspond to approximately 0.07% of the issued stock and voting rights.

The 10 biggest shareholders	Shares 1,000	%
Cervuctum Oy	46,434	25.79
Merita Bank Plc	35,717	19.84
UPM-Kymmene Corporation	14,836	8.24
Wärtsilä Corporation	14,463	8.03
Partek Corporation	10,905	6.06
Finnish Cooperative Wholesale Society SOK	5,305	2.95
Pohjola Group	3,884	2.16
Stockmann plc	3,627	2.01
Sampo Group	2,975	1.65
Kesko Pension Fund	1,780	0.99
Total for 10 biggest	139,926	77.73
Nominee-registered	8,435	4.69
Others	31,657	17.59
Total	180,018	100.00

Shareholders and voting rights by sector, 31.12.2000

	%
Companies*	54
Financial and insurance institutions	28
Households	11
Nominee-registered and foreign	5
Others and unregistered	2
* Less nominee-registered holdings	

Holdings by number of shares, 31.12.2000

Number of shares	Shareholders	%	Shares	%
1 - 100	1,560	31.24	52,762	0.03
101 - 1,000	1,456	29.16	738,016	0.41
1,001 - 10,000	1,485	29.74	6,442,417	3.58
10,001 - 100,000	431	8.63	12,485,285	6.94
100,001 - 1,000,000	49	0.98	12,932,016	7.18
over 1,000,000	12	0.24	147,202,708	81.77
Total	4,993	100.0	179,853,204	99.91
Total on waiting list			0	0.00
On joint accounts			165,170	0.09
Issued stock			180,018,374	100.00

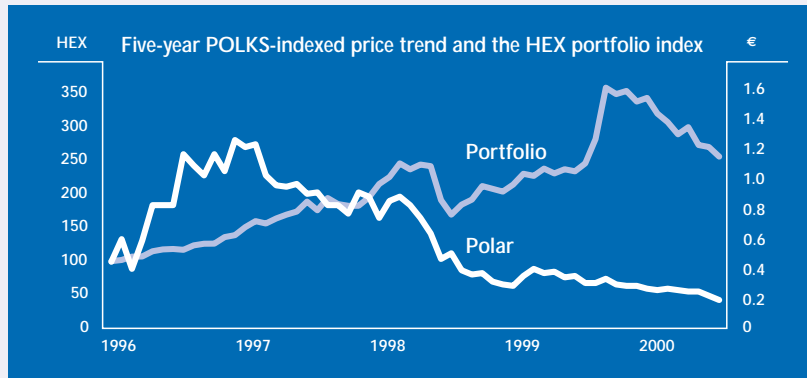
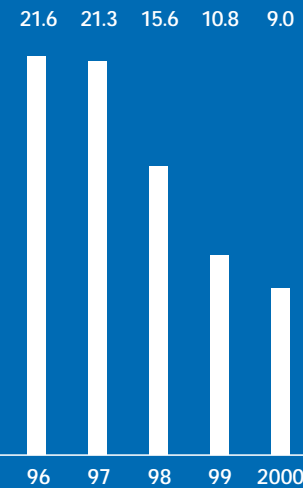
Shareholder agreements

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

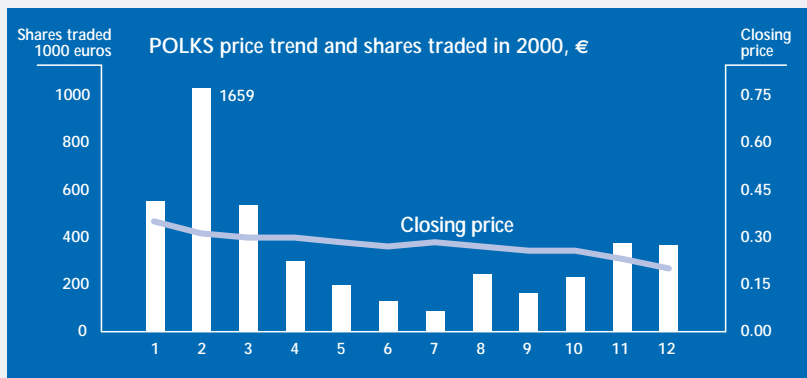
The shareholder agreement will be in force for the duration of Polar Real Estate Corporation's restructuring programme. The agreement will cease to be in effect for a particular contracting party if his voting rights fall below 2%, and the entire agreement will be voided if the combined voting rights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

Share turnover, % of issued stock



Trading in Polar shares and the price trend

In the course of 2000 a total of 16.2 million Polar Real Estate Corporation shares were traded for EUR 4.8 million. This corresponds to 9% of the issued stock. The average daily trade was 64,543 shares and EUR 19,292. The year's highest traded price was EUR 0.40 and the lowest was EUR 0.19. The market capitalisation at year-end was EUR 36 million and the last traded price was EUR 0.20.



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.

Board's proposal to the annual general meeting

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

The Board of Directors propose to the annual general meeting that no dividend be paid for the financial year 2000.

Helsinki, 14 February 2001

Jan-Henrik Kulp
Chairman

Jukka Salminen
Deputy Chairman

Heikki Allonen

Kari Heinistö

Hannu Sipilä

Helena Walldén

Erkka Valkila
President & CEO

Auditors' report

To the shareholders of Polar Real Estate Corporation

We have audited the accounting, the financial statements and the corporate governance of Polar Real Estate Corporation for the period from January 1 to December 31, 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to

obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act

and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable earnings is in compliance with the Companies Act.

Helsinki, 14 February 2001

SVH PricewaterhouseCoopers Oy
Authorised Public Accountants

Risto Laitinen
APA

Jorma Jäske
APA

Administration

The Board of Directors:



Deputy Chairman
Jukka Salminen, born 1947
M.Sc. (Econ.)

Executive Vice President of
the Finnish Wholesale
Cooperative Society (SOK)

Member of the Board of
Directors since 1993,
term of office expires in 2001



Heikki Allonen, born 1954
M.Sc. (Eng.)

Managing Director of SRV
Group Ltd

Member of the Board of
Directors since 1998,
term of office expires in 2003



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,
term of office expires in 2003



Kari Heinistö, born 1958
M.Sc. (Econ.)

Senior Executive Vice President of
the Partek Group

Member of the Board of
Directors since 1993,
term of office expires in 2002



Helena Wallden, born 1953
M.Sc. (Eng.)

Executive Director of OKOBANK

Member of the Board of
Directors since 1998,
term of office expires in 2002



Hannu Sipilä, born 1944
Attorney-at-law

Chief Legal Counsel,
Merita Bank Plc

Member of the Board of
Directors since 1999,
term of office expires in 2001

The administration of Polar Real Estate Corporation complies with the Companies Act and with the recommendation for the administration of public companies published in 1997 by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Annual general meeting

The annual general meeting adopts the profit and loss account and the balance sheet and passes resolutions on the election of members of the Board of Directors and auditors, the payment of dividend, and amendments to the articles of association. The annual general meeting of Polar Real Estate is held each year by the end of June.

Board of Directors

The annual general meeting elects 5 – 8 members to the Board of Directors, who elect from among their number a Chairman and Deputy Chairman. The term of office of a member of the Board ends at the closing of the third annual general meeting following the election. No employees of Polar Real Estate are members of the Board of Directors. The Board usually convenes once a month.

The Board of Directors supervise Polar Real Estate's operations and administration as well as deciding on important matters concerning strategy, investment, organisation and financing. The Board of Directors are responsible for the proper arrangement of the company's administration and they take care

that the company's matters are managed in accordance with the law, the articles of association, and the instructions and resolutions of the annual general meeting.

President

The Board of Directors appoints the President and his deputy and decides on the terms of their service. The President manages the company's business and day-to-day administration in accordance with the Board of Directors' instructions. The legality of the company's accounts and its asset management are the responsibility of the President. Erkka Valkila has served as the Group's President and Risto Varpula as its Executive Vice President since 1 January 1999.



Erkka Valkila, born 1953
B.Sc. (Eng.)

President & CEO

Has served the company
since 1991



Risto Varpula, born 1945
M.Sc. (Econ.)

Executive Vice President
Senior Vice President,
Finance and Treasury

Has served the company
since 1988



Heidi Ant-Wuorinen, born 1951
M.Sc. (Econ.)

Senior Vice President,
Business Development

Has served the company
since 1997



Pekka Komulainen, born 1958
M.Sc. (Eng.)

Senior Vice President,
Commercial Premises

Has served the company
since 1994



Timo Stenius, born 1956
M.Sc. (Eng.)

Senior Vice President,
Office Premises

Has served the company
since 1991

The Management Committee:

Management Committee

The main tasks of the Management Committee are to carry out the decisions of the company's Board of Directors, to develop its operations and to prepare decisions for discussion by the Board. Polar Real Estate's Management Committee convenes once a week.

Salaries and emoluments

The annual general meeting confirms the emoluments of the Board of Directors for one year in advance and the Board of Directors confirm the President's salary and other perquisites. The salaries, emoluments and perquisites paid to the members of the Board of Directors and the President in 2000 were EUR 0.3 million.

Insider dealings

Polar Real Estate Corporation adopted the rules of Helsinki Stock Exchange on insider dealings which came into force on 1 March 2000. The company's statutory sphere of insiders comprises the members of the Board of Directors, the President and the auditor. The company's specified insiders include all personnel. The personnel have been notified of insider matters.

According to the insider register of 31 December 2000 the members of the Board of Directors and the Management Committee plus those under their orders held a total of 118,422 shares.

Supervision systems

The annual general meeting elects auditors for one year at a time. The auditors elected in 2000 were SVH PricewaterhouseCoopers Oy, with Risto Laitinen, M.Sc. (Econ.), APA, as the auditor in charge, and Jorma Jäske, M.Sc. (Econ.), APA.

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 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.



Information to shareholders

Annual general meeting

The annual general meeting of Polar Real Estate Corporation will be held on Tuesday 6 March 2001 at 5 p.m. in Congress Hall B of Finlandia Hall, Mannerheimintie 13 E, Helsinki.

Shareholders have the right to attend the AGM if they have been registered as a shareholder no later than 23 February 2001 in the company's register of members maintained by the Finnish Central Securities Depository Ltd.

A shareholder wishing to attend the annual general meeting should notify Polar Real Estate Corporation no later than 3 p.m. on 5 March 2001 as follows

- by letter addressed to Sari Helenius, PO Box 102, FIN-00241 Helsinki, Finland, or
- by e-mail sari.helenius@polarkiinteistot.fi or
- by phone (+358 9) 8259 2374.

Any proxy documents for votes to be exercised at the annual general meeting should be sent to Sari Helenius at the address given above before the deadline for notifications.

Payment of dividend

The Board of Directors propose to the annual general meeting that no dividend be paid for the financial year 2000.

Financial disclosures

Publication dates of interim reports:

January – March	25 April 2001
January – June	15 August 2001
January – September	24 October 2001

The annual report for the financial year and interim reports will be published in Finnish and English, and they will be available at the company's website www.polarKiinteistot.fi.

The Jumbo shopping mall was visited in 2000 by a total of approximately 5.5 million customers and its sales rose to EUR 190 million. Polar Real Estate's holding in Jumbo is 21%.

Jumbo's website is www.kauppakeskusjumbo.fi.

Polar Real Estate Corporation

PO Box 102
FIN-00241 Helsinki
Finland
Street address: Pasilanraittio 5
Tel. (+358 9) 82 591
Fax. (+358 9) 8259 2300

<http://www.polarikiinteistot.fi>
e-mail: firstname.familyname@polarikiinteistot.fi

Regional offices

Tampere
Otavalankatu 3 A 8
Koskikeskus/Lok 7
FIN-33100 Tampere
Finland
Tel. (+358 3) 274 0400
Fax. (+358 3) 212 1879

Turku
PO Box 525
FIN-20101 Turku
Finland
Street address: Läntinen Pitkätie 33
Tel. (+358 2) 251 3811
Fax. (+358 2) 250 0470

Lahti
Vesijärvenkatu 74
FIN-15140 Lahti
Finland
Tel. (+358 3) 782 9300
Fax. (+358 3) 751 5557

Oulu
Kauppurienväylä 23, 5th floor
FIN-90100 Oulu
Finland
Tel. (+358 8) 312 5680
Fax. (+358 8) 312 5682

