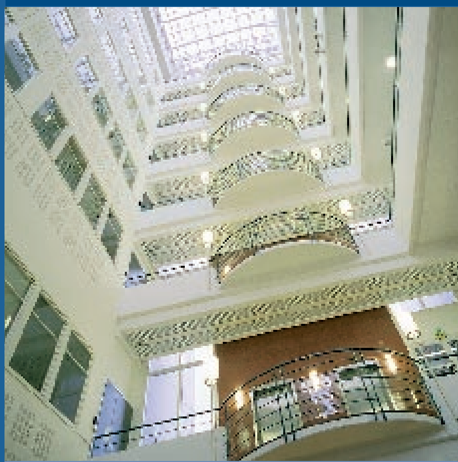
KAPITEELI



Annual report 2001

Contents

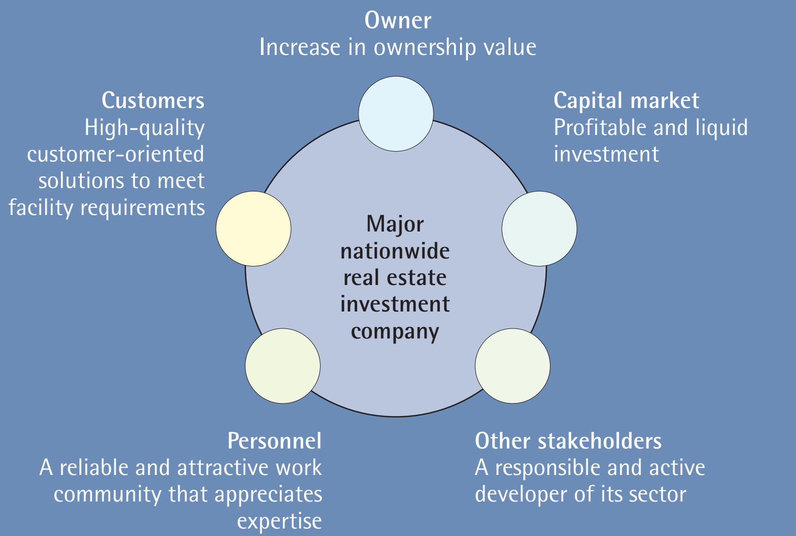
Kapiteeli's business idea and vision

Business idea

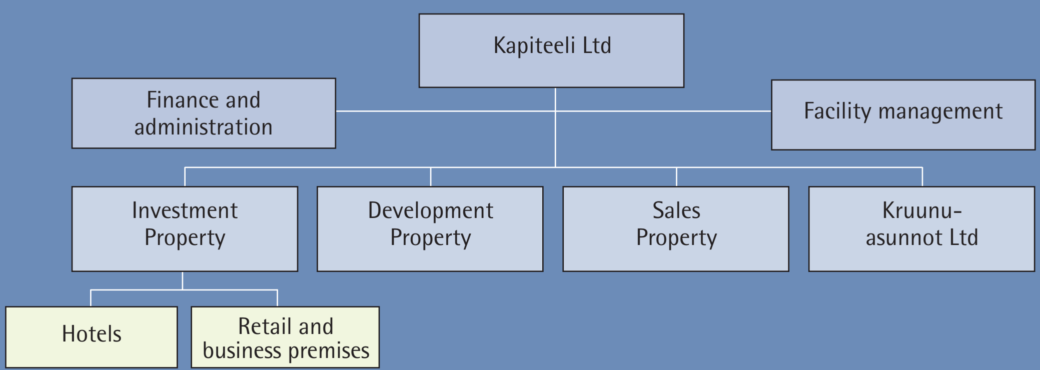
Kapiteeli's business idea is to create a customer-oriented, liquid real estate investment company with market viability by selling, developing and owning real estate property.

Vision

Kapiteeli's vision is to be a major nationwide real estate investment company.



Kapiteeli's business structure



Annual reports available in Finnish and English on the Kapiteeli web pages at www.kapiteeli.fi

Kapiteeli in brief

Kapiteeli Ltd is a real estate investment company looking for a strong market position by focusing on owning, renting and developing business, office and hotel property. Kapiteeli was established in 1999. The company is State-owned and operates on market terms and commercial principles, in open competition on the real estate market.

Kapiteeli's strengths are its financial position, the development potential of its real estate property, its multifaceted expertise in the real estate business and its customer-oriented service model, and it is the only nationwide operator in the business. It has customer service outlets in 14 localities. Kapiteeli offers its expert assistance to those looking for business or office facilities and to businesses and corporations operating both nationally and locally.

Kapiteeli's largest customers include Scandic Hotels, Sonera Group, Nordea Bank, Kesko Corporation, Nokia Networks, Finland Post and Sampo Group.

Key figures for the Group 1999–2001 EURm

	2001	2000	Pro forma 1999
Balance sheet	1,373	1,430	1,379
Turnover	296	318	47
Profit/loss	71	31	-81
Profit/loss before extraordinary items and taxes	66	31	23
Equity ratio-%	58.5	57.6	51.0
Sale of real estate	153	145	72
Real estate investment	54	16	-
Average personnel	150	207	45

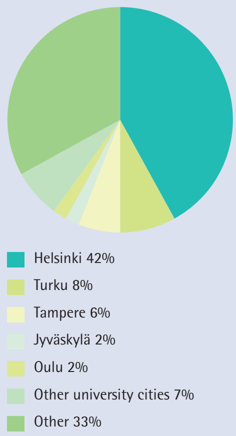
Key figures for real estate operations 2001 EURm

	Investment Property	Sales Property	Development Property	Total Kapiteeli Ltd
Rental revenue	77	46	14	137
Net rental yield	50	12	6	68
Net rental yield %	8.3	3.0	3.0	5.7
Capital employed in real estate assets	590	367	214	1,171

Real estate assets by business unit 1999–2001 EURm

	2001	2000	1999
Investment Property	590	598	580
Sales Property	367	444	532
Development Property	214	175	171
Kruunuasunnot Ltd	107	87	16
Total	**1,278**	**1,304**	**1,298**

Real estate assets by economic region*)



*) On the basis of capital employed – excluding Kruunuasunnot assets (EUR 107m)

Kapiteeli's strategy

Kapiteeli is a major nationwide real estate investment company owned by the State of Finland. Its long-term goal is to increase the State's asset value by making the company a profitable investment on the capital market. The State's long-term goal is to reduce its equity investment in the company by relinquishing ownership in part or in whole.

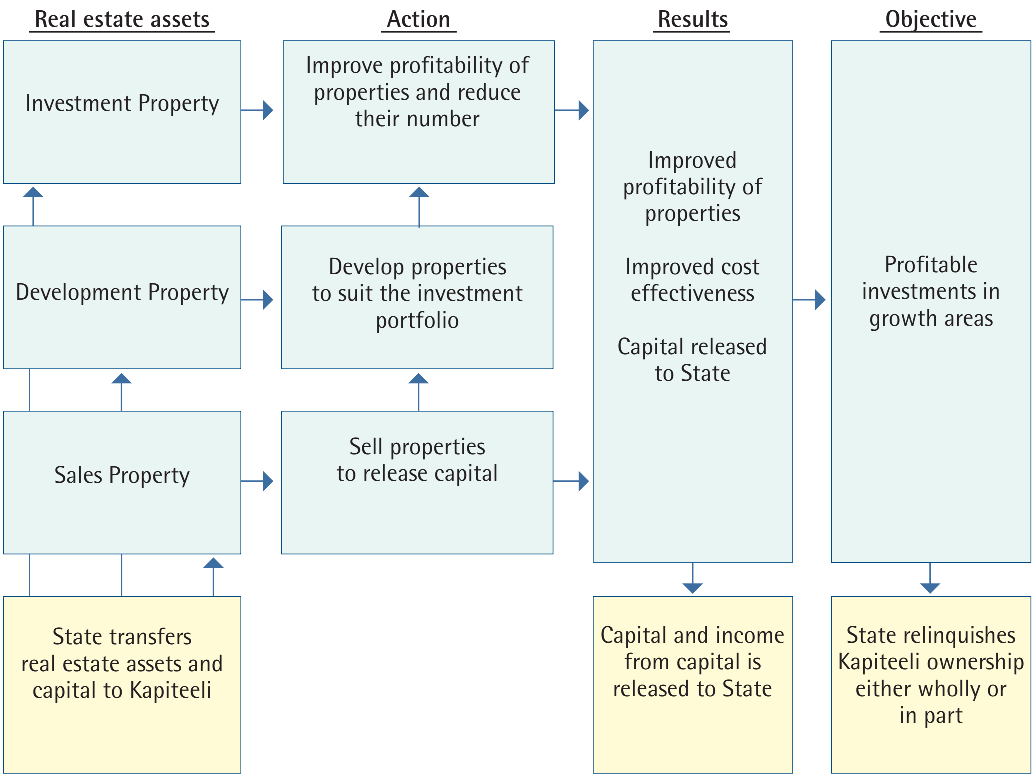
Kapiteeli concentrates on owning office, business and hotel facilities. By selling and buying actively, the number of investment properties will be reduced, unit size increased and ownership concentrated to growth areas. Properties with sufficient potential will be developed for investment properties. Productivity will be improved by renting and selling and by developing real estate property.

The company's sales property consists of real estate assets that are not compatible with its strategic goals in terms of size, location or type of property. The main target of real estate sales is to release capital for investment property development and State capital investment repayments.

Kapiteeli's strategic goals

Kapiteeli's strategic profit, balance sheet and equity ratio goals form the financial operating framework for its business. Apart from corporate operations, success in achieving these goals depends on changes in the operating environment, real estate market conditions and sectoral restructuring.

Kapiteeli's strategy

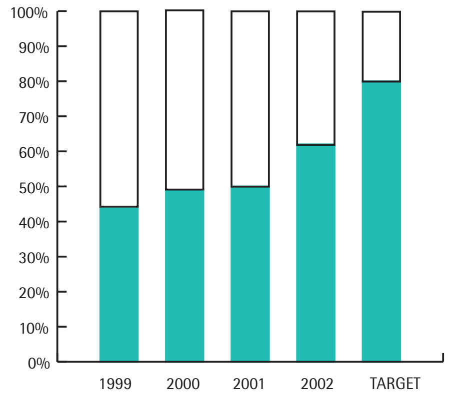


Investment Property assets

In four years' time, Investment Property will account for some 80 per cent of Kapiteeli's real estate assets. The investment property assets will be structured so as to make all investment properties bought or developed compatible with the investment criteria confirmed by the Board.

Kapiteeli will relinquish all investment properties that do not meet the profit and size criteria, are part-ownerships, or are located outside growth areas. The number of investment properties will be cut from the current 300 to less than 100, mainly situated in the Helsinki metropolitan area and in the Tampere and Turku regions.

Total real estate assets

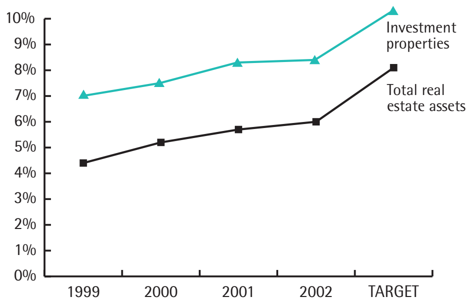


Investment Property
Sales and Development Property

Net rental yield targets

Kapiteeli aims to raise the net rental yield of investment properties from the current 8.3 per cent to 10 per cent in the next few years. While the proportion of investment properties in total real estate assets will clearly increase, the net rental yield of the entire real estate portfolio will improve.

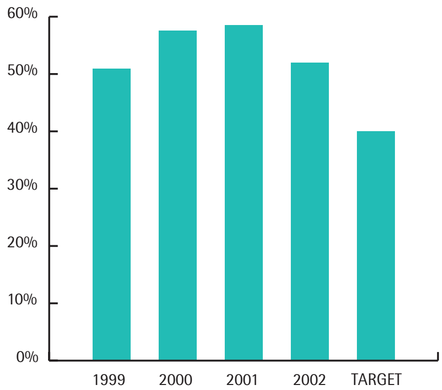
Net rental yield %



Equity ratio and return on equity targets

Kapiteeli's equity ratio has been on a high 60 per cent level since the company began operations. The ratio will be gradually lowered to 40 per cent. Return on equity will be increased in the next few years by raising net rental yield and improving cost efficiency.

Equity ratio % (incl. capital loan) 1999–



A steady growth track

The past year was successful for us. All profit, sales and development targets were achieved. Consolidated profit came to EUR 71 million, including a sales profit of EUR 37.4 million on the sale of our shares in Scandic Hotels. The capital loan of EUR 101 million was repaid to the State of Finland.

The company's real estate stock developed as planned, and property sales for the year exceeded targets. A total of 1,560 property deals were completed.

Kapiteeli's subsidiary Kruunuasunnot reached an agreement with the Defence Forces on the principles for renting housing to Defence Force personnel, and the rest of the housing stock was transferred for rent via the open market. At the end of 2001, Kruunuasunnot received 2,500 housing units as a capital contribution from the Ministry of Defence, raising the total Kruunuasunnot housing stock to more than 5,000 units.

Kapiteeli's strategic goals

Our strategy requires us to continue to develop our customer-oriented service culture and improve our profitability and cost efficiency. We will gradually shift our focus to business, office and hotel property in the fastest-growing areas in Finland.

Acquisition of new investment property and development of existing property will be financed by selling property that is not compatible with our strategy. In 2001, we sold EUR 153 million of such incompatible property, spent EUR 27 million on new investment property and invested EUR 45 million in new investment properties. We succeeded in reducing the number of investment properties and in increasing the average unit size.

Development of customer service and rental operations is a key priority in our operations. We are focusing our service concept with the aim of creating a nationwide subcontracting and partnership network that will meet the expectations of our customers. Our operating system will help us to improve customer service and satisfaction.

We made changes in Kapiteeli's organization around the end of the decade in order to increase cost efficiency in our property management, to intensify property sales and to improve customer service. Our operating model of four business units proved its feasibility by increasing unit productivity and motivating the personnel.

Challenges presented by the operating environment

In 2001, growth in the national economy slowed down, and this was reflected in the real estate and building sectors after the summer. The stagnation of growth in corporate need for facilities meant that plans for new premises were suspended in many cases. The utilization rates of existing facilities swung slightly upwards and purchasing demand slackened.

Uncertainty on the rental market heightened yield expectations among investors. We will probably have to wait until next year for a change for the better, since the real estate business lags behind the rest of the economy somewhat. The weaker market situation may cause postponements in investment projects or changeovers to gradual implementation of projects depending on the demand for facilities.

According to strategy, Kapiteeli's new development projects will increase its investment assets and improve the net rental yield from investment property. In spite of the increasingly challenging market situation, we expect to achieve our long-term sales and development goals.

The market situation is likely to keep sales of real estate assets just below the 2001 level. Total investments are also likely to remain slightly below the long-term goal of some EUR 70 million.

I should like to thank our customers, co-operation partners and personnel for their contribution to our achievements and performance in 2001. An interactive approach has helped Kapiteeli achieve its goals and settle on a stable path of growth. This is why I feel confident that the strategy we have chosen is the right one.

Helsinki, February 27, 2002

Kari Inkinen
President and CEO

In 2002 we will make significant inputs in selling property incompatible with our strategy, with particular emphasis on selling low-yield targets.

Kapiteeli service model

Kapiteeli serves businesses and corporations in their changing needs for facilities. Our customer-oriented service model is based on a regional presence, expertise on the local real estate market and partnership thinking. Kapiteeli offers expert assistance to those looking for business and office facilities and to both local and national businesses and corporations.

Customers as partners

Customer relations are often partnerships that extend over a number of years. According to its strategy, Kapiteeli makes inputs in interactive, high-quality customer cooperation and service in order to guarantee its customers facilities offering maximum feasibility, thus allowing them to concentrate on their own core business. Apart from maintenance services for business and office premises and real estate, Kapiteeli develops services offered to users of facilities via its cooperation network, which saves the customer company personnel's time and rationalizes operations.

Each customer is allocated an account manager who keeps in touch at regular intervals. Identification of customer needs is further promoted by property-specific customer meetings to discuss issues common to all users of the property in question. Customers are also served by a customer service centre that can be contacted at any time via telephone, the Internet, online chat or e-mail.

Customer feedback guides operations

Customer feedback guides the development of Kapiteeli operations. Kapiteeli monitors satisfaction throughout the service chain: how the facilities were found, how the lease negotiations went, how the move to new facilities succeeded and how far the facilities came up to expectations. At the same time, we analyse the customer's experience of Kapiteeli's personnel and service network. Personnel training needs are then determined on an individual function and unit basis using customer feedback received via various channels. The feedback is also used in developing the service network and in choosing cooperation partners.

Kapiteeli is also taking part in a joint benchmark study measuring customer satisfaction on an annual basis, which is being carried out by the Institute for Real Estate Economics (KTI). The findings show that customer satisfaction with Kapiteeli is around average or slightly above, and that satisfaction has increased somewhat over the past two years.

Service capacity development

Kapiteeli's service model is developed through personnel training and R&D. Among other things, Kapiteeli has had two development projects of its own in the National Technology Agency TEKES Rembrand Technology Programme: development of a CRM concept in real estate investment companies in 2000–2001 and implementation of an e-business model in the real estate sector through network cooperation in 2001–2003. The former defined Kapiteeli's currently operative customer relationship management model and a related operative management system for managing the service network; the latter is seeking a model for nationwide electronic mediation of facility- and user-specific services.

Kapiteeli customer service

Real estate business

Kapiteeli's real estate business is divided into four business units: Investment, Development, Sales Property, and Kruunuasunnot Ltd. Its real estate assets are divided up between the units' individual balance sheets, each being responsible for the profitability of its operations. Kruunuasunnot Ltd is an independent subsidiary.

The management and maintenance of Kapiteeli's real estate assets are the responsibility of the Facility Management unit, which provides business units with services. The Facility Management unit operates in five localities: Helsinki, Turku, Tampere, Jyväskylä and Oulu.

Kapiteeli's economic, information management, legal, financial and communications functions operate centrally.

Kapiteeli centralizes its real estate ownership

Kapiteeli will concentrate its real estate ownership in its Investment Property unit, which is the core of its operations. Most of Kapiteeli's rental revenue comes from Investment Property.

The Investment Property unit has customer service outlets in Helsinki, Turku, Tampere, Jyväskylä, Oulu and Pori.

The Development Property unit turns the business, office and hotel property chosen into profitable investment targets, transferring them to Investment Property.

The Development Property unit is centralized and operates in Helsinki.

The Sales Property unit is in charge of sales of real estate assets not compatible with the ownership strategy. It has customer service outlets in 14 localities.

Consolidated real estate assets

The consolidated capital employed in real estate assets came to EUR 1.3 billion on December 31, 2001. Investment property assets accounted for EUR 590 million of this, i.e. 46 per cent. At the end of 2001, Kapiteeli owned 3,237 properties in 353 different localities.

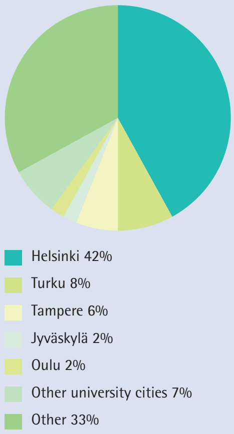
Consolidated financial performance

In 2001, the net rental yield on total real estate assets was 5.3 per cent for the Group and 8.3 per cent for Investment Property. Consolidated operating profit was EUR 115 million. This figure includes EUR 64 million in net sales profits/losses on property ownership and equity investments. The most significant sales profit (EUR 37.4 million) was generated by the sale of the shares in Scandic Hotels to Hilton Group PLC.

Consolidated financial performance EURm

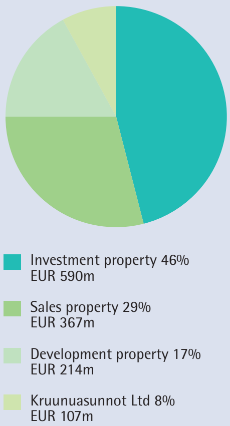
	2001	2000	Pro forma 1999
Rental revenue	157	150	135
Net rental yield	68	67	60
Operating profit	115	77	67
Profit for the financial period	71	31	-81
Net rental yield %	5.3	5.1	4.4
Occupancy rate %	73	74	72

Real estate assets by economic region*)



*) According to capital employed – excluding the Kruunuasunnot assets (EUR 107m)

Capital employed per business unit



Investment Property – the core of Kapiteeli's real estate assets

The Investment Property unit concentrates on owning and renting out office, business and hotel property. Its mission is to provide innovative solutions to meet customers' facility requirements anywhere in the country.
The unit employs 28 people in six different localities. The operations of the hotel unit have been centralized in Helsinki.

At the end of 2001, the unit's assets comprised 282 properties, with a total capital employed of EUR 590 million. 74 per cent of this value are business and office properties and 26 per cent hotels. The unit had a total of 2,145 rental agreements at the end of the financial year, with an average maturity of 3.3 years.

EUR 26 million in assets not included in corporate strategy were sold. The occupancy rate for the unit was 88.5 per cent at the end of 2001, and the average net rental yield 8.3 per cent.

Office and business property

Capital employed in business and office property owned by the Investment Property unit totalled EUR 437 million at the end of 2001.

The number of office and business properties was 261, most of them located in the Helsinki, Turku and Tampere economic regions.

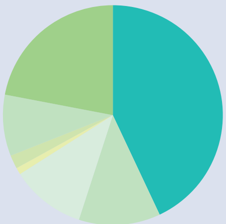
At the end of 2001, the unit had 1,500 tenants in its office and business properties, the biggest being the Sonera Group, Nordea Bank, Kesko Corporation, Nokia Networks, Finland Post and Sampo Group.

Hotel property

Kapiteeli is Finland's second biggest hotel property owner. Kapiteeli does not manage its own hotels but rents out the properties to companies maintaining hotels. The biggest such operator is Scandic Hotels. Hotels located in Helsinki and Espoo make up 77 per cent of the total hotel property value and 58 per cent of the total surface area.

The capital employed in hotel property owned by the Investment Property unit came to EUR 153 million at the end of 2001. The hotel properties comprised a total of 3,200 rooms with a total surface area of 220,000 square metres.

Investment property by economic region*)



*) According to capital employed

Investment property by property use*)

*) According to capital employed

Investment property financial performance EURm

	2001	2000
Rental revenue	77	71
Net rental yield	50	43
Operating profit	47	42
Net rental yield %	8.3	7.5
Occupancy rate %	88	90

Investment property assets December 31, 2001

	Capital employed EURm	Number of properties	Area 1 000 m^2
Business property	252	168	406
Office property	138	48	206
Warehouse and industrial property	47	45	154
Hotels	153	21	178
Total	**590**	**282**	**944**

Kapiteeli is Finland's second biggest hotel property owner. Its biggest hotel-operating tenant is Scandic Hotels. Kapiteeli's hotel properties comprise 3,200 rooms, most of them in Helsinki and Espoo. One of the best-known and also one of Kapiteeli's most valuable hotel properties is Scandic Hotel Kalastajatorppa in Helsinki. The hotel's manager Ari Arvonen and Kapiteeli's regional manager Pertti Serola have formed a strong working partnership aimed at ensuring the hotel meets the needs of its customers.

KAPITEELI

Vision and strategy

Kapiteeli's goal is to increase its real estate investment assets by erecting new buildings on sites owned by the company, by renovating existing buildings and by buying new real estate property. The goal is to raise the proportion of the company's real estate assets accounted for by Investment Property from 50 to 75–80 per cent over four years. At the same time, the Investment Property unit will relinquish assets that are outside its key areas or otherwise incompatible with its strategy.

The unit will reduce the number of properties owned and increase their unit size in order to intensify operations and to cut administration costs. The unit will concentrate on owning properties in growth centres.

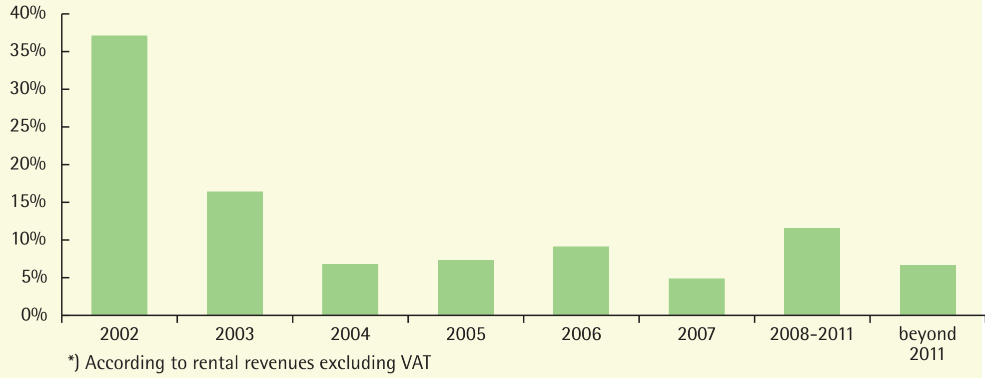
The Investment Property unit aims to achieve the targeted growth and yield levels through expert rental operations and active selling, buying and development. The unit's long-term goal is to raise the net rental yield of properties from the current 8.3 to some 10 per cent.

Biggest tenants according to rental revenue December 31, 2001

Tenant	Proportion %
Scandic Hotels	15.9
Nordea Bank Finland Plc	4.4
Sonera Group	3.9
Kesko Corporation	3.9
Nokia Networks	2.8
Finland Post Plc	2.7
Sampo Group	1.5
Alko Inc.	1.4
Ministry of the Interior	1.3
Samlink Ltd	1.3

*) According to rental revenue

Maturity of Investment Property rental agreements (economic length of rental agreement)



*) According to rental revenues excluding VAT

Biggest investment properties December 31, 2001

Name (company)	Location	Use	Area m²	Capital employed EURm
Nordic Hotellikiinteistöt Koy	Helsinki	hotel	24,150	56
Helsingin Kanavakatu 8–22 Koy	Helsinki	hotel	23,661	31
Sp-kiinteistöt Oy Kilo	Espoo	office	28,093	20
Etyk-palatsi Koy	Helsinki	hotel	11,500	11
Hotelli Kalastajatorppa, Helsinki	Helsinki	hotel	23,291	10
Hämeenkatu 18/Kauppakatu 3	Tampere	office	6,423	9
Kotkan Liikekeskus Koy	Kotka	business	11,161	8
Hermitec Oy	Tampere	office	9,959	8
Helsingin Nuijamiestentie 3 Koy	Helsinki	office	9,241	8
Porin Pentinkulma Koy	Pori	business	15,081	8

Investment property accounts for approximately 50 per cent of Kapiteeli's real estate assets, and the goal is to increase this percentage still further in the next few years. Kapiteeli has almost 300 investment properties, one tenth of which are located in Tampere, including the property shown in the picture (Kiinteistö Oy Tampereen Hatanpäänvaltatie 260), which was Kapiteeli's first investment property, purchased in 2000. The property has changed with the requirements of its occupants. Additional space was built for MPS-Finland Consulting, and modifications were made to the new premises of Tilintarkastajien Oy – Ernst & Young. Regional manager Martti Munne and customer services secretary Eliisa Siukonen of Investment Property's Tampere unit discuss the implementation of Kapiteeli's customer-oriented strategy in the Tampere region.

Kapiteeli is the biggest property owner and developer involved in the various office facilities taking shape in Ruoholahti, Helsinki. Ruoholahti is currently the most important of the Development Property unit's locations. A 1,500-space car park and three office buildings for the High Tech Center Helsinki were the first to be completed. By the end of the financial year, almost 90 per cent of these high-quality facilities at Porkkalankatu 20 were rented. The excellent location provided architect and head designer Kari Piela with an interesting basis for the design. According to Matti-Pekka Jalonen, Kapiteeli can expect a steady revenue from Ruoholahti thanks to the functional solutions, service concepts, architectural designs and the tenants.

Development Property – added value through property development and project planning

Development Property is a business unit that uses a customer-oriented approach in concentrating on Kapiteeli's real estate and land properties, primarily with an eye to transferring them to Investment Property. The Development Property unit focuses its operations on property development, project planning, zoning and sale of building lots.

At the end of 2001, the unit's assets comprised 62 properties and 79 land areas with a total capital employed of EUR 214 million. The unit invested a total of EUR 45 million in future investment properties during 2001. The first units at Kapiteeli's most important development site in Ruoholahti, Helsinki, were completed around the end of 2001.

Completed real estate properties transferred to Investment Property totalled EUR 15.3 million.

The occupancy rate for the Development Property unit was 52.6 per cent at the end of 2001, and the average net rental yield 3.0 per cent.

Development Property financial performance EURm

	2001	2000
Rental revenue	14	13
Net rental yield	6	5
Operating profit	18	16
Net rental yield %	3.0	2.7
Occupancy rate %	53	51

Itämerentalo in Ruoholahti, Helsinki, is part of Finnish construction history. This noteworthy building is located by the sea near the city centre with good traffic connections. After extensive renovation of the interior and the elevation, this solid brick building provides demanding users with modern and functional facilities.

Kapiteeli has reached its property sales targets in the Tampere region more successfully than expected. Kapiteeli's strategy is to sell any of its real estate whose revenue or size criteria are not compatible with the targets set by the company. These properties included the business premises at Pispalan Valtatie 2. Sales Manager Markku Laulunen (centre) and maintenance man Samu Lepistö (left) examine the condition of the property together with the superintendent Jari Väyrynen (right) before the sale.

Sales Property

Sales Property is a business unit that concentrates on selling real estate not consistent with Kapiteeli's strategy, thus releasing capital for development operations.

Kapiteeli's nationwide sales network is divided into four areas: Southern, Western, Eastern and Northern Finland. Sales teams in 14 cities and Kapiteeli's national Customer Service Centre are responsible for sales. The Sales Property unit has 49 employees.

The sales personnel are familiar with the local real estate market and with relevant local organizations in the areas where the unit's properties are located and can thus offer customer-oriented facilities solutions to businesses and investors in the area.

The real estate assets of the Sales Property unit consist of commercial properties, housing units, land areas and other property. At the end of 2001, the unit's assets comprised 1,547 properties and 978 land areas with a total capital employed of EUR 367 million.

In 2001, EUR 92 million in sales properties were sold in accordance with the targets set.

The occupancy rate for sales properties was 67 per cent at the end of 2001 and the average net rental yield 3.0 per cent.

Sales Property financial performance EURm

	2001	2000
Rental revenue	46	52
Net rental yield	12	16
Operating profit	9	17
Net rental yield %	3.0	3.4
Occupancy rate %	67	69

Kruunuasunnot Ltd

Kruunuasunnot Ltd is a wholly owned subsidiary of Kapiteeli.

On December 31, 2001, the company's assets nearly doubled when the Defence Forces transferred to Kruunuasunnot over two thousand housing units located inside or in the vicinity of garrisons. At the moment, Kruunuasunnot's real estate assets comprise about 5,300 housing units in 500 properties in 50 localities. The balance sheet total at the end of 2001 stood at EUR 119 million and the book value of real estate assets at EUR 107 million.

About 400 housing units are in Helsinki and 350 in Oulu. One of the most important single housing unit areas is Upinniemi Garrison, which has 340 housing units. The southernmost housing units are in Hanko and northernmost in Sodankylä.

Personnel

On December 31, 2001, Kapiteeli Group had 145 employees, 135 of whom were employed by the parent company and 10 by the subsidiary Kruunuasunnot Ltd.

Personnel by business unit 31.12.2001

	number
Management and administration	36
Investment Property	28
Development Property	22
Sales Property	49
Kruunuasunnot Ltd	10

- Personnel turnover 6.4%
- Training costs 6% of total salaries
- Turnover per person EUR 1,903,869

Board of Directors

Members of the Kapiteeli Board from left to right: Jarmo Väisänen, Elina Selinheimo, Pertti Tuominen, Timo Viherkenttä, Tuija Soanjärvi and Juhani Kivelä.

Composition of the Board

Kapiteeli's Board of Directors comprised six regular members in 2001. The Annual General Meeting elects the Board members and the Chairman and Deputy Chairman of the Board for the period ending at the close of the following Annual General Meeting.

Timo Viherkenttä, born 1958
Chairman since 2001
Budget Director, Ministry of Finance

Juhani Kivelä, born 1934
Chairman 1999–2000
Deputy Chairman since 2001
Permanent Under-Secretary of State (retired), Ministry of Finance. Chairman of State Ownership Policy Division and Property Administration Division 1996-1998

Elina Selinheimo, born 1950
Member since 1999
Senior Adviser for the Budget, Ministry of Finance

Tuija Soanjärvi, born 1955
Member since 1999
CFO, TietoEnator Corporation

Pertti Tuominen, born 1936
Member since 1999
General Director (retired), State Real Property Authority.
Senior Adviser, Catella Property Consultants Oy

Jarmo Väisänen, born 1951
Member since 1999
Financial Counsellor, State ownership policy, Ministry of Finance

Management

Kapiteeli Executive Management Team from left to right: Ossi Hynynen, Seppo Lehto, Heikki Kallio, Kari Inkinen, Esko Mäkinen and Erik Hjelt.

Executive Management Team

Kapiteeli's President and CEO is assisted by the Executive Management Team, comprising, in addition to the President and CEO, the Senior Vice Presidents of the Investment, Development and Sales Property units and the Chief Financial Officer. The company's Chief Legal Counsel acts as secretary to the Executive Management Team.

President and CEO
Kari Inkinen, born 1957
Earlier: Director of Residential Construction, YIT Corporation. Member of the Board of Turku Bio Valley Ltd

Senior Vice President, Real estate investment
Seppo Lehto, born 1943
Earlier: Real Estate Manager, Asset Management Company Arsenal; Head of Infrastructure, Haka Oy

Senior Vice President, Real estate development
Ossi Hynynen, born 1955
Earlier: Director of Marketing, ProPaulig Ltd; Construction Manager, Haka Oy

Senior Vice President, Real estate sales
Heikki Kallio, born 1963
Earlier: Attorney, Attorneys-at-law Juridia Ltd; Area Director, Huoneistokeskus Oy

Chief Financial Officer
Esko Mäkinen, born 1945
Earlier: Director of Finance, Asset Management Company Arsenal; Director of Supervision, Savings Bank of Finland - SBF Ltd

Chief Legal Counsel and Secretary to the Executive Management Team
Erik Hjelt, born 1961

Contents of the Board report on operations

KAPITEELI

Board report on operations January 1-December 31, 2001

Group targets achieved

In 2001, the market situation in the real estate sector proved to be more challenging than in earlier years. Despite the change in the operating environment, Kapiteeli Group achieved the targets it had set for performance, sales and development in 2001.

During the financial year, EUR 138.9 million in real estate property was sold. The company's Scandic Hotels Ab shares were sold to Hilton Group Plc for EUR 69.0 million on April 22, 2001.

The most significant acquisition of investment properties was the 50% holding in Kiinteistö Oy Helsingin Kanavakatu 8–22, bought from Polar Real Estate Corporation. Following this transaction, Kapiteeli owns the entire property. The first development targets in Ruoholahti, Helsinki, were completed around the end of 2001.

Kapiteeli's EUR 100.9 million capital loan was repaid to the Finnish State on December 7, 2001. At the end of 2001, Kapiteeli received EUR 25.6 million in assets as a capital contribution from its owner, the Finnish State. Of the property obtained by Kapiteeli, EUR 24.2 was transferred to Kruunuasunnot Ltd.

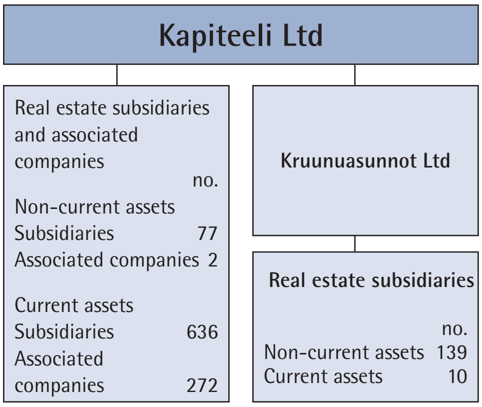
Group structure

The Kapiteeli Group includes the operating subsidiary Kruunuasunnot Ltd. The Group also has 216 real estate subsidiaries and two associated real estate companies. The operating subsidiary and permanently owned real estate subsidiaries and associated real estate companies have been combined to form the Kapiteeli Group. The real estate corporations recorded under current assets have not been consolidated.

Funding

In connection with repayment of the capital loan, Kapiteeli's funding structure was diversified, and the company acquired EUR 55.0 million in long-term funding for 5–7 years through private placement arrangements.

On December 31, 2001, Kapiteeli Ltd's interest-bearing liabilities totalled EUR 513.5 million. The company's financial expenses amounted to EUR 29.6 million. The average loan period of Kapiteeli Ltd's credits was 2.9 years and the mean interest rate 4.78 per cent. The average period for which interest rates were fixed was 1.8 years.



Parent company profit and loss statement

Kapiteeli Ltd's turnover totalled EUR 268.4 (302.3) million, including EUR 136.7 (136.3) million worth of rental revenue and compensation for use. In addition, turnover included EUR 131.7 (166.0) million from sales of real estate.

The parent company's planned depreciation and write-downs totalled EUR 10.7 (5.3) million. Due to losses confirmed in taxation, no taxes were entered in Kapiteeli's accounts for the financial year.

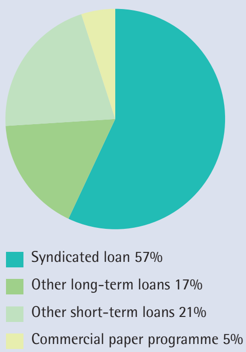
Profit for the year totalled EUR 68.4 (22.4) million. This includes EUR 39.5 (48.3) million in sales gains and a loss of EUR 14.9 (19.7) million from sales property, investment property and development property. A sales profit of EUR 37.4 million was recorded for the financial year from sale of the Scandic shares.

In 2001, return on equity (ROE) was 9.5 per cent (3.6%) and return on invested capital (ROI) 7.6 per cent (4.0%).

Parent company balance sheet

The parent company balance sheet total stood at EUR 1,289.5 (1,325.8) million. Non-current assets, at EUR 601.7 (658.9) million, include long-term investments in real estate and corporate loan receivables from real estate corporations included in non-current assets. Current

Kapiteeli Ltd's funding structure on December 31, 2001



assets totalled EUR 687.8 (666.9) million. Real estate assets entered under current assets stood at EUR 612.9 (592.9) million. Corporate loan receivables from real estate corporations entered under current assets amounted to EUR 37.3 (42.5) million.

Financial assets comprise short-term investments and deposits and bank accounts, totalling EUR 2.2 (2.5) million.

The company's equity stood at EUR 737,5 (744.4) million. In 2001, Kapiteeli's share capital and premium fund were raised by a total of EUR 25.6 million by transferring real estate assets to the company as a capital contribution. Share capital was raised by EUR 57.3 million through a bonus issue from the premium fund according to decisions made by the company's Extraordinary General Meeting.

Consolidated profit and loss statement

Consolidated turnover totalled EUR 296.1 (318.2) million and consisted of EUR 157.2 (149.6) million worth of rental revenue and compensation for use. In addition, turnover included EUR 138.9 (168.6) million from sales of real estate.

Planned depreciation came to EUR 12.6 (12.4) million. Due to Kapiteeli's losses carried forward the deferred tax liability recorded the previous financial years, EUR 5.2 million, was entered in the profit and loss statement.

Consolidated net profit was EUR 71.1 (31.1) million. This includes EUR 64.3 (29.8) million in net profit from sale of real estate and shares.

In 2001, return on equity (ROE) was 9.4 per cent (4.7%) and return on invested capital (ROI) 7.1 per cent (4.5%).

Consolidated balance sheet

The consolidated balance sheet total stood at EUR 1,373.1 (1,430.2) million, with a minority interest of EUR 39.9 (56.1) million. The consolidation differences arising from the combination of real estate companies have been allocated to buildings and land. If the acquisition cost of associated companies' shares is higher or lower than the respective proportions of shareholders' equity, the differences have been allocated to the companies' assets.

Consolidated non-current assets amounted to EUR 662.4 (737.0) million, including long-term real estate investments. Current assets comprise real estate holdings classified as sales property and share holdings. Corporate loan receivables from real estate corporations entered under current assets came to EUR 37.3 (42.5) million.

Consolidated financial assets comprise short-term investments and deposits, EUR 1.8 (2.9) million, and bank accounts, EUR 5.2 (4.4) million.

Consolidated liabilities stood at EUR 560.1 (599.9) million, of which EUR 165.7 (249.3) million was current and 394.4 (350.6) million non-current.

Consolidated equity was EUR 761.9 (766.1) million. It increased by EUR 25.6 million when Kapiteeli Ltd raised its share capital and premium fund. Kapiteeli Ltd's capital loan of EUR 100.9 million was repaid to the Finnish State.

The consolidated equity ratio was 58.5 per cent (57.6%) at the end of the financial year. The gearing ratio was 0.7 (0.9).

KAPITEELI

Group performance in 1999–2001

	2001	2000	Pro forma, result, EURm 1999
Rental revenue	157	150	135
Management, maintenance and alteration costs	-89	-83	-75
NET RENTAL YIELD	68	67	60
+/- Sales profit/loss	64	30	26
Administration and other expenses/Other income	-17	-19	-19
OPERATING PROFIT	115	77	67
Depreciation and write-downs	-18	-13	-8
PROFIT BEFORE FINANCIAL EXPENSES	98	64	58
Financial expenses	-32	-33	-35
PROFIT BEFORE EXTRAORDINARY ITEMS	66	31	23
Extraordinary items	0	0	-102
PROFIT BEFORE APPROPRIATIONS AND INCOME TAXES	66	31	-79
Change in depreciation difference	0	0	-2
Change in tax liabilities	5		1
PROFIT	71	31	-81

Corporate governance principles

Kapiteeli has confirmed corporate governance principles defining the responsibilities of the Board of Directors and the management, the division of executive power, the mode of administration and its ethical values.

Kapiteeli has an external Board of Directors with six ordinary members. The Annual General Meeting of shareholders elects the Board members and the chairman and deputy chairman of the Board for a period ending at the close of the following Annual General Meeting.

The Board of Directors does not have any committees or internal division of responsibilities. The chairman of the Board's special duty is to deal with owner guidance issues. Other Board members have no special duties. If necessary, the Board of Directors confirms the duties and areas of responsibility of its various members.

Administration

Meetings of Kapiteeli shareholders

On March 30, 2001, the Annual General Meeting

- approved the financial statements of Kapiteeli Ltd and the Kapiteeli Group and discharged the members of the Board of Directors and the President and CEO from liability
- elected Timo Viherkenttä as chairman, Juhani Kivelä as deputy chairman, and Elina Selinheimo, Tuija Soanjärvi, Pertti Tuominen and Jarmo Väisänen as members of the Board of Directors up to the Annual General Meeting of 2002

On December 20, 2001, the Extraordinary General Meeting

- decided to raise Kapiteeli Ltd's share capital from FIM 1,680,789,500 to FIM 1,680,989,500. The proportion exceeding the nominal value, totalling FIM 152,116,000, has been recorded in the premium fund. The increase was implemented by transferring the same value in real estate assets to the company as a capital contribution. In addition, the company share capital was converted into euros by raising share capital from FIM 1,680,989,500 to EUR 340,000,000 through a bonus issue. These increases were implemented by raising the book counter-value of the shares and by issuing new ones.

- decided, on the basis of arrangements made at Tuokko Deloitte & Touche Oy, Authorized Public Accountants, to elect Deloitte & Touche Oy as the company auditor, with Hannu T. Koskinen, Authorized Public Accountant, as responsible auditor and Aarne Koivikko, Authorized Public Accountant, as deputy auditor, for the period beginning at the close of the Extraordinary General Meeting.

Audit

The auditors were Tuokko Deloitte & Touche Oy, Authorised Public Accountants, with Yrjö Tuokko, Authorized Public Accountant, as responsible auditor and Hannu T. Koskinen, Authorized Public Accountant, as deputy auditor. After the Extraordinary General Meeting on December 20, 2001, the auditors were Deloitte & Touche Oy, Authorized Public Accountants, with Hannu T. Koskinen, Authorized Public Accountant, as responsible auditor and Aarne Koivikko, Authorized Public Accountant, as deputy auditor.

Board of Directors

The Board of Directors met 15 times during the year. The Board of Directors comprises Timo Viherkenttä (Chairman), Juhani Kivelä (Deputy Chairman), Elina Selinheimo, Tuija Soanjärvi, Pertti Tuominen and Jarmo Väisänen.

Management

Kapiteeli's President and CEO is assisted by the Executive Management Team comprising, in addition to the President and CEO, the directors responsible for the Investment, Development and Sales Property units, and the director responsible for the company finances. The company's Chief Legal Counsel acts as secretary to the Executive Management Team.

The Executive Management Team comprises: Kari Inkinen, President and CEO, Ossi Hynynen, Director (Property Developing), Heikki Kallio, Director (Property Selling and Leasing), Seppo Lehto, Director (Property Investing), and Esko Mäkinen, Director of Finance. The secretary to the Executive Management Team was Erik Hjelt.

Group personnel

On December 31, 2001, Kapiteeli's personnel numbered 135 (166), of whom 133 (149) were permanent and 2 (17) fixed-term employees. Kruunuasunnot Ltd employed 10 (8) people at year-end.

Prospects

There is some uncertainty related to future developments in the economic operating environment, and this is also reflected on the real estate market. The market situation is, however, not expected to significantly raise vacancy rates in Kapiteeli's commercial properties or to lower rent levels. New investment projects are being launched gradually, according to the demand for commercial properties.

Kapiteeli's new development projects will increase investment assets and improve the net rental yield of investment properties in 2002. Sales of real estate not compatible with Kapiteeli's strategy are expected to come to some EUR 80–90 million.

Thanks to sales profits from share holdings, Kapiteeli's financial performance improved in 2001. Excluding this exceptional sales gain, Kapiteeli Group's profit for 2002 is expected to pick up somewhat on the previous year.

BOARD PROPOSAL FOR DISPOSAL OF THE PROFITS

On December 31, 2001, the Group's distributable funds stood at EUR 179,366,796.01. The parent company's distributable funds amounted to EUR 170,830,940.70.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.61 per share be distributed, corresponding to a total EUR 27,370,000, and that the remaining EUR 41,013,515.70 of the profit for the financial period be carried over on the profit and loss account for previous years.

KAPITEELI

Consolidated profit and loss statement

	Note	Jan. 1-Dec. 31, 2001 EUR 1,000	Jan. 1-Dec. 31, 2000 EUR 1,000
TURNOVER	1	296,122	318,235
Other operating income	2	39,411	4,811
Materials and supplies	3	-112,137	-141,206
Personnel expenses	4	-8,982	-10,782
Depreciation and write-downs	5	-17,527	-12,881
Other operating expenses	6	-104,656	-100,405
OPERATING PROFIT/LOSS		**92,231**	**57,772**
Financial income and expenses	7	-26,221	-26,452
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**66,010**	**31,320**
Extraordinary items		0	0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**66,010**	**31,320**
Income tax	9	5,234	2
Minority interest		-108	-216
PROFIT/LOSS FOR THE FINANCIAL YEAR		**71,136**	**31,106**

Consolidated balance sheet

KAPITEELI

	Note	Jan. 1-Dec. 31, 2001 EUR 1,000	Jan. 1-Dec. 31, 2000 EUR 1,000
Assets			
NON-CURRENT ASSETS			
Intangible assets	10	5,018	5,387
Tangible assets		637,745	635,698
Investments	11		
Holdings in associated companies		2,250	44,297
Other investments		17,416	51,659
NON-CURRENT ASSETS, TOTAL		**662,429**	**737,041**
CURRENT ASSETS			
Inventories	12	643,733	613,066
Non-current receivables	13	40,770	43,673
Deferred tax receivables			
Current receivables	14	19,205	29,089
Liquid securities		1,839	2,884
Cash in hand and at banks		5,154	4,424
CURRENT ASSETS, TOTAL		**710,701**	**693,136**
TOTAL		**1,373,130**	**1,430,177**
Liabilities			
EQUITY	15		
Share capital		282,689	282,689
Share issue		57,311	
Premium fund		226,666	258,360
Profit/loss brought forward		124,136	93,030
Profit/loss for the financial year		71,136	31,106
Capital loan	16	0	100,913
TOTAL EQUITY		**761,938**	**766,098**
MINORITY INTEREST		**39,860**	**56,143**
NEGATIVE CONSOLIDATION GOODWILL			
PROVISIONS	18	**11,194**	**8,073**
LIABILITIES			
Deferred tax liabilities			5,249
Non-current liabilities	19	394,441	350,586
Current liabilities	20	165,697	244,028
LIABILITIES, TOTAL		**560,138**	**599,863**
TOTAL		**1,373,130**	**1,430,177**

KAPITEELI

Parent company profit and loss statement

	Note	Jan. 1-Dec. 31, 2001 EUR 1,000	Jan. 1-Dec. 31, 2000 EUR 1,000
TURNOVER	1	268,446	302,290
Other operating income	2	39,215	4,045
Materials and supplies	3	-107,514	-140,383
Personnel expenses	4	-8,264	-9,543
Depreciation and write-downs	5	-10,711	-5,331
Other operating expenses	6	-94,506	-105,799
OPERATING PROFIT/LOSS		**86,666**	**45,279**
Financial income and expenses	7	-19,023	-23,136
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**67,643**	**22,143**
Extraordinary items		0	0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**67,643**	**22,143**
Appropriations	8	741	290
Income tax	9	0	0
PROFIT/LOSS FOR THE FINANCIAL YEAR		**68,384**	**22,433**

Parent company balance sheet

	Note	Dec. 31, 2001 EUR 1,000	Dec. 31, 2000 EUR 1,000
Assets			
NON-CURRENT ASSETS			
Intangible assets	10	2,102	2,173
Tangible assets		90,014	129,212
Investments	11		
Holdings in Group companies		490,427	433,169
Holdings in associated companies		1,910	44,297
Other investments		17,274	50,066
NON-CURRENT ASSETS, TOTAL		**601,727**	**658,917**
CURRENT ASSETS			
Inventories	12	630,836	594,271
Non-current receivables	13	38,458	43,673
Current receivables	14	16,243	26,407
Liquid securities		0	0
Cash in hand and at banks		2,244	2,519
CURRENT ASSETS, TOTAL		**687,781**	**666,870**
TOTAL		**1,289,508**	**1 325,787**
Liabilities			
EQUITY	15		
Share capital		282,689	282,689
Share issue		57,311	
Premium fund		226,666	258,359
Profit/loss brought forward		102,447	80,014
Profit/loss for the financial year		68,384	22,433
Capital loan	16	0	100,913
TOTAL EQUITY		**737,497**	**744,408**
APPROPRIATIONS	17	**14,942**	**17,812**
PROVISIONS	18	**7,408**	**8,073**
LIABILITIES			
Non-current liabilities	19	353,638	311,033
Current liabilities	20	176,023	244,461
LIABILITIES, TOTAL		**529,661**	**555,494**
TOTAL		**1,289,508**	**1,325,787**

Funds statement

	CONSOLIDATED		PARENT COMPANY	
	Jan. 1-Dec. 31, 2001 EUR 1,000	Jan. 1-Dec. 31, 2000 EUR 1,000	Jan. 1-Dec. 31, 2001 EUR 1,000	Jan. 1-Dec. 31, 2000 EUR 1,000
CASH FLOW FROM OPERATIONS				
Operating profit/loss	92,231	57,772	86,666	45,278
Adjustments to operating profit	-38,939	21,182	-30,345	5,836
Change in working capital	-2,653	68,033	52,209	74,974
Interest and charges paid	-31,986	-29,280	-28,805	-29,011
Dividends received	1,536	1,184	1,536	1,184
Interest received	4,994	1,939	9,329	5,063
Taxes paid	5,235	2		
Cash flow from operations	**30,418**	**120,832**	**90,590**	**103,324**
CASH FLOW FROM INVESTMENTS				
Investments in non-current, tangible assets	21,883 *)	-99,184	-7,288	-72,675
Loans to companies under current assets	-1,056	-20,138	-1,983	-19,651
Loans to companies under investment property			-57,261	-7,811
Reimbursements of loan receivables	3,958	1,788	23,319	22,296
Sales of other investments	38,261	266	38,261	2,384
Cash flow from investments	**63,046**	**-117,268**	**-4,952**	**-75,457**
CASH FLOW FROM FINANCING				
Share issue/capital contribution	57,311	3,364	57,311	3,364
Rights issue	-31,693	78,939	-31,693	78,939
Drawdowns of current loans	465	87,072	9,539	93,516
Repayments of current loans	-62,806	-484,019	-62,764	-482,909
Drawdowns of non-current loans	95,324	308,775	55,022	275,000
Repayments of non-current loans	-152,381	-7,300	-113,329	-5,933
Cash flow from financing	**-93,780**	**-13,169**	**-85,914**	**-38,023**
Change in financial resources	-316	-9,605	-276	-10,156
Financial resources Jan. 1	7,308	16,913	2,520	12,676
Financial resources Dec. 31	**6,992**	**7,308**	**2,244**	**2,520**
CHANGE IN WORKING CAPITAL				
Increase in current receivables	8,368	-14,743	9,844	-12,130
Increase/decrease in inventories	9,468	57,991	58,342	69,218
Increase in current liabilities	-20,489	24,785	-15,977	17,886
	-2,653	68,033	52,209	74,974

*) include EUR 185,039 in decreases and asset type transfers arising from changes in the Group structure

Notes to the financial statements

KAPITEELI

Accounting principles

Kapiteeli and its subsidiaries have compiled the financial statements in accordance with uniform accounting principles.

General on the accounting principles

The profit and loss statements in the financial statements of other than real estate corporations have been compiled in accordance with section 1 of the Accounting Decree (business layout) and the balance sheets in compliance with section 6. Housing companies have compiled their profit and loss statements in accordance with section 4 of the Accounting Decree (real estate layout) and other real estate companies using a layout conforming to the recommendation in the Accounting Act (1544/1998).

The Group follows mainly with uniform valuation and entry principles. When the valuation and entry principles of a subsidiary deviate from the Group's standard practice, the necessary adjustments are made in the consolidation on the materiality principle.

Extent of consolidated accounts

The Kapiteeli Group includes Kruunuasunnot Ltd as an operating subsidiary. The operating subsidiary and real estate subsidiaries and associated companies classified as non-current assets have been consolidated into the Kapiteeli Group. During the financial year, the Group structure was changed by transferring 87 subsidiaries and associated companies from the non-current assets to current assets. Effects of the change in Group structure on the result have been entered as expenses in the consolidated profit and loss statement. Subsidiaries and associated companies recorded under current assets are not included in the consolidated accounts, but this has no significant impact on the Group's operating profit/loss or financial position.

Consolidation

The financial statements of the subsidiaries forming part of non-current assets have been combined line by line. The financial statements of the subsidiaries have been adjusted in the consolidation to correspond to the profit and balance formula used by the parent company. The consolidated financial statements have been drawn up using the acquisition cost method. Internal income and expenses, internal profit distribution and internal receivables and liabilities have been eliminated within the Group. The proportion accounted for by external shareholders of the subsidiaries in the subsidiaries' profits/losses and equity has been treated as a minority interest.

Associated companies entered under non-current assets have been consolidated using the equity method in accordance with the 2000 financial statement. Consolidation differences and negative consolidation differences arising from real property corporations have been allocated to real estate assets. The real estate companies are mainly mutual companies whose expenses are covered out of maintenance charges. The share of profits of associated companies is not significant and their results have not been included in the consolidated accounts.

Turnover

Turnover includes rental revenues, compensations for use and gross proceeds from sale of inventories.

Other operating income/expenses

Sales profits from non-current assets have been entered under other operating income and losses under other operating expenses. A commission from the subsidiary has been entered under other operating income.

Purchases during the financial period (Materials and supplies)

Increases in inventories arising from either purchases, capitalizations or payments to funds are entered under purchases.

Personnel expenses

The pension security of the Kapiteeli personnel is arranged through insurance (TEL) from an insurance company and the expenses arising are included in pension expenses. The Group's pension liabilities are covered.

Expenses related to real estate assets

The total sum of maintenance charges and financial considerations at real estate companies is fixed by the parent company to adequately cover their maintenance and financial expenses. Renovation expenses, which extend the useful lives of the targets, have been capitalized in inventories at the acquisition cost of the target, and in non-current assets as projects in progress until the renovated facilities begin to be used. Under EUR 20,000 in investments was entered as expenses.

Valuation of real estate assets

Kapiteeli made an internal evaluation of the market values of its real estate assets in December 2001. Properties for sale were valued using mainly the market value method. Targets meant for keeping were valued on the basis of investors' return requirements.

On the basis of Kapiteeli's evaluations, the market value of real estate assets meant for sale as a whole corresponds to the book value of the assets. The market value of real estate properties meant for keeping is expected to reach at least the book value of the assets.

In 2000–2001, the capital contributions received by Kruunuasunnot Ltd were not revalued because, according to the statement given by an independent expert in connection with the capital contribution, they were judged as corresponding at least to the sum paid for the shares given against the real estate.

Depreciation

Kapiteeli has recorded its planned depreciation on real estate under non-current assets for the period of its ownership. The planned depreciation has been made by property category and is being monitored item by item. The depreciation periods are:

Long-term expenditure (connection fees)	no depreciation
Long-term expenditure (IT licences)	3 years
Land and water	no depreciation
Buildings (operating premises)	50 years
Buildings (housing)	40 years
Constructions (maintenance and technical facilities)	30 years
Constructions (light)	15 years
Technical equipment (also in buildings)	8 years
Asphalting	10 years
Machinery and equipment	5 years
Basic renovation in housing company flats	10 years
Works of art	No depreciation

Planned depreciation on asset items of subsidiaries consolidated in the financial statements has been recorded according to the parent company's principles, i.e. the amount of depreciation corresponds to the depreciation plan on Group asset items. Write-downs corresponding to depreciation recorded in the subsidiaries' financial statements have been entered in the parent company profit and loss account, either as expenses arising from capital charges or as planned write-downs on acquisition costs, depending on the subsidiary's capital structure.

Non-current assets

Real estate used by the company and intended for long-term keeping and related fittings and works of art are entered under tangible assets.

Shares in real estate corporations used by the company and meant for long-term keeping and corporate loans granted to such companies are entered under investments.

Current assets

Real estate and shares in real estate companies and other companies that are meant for sale or which are being developed for sale are entered in inventories under current assets.

Corporate loans granted to Kapiteeli's own real estate subsidiaries included in inventories have been entered under non-current receivables.

Trade receivables included in current receivables have been valued at their nominal value. Rental receivables for which judicial collection is in progress are entered as credit losses.

Trade receivables are included in current receivables and valued at nominal value.

Liquid securities

Cash reserves invested in short-term instruments, such as certificates of deposit, were entered under liquid assets.

Indicators

The indicators used in the financial statements were calculated as follows at the business unit or Group level:

Net rent yield (%) = $\dfrac{\text{(rent yield from real estate less maintenance costs)}}{\text{average capital employed in real estate}} \times 100$

Operating profit = profit before planned depreciation, financial expenses, extraordinary items, taxes, and appropriations

Capital employed = book value of real estate + proportion of corporate loan (mutual companies) or proportion of the company's loans determined by share of ownership (ordinary limited companies)

Equity ratio (%) = $\dfrac{\text{equity + minority interest}}{\text{balance sheet Dec. 31, 2001 less advances received}} \times 100$

Gearing (%) = $\dfrac{\text{interest-bearing liabilities less cash funds}}{\text{equity Dec. 31, 2001 + minority interest}}$

Return on equity (%) = $\dfrac{\text{Profit/loss before extraordinary items less taxes}}{\text{equity + minority interest}} \times 100$

Return on invested capital (%) = $\dfrac{\text{profit/loss before extraordinary items + interest and other financial expenses}}{\text{balance sheet Dec. 31, 2001 less interest-free liabilities}} \times 100$

KAPITEELI

Notes to the profit and loss statement

EUR 1,000	PARENT COMPANY 2001	PARENT COMPANY 2000	GROUP 2001	GROUP 2000
TURNOVER (1)				
Sale of inventories	131,731	166,032	138,876	168,649
Rental revenues	133,821	133,262	151,214	144,769
Compensations for use	2,894	2,996	6,032	4,817
Total	268,446	302,290	296,122	318,235
OTHER OPERATING INCOME (2)				
Sales gains from fixed assets	38,261	2,650	38,261	2,650
Others	954	1,395	1,150	2,161
Total	39,215	4,045	39,411	4,811
MATERIALS AND SUPPLIES (3)				
Purchases during the financial period	-6,691	-10,391	-6,701	-10,923
Change in stock	-100,823	-129,992	-105,436	-130,283
	-107,514	-140,383	-112,137	-141,206

Inventories include capital contributions and transfers of asset items from non-current assets which have been entered directly under inventories. 'Change in stock' in the profit and loss statement is therefore not comparable to 'change in inventories' in the balance sheet.

	PARENT COMPANY 2001	PARENT COMPANY 2000	GROUP 2001	GROUP 2000
DATA CONCERNING PERSONNEL AND ADMINISTRATION (4)				
PERSONNEL				
Average number of personnel during the financial period	141	176	150	207
MANAGEMENT SALARIES AND REMUNERATIONS				
Members of the Board of Directors	82	84	91	84

It has been agreed that Kapiteeli Ltd's President and CEO, the director responsible for operations and the director of finance must retire at the age of 63.

	PARENT COMPANY 2001	PARENT COMPANY 2000	GROUP 2001	GROUP 2000
PERSONNEL EXPENSES				
Salaries	6,285	7,346	6,869	8,362
Pension expenses	1,368	1,601	1,473	1,766
Other personnel expenses	611	596	640	654
Total	8,264	9,543	8,982	10,782
DEPRECIATION AND WRITE-DOWNS (5)				
Planned depreciation and write-downs	9,735	4,847	12,594	12,397
Exceptional write-downs on non-current assets		168		168
Exceptional write-downs on current assets	976	316	4,933	316
Total	10,711	5,331	17,527	12,881
OTHER OPERATING EXPENSES (6)				
Administration services	3,664	4 079	4,261	4,930
Property maintenance expenses	83,128	93,687	94,095	86,309
Others	7,714	8,033	6,300	9,166
Total	94,506	105,799	104,656	100,405

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
FINANCIAL INCOME AND EXPENSES (7)				
Financial income				
Dividends	1,536	1,184	1,536	1,184
Interest income from Group companies	6,818	4,748		
Interest income from others	1,452	861	4,790	2,048
Financial income from others	739		189	726
	10,545	6,793	6,515	3,958
Financial expenses				
Interest expenses to Group companies	1,016	460		
Interest expenses to others	28,389	29,360	32,569	30,295
Financial expenses to others	163	109	167	115
Total	29,568	29,929	32,736	30,410
APPROPRIATIONS (8)				
Difference between planned depreciation and depreciation made in taxation	741	290		
INDIRECT TAXES (9)			-15	2
Change in deferred tax liability			5,249	
Total			5,234	2

Due to Kapiteeli's confirmed tax losses, no taxes have been recorded for the financial period. No deferred tax receivable arising from confirmed losses has been entered in the balance sheet following the caution principle. Deferred tax liabilities recorded by the Group in previous financial periods have been entered in the profit and loss statement.

KAPITEELI

KAPITEELI

Notes to the balance sheet

EUR 1,000	PARENT COMPANY 2001	PARENT COMPANY 2000	GROUP 2001	GROUP 2000
TANGIBLE AND INTANGIBLE ASSETS (10)				
Intangible assets				
Connection fees				
Acquisition cost Jan. 1	360	360	3,065	2,631
Increases			161	434
Decreases			-963	
Book value Dec. 31	360	360	2,263	3,065
Other long-term expenditure				
Acquisition cost Jan. 1	2,313	876	2,833	2,867
Increases	445	1,917	950	480
Decreases		-480		-514
Acquisition cost Dec. 31	2,758	2,313	3,783	2,833
Planned depreciation	-517	-363	-517	-371
Accumulated depreciation	-499	-137	-511	-140
Book value Dec. 31	1,742	1,813	2,755	2,322
Tangible assets				
Land and water				
Acquisition cost Jan. 1	20,557	23,936	96,036	75,032
Increases	9,827	286	21,659	34,149
Decreases and transfers of asset items	-6,564	-3,665	-18,648	-13,145
Book value Dec. 31	23,820	20,557	99,047	96,036
Buildings and constructions				
Acquisition cost Jan. 1	91,754	98,723	516,827	414,836
Increases	2,331	2,268	108,157	133,695
Decreases and transfers of asset items	-34,622	-9,237	-118,503	-31,704
Acquisition cost Dec. 31	59,463	91,754	506,481	516,827
Planned depreciation	-1,687	-2,870	-8,823	-8,464
Accumulated depreciation	-3,478	-608	-9,073	-608
Book value Dec. 31	54,298	88,276	488,585	507,755
Technical equipment				
Acquisition cost Jan. 1	7,319	7,465	12,769	12,811
Increases	0	0	0	456
Decreases and transfers of asset items	-1,173	-146	-2,338	-498
Acquisition cost Dec. 31	6,146	7,319	10,431	12,769
Planned depreciation	-1,005	-1,412	-1,464	-2,056
Accumulated depreciation	-1,696	-284	-2,355	-299
Book value Dec. 31	3,445	5,623	6,612	10,414

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
Machinery and equipment				
Acquisition cost Jan. 1	790	840	8,212	9,203
Increases	20	52	649	52
Decreases	-40	-102		-1,043
Acquisition cost Dec. 31	770	790	8,861	8,212
Planned depreciation	-135	-201	-1,790	-1,505
Accumulated depreciation	-291	-90	-1,595	-90
Book value Dec. 31	344	499	5,476	6,617
Other tangible assets				
Acquisition cost Jan. 1	87	87	588	87
Increases				783
Decreases			-136	-282
Book value Dec. 31	87	87	452	588
Projects in progress, land and water				
Acquisition cost Jan. 1	1	1	1	1
Increases				
Book value Dec. 31	1	1	1	1
Projects in progress, buildings and constructions				
Acquisition cost Jan. 1	13,819	1,867	13,819	1,867
Increases	26,054	11,952		11,952
Decreases	-32,204		-7,856	
Book value Dec. 31	7,669	13,819	5,963	13,819
Projects in progress, companies to be founded				
Acquisition cost Jan. 1	350	854	350	854
Decreases		-504		-504
Book value Dec. 31	350	350	350	350
Advance payments and projects in progress				
Acquisition cost Jan. 1			118	55
Increases			31,141	63
Book value Dec. 31			31,259	118

Shares included in fixed assets

Name	Domicile	Share-holding, %
Arctia Hotel Partners Oy (in liquidation)	Helsinki	71.66
Arctia Oy (ex Vuoranta Oy)	Helsinki	100.00
Elli-Invest Oy (in liquidation)	Vammala	100.00
Estaks Invest B.V.	Amsterdam, The Netherlands	100.00
Hotelli ja Ravintola Marski Oy	Helsinki	100.00
Kruunuasunnot Ltd	Helsinki	100.00

KAPITEELI

INVESTMENTS (11)

	Group companies	Joint ownership enterprises	Others
Equities			
Acquisition cost Jan. 1	365,187	44,297	50,066
Increases	81,959	2	436
Decreases	-3,701	-2,254	-33,228
Transfers of asset items	-55,748	-40,135	
Acquisition cost Dec. 31	387,697	1,910	17,274
Write-downs	-6,391		
Book value Dec. 31	381,306	1,910	17,274

Receivables

	Group companies	Joint ownership enterprises	Others
Acquisition cost Jan. 1	67,981	0	0
Increases	57,261		
Decreases	-16,121		
Acquisition cost Dec. 31	109,121	0	0

All subsidiaries and associated companies under non-current assets (218) have been included in the consolidated financial statements.

	PARENT COMPANY		GROUP	
EUR 1,000	2001	2000	2001	2000
INVENTORIES (12)				
Real estate	183,033	200,785	185,574	203,750
Real estate company shares	429,886	392,135	440,239	407,908
Other shares	17,917	1,351	17,919	1,356
Other inventories			1	52
Total	630,836	594,271	643,733	613,066

Inventories include 646 subsidiaries and 272 associated companies which are not included in the consolidated financial statements. The companies are mainly real estate or housing companies.

	PARENT COMPANY		GROUP	
EUR 1,000	2001	2000	2001	2000
LONG-TERM RECEIVABLES (13)				
Loan receivables	100	100	100	100
Other receivables	1,026	1,076	3,422	1,076
Receivables from Group companies	37,332	42,497	37,248	42,497
Total	38,458	43,673	40,770	43,673
SHORT-TERM RECEIVABLES (14)				
Rental receivables	2,096	2,091	4,950	4,442
Trade receivables	8,419	16,892	8,420	16,892
Loan receivables	134	134	144	134
Other receivables	1,725	2,234	621	2,971
Prepaid expenses and accrued income	627	1,379	3,034	1,860
Receivables from Group companies				
Loan receivables	1,052	2,383	1,051	2,382
Prepaid expenses and accrued income	2,190	1,294	985	408
Total	16,243	26,407	19,205	29,089

KAPITEELI

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
RELEVANT ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME				
Interest rate receivables	319	639	187	202
Receivables from other real estate corporations	1,882	855	2,846	2,046
Others	616	1,179	986	20
Total	2,817	2,673	4,019	2,268
EQUITY (15)				
Share capital Jan. 1	282,689	279,325	282,689	279,325
Increase in share capital May 1, 2000 (capital contribution)		3,364		3,364
Increase in share capital December 31, 2001 (capital contribution)	34		34	
Increase in share capital/bonus issue	57,277		57,277	
Share capital Dec. 31	340,000	282,689	340,000	282,689
Premium fund Jan. 1	258,360	179,420	258,360	179,420
Increase in premium fund May 1, 2000 (capital contribution)		78,939		78,940
Increase in premium fund December 31, 2001 (capital contribution)	25,584		25,584	
Decrease in premium fund/bonus issue	-57,278		-57,278	
Premium fund Dec. 31	226,666	258,359	226,666	258,360
Other unrestricted equity				
Retained earnings	102,447	80,014	124,136	93,030
Profit for the financial period	68,384	22,433	71,136	31,106
Other unrestricted equity Dec. 31	170,831	102,447	195,272	124,136
Capital loan Jan. 1	100,913	100,913	100,913	100,913
Decrease	-100,913		-100,913	
Capital loan Dec. 31	0	100,913	0	100,913
Equity, total	737,497	744,408	761,938	766,098
CALCULATION OF DISTRIBUTABLE FUNDS Dec. 31				
Other unrestricted capital	102,447	80,014	124,136	93,030
Profit for the financial period	68,384	22,433	71,136	31,106
Share of depreciation difference entered under unrestricted equity			-14,948	-12,568
Sales profits to real estate companies not consolidated in the Group			-957	-1,495
Total	170,831	102,447	179,367	110,073

CAPITAL LOAN (16)

The Government has granted a capital loan with a 5-year loan period using the 12-month Euribor interest rate. The loan will be amortized or repaid in full only if the restricted equity and other non-distributable funds of the company or, if the company is a parent company, the consolidated figure, conforming to the balance sheet yet to be approved, can be fully covered after the payment. Interest is paid only if the amount of the payment can be used to distribute profit in accordance with the unapproved balance sheet of the company or, if the company is a parent company, the consolidated figure. Interest is entered under interest expenses. The capital loan was repaid in full on December 7, 2001.

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
APPROPRIATIONS (17)				
Accrued depreciation difference				
On buildings	12,498	14,160		
On machinery and equipment	2,460	3,602		
Other long-term expenditure	-16	50		
Total	14,942	17,812		

Asset items have been transferred from non-current assets to inventories. In connection with the transfers of asset items, the EUR 2.1 million depreciation difference accrued on transferred targets was reversed by recording the write-downs corresponding to the reversal on the asset items.

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
PROVISIONS (18)				
Pension provisions	6,903	7,568	6,903	7,568
Other provision	505	505	4,291	505
Total	7,408	8,073	11,194	8,073
NON-CURRENT LIABILITIES (19)				
Loans from credit institutions	350,381	299,379	390,683	303,276
Pension loans	3,257	11,654	3,257	11,654
Other liabilities			501	35,656
Total	353,638	311,033	394,441	350,586
Loans maturing after five years	27,602	11,136	50,987	11,136
CURRENT LIABILITIES (20)				
Loans from credit institutions	4,020	4,020	4,157	5,183
Pension loans	1,469	1,911	1,469	1,953
Advances received	2,957	2,003	3,427	2,440
Accounts payable	3,637	7,050	7,370	8,568
Other liabilities	126,606	202,910	127,725	211,071
Accrued liabilities and deferred income	8,009	6,977	10,768	9,606
Liabilities to Group companies				
Group accounts	28,710	19,171	10,626	10,161
Accrued liabilities and deferred income	615	419	155	295
Total	176,023	244,461	165,697	249,277
RELEVANT ITEMS IN ACCRUED LIABILITIES AND DEFERRED INCOME				
Interest liabilities	5,690	4,926	5,668	4,917
Holiday pay liability	1,246	1,292	1,324	1,353
Others	1,688	1,178	3,931	3,631
Total	8,624	7,396	10,923	9,901

EUR 1,000	PARENT COMPANY 2001	2000	GROUP 2001	2000
PLEDGES GIVEN, CONTINGENT LIABILITIES AND OTHER COMMITMENTS (21)				
PLEDGES, MORTGAGES				
Mortgages given by parent company	36,497	36,497	36,497	36,497
Mortgages given by Kapiteeli Ltd subsidiaries to the parent company			75,229	97,084
Mortgages given by Kapiteeli Ltd's subsidiaries			52,210	39,188
OTHER CONTINGENT LIABILITIES, GUARANTEES				
Guarantees given by the Group	3,048		3,048	252
OTHER COMMITMENTS				
Amounts payable for leasing contracts				
Due during the next financial period	406	522	406	522
Due later	137	466	137	466
Total	543	988	543	988
DERIVATIVES CONTRACTS				
Nominal value of equity				
Interest rate derivatives				
Interest rate swaps	202,000	135,999	202,000	135,999
Interest rate cap options	118,000		118,000	
Total	320,000	135,999	320,000	135,999
Currency derivatives	55,022		55,022	

VAT liabilities

As far as capitalized renovations and new construction are concerned, real estate assets involve a commitment to return the value-added tax if the property is sold or transferred to non-VAT-liable use within five years.

Helsinki, February 27, 2002

Timo Viherkenttä
Chairman

Juhani Kivelä

Elina Selinheimo

Tuija Soanjärvi

Pertti Tuominen

Jarmo Väisänen

Kari Inkinen
President and CEO

KAPITEELI

Auditor’s report

To the shareholders of Kapiteeli Ltd

We have audited the accounting, the financial statements and the administration of Kapiteeli Ltd for the period January 1 - December 31, 2001. The financial statements which have been prepared by the Board of Directors and the President and CEO, include a Board report on operations, and a profit and loss statement, balance sheet and notes to the financial statements for the Group and the parent company. Based on our audit, we express an opinion on these financial statements and administration.

The audit has been conducted in accordance with generally accepted auditing standards. In our audit we have examined the bookkeeping and accounting principles, contents and presentation to obtain reasonable assurance about whether the financial statements are free from material misstatements or deficiencies. In our audit of the administration we have evaluated whether the actions taken by the Board of Directors and the President and CEO were legitimate according to the Companies’ Act.

We give it as our opinion that the financial statements, which show a profit of EUR 68,383,515.70 by the parent company and a profit of EUR 71,135,980.86 by the Group, have been prepared in accordance with the Accounting Act and other rules and regulations regarding the preparation of financial statements. The financial statements give a true and fair view of the result of operations, as well as of the financial position of the Group and the parent company, as defined in the Accounting Act. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result is in compliance with the Companies Act.

Helsinki, February 28, 2002

Tuokko Deloitte & Touche Oy	Hannu T. Koskinen
Company of Authorized Public Accountants	Authorized Public Accountant

KAPITEELI

Contact details

Customer service offices:

Customer service centre
Tel. +358 20 355 6677
Fax +358 20 431 3535
asiakaspalvelu@kapiteeli.fi
www.kapiteeli.fi

Helsinki
Pieni Roobertinkatu 7, P.O. Box 204
FIN-00131 HELSINKI
Switchboard +358 20 431 31
Fax +358 20 431 3303

Turku
Yliopistonkatu 16 C, P.O. Box 274
FIN-20101 TURKU
Tel. +358 20 431 3050
Fax +358 20 431 3051

Tampere
Aleksanterinkatu 32 B, P.O. Box 741
FIN-33101 TAMPERE
Tel. +358 20 431 3850
Fax +358 20 431 3851

Jyväskylä
Kilpisenkatu 5, P.O. Box 9
FIN-40101 JYVÄSKYLÄ
Tel. +358 20 431 3800
Fax +358 20 431 3801

Oulu
Asemakatu 24, P.O. Box 554
FIN-90101 OULU
Tel. +358 20 431 3000
Fax +358 20 431 3001

Hämeenlinna
Palokunnankatu 8 A, P.O. Box 159
FIN-13100 HÄMEENLINNA
Tel. +358 20 431 3700
Fax +358 20 431 3701

Joensuu
Koskikatu 7 A, P.O. Box 309
FIN-80101 JOENSUU
Tel. +358 20 431 3640
Fax +358 20 431 3641

Kokkola
Rantakatu 16, P.O. Box 8
FIN-67101 KOKKOLA
Tel. +358 20 431 3720
Fax +358 20 431 3721

Kouvola
Käsityöläiskatu 4, P.O. Box 189
FIN-45101 KOUVOLA
Tel. +358 20 431 3600
Fax +358 20 431 3601

Kuopio
Vuorikatu 26 A
P.O. Box 2001
FIN-70101 KUOPIO
Tel. +358 20 431 3660
Fax +358 20 431 3661

Mikkeli
Hallituskatu 3, P.O. Box 189
FIN-50101 MIKKELI
Tel. +358 20 431 3680
Fax +358 20 431 3681

Pori
Eteläkauppatori 4 B, P.O. Box 248
FIN-28101 PORI
Tel. +358 20 431 3760
Fax +358 20 431 3761

Rovaniemi
Rovakatu 28, 3. krs.
FIN-96200 ROVANIEMI
Tel. +358 20 431 3780
Fax +358 20 431 3781

Seinäjoki
Koulukatu 14
FIN-60101 SEINÄJOKI
Tel. +358 20 431 3740
Fax +358 20 431 374

Group administration
Pieni Roobertinkatu 7,
P.O. Box 204
FIN-00131 HELSINKI
Switchboard +358 20 43131

Customer service centre
Tel. +358 20 355 6677
Fax +358 20 431 3535
asiakaspalvelu@kapiteeli.fi

Annual reports available in Finnish and English on the Kapiteeli web pages at www.kapiteeli.fi