

Annual Report 2001



Table of contents

Values	3
Polar Real Estate in brief	4
Description of operations	4
Key indicators	4
2001 in brief	4
President's report	6
Description of the business climate	8
Polar Real Estate in 2001	9
Real Estate Investment	10
Property for sale	14
The business sector structure in 2002	15
Environmental work	18
Financial statements	
Annual report by the Board	20
Profit and loss account	22
Balance sheet	23
Statement of source and application of funds	24
Supplementary information on the financial statements	25
Supplementary information on the profit and loss account	26
Supplementary information on the balance sheet	29
Other notes	36
Shares included in fixed assets	37
The Group's financial trend	38
Formulas for the key indicators	39
Shares and shareholders	40
The Board's proposal to the annual general meeting	43
Auditors' report	43
Administration	44
Information to shareholders	46
Contact information	46



V a l u e s

Customer-centredness

What we at Polar Real Estate mean by customer-centredness is long-lasting partnerships by which we promote both the customer's and our own success in business. Openness, interaction and expertise are the cornerstones of collaboration.

Dependability

Our services and products correspond to our promises and to our customers' expectations. We also accept responsibilities in case of problems, and we correct our mistakes.

Constant improvement

We have the courage to question our working methods, and in order to make progress we are prepared to adopt new operating models. Together we create an atmosphere that values the individual, one that fosters creativity, the production of feedback and self-improvement.

Productivity

We set clear-cut targets for quality and results in our business operations. By means of common goals and by sharing responsibility, we maintain the personnel's commitment and motivation. Together we get results.

2001 in brief

The company's turnover for the financial year was MEUR 68.9, of which rental income comprised MEUR 43.7. The year's profit before extraordinary items was MEUR 15.0 and the net profit for the year was MEUR 25.1.

A total of 160 new leases were signed for investment properties, the rent for which is MEUR 8.4 per year. At year-end there were a total of 852 leases.

In the course of 2001, the company invested a total of MEUR 15.0.

Polar Real Estate paid MEUR 94 off its loans. The company sold assets for a total of MEUR 79.1, of which sales of investment properties accounted for MEUR 59.9 and sales of property intended for sale for MEUR 19.2.

The equity ratio rose from 22% to 33% and the return on equity was 13.2%.

The company's statutory restructuring programme ended on 31 December 2001.

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.

It has 39 investment properties valued at MEUR 324.3, of which 65% are in the Helsinki Metropolitan Area and 25% are in Tampere and Turku. Plots of land for development in the Helsinki Metropolitan Area are valued at MEUR 16.7. The company also has property for sale valued at MEUR 19.5. The company's real estate portfolio has a balance sheet value of MEUR 372.3 in total. The leasable facilities in the investment properties amount to 260,000 square metres and 560 customers operate in them.

Goals

It is the aim of Polar Real Estate to raise the company's equity ratio to over 35% and to keep the return on equity on the 8% level. The company will continue to direct its operations towards Investment Properties.

Key indicators

Indicators	2001	2000
Turnover, M€	68.9	96.9
Operative operating margin, M€	37.8	33.5
Profit before extraordinary items, M€ ^{*)}	15.0	-55.9
Net profit/loss for financial year, M€ ^{*)}	25.1	-55.9
Balance sheet total as at 31.12, M€	392.1	467.7
Return on equity, % (ROE)	13.2	neg.
Return on investment, % (ROI)	7.0	neg.
Equity ratio, %	32.6	22.3
Share indicators	2001	2000
Earnings per share, €	0.08	-0.31
Equity per share, €	0.70	0.57
Traded share price at year-end, €	0.36	0.20
P/E ratio	4	neg.
Operative indicators for investment properties	2001	2000
Investment properties, M€	324.3	362.8
Net yield of properties, M€	29.9	27.7
Net yield of properties, % ^{**)}	8.9	8.1
Rental occupancy rate, %	96.9	98.1

^{*)} The result for 2000 is reduced by M€66.3 in write-downs and expense entries.

^{**)} Calculated on the year-end situation for net rent, less estimated variable expenses for leasing business.

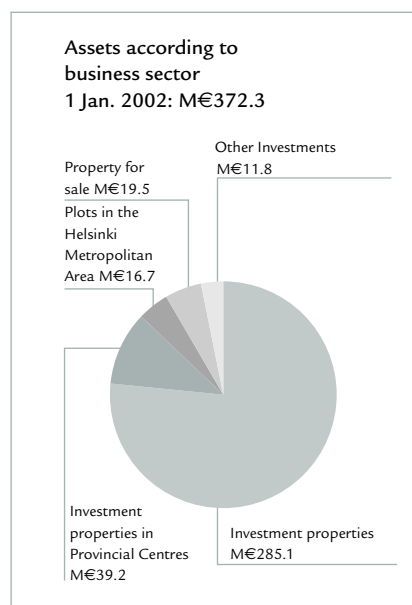


Real estate holding company
KOy Kilon Timantti, Espoo



*The business sectors,
1 January 2002*

- Investment Properties
- Investment Properties in Provincial Centres
- Plots in the Helsinki Metropolitan Area
- Property for sale
- Other Investments





Erkkä Valkila, President and CEO

President's report

The business climate

The prolonged favourable trend in the Finnish economy topped out in 2001 and the turnabout was also reflected by the property market. Because of the uncertain outlook, the number of vacant business properties began to increase and demand for premises began to decline in the second half of the year. At the same time, the dynamic rise in rents which had lasted more than three years began to level out. Construction of new business premises declined towards the end of the year, and it is forecast to slow further in 2002. One factor contributing to balance in the market for business premises is that there has been no conspicuous amount of speculative construction.

Low interest rates continue to have a favourable effect, particularly on companies operating in capital-intensive sectors, such as real estate investment companies. In spite of low interest rates, investors' expectations of profit on real estate investments have been on the rise due to economic uncertainty and a levelling-out of rents.

Interest in real estate investment companies continued to be slight on the securities market and the companies are still valued at well below their net asset value. A substantial placement made in Finland by a foreign real estate investor during the first half of 2002 may make investment in Finnish property and our stock exchange listed real estate investment companies more attractive.



The goals for 2001 were achieved

One of the principal actions taken in 2001 was to focus the strategy, the main points of which were to specify the prime emphasis of Real Estate Investment and to improve the equity ratio. The good overall profit achieved, along with sales and the payment of instalments on loans that these were used for, boosted the equity ratio by more than 10 percentage points to almost 33%. Another of the company's prime objectives is to continue the upbeat trend in leasing business.

The rental occupancy rate of Polar Real Estate's business premises stayed high in 2001 and the rental income from our investment properties continued to grow. The net rental income from the investment properties increased, and the net yield was roughly 9% at year-end. It will be a challenge to keep the rental occupancy rate at last year's level this year, but we believe it is possible due to our excellent client and contract structure, customer service, and active work on development and marketing.

The MEUR 15 investments carried out in 2001 were channelled towards our core business, offices and commercial property in the Helsinki Metropolitan Area. Most of the betterment jobs were concentrated in the Vantaanportti district, which we consider to be one of the Helsinki Metropolitan Area's fastest-growing and developing areas for business premises. The vitality of the district is guaranteed by its excellent transport links, the nearby airport, the district's growing and diversifying assortment of services, and the demand for residential and business properties. A considerable proportion of Polar Real Estate's land inventory is in Vantaanportti.

The investment properties, which stand for 90% of our real estate portfolio, were appraised by an external appraiser. According to the assessment, the market value of the real estate portfolio exceeds its balance sheet value.

Upgrading the business structure

We reviewed the strategy of Polar Real Estate during 2001. Our main sector of business is owning, leasing and developing office and commercial properties in the growing districts for business property in the Helsinki Metropolitan Area and in the central districts of Turku and Tampere. In the future we will channel the company's investments primarily to this business sector. In 2002 we will continue to take action to achieve a good profit and to improve the equity ratio.

During the past year we updated our corporate values, of which the entire personnel made a contribution to creating and writing. Customer-centredness, Dependability, Constant Improvement and Productivity are the values which are the guiding light in what we do, both within the company and with our external stakeholders.

To our personnel and other stakeholders I would like to express my warmest thanks for the excellent work we have done together and for the tireless work on developing our company's operations.

Helsinki, February 2002

Erkka Valkila
President and CEO

Description of the business climate

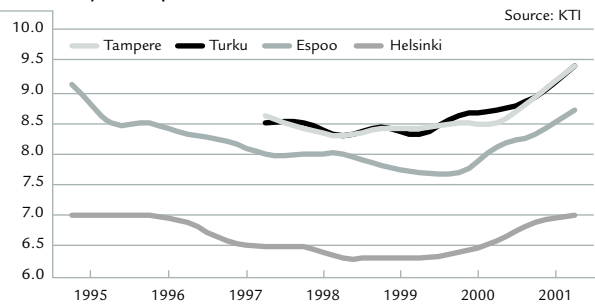
Seven years of economic growth in Finland underwent a change in 2001. The uncertainty over the economic trend in the USA was reflected on the business climate in Finland, causing a deterioration in the confidence of both consumers and industry in the economic trend. The constantly altered, somewhat contradictory forecasts made by research institutions fuelled uncertainty in the market for real estate. Although interest rates remained low, economic uncertainty has made investors' expectations of profit rise. This contributed to a slowdown in new construction starts later in the year and into the present year. Many decisions on development projects for existing properties have been postponed till the future. Inflation was in the order of 2.7%, as a result of which the real return on interest-bearing investments was small, and index-linked lease agreements assured real estate investments of a hedge against inflation.

In 2001, the vacancy rate for business premises was still low in the Helsinki Metropolitan Area, at less than two per cent, which is well below the five per cent considered normal. The number of vacant facilities is expected to rise gradually due to weakening demand, but the occupancy rate is forecast to hold at roughly 95% in 2002.

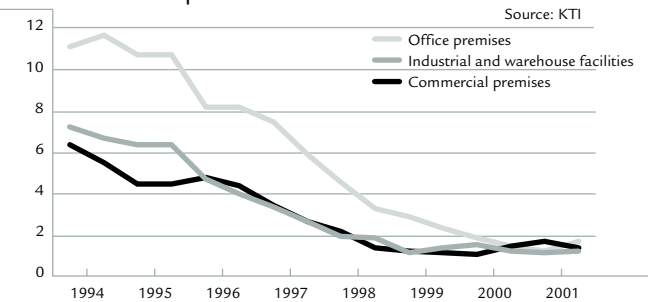
The index compiled by the Finnish Institute for Real Estate Economics (KTI) on nominal rents for new lease agreements in autumn 2001 indicates a continuing rise in rents for office premises in Helsinki city centre but that rents went into decline away from the city centre. Rents for commercial premises have also continued to rise, but the increase is expected to come to a halt in the present year. Even if market rents have gone into a slight decline in some subsets of the real estate market, rental levels are forecast to hold steady in 2002.

Commercial centre Koskikeskus, Tampere

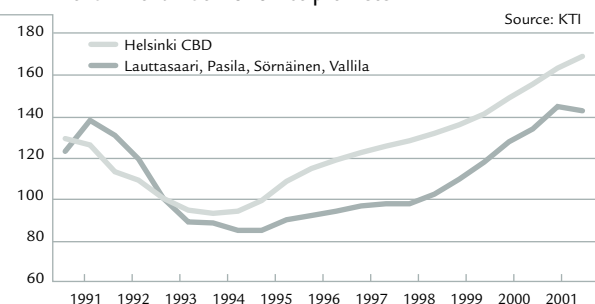
Net yield requirements in various cities, offices, %



Vacancy rates for business premises in the Helsinki Metropolitan Area



Trend in rent index for office premises



Polar Real Estate in 2001



Polar Real Estate's business was divided into Real Estate Investment and Property for Sale. At the end of 2001, the Real Estate Investment division held 39 investment properties as well as business plots and other securities. The company's property for sale included real estate holdings both in Finland and abroad.

One of the company's principal actions in 2001 was to focus the strategy, the main points of which were to improve the equity ratio and to define the business divisions. The company clarified its business structure by dividing it into five business sectors as of 1 January 2002. The main business sector as specified from the beginning of 2002 is Investment Properties, comprising business premises in the growing sections of the Helsinki Metropolitan Area plus office and business premises in the city centres of Turku and Tampere. The other business sectors are *Investment Properties in Provincial Centres*, *Plots in the Helsinki Metropolitan Area*, *Property for Sale*, and *Other Investments*.

Demand for business premises in Polar Real Estate Corporation's prime business areas was good and the rental occupancy rate was high. The Group's turnover was MEUR 68.9 (MEUR 96.9) and the operative operating margin was MEUR 37.8 (MEUR 33.5). Operating profit was MEUR 30.5 (loss of MEUR 40.2), profit after financing items was MEUR 15.0 (loss of MEUR 55.9) and the overall profit for the year was MEUR 25.1 (loss of MEUR 55.9). The return on investment was 7.0% (negative) and return on equity was 13.2% (negative). Earnings per share were EUR 0.08 (loss of EUR 0.31). Equity per share was EUR 0.70 (EUR 0.57). The equity ratio was 32.6% (22.3%).

The net profit and MEUR 79 in sales of assets were used to pay off MEUR 94 on loans and the equity ratio improved by 10 percentage points to almost 33%.

Real Estate Investment

The Real Estate Investment business sector's net profit from rental business, after the financing items attributable to it, was MEUR 8.2. The net profit from development of investment properties and plots for business premises correspondingly totalled MEUR 3.3.

Investment properties with a balance sheet value of MEUR 324.3 were appraised at the end of the year by an authorised external appraiser. According to the assessment, the market value of the investment properties is MEUR 334.4.

Investments and sales in 2001 underpinned the chosen strategy; for example, holdings in hotels were relinquished. Real Estate Investment's sales net of debt amounted to MEUR 59.9, of which MEUR 3.4 was posted to turnover. Polar Real Estate's investments and acquisitions focused on the Helsinki Metropolitan Area, and they totalled MEUR 15.0.

Sales

The main sales of the year were relinquishments of holdings in hotels. KOy Kotkan Seurahuone was sold to Dividum Oy and a 50% holding in the Hotel Grand Marina property was sold to Kapiteeli Oy. Also, KOy Turun Asemakeskus was sold to Varma-Sampo Mutual Pension Insurance Company and the KOy Helsingin Kansakoulukatu 3 property was sold to the City of Helsinki. Investment properties were sold for MEUR 55.8

net of debt. Plots for residential buildings and business premises were sold for MEUR 4.1, mostly in Vantaa and Espoo.

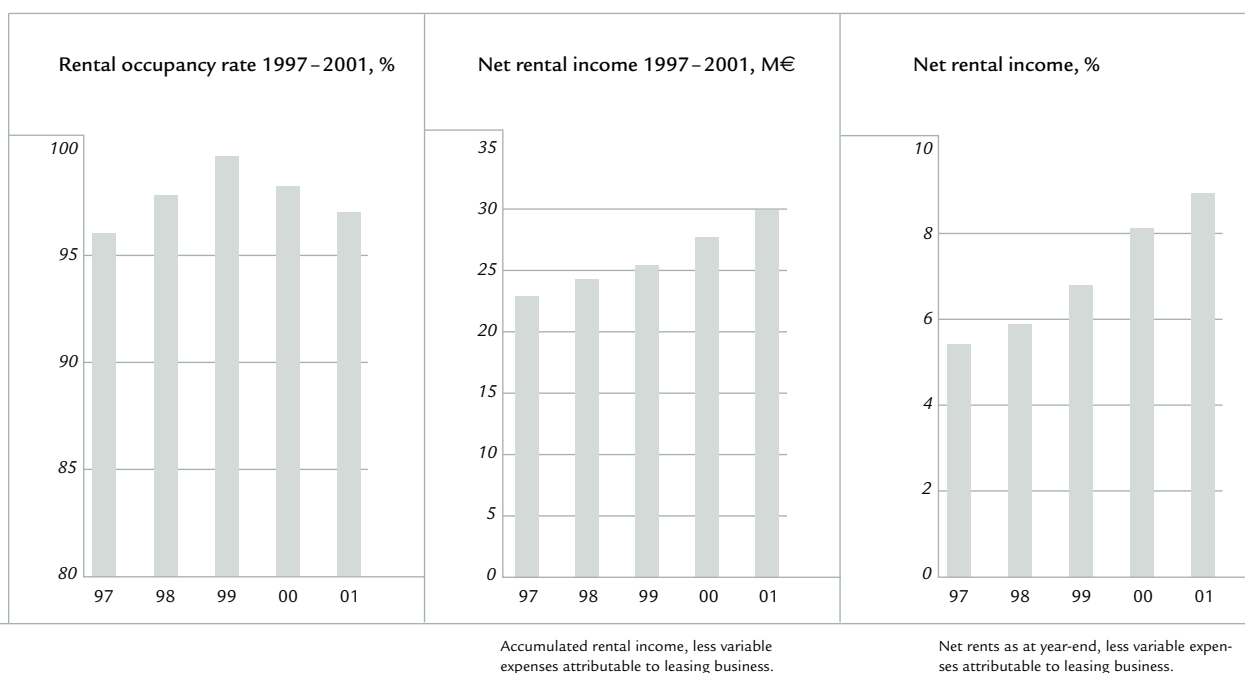
Investments

The main project completed during the year was phase I of the environmental industry complex Leija in the Vantaanportti district. Polar Real Estate owns Leija's 3,500 square metre office section in its entirety, having bought out Nordea Bank's 34% holding during the fourth quarter of the year. The lessees include among others the Fortum Group's solar panel manufacturer Naps Systems Oy and the environmental consultancy CCR Nordic Oy.

The main conversions for lessees and renovations carried out during the financial year were in the Helsinki Metropolitan Area at Munkkiniemen Puistotie 25, KOy Kornetintie 6 and KOy Tapiontuuli, totalling 8,500 square metres of office facilities.

Acquisitions

In the first quarter of the year, holdings in the Vantaanportti commercial centre were increased by the acquisition of 1,300 square metres of commercial space from Pension Fennia Mutual Insurance Company. Polar's interest in the Jumbo shopping centre is now 21.4%. A change in the planning permission for the Vantaanportti shopping centre district was



<i>Profits by division, M €</i>					
	Real Estate Investment			Sales and other business	Group total
	Leasing	Sales and plot development	Real Estate Investment total		
2001					
Sales of property	-	56.5	56.5	4.7	61.2
Turnover	39.4	5.7	45.0	23.9	68.9
Operating margin	26.7	5.0	31.7	6.1	37.8
depreciation	-4.9	-	-4.9	-0.0	-5.0
write-downs	-	-1.1	-1.1	-1.2	-2.3
Operating profit/loss	21.8	3.9	25.7	4.8	30.5
Profit before extraordinary items	8.2	3.3	11.5	3.5	15.0
2000					
Sales of property	-	8.1	8.1	7.2	15.3
Turnover	36.7	8.5	45.2	51.7	96.9
Operating margin	24.3	0.5	24.8	8.7	33.5
depreciation	-6.3	-	-6.3	-0.7	-7.0
write-downs	-	-49.5	-49.5	-17.2	-66.7
Operating profit/loss	18.0	-49.0	-31.0	-9.2	-40.2
Profit before extraordinary items	4.8	-49.5	-44.7	-11.2	-55.9
<p>The sales of property are sales of fixed assets which are not posted to turnover. For the calculation of profits, net financing expenses were divided among the divisions in proportion to their capital.</p>					

confirmed in February and it permits 40,000 square metres of floor area of further construction, of which Polar Real Estate's share is 24,000 square metres of floor area.

In a swap effected in September 2001, Polar Real Estate Corporation handed over to Kapiteeli Oy the shares it held in commercial space in commercial centre Zeppelin of Kempele and received the entire issued stock in KOy Lastupolku, the holding company of a 1,200 square metre office building in the Leppävaara district of Espoo. The premises have been fully leased out. In November, the company acquired ownership of a plot, formerly leased from the City of Helsinki, on which stands the building owned by KOy Satomalmi, a company approximately 80% owned by Polar Real Estate.

Leasing and building management

Leasing

Investment Properties' leasable office and commercial premises amounted to approximately 260,000 square metres at year-end. Real Estate Investment's rental income was MEUR 38.7. Net rental income, after deduction of variable expenses attributable to leasing, was MEUR 29.9, which gave an 8.9% return on the weighted book value. The annualised net rental income as at the end of 2001 is approximately MEUR 28.9, which gives an 8.9% return on the book value. The number of leases signed was roughly 850. The rental occupancy rate for the premises was 96.9% at year-end. Among the larger customers for business premises were Inex, SOK Corporation, Espoo tax office, the Research Institute for the Languages of Finland, Radiolinja, Datatie and Sonera, and the top customers for commercial premises were Kesko, Seppälä, Lindex and Tarjoustalo. The number of new leases and extensions



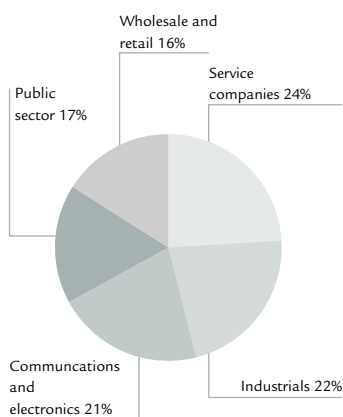
*Vallila office block,
Helsinki*

signed was 90 for commercial premises and 70 for office properties, totalling 57,500 square metres of space. The main new contracts signed for office premises in the Helsinki Metropolitan Area included those made with Radiolinja Oy, Oy Datatie Ab, the Research Institute for the Languages of Finland, and Deloitte & Touche Oy.

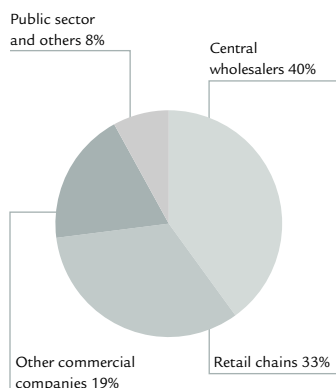
Customer satisfaction

The cornerstone of leasing business is a customer-centred approach. Vital factors in the customers' satisfaction are how well the leased premises serve the customers' business operations, how the customers' changing needs are responded to, and the speed with which problems are tackled. Smooth collaboration between the occupant, the lessor and the service provider is based on transparent, interactive communication. Meetings with occupants, which are attended by the parties using the property, the management company and the owner's representatives, have proved themselves an efficient way of improving communication. Information is distributed with building guides which make basic information on the property easily accessible. Development work continues on an Internet-based service network, a pilot application of which

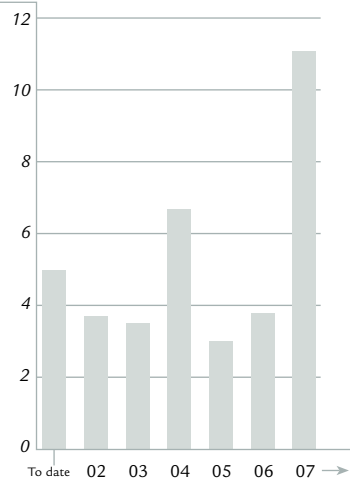
**Breakdown of customers
31.12.2001, office premises**



**Breakdown of customers
31.12.2001, commercial premises**



**End of leases on investment
properties (M€36.9*)**



was launched in 2001. The network is intended for all stakeholders associated with the operation of the building.

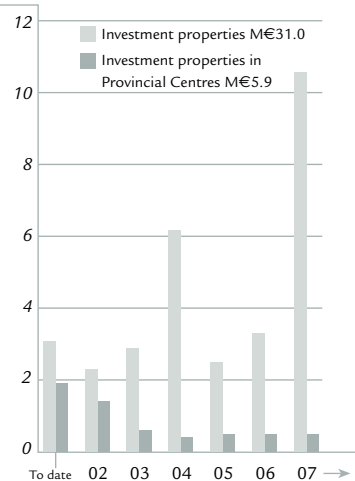
In the autumn, the Finnish Institute for Real Estate Economics carried out a customer satisfaction benchmarking survey for the year 2001. This involved collecting data on lessees' satisfaction level on subjects including the lessor, the premises that they lease, and service contracts. Judging from the survey, Polar Real Estate's customers are happier on average with all the subdivisions covered by the survey. Development work continues on leasing operations and collaboration with customers.

Source: Finnish Institute for Real Estate Economics, customer satisfaction benchmarking poll 2001

Management of buildings

Efforts were made constantly to enhance the quality of building management. Management for practically all of the properties was put out for competitive tenders in 2001. New contracts were made subject to the model management contract produced in the beginning of the year, which has as one of its incentives a target reward for achieving the best possible results in building management. Feedback on the model contract has been positive for building occupants, management companies and building owners alike.

**End of leases on investment
properties (M€36.9*)**



* End of annualised rental income



*Commercial centre
Jumbo, Vantaa*

Property for sale

Sales in Finland

Property for sale comprises the assets unsuited to real estate investment according to the strategy. Sales of this totalled MEUR 19.2 in the course of 2001. The net profit from sales operations was MEUR 3.5.

Sales outside Finland

Most of the subsidiaries in Europe have been liquidated, and the guarantee pledges on them have been terminated.

The associated company in the USA, Polar-BEK, sold off its holdings and paid off its debts to banks, whereupon the pledges made also terminated. The ownership of Polar-BEK was reformulated in such a way that its office plots were re-assigned to a newly founded associated company. Polar Real Estate invested USD 3.1 million in the new company. Both associated companies are free of debt.

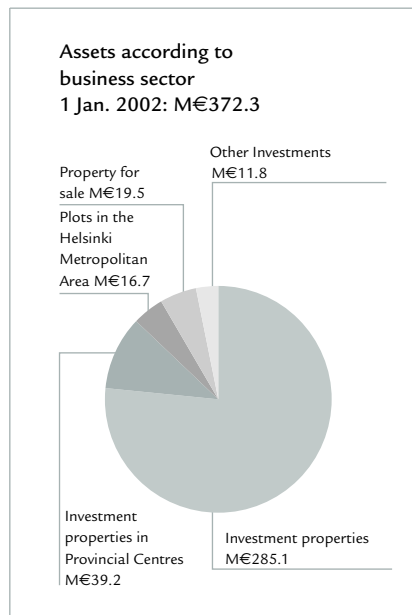
The balance sheet value of foreign investments was MEUR 7.8 at year-end.

The business sector structure in 2002

The company's operations were divided on 1 January 2002 into five business sectors as follows: *Investment Properties*, *Investment Properties in Provincial Centres*, *Plots in the Helsinki Metropolitan Area*, *Property for Sale*, and *Other Investments*. Separate strategies and operating methods have been created for each business sector. The divisional revamp will facilitate the reviewing of profitability for each subdivision and it will also facilitate providing investors with information.

The main business sector is *Investment Properties*, which includes properties in the growing business districts of the Helsinki Metropolitan Area as well as office and commercial space in the central districts of Tampere and Turku. These properties are owned, leased out and developed with the aim of optimising rental income. The properties' balance sheet value is MEUR 285.1 and the net yield according to the contracts held at year-end was 8.8%. Their rental occupancy rate was 98.5%. There are 23 properties in the Helsinki Metropolitan Area and 2 in Tampere and Turku. The facilities have a total of 193,000 square metres of space. The properties' location, quality and the adaptability of the premises make possible a good rental occupancy rate, rental income and appreciation in value. Capital spending will in future be channelled primarily to this business sector.

Investment Properties in Provincial Centres total 14 items with an area of 67,000 square metres and a balance sheet value of MEUR 39.2. According to the contracts held at year-end, the net yield was 9.8% and the rental occupancy rate was 92.3%. These properties are offices and commercial space located in provincial centres, with a balance sheet value that is low compared to the new purchase value. The properties are developed to enhance their rental occupancy rate and net rental income, which creates a basis for selling them.



Plots in the Helsinki Metropolitan Area consist primarily of office plots and tracts to be zoned for residential construction in Espoo and Vantaa. Office plots with permitted building volume totalling approximately 70,000 square metres of floor area are associated with the development of Polar Real Estate's investment properties. The tracts and plots require long-term development work with which value can be added to them. The balance sheet value of the plots is MEUR 16.7.

The *Property for Sale* business sector encompasses office premises, plots and other holdings outside the Helsinki Metropolitan Area, with a balance sheet value totalling MEUR 19.5. The property for sale is to be reassigned to Suomen Osakas-kiinteistöt Oy, a company wholly owned by Polar Real Estate.

The company's *Other Investments* business totals MEUR 11.8. The MEUR 4.0 of investments in Finland includes, for example, an approximately one per cent shareholding in the real estate investment company Citycon and a 50% shareholding in Suomen Kiinteistökehitys SKK. The balance sheet value of foreign investments is MEUR 7.8.

<i>Investment properties</i>				
	Holding, %	Location	Net leasable area, sq.m.	Book value, M€
Investment properties				
Office premises				
Vallila companies ¹⁾	100	Helsinki	34 798	43.0
KOy Vilhonkatu 5	100	Helsinki	5 766	15.5
Munkkiniemen liiketalo	100	Helsinki	6 706	12.5
KOy Sörnäisten Rantatie 25	100	Helsinki	6 465	9.1
KOy Kutomotie 6	100	Helsinki	7 697	6.7
KOy Pasilanraatio 5	77	Helsinki	5 577	6.0
KOy Vuorikatu 20	100	Helsinki	6 740	5.9
KOy Vanha Talvitie 11	100	Helsinki	6 667	5.6
KOy Satomalmi	78	Helsinki	3 741	3.8
KOy Malmin Kauppatie 8	100	Helsinki	4 739	3.6
KOy Kornetintie 6	100	Helsinki	3 265	3.6
KOy Niittylänpolku 16	100	Helsinki	2 950	2.1
Kamppi Parkki Oy		Helsinki		0.5
KOy Tapiontuuli	100	Espoo	6 940	10.3
KOy Sinimäentie 10	77	Espoo	9 702	9.8
KOy Kilon Helmi	100	Espoo	3 757	6.9
KOy Kilon Timantti	100	Espoo	4 035	6.7
KOy Scifin Alfa	100	Espoo	5 326	5.9
KOy Lastupolku	100	Espoo	1 199	1.1
KOy Pakkalan Kartanonkoski 3	100	Vantaa	7 755	10.5
KOy Pakkalan Kartanonkoski 12	100	Vantaa	3 311	6.6
Office premises, total			137 136	175.8
Commercial premises				
KOy Vantaanportin Liikekeskus	21	Vantaa	11 515	19.9
KOy Sisustaja	100	Vantaa	15 866	16.1
Tampereen Koskikeskus ¹⁾	60	Tampere	17 438	45.9
KOy Kivikukkaro	100	Turku	10 860	27.3
Commercial premises, total			55 679	109.2
Investment properties total			192 815	285.1
Investment properties in provincial centres				
Office premises				
KOy Järvenpään Helsinginportti	100	Järvenpää	957	0.7
KOy F-Medi	22	Tampere	2 826	3.3
KOy Turun Kalevantie 25	100	Turku	2 735	0.8
KOy Jyväskylän Väinökeskus	75	Jyväskylä	2 266	2.4
KOy Pitkäsillankatu 1-3	100	Kokkola	6 740	2.8
KOy Kuopion Satama 4	100	Kuopio	5 761	1.3
Office premises, total			21 285	11.3
Commercial premises				
KOy Hatanpään Valtatie 44	100	Tampere	3 200	1.8
KOy Viinikan Kauppakeskus	100	Tampere	6 385	1.1
Seinäjoen Torikeskus ¹⁾	93	Seinäjoki	11 698	7.4
Valkeakosken Koskikara ¹⁾	55	Valkeakoski	5 898	4.8
KOy Hollolan Liikekeskus	94	Hollola	2 670	1.5
KOy Hollolan Ostospaikka	100	Hollola	5 442	6.4
KOy Jämsän Forum	54	Jämsä	2 665	1.7
KOy Lappeenrannan Lentäjätie 17-19	100	Lappeenranta	7 600	3.3
Commercial premises, total			45 558	27.9
Investment properties in Provincial Centres, total			66 843	39.2
Polar Real Estate's investment properties total			259 658	324.3

¹⁾ Holdings in more than one real estate holding company.

Investment properties, Key indicators

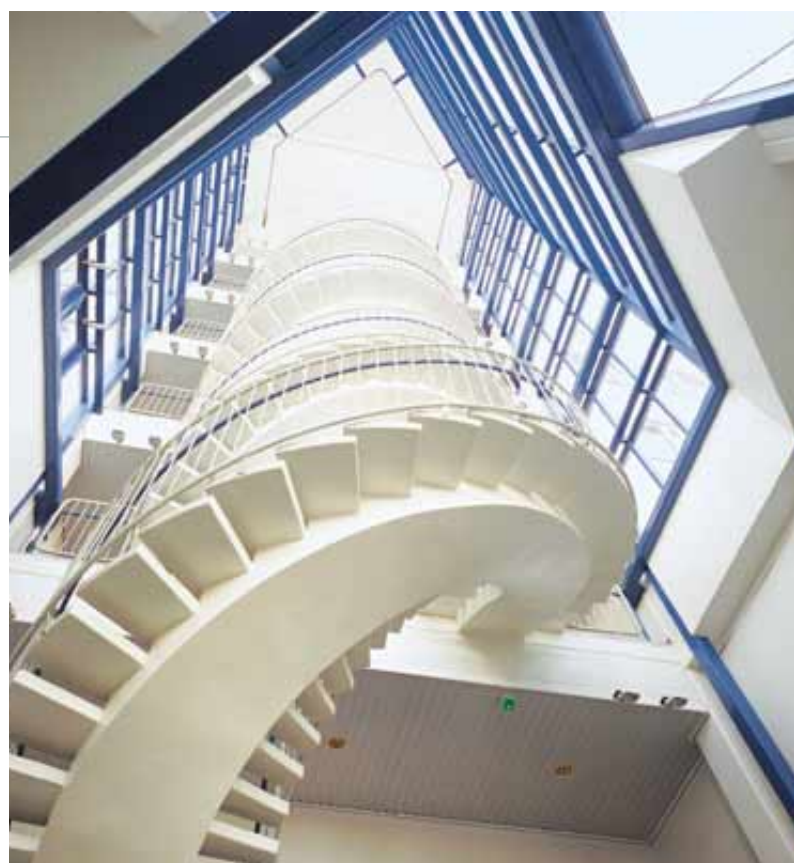
	Book value, M€	%	Net leasable area, m ²	Book value €/m ²	Rental occup. rate, %	Net rents *) M€	%	Net yield % 2001
Office premises	175.8	62	137 135	1 282	97.9	15.1	60	8.6
Commercial premises	109.2	38	55 679	1 961	100.0	9.9	40	9.1
Investment properties, total	285.1	100	192 814	1 478	98.5	25.0	100	8.8
Office premises	11.3	29	21 285	530	89.2	1.2	30	10.2
Commercial premises	27.9	71	45 558	613	93.8	2.7	70	9.6
Investment properties in Provincial Centres, total	39.2	100	66 843	587	92.3	3.8	100	9.8
Office premises	187.1	58	158 420	1 181	96.7	16.3	56	8.7
Commercial premises	137.2	42	101 237	1 355	97.2	12.6	44	9.2
All Investment properties, total	324.3	100	259 657	1 249	96.9	28.9	100	8.9

*) Calculated on net rents as per year-end, less variable expenses allocated to rental business.

*Real estate holding company
KOy Sinimäentie 10, Espoo*

Plots in the Helsinki Metropolitan Area

	Location	Permitted building-volume, m ² floor area	Book value M€
Real Estate Investment, office plots			
Commercial building plots			
KOy Kalustaja, Varisto	Vantaa	9 600	3.8
Jumbo extension	Vantaa	18 000	1.8
Office building plots			
Vantaanportti business park	Vantaa	30 000	3.3
Kilo district*	Espoo	17 100	2.6
Other		6 100	0.3
Total			11.8
*Partly scheduled for zoning			
Residential construction areas due for zoning		Area, ha	Book value M€
Primo area	Helsinki	1.7	1.8
Hista	Espoo	102.0	1.2
Kaivoksela, phase II	Vantaa	17.3	1.1
Sarfvik	Kirkkonummi	14.1	0.3
Other			0.6
Total			5.0
Plots in the Helsinki Metropolitan Area total, M€			16.7



Property for Sale

	Book value, M€
Office premises	10.3
Plots	7.9
Other property	1.2
Total	19.5



*Office building
Munkkiniemen liiketalo,
Helsinki*

E n v i r o n m e n t a l w o r k

In 2000, Polar Real Estate joined the agreement on energy conservation of the real estate and construction industry, known by its Finnish-language acronym KRESS. According to the first annual report on KRESS, the average energy consumption of Polar's buildings in 2000 was lower than that of all the properties included in the conservation agreement. The target for 2002 is to keep energy consumption in the properties below the average. Energy reviews will be carried out on all the investment properties no later than 2003.

A remotely readable system for monitoring and reporting on the consumption of heating energy, electricity and water has been created for the investment properties. This will



Consumption of electricity, heating energy and water

Source: KRESS annual report 2000



facilitate the detailed analysis of energy use and permit rapid detection of changes.

The waste budgets of all the properties were studied in 2001. The improvements recommended in the reviews have started to be put into practice. Every effort is made to advise customers in environmentally friendly waste management and energy conservation at meetings with occupants.

Environmental aspects are also taken into account in new building management contracts, which require the management company to have either an operational environmental system or an environmental plan drawn up for the subject of the contract.

Environmental policy

The objective of Polar Real Estate Corporation's environmental policy is to work in partnership with our customers in accordance with the principles of sustainable development. When making decisions on property management and construction management, Polar Real Estate Corporation takes health and environmental effects into account in addition to economic, technical and operational factors.

At Polar Real Estate Corporation, the aim of our work for the environment is to provide the customers with a healthy and efficient working environment while using natural resources sparingly. To this end:

1. We commit ourselves to conforming to the norms established for environmental protection and anticipate any amendments to legislation.
2. We reduce the relative consumption of energy and water, prevent pollution of the environment and promote recycling of waste.
3. We commit ourselves to working for the environment, and also help our customers and contracting parties to alleviate their harmful effects on the environment.
4. We emphasise energy efficiency and economy throughout the life cycle when erecting new and renovating old buildings.

The Polar Real Estate Group's line 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.

Turnover and financial performance

The consolidated turnover in 2001 was MEUR 68.9 (MEUR 96.9 in 2000). The operative operating margin was MEUR 37.8 (MEUR 33.5). The consolidated operating profit was MEUR 30.5 (loss of MEUR 40.2), profit after financing items was MEUR 15.0 (loss of MEUR 55.9). Extraordinary income and expenses were MEUR 10.0 (-). The profit for financial year was MEUR 25.1 (loss of MEUR 55.9). The return on investment was 7.0% (negative) and the return on equity was 13.2% (negative). Earnings per share were EUR 0.08 (EUR -0.31).

Real Estate Investment

Real Estate Investment's turnover in 2001 was MEUR 45.0 (MEUR 45.2) and its net profit was MEUR 11.5 (loss of MEUR 44.7). The real estate investment portfolio's balance sheet value at year-end was MEUR 341.5.

Leasing

The leasable office and business premises at year-end totalled 260,000 square metres and the rental income obtainable from this was MEUR 38.7. Net rental income, less variable expenses attributable to leasing, was MEUR 29.9 (MEUR 27.7), giving a yield for the properties earning rental income of 8.9%. The premises' rental occupancy rate at year-end was 96.9% (98.1%). The investment properties' balance sheet value at year-end was MEUR 324.3 (MEUR 362.8).

Investments and sales

During 2001, Polar Real Estate invested

a total of MEUR 15.0. Real Estate Investment's sales net of debt were MEUR 59.9, of which MEUR 3.4 was posted to turnover.

Property for sale

Property for sale yielded MEUR 23.9 in turnover and MEUR 3.5 in net profit.

Finland

Sales net of debt of property for sale in Finland was MEUR 19.2. The balance sheet value of this portfolio was MEUR 23.2 at year-end.

International

Most of the subsidiaries in Europe have been liquidated, and the guarantee pledges on them have been terminated.

The associated company in the USA, Polar-BEK, sold off its holdings and paid off its debts to banks, whereupon the pledges made also terminated. The ownership of Polar-BEK was reformulated in such a way that its office plots were reassigned to a newly founded associated company. Polar Real Estate invested USD 3.1 million in the new company. Both associated companies are free of debt.

The balance sheet value of foreign investments was MEUR 7.8 at year-end.

Enhancing the business structure

In 2001, the company continued to streamline its business structure with the division as of 1 January 2002 of its operations into five business sectors. They are Investment properties, Investment properties in Provincial Centres, Plots in the Helsinki Metropolitan Area, Property for Sale, and Other Investments. The restructuring made it possible to create separate strategies and operating methods for each business sector and it will facilitate the reviewing of profitability for each subdivision. Investment properties and Investment properties in Provincial Centres account for 90% of the entire real estate portfolio.

Financing

The Group's liquid assets at year-end were MEUR 9.8 (MEUR 23.5). Net financing expenses were MEUR 15.5 (MEUR 15.7).

The interest-bearing liabilities on the consolidated balance sheet amounted to MEUR 229.9 (MEUR 268.1). MEUR 93.7 was paid on loans. A total of MEUR 43 of the company's loans became interest-bearing at the beginning of 2001. The company is also liable for approximately MEUR 4 of loans to non-consolidated real estate holding companies included in inventories and partly owned by Polar.

The Group's equity ratio was 32.6% (22.3%).

Of the Group's loans at year-end, MEUR 15.0 was at fixed interest rates or pegged to five-year interest rates. During the year, MEUR 30.0 was hedged till the end of 2003 with interest rate derivatives and MEUR 70.0 was hedged with interest rate ceiling and floor derivatives.

Obligatory reserves

Obligatory reserves in the consolidated balance sheet total MEUR 17.4 (MEUR 21.5), of which rental liabilities lasting until 2012 account for MEUR 7.5 (MEUR 8.7) and construction liabilities lasting until 2008 account for roughly MEUR 3.5 (MEUR 3.6).

Suits are pending against the company concerning the statutory restructuring programme and property sold. The obligatory reserves posted in view of these are estimated to be sufficient.

Shares

At year-end the number of Polar Real Estate Corporation shares was 180,057,224 and its share capital was EUR 36,011,444.80. The market capitalisation at year-end was MEUR 64.8 and the year's closing share price was EUR 0.36. Equity per share was EUR 0.70 (EUR 0.57).

The convertible bonds and equity loan remaining in the hands of non-

Group loans, M€	31.12.2001	31.12.2000
Interest-bearing loans	229.9	268.1
Non-interest-bearing loans	3.8	52.3
Loans in non-consolidated companies	3.7	4.8

Group parties confer entitlement to roughly 22 million shares.

The management of Polar Real Estate Corporation have options to subscribe for 5,700,000 shares in the company. The Polar Real Estate Group held 139,931 of Polar Real Estate Corporation's shares at year-end.

The annual general meeting of 6 March 2001 authorised the Board of Directors to decide on one or more issues of convertible bonds and/or warrant bonds and/or to decide on increasing the share capital on one or more occasions by means of an issue of new shares in such a way that the issue of convertible bonds or warrant bonds or new shares shall confer entitlement to subscribe for a maximum total of 36 million new shares with a par value of EUR 0.20 each. The share capital may be increased under this authorisation by a maximum of MEUR 7.2. The authorisation is valid for one year from the date of the AGM. The authorisation has not been exercised.

Statutory restructuring programme

A statutory restructuring programme was confirmed for Polar Real Estate Corporation by Helsinki District Court on 4 February 1994 and the programme ended on 31 December 2001. The programme dealt with all debts and liabilities as of the start of the restructuring proceedings on 19 March 1993. All the debts and liabilities subject to the programme have been paid or converted into company shares, with the exception of the quasi-equity convertible bonds specified by the programme. The outstanding amount of this is MEUR 3.8, and it will be paid in 2002 now that the company has made a net profit for 2001.

The Helsinki Exchanges decided on 2 January 2002 to take Polar Real Estate Corporation shares off the observation list, on which it had been placed at the beginning of the statutory restructuring proceedings.

Amendments to the articles of association

The AGM approved the Board of Directors' proposal that sections 3, 4 and 5 of the articles of associations be altered to read as follows:

Article 3 The field of business

The company's field of business is real estate investment, other investment business, and trading in shares. The company shall own and control real properties, shares in real estate holding companies, other shares and securities, and it shall trade them and engage in leasing with them. The company may engage in real estate development and the commissioning of construction.

Article 4 Share capital

The company's share capital may be raised and lowered without amendment to the articles of association. The company's minimum authorised share capital is EUR thirty million (30,000,000) and its maximum authorised capital is EUR one hundred and twenty million (120,000,000).

Article 5 Par value of shares

The par value of a company share is twenty hundredths of a euro (EUR 0.20).

Board of Directors and auditors

The annual general meeting of 6 March 2001 confirmed the number of the members of the Board of Directors to be six. Jukka Salminen was re-elected as a member for a three-year term, and Jorma Laakkonen, LL.M., was elected for a three-year term to succeed Hannu Sipilä. After Heikki Allonen declared his intention to step down from the Board of Directors, the annual general meeting elected Raimo Lind, M.Sc. (Econ. & B.A.), to succeed him for the two-year remainder of Allonen's term. The continuing memberships of the Board of Directors are held by Kari Heinistö (term expires in 2002), Jan-Henrik Kulp (2003) and Helena Walldén (2002).

The Board of Directors elected from among its members Jan-Henrik Kulp as chairman and Jukka Salminen as deputy chairman.

The auditors elected were the accounting firm 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

The President and CEO of the Group is Erkka Valkila and Risto Varpula serves as Executive Vice President. At the end of the year, the Group had 27 (37) employees. The salaries paid by the Group totalled MEUR 2.5 (MEUR 2.8), of which the salaries and emoluments of the Board of Directors and the President accounted for MEUR 0.3 (MEUR 0.3).

Outlook for the future

The rental occupancy rate for investment properties is forecast to hold steady at last year's level and the net rental income percentage is forecast to rise. Leasing is expected to put in an improved profit in 2002. The equity ratio is likely to rise to over 35%. Property not forming part of the core business will continue to be sold.

Payment of dividend

Because of the reduction in the share capital effected in 2001, payment of dividend on the profits for the years 2001 and 2002 is subject to a permit under the Companies Act. It is the company's intention to use the profits accruing in the near future to raise the equity ratio, to boost the equity per share and to improve business operations. The Board will propose to the annual general meeting that no dividend be paid for 2001.

The Board's proposals for an authorisation to issue shares and a share buyback

The Board of Directors propose that the annual general meeting authorise the Board to decide on a share issue in which a maximum of 36 million new shares with a par value of EUR 0.20 each may be issued. The share capital may be raised on the basis of the authorisation by a maximum of MEUR 7.2.

The Board of Directors propose that the annual general meeting authorise the Board, within one year of the AGM, to decide on a share buyback, using the company's distributable funds, to a maximum number of shares equivalent to 5% of the company's share capital on the date of the purchase of shares.

Profit and loss account

M€	Group		Parent company	
	2001	2000	2001	2000
Turnover	68.9	96.9	74.3	80.7
Share in associated companies' profit/loss	-0.0	0.9	-	-
Other income from business operations	5.9	8.3	2.0	6.1
Expenses				
Materials and services	-37.2	-81.6	-43.4	-72.1
Personnel expenses	-2.4	-3.0	-2.5	-3.0
Depreciation and write-downs	-5.3	-56.0	-5.3	-96.1
Other expenses of business operations	0.6	-5.7	0.6	-5.3
	-44.4	-146.3	-50.7	-176.5
Operating profit/loss	30.5	-40.2	25.6	-89.6
Financing income and expenses				
Dividend income	0.1	0.1	0.1	0.1
Interest income on long-term investments	0.1	0.1	2.5	2.2
Other financing income	0.9	1.7	0.8	1.6
Interest expenses	-16.4	-16.8	-17.8	-15.0
Other financing expenses	-0.2	-0.9	-0.2	-0.9
	-15.5	-15.7	-14.6	-11.9
Profit/loss before extraordinary items	15.0	-55.9	11.0	-101.5
Extraordinary items	10.0	-	10.9	-
Profit/loss before appropriations and taxes	25.0	-55.9	21.9	-101.5
Appropriations	-	-	0.1	5.6
Direct taxes	0.1	0.0	0.2	0.0
Net profit/loss for year	25.1	-55.9	22.2	-96.0

Balance sheet

M€	Group		Parent company	
	2001	2000	2001	2000
Assets				
Non-current assets				
Immaterial goods	7.4	9.9	4.4	6.8
Tangible assets	292.2	338.4	13.6	13.7
Investments	15.6	29.0	14.1	22.7
Holdings in companies in same Group	-	-	342.7	366.4
Holdings in cross-ownership companies	25.5	6.6	24.6	5.7
Other investments	0.3	0.3	0.2	0.2
	341.1	384.1	399.6	415.4
Current assets				
Inventories	27.3	34.2	18.2	22.5
Short-term receivables	12.4	24.5	16.7	29.6
Securities included in financial assets	5.1	12.7	5.0	12.7
Cash in hand and banks	6.3	12.3	5.5	10.4
	51.1	83.6	45.5	75.2
Assets, total	392.1	467.7	445.2	490.7
Liabilities and shareholders' equity				
Shareholders' equity				
Share capital	36.0	151.4	36.0	151.4
Share premium account	49.8	50.0	49.8	50.0
Own shares fund	0.0	0.0	0.0	0.0
Reserve fund	-	0.0	-	0.0
Retained profits/losses	15.6	-43.2	-0.0	-19.7
Net profit/loss for year	25.1	-55.9	22.2	-96.0
Equity loans	38.8	43.9	57.0	108.4
	165.4	146.2	165.1	194.2
Accumulation of appropriations	-	-	7.3	7.4
Obligatory reserves	17.4	21.5	13.9	16.0
Liabilities				
Long-term liabilities	182.5	266.6	209.8	246.1
Current liabilities	26.8	33.4	49.1	27.1
	209.3	300.0	258.9	273.2
Liabilities and shareholders' equity, total	392.1	467.7	445.2	490.7

Statement of source and applications of funds

M€	Group		Parent company	
	2001	2000	2001	2000
Business operations				
Operating profit/loss	30.5	-40.2	25.6	-77.7
Depreciation and other adjustments to operating profit	5.3	56.0	3.0	112.4
Change in net working capital	9.8	73.1	46.0	48.6
Interest received	0.1	1.6	2.5	3.3
Interest paid	-16.4	-16.8	-17.8	-15.0
Dividend received	0.1	0.1	0.1	0.1
Other financing items	0.7	-0.7	1.0	-0.4
Extraordinary income	5.2	-	6.1	-
Taxes paid	0.1	0.0	0.2	0.0
Net cash flow from business operations	35.4	73.1	66.6	71.4
Investments				
Group companies acquired	-3.0	-3.7	-3.0	-3.7
Associated companies acquired	-0.1	-1.2	-0.1	-1.2
Purchases of other shares	-	-2.3	-	-0.0
Purchases of other fixed assets	-19.1	-23.8	-1.9	-4.1
Group companies sold	24.8	0.8	24.8	0.8
Associated companies sold	-	0.0	-	-
Sales of other shares	0.7	6.3	0.7	5.2
Sales of other fixed assets	16.8	4.1	3.0	0.1
Increase in long-term investments	-7.4	-0.1	-42.0	-2.5
Decrease in long-term investments	0.0	9.4	1.9	-
Cash flow from investments, total	12.6	-10.6	-16.7	-5.4
Cash flow before financing	48.0	62.5	49.9	66.0
Financing				
Use of long-term loans	8.8	15.9	6.9	14.8
Instalments on long-term loans	-70.1	-68.4	-69.5	-66.4
Increase/decrease in short-term financing	-0.4	-1.9	-	0.2
Increase/decrease in equity loans	-	-	-	-2.1
Liabilities of new, consolidated, separate companies	-	4.9	-	-
Financing, total	-61.7	-49.5	-62.6	-53.5
Increase/Decrease in liquid assets	-13.7	13.0	-12.6	12.5
Liquid assets 1.1	24.0	11.0	22.2	9.7
Liquid assets 31.12	10.3	24.0	9.5	22.2

Supplementary information on the financial statements

Accounting conventions of the consolidated financial statements

Scope of the consolidated financial statements

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

The associated companies are consolidated by the equity method. The share in the profits of associated 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 100%. The company was amalgamated with Polar Real Estate Corporation on 16 September 2001. The Group's holding in KOy Pakkalan Kartanonkoski 12 was increased by 34%. Vantaanportti Oy, Povarstock Oy and Otsohallit Oy were merged into the parent company. KOy Kotkan Seurahuone, a 50% holding in KOy Helsingin Kanavakatu, KOy Kaijonharjun Liiketalo, KOy Turun Asemakeskus and a 51.9% holding in KOy Zepelinin Kauppapörssi were sold. KOy Koskenportti, KOy Lahden Vesijärvenkatu, and KOy Kajaanin Nuaskatu 2 were sold to a wholly owned subsidiary, where they were entered in inventories. During the financial year, KOy Ankkurikulma, KOy Sahanparkki and KOy Torniorava were transferred to

inventories. KOy Järvenpään Helsinginportti and KOy Kuopion Satama 4 were added to the consolidation during the financial year. During the financial year, the entire issued stock of KOy Lastupolku and International Park Partner Inc. were acquired by the Group.

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 turnover, indirect sales taxes and other sales adjustment items have been deducted from sales revenue. Rents have been recognised as income in turnover 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 margins on non-current assets.

Personnel pension coverage and pension expenses

Pension expenses are booked as expenses on an accruals basis. Pension cover, 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% – 25% of residual value/of acquisition cost

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 improve 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 is 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 financing 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, together with 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	
	2001	2000	2001	2000
1. Turnover				
Rental income	43.7	41.5	41.4	37.8
Other sales revenue	25.2	55.4	32.9	42.9
	68.9	96.9	74.3	80.7
2. Other income from business operations				
Capital gains on sales of fixed assets	5.9	0.7	-0.2	0.7
Other income of construction business	-	1.7	-	-
Other	0.0	5.8	2.2	5.4
	5.9	8.3	2.0	6.1
3. Expenses of business operations				
Materials and services				
Purchases during the year	-11.0	-21.1	-34.9	-36.2
Change in inventories	-6.9	-42.5	-4.3	-33.7
External services and maintenance expenses	-19.3	-18.1	-4.2	-2.2
	-37.2	-81.6	-43.4	-72.1
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	-1.9	-2.3	-1.9	-2.3
	-2.2	-2.5	-2.2	-2.5
Indirect personnel expenses				
Pension expenses	-0.1	-0.3	-0.3	-0.3
Other indirect personnel expenses	-0.1	-0.2	-0.1	-0.2
	-0.2	-0.4	-0.4	-0.4
Other expenses of business operations	0.6	-5.7	0.6	-5.3
Total	-39.0	-90.3	-45.4	-80.4
Personnel, average	34	41	32	41

M€	Group		Parent company	
	2001	2000	2001	2000
4. Planned depreciation and write-downs				
Depreciation on immaterial goods				
Other long-term expenditure	-1.1	-1.4	-1.0	-1.0
Depreciation on tangible assets				
Buildings	-3.5	-4.7	-0.2	-0.2
Machinery and equipment	-0.5	-1.0	-0.1	-0.6
	-3.9	-5.7	-0.3	-0.8
Write-downs on fixed assets and long-term investments				
Long-term investments	-0.3	-48.9	-4.0	-94.3
Total	-5.3	-56.0	-5.3	-96.1
The planned depreciation is calculated according to the economic life as follows:				
Other long-term expenses	10.0% – 33.3% straight-line depreciation			
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			

The difference between the total depreciation booked in the financial statements and planned depreciation is given in the profit and loss account as an appropriation before the change in voluntary reserves. The accumulated depreciation difference is given as a separate item on the liabilities side of the balance sheet in the grouping for reserves. The depreciation difference does not entail a deferred tax liability as the company has confirmed losses.

The subsidiaries' Group goodwill has been allocated to fixed asset items and depreciation on it has been applied in compliance with the accounting conventions for planned depreciation on fixed asset items.

M€	Group		Parent company	
	2001	2000	2001	2000
5. Financing income and expenses				
Dividend income				
From cross-ownership companies	-	-	-	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	-	-	2.4	2.1
From others	0.1	0.1	0.1	0.1
	0.1	0.1	2.5	2.2
Income on long-term investments, total	0.2	0.2	2.6	2.3
Other interest and financing income				
From others	0.9	1.7	0.8	1.6
Financing income, total	1.1	1.9	3.4	4.0
Other financing expenses				
Write-downs on long-term investments	-0.9	-0.9	-0.2	-0.9
Others	-	-0.0	-	-0.0
	-0.9	-0.9	-0.2	-0.9
Interest expenses and other financing expenses				
To companies in the same Group	-	-	-2.7	-1.6
To others	-15.7	-16.8	-15.2	-13.4
	-15.7	-16.8	-17.8	-15.0
Financing income and expenses, total	-15.5	-15.7	-14.6	-11.9
The item interest and financing income includes exchange rate gains	0.0	1.2	0.0	1.2
6. Extraordinary income and expenses				
Extraordinary income				
Group subventions received	-	-	7.5	-
Additional selling price on construction interests sold	6.6	-	-	-
Arrangement of convertible bond issue	4.8	-	4.8	-
Reimbursement received for international business	0.6	-	0.6	-
Extraordinary expenses				
Write-downs on foreign receivables	-2.0	-	-2.0	-
Extra ordinary income and expenses, total	10.0	-	10.9	-
7. Effect of change in obligatory reserves on profit and loss account				
Increases in obligatory reserves and such reductions as are caused by a decline in a previously estimated expenditure are credited or charged to income.				
8. Direct taxes				
Taxes for the year	-	-	-	-
Taxes for previous years	0.1	0.0	0.2	0.0
	0.1	0.0	0.2	0.0

Supplementary information on the balance sheet

M€	Group		Parent company	
	2001	2000	2001	2000
9. Non-current assets				
Immaterial goods				
Intangible rights				
Acquisition cost 1.1	2.4	1.3	0.0	-
Increases during year	0.1	1.1	0.0	0.0
Decreases during year	-0.1	-	-0.0	-
Acquisition cost 31.12	2.5	2.4	0.0	0.0
Accumulated planned depreciation	-0.0	-	-	-
Book value 31.12	2.5	2.4	0.0	0.0
Other long-term expenditure				
Acquisition cost 1.1	14.8	18.0	13.5	9.6
Increases during year	3.7	-	3.7	4.0
Decreases during year	-5.9	-3.3	-5.7	-0.0
Acquisition cost 31.12	12.6	14.8	11.5	13.5
Accumulated planned depreciation	-7.6	-7.3	-7.2	-6.8
Book value 31.12	5.0	7.4	4.4	6.8
Immaterial goods total				
Acquisition cost 1.1	17.2	19.3	13.6	9.6
Increases during year	3.8	1.1	3.7	4.0
Decreases during year	-6.0	-3.2	-5.7	-0.0
Acquisition cost 31.12	15.0	17.2	11.6	13.6
Accumulated planned depreciation	-7.6	-7.3	-7.2	-6.8
Book value 31.12	7.4	9.9	4.4	6.8
Tangible assets				
Land areas				
Acquisition cost 1.1	92.6	90.7	5.1	5.1
Increases during year	2.3	2.3	1.2	0.4
Decreases during year	-16.7	-0.3	-0.7	-0.4
Acquisition cost 31.12	78.2	92.6	5.6	5.1
Accumulated planned depreciation	-11.4	-20.3	-0.9	-0.9
Book value 31.12	66.8	72.3	4.7	4.3
Buildings and structures				
Acquisition cost 1.1	338.2	322.2	13.9	13.9
Increases during year	30.8	16.1	-	-
Decreases during year	-88.5	-0.0	-0.5	-0.0
Acquisition cost 31.12	280.5	338.2	13.4	13.9
Accumulated planned depreciation	-61.8	-81.3	-5.1	-5.0
Book value 31.12	218.8	256.9	8.3	8.9
Machinery and equipment				
Acquisition cost 1.1	23.1	19.3	8.3	8.6
Increases during year	0.9	4.3	0.3	0.1
Decreases during year	-3.1	-0.5	-0.2	-0.4
Acquisition cost 31.12	20.9	23.1	8.4	8.3
Accumulated planned depreciation	-14.3	-14.0	-7.8	-7.7
Book value 31.12	6.6	9.2	0.6	0.6
Tangible assets, total				
Acquisition cost 1.1	454.0	432.1	27.3	27.6
Increases during year	34.0	22.7	1.4	0.6
Decreases during year	-108.4	-0.8	-1.4	-0.8
Acquisition cost 31.12	379.7	454.0	27.3	27.3
Accumulated planned depreciation	-87.4	-115.6	-13.7	-13.6
Book value 31.12	292.2	338.4	13.6	13.7

M€	Group		Parent company	
	2001	2000	2001	2000
Investments				
Group companies				
Shares 1.1	-	-	290.2	269.2
Increases during year	-	-	31.3	32.1
Decreases during year	-	-	-35.1	-11.1
Transfers between items	-	-	-	0.0
Shares 31.12	-	-	286.5	290.2
Loans receivable 1.1	-	-	163.9	169.2
Increases during year	-	-	20.5	-
Decreases during year	-	-	-40.5	-5.3
Transfers between items	-	-	-	-
Loans receivable 31.12	-	-	143.9	163.9
Write-downs	-	-	-87.8	-
Increases during year	-	-	-	-90.5
Decreases during year	-	-	-	2.8
	-	-	-87.8	-87.8
Book value 31.12	-	-	342.7	366.4
Cross-ownership companies				
Shares 1.1	4.2	4.2	7.4	-
Increases during year	19.2	-	19.2	-
Decreases during year	-0.3	-0.0	-0.2	-
Transfers between items	-	-	-	7.4
Shares 31.12	23.1	4.2	26.3	7.4
Loans receivable 1.1	1.7	1.7	1.7	1.7
Increases during year	-	-	-	-
Decreases during year	-	-	-	-
Transfers between items	-	-	-	-
Loans receivable 31.12	1.7	1.7	1.7	1.7
Write-downs	0.7	-	-3.4	-
Increases during year	-	-	-	-3.4
Decreases during year	-	0.7	-	-
	0.7	0.7	-3.4	-3.4
Book value 31.12	25.5	6.6	24.6	5.7
Other investments				
Shares 1.1	23.9	0.3	18.7	45.2
Increases during year	1.2	2.3	6.3	1.2
Decreases during year	-18.4	-6.3	-18.4	-6.3
Transfers between items	-	27.6	-	-21.5
Shares 31.12	6.7	23.9	6.5	18.7
Loans receivable 1.1	121.4	129.4	120.3	128.4
Increases during year	6.1	0.1	6.0	-
Decreases during year	-76.1	-8.1	-76.3	-8.1
Transfers between items	-	-	-	-
Loans receivable 31.12	51.3	121.4	50.0	120.3
Write-downs	-116.1	-114.5	-116.1	-114.5
Increases during year	-	-1.6	-	-1.6
Decreases during year	73.9	-	73.9	-
	-42.2	-116.1	-42.2	-116.1
Book value 31.12	15.9	29.3	14.4	22.9

M€	Group		Parent company	
	2001	2000	2001	2000
10. Current assets				
Inventories				
Materials and supplies	-	0.0	-	0.0
Work in progress	1.1	1.0	1.1	0.9
Land areas and buildings	4.2	5.4	3.2	5.4
Shares	22.1	42.2	14.0	30.6
Unallocated write-down	-	-14.5	-	-14.5
Inventories, total	27.3	34.2	18.2	22.5
Current receivables				
Accounts receivable	4.3	7.0	3.6	9.1
Short-term loans receivable	6.2	13.0	4.2	15.4
Accrued assets	1.3	3.5	1.1	4.4
Other receivables	0.7	1.1	7.8	0.8
Current receivables, total	12.4	24.5	16.7	29.6
Receivables from companies in the same Group				
Accounts receivable	-	-	0.0	4.3
Short-term loans receivable	-	-	0.1	2.7
Accrued assets	-	-	0.8	2.8
Other receivables	-	-	7.3	-
	-	-	8.2	9.8
Receivables from cross-ownership companies				
Accounts receivable	0.0	0.0	0.0	0.0
Significant items included in short-term accrued assets				
Matched dividend income	0.1	0.0	0.6	2.8
Commissions	-	0.1	-	0.1
VAT receivable on investments	0.6	1.8	-	-
Others	0.5	1.5	0.5	1.4
	1.3	3.5	1.1	4.4
Cash loans to company management				
As at 31.12.2001, the company management and members of the Board of Directors had no cash loans from the company or its subsidiaries.				

M€	Group		Parent company	
	2001	2000	2001	2000
11. Shareholders' equity				
Share capital 1.1	151.4	151.4	151.4	151.4
Reduction in share capital	-115.4	-	-115.4	-
Convertible bonds exercised for share capital	0.0	-	0.0	-
Share capital 31.12	36.0	151.4	36.0	151.4
Share premium account 1.1	50.0	50.0	50.0	50.0
Previous losses covered	-0.2	-	-0.2	-
Offering of convertible bonds	0.1	-	0.1	-
Share premium account 31.12	49.8	50.0	49.8	50.0
Reserve fund 1.1	0.0	0.0	0.0	0.0
Previous losses covered	-0.0	-	-0.0	-
Reserve fund 31.12	-	0.0	-	0.0
Own shares fund 1.1	0.0	0.1	0.0	0.0
Increase/decrease	0.0	-0.0	0.0	-0.0
Own shares fund 31.12	0.0	0.0	0.0	0.0
Accumulated losses 1.1	-99.1	-43.2	-115.7	-19.7
Transfer from share capital	115.4	-	115.4	-
Transfer from reserve fund	0.0	-	0.0	-
Transfer from share premium account	0.2	-	0.2	-
Transfer to own shares' fund	-0.0	0.0	-0.0	-0.0
Other changes	-0.9	-0.0	0.0	-
Net profit/loss for year	25.1	-55.9	22.2	-96.0
Accumulated profits/losses 31.12	40.7	-99.1	22.2	-115.7
Equity loans 1.1	43.9	43.8	108.4	110.6
Increases	-	0.1	-	0.1
Decreases	-4.9	-	-51.3	-2.2
To share capital	-0.0	-	-0.0	-
To share premium account	-0.1	-	-0.1	-
Equity loans 31.12	38.8	43.9	57.0	108.4
Shareholders' equity, total 31.12	165.4	146.2	165.1	194.2
Calculation of distributable assets				
Accumulated profits	15.6	-43.2	-0.0	-19.7
Net profit/loss for year	25.1	-55.9	22.2	-96.0
Portion of accumulated depreciation entered in shareholders' equity	-12.1	-12.5	-	-
Total	28.6	-111.6	22.2	-115.7

M€	Group		Parent company	
	2001	2000	2001	2000
12. Equity loans				
Quasi-equity convertible bonds				
Unpaid on issue	3.8	8.8	17.0	45.1
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% year 2000 50% year 2001			
Convertible equity loan				
Unpaid on issue	35.1	35.1	40.0	63.3
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	-	-	13.2	36.4
Convertible equity loan	-	-	5.0	28.2
13. Obligatory reserves				
Construction liabilities	3.8	3.9	0.3	0.3
Municipal engineering reserves	0.6	1.6	0.6	-
Rental liabilities	7.5	8.7	7.5	8.7
Guarantee liabilities/Finland	-	0.2	-	0.2
Guarantee liabilities/foreign	-	0.9	-	0.9
Reserve for treating contaminated land	2.7	2.1	2.7	1.7
Liabilities for commissioning housing construction	1.1	1.1	1.1	1.1
Reserve for plot development expenses	1.7	-	1.7	-
Other obligatory reserves	0.0	3.1	0.0	3.1
Total	17.4	21.5	13.9	16.0
14. Accumulated appropriations				
The accumulated appropriations in the parent company are comprised of the accumulated depreciation difference				

M€	Group		Parent company	
	2001	2000	2001	2000
15. Long-term liabilities				
Other rescheduled debt	-	0.2	-	0.2
Corporate bonds	16.9	25.3	30.4	45.6
Loans from financial institutions	165.3	237.5	160.6	181.7
Pension loans	0.0	0.2	0.0	0.1
Other long-term debts	0.3	3.5	18.9	18.6
Total	182.5	266.6	209.8	246.1
Debts maturing in five years				
Pension loans	-	0.0	-	0.0
Loans from financial institutions	26.1	9.9	25.9	9.9
Debts to Group companies				
Corporate bonds	-	-	13.5	20.2
Other long-term debts	-	-	18.7	16.6
Debt to associated companies				
Other short-term debts	-	-	-	0.0
Warrant bonds				
Unpaid from 1994 issue	-	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	25.3	28.2	45.6	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 2002			
	30% in 2003			
	30% in 2004			

M€	Group		Parent company	
	2001	2000	2001	2000
16. Current liabilities				
Warrant bonds	-	0.3	-	0.3
Corporate bonds	8.4	-	15.2	5.1
Loans from financial institutions	4.1	5.6	3.4	3.8
Pension loans	0.0	0.0	0.0	0.0
Advances received	5.4	9.7	5.3	9.6
Accounts payable	1.8	2.7	1.3	2.7
Deferred liabilities	4.5	3.4	4.9	2.7
Other short-term debts	2.6	11.7	18.9	3.0
Total	26.8	33.4	49.1	27.1
Short-term debt to companies in the same Group				
Corporate bonds	-	-	6.7	2.2
Accounts payable	-	-	0.1	0.3
Deferred liabilities	-	-	0.9	0.5
Other short-term debts	-	-	16.5	0.9
	-	-	24.2	3.9
Significant items included in deferred liabilities				
Matched financing expenses	3.1	1.1	3.9	1.2
Personnel expenses	0.5	0.7	0.5	0.7
Reservation fees	-	0.1	-	0.1
Others	0.9	1.4	0.5	0.6
	4.5	3.4	4.9	2.7

Other notes

M€	Group		Parent company	
	2001	2000	2001	2000
17. Contingent liabilities				
Pledges				
To secure own liabilities	210.2	210.7	339.2	173.3
Of which				
shares	87.4	177.4	220.0	141.1
receivables	122.5	31.5	118.9	31.5
deposits	0.4	1.0	0.3	0.7
Mortgages				
To source own liabilities	178.1	250.9	21.9	146.2
Guaranteest				
For consolidated Group companies	-	-	3.9	26.4
For associated companies	3.4	5.2	3.4	5.2
For other companies	0.5	0.5	0.5	0.5
The debts secured by guarantees and mortgages amount in total to	173.3	244.2	167.9	204.1
Other contingent liabilities				
Derivative interest rate instruments				
Interest rate instruments purchased				
par value	70.0	235.5	70.0	235.5
market value	0.2	-0.2	0.2	-0.2
Interest rate instruments sold				
par value	70.0	235.5	70.0	235.5
market value	-1.2	0.1	-1.2	0.1
Interest rate swaps				
par value	30.0	-	30.0	-
market value	-0.5	-	-0.5	-

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
OK-Maanrakennus Oy	100	100
Oulun Myllykiinteistöt Oy	100	100
Polar-International Oy	100	100
Polar-Rakennus Oy	100	100
Polar-Yhtymä Oy	100	100
PY-Investointi Oy	100	100
Suomen Osakaskiinteistöt Oy	100	100
KOy Hagströminkulma	100	100
KOy Hatanpään Valtatie 44	100	100
KOy Helsingin Kansakoulukatu 3	100	100
KOy Helsingin Vuorikatu 20	100	100
KOy Hollolan Liikekeskus	94	94
KOy Hollolan Ostospaikka	100	100
KOy Jyväskylän Väinönkeskus	75	75
KOy Jämsän Forum	54	54
KOy Järvenpään Helsinginportti	100	100
KOy Kalustaja	100	100
KOy Kilometri	100	100
KOy Kilon Helmi	100	100
KOy Kilon Timantti	100	100
KOy Kivikkaro	100	100
KOy Kornetintie 6	100	100
KOy Kuopion Satama	100	100
KOy Kutomotie 6	100	100
KOy Lappenrannan Lentäjätie 17-19	100	100
KOy Larvalankatu 13	100	100
KOy Lastupolku	100	100
KOy Malmin Kauppatie 8	100	100
KOy Niittylänpolku 16	100	100
KOy Pakkalan Kartanonkoski 3	100	100
KOy Pakkalan Kartanonkoski 12	100	100

KOy Pasilanraitio 5	77	77
KOy Pitkäsillankatu 1-3	100	100
KOy Satomalmi	78	78
KOy Scifin Alfa	100	100
KOy Seinäjoen Kino	90	90
KOy Sinimäentie 10	77	77
KOy Sisustaja	100	100
KOy Solartalo 2001	100	100
KOy Solartalo 2002	100	100
KOy Solartalo 2003	100	100
KOy Solartalo 2004	100	100
KOy Solartalo 2005	100	100
KOy Sörnäisten Rantatie 25	100	100
KOy Tampereen Hatanpää	100	100
KOy Tampereen Suvantokatu	100	100
KOy Tapiontuuli	100	100
KOy Turun Kalevantie 25	100	100
KOy Valkeakosken Torikatu 2	100	100
KOy Vallilan Solar 1	100	100
KOy Vallilan Solar 2	100	100
KOy Vallilan Solar 3	100	100
KOy Vallilan Solar 4	100	100
KOy Vanha Talvitie 11	100	100
KOy Viinikan Kauppakeskus	100	100
KOy Vilhonkatu 5	100	100
KOy Ässäatalo 2001	100	100

Foreign companies

International Park Partner Inc.	100	100
Polar Holding Inc.	100	100
Polar Property Development Inc.	100	
S + T Baurtrading GmbH	100	100

Company	Group share-holding, %	Parent share-holding, %
---------	------------------------	-------------------------

Affiliated companies

Finn-Stroi Oy	32	32
International Park Associated LLC	50	
Koskikeskuksen Huolto Oy	49	
KOy F-Medi	22	22
KOy Valkeakosken Liikekeskus	25	25
KOy Vantaanportin Liikekeskus	21	21
KOy Zeppelinin Kulmatori	28	28
Laadukkaat Vuokra-Asunnot Oy	49	49
Polar-BEK Company	49	
Polar Construction Ukraine JSC	37	37
Suomen Kiinteistökehitys SKK Oy	50	50

The Group's financial trend

Profit and loss account	2001	2000	1999	1998	1997
Turnover, M€	68.9	96.9	104.6	241.1	269.7
Other income and expences of business operations, M€	5.9	8.3	2.6	12.2	0.2
Operating profit/loss, M€	30.5	-40.2	16.7	-3.2	-31.3
Profit/loss before extraordinary items, M€	15.0	-55.9	2.7	-19.5	-47.3
Extraordinary income and expenses, M€	10.0	-	-	-	0.0
Profit/loss before appropriations and taxes, M€	25.0	-55.9	2.7	-19.5	-47.3
Balance sheet					
Fixed assets	341.1	384.1	433.5	413.1	464.7
Inventory and financial assets (net)	47.2	74.0	128.2	222.2	248.1
Assets, M€ *)	388.3	458.1	561.7	635.2	712.8
Shareholders' equity	126.6	102.3	202.1	202.0	174.2
Equity loans	38.8	43.9	43.9	0.0	0.0
Minority interest	-	-	-	-	0.5
Reserves and accumulated depreciation difference	-	-	-	21.9	24.6
Obligatory reserves	17.4	21.5	20.1	19.0	58.1
Long-term liabilities					
- non-interest-bearing	0.0	0.0	2.0	30.9	66.4
- interest-bearing	182.5	266.6	302.2	59.7	338.3
Current liabilities					
- non-interest-bearing	10.4	11.4	13.1	38.7	48.5
- interest-bearing	12.6	12.4	41.9	263.0	2.1
Liabilities and shareholders' equity, M€ *)	388.3	458.1	561.6	635.2	712.8
*) excludes advance invoicing and developer-contractor advances					
Key figures for financial trends					
Return on equity, %, ROE	13.2	-42.9	1.7	-14.5	-12.6
Return on investment, %, ROI	7.0	-7.7	3.6	-0.2	0.5
Equity ratio, %	32.6	22.3	28.2	28.4	14.2
Key indicators for business operations					
Average number of personnel	34	41	48	919	1 169
Dividend payment, M€	0.0	0.0	0.0	0.0	0.0
Key figures for shares					
Earnings per share (EPS), €	0.08 *)	-0.31 *)	0.02 *)	-0.13 *)	-0.40
Equity per share, €	0.70 *)	0.57 *)	0.88 *)	1.12 *)	0.85
Dividend per share, €	-	-	-	-	-
Dividend/profit, %	-	-	-	-	-
Effective dividend yield-%	-	-	-	-	-
Price/earnings ratio	4.29	-0.64	3.51	-0.50	-1.06
Trend in share price and turnover					
Issued-adjusted share price, €					
average price	0.27	0.30	0.35	0.59	1.18
lowest traded price	0.19	0.19	0.29	0.36	0.76
highest traded price	0.39	0.40	0.52	1.43	1.43
last traded price at year end	0.36	0.20	0.32	0.38	0.81
Market capitalization 31.12, M€	64.8	36.0	57.5	68.1	97.0
Trend in share turnover					
share traded (1 000)	26 700	16 200	19 455	28 149	25 592
% of shares, average	14.83/14.85 **	9.00/9.01 **	10.81/10.82 **	17.4/17.5 **	21.5/21.5 **
Issue-adjusted number of shares					
average (1 000)	180 045/179 833 **	180 018/179 878 **	180 018/179 878 **	161 343/161 258 **	118 966/118 880 **
at year-end (1 000)	180 057/179 811 **	180 018/179 878 **	180 018/179 878 **	180 018/179 933 **	120 211/120 125 **

*) 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),%	=	$\frac{\text{Profit before extraordinary items - taxes for financial year}}{\text{Shareholders' equity + minority interest (average)}} \times 100$
Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items + financing expenses}}{\text{Balance sheet total - non-interest-bearing debts (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance invoicing - developer/contractor project advances}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items +/- minority interest in profit for financial year - taxes for financial year}}{\text{Issue-adjusted number of shares during year}}$
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)	=	$\frac{\text{Issue-adjusted last traded share price during year}}{\text{Earnings per share}}$
Issue-adjusted average share price	=	$\frac{\text{Total trading in shares, EUR}}{\text{Issue-adjusted number of shares traded during year}}$
Market capitalisation	=	Number of shares at year-end x Last traded share price during year

In the calculation of 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 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 EUR 0.20.

Share capital

At year-end, there were 180,057,224 shares and the share capital was EUR 36,011,444.80. The company's mini-

mum capital is EUR 30,000,000 and its maximum capital is EUR 120,000,000.

Changes in share capital

The annual general meeting held on 6 March 2001 passed a resolution to reduce the company's share capital, which at that time was

Warrant bonds, convertible bonds and convertible equity loans as at 31 Dec. 2001						
	Non-Group		Polar Real Estate Group		Total	
	2001	2000	2001	2000	2001	2000
Warrant bonds (1 000)	-	8 179	-	2 339	-	10 518
Convertible bonds (€1 000)	3 833	8 730	13 186	36 398	17 019	45 128
Options to convert for shares (1 000)	1 139	2 595	3 920	10 821	5 059	13 416
Convertible equity loan (€1 000)	35 053	35 053	4 981	28 266	40 034	63 319
Options to convert for shares (1 000)	20 842	20 842	2 961	16 806	23 803	37 648

Increases and reductions in share capital 1997 – 2001						
Increases Subscription period	Subscription/ conversion rate	Subscription price, €	Number of shares	Share capital, €	Entitlement to dividend	New share- capital, €
Convertible equity loan 1996 exchanged in 1997	€1.68 of debt 1 share		3 913 000	6 581 194		202 153 068
Convertible bonds 1994 exchanged in 1997	€3.36 of debt 1 share		750	1 261	for year 1998	202 154 329
Convertible bonds 1996 exchanged in 1997	€3.36 of debt 1 share		15 000	25 228	for year 1998	202 179 557
Convertible equity loan 1996 exchanged in 1998	€1.68 of debt 1 share		20 900	35 151		202 214 709
Reduction in share capital 3.4.1998		0.84	120 231 406	-101 107 354		101 107 354
New issue of shares 14.4.-21.4.1998		1.01	59 236 618	49 814 420		150 921 774
Convertible bonds 1994 exchanged in 1998	€3.36 of debt 1 share		550 350	462 811		151 384 585
Reduction in share's par value to €0.20 27.4.2001				-115 380 910		36 003 675
Convertible bonds 1996 exchanged in 2001	€3.36 of debt 1 share		25 000	5 000	2 002	36 008 675
Convertible bonds 1994 exchanged in 2001	€3.36 of debt 1 share		13 850	2 770	2 002	36 011 445

FIM 900,091,870.00 or EUR 151,384,585.24 by EUR 115,380,910.44 to EUR 36,003,674.80. The reduction in the share capital was done by reducing the par value of all the shares, which was then FIM 5 or EUR 0.84, to EUR 0.20 without payment. The amount of the reduction in share capital was used in its entirety to cover the confirmed losses.

Convertible bonds issued in 1994 and 1996 and the quasi-equity convertible equity loan issued in 1996 were, in the course of 2001, used to subscribe for a total of 38,850 shares.

Shareholdings

At the end of 2001, Polar Real Estate Corporation had a total of 4,880 shareholders and the total percentage held by nominee-registered parties and directly foreign-owned shares was 4%. The ten biggest shareholder groups held about 77% of the company's shares and 20 largest held about 80%. There were no major changes in shareholdings during 2001.

The 10 biggest shareholders, 28 Dec. 2001		
	Shares 1 000	%
Cervuctum Oy	47 344	26.29
Nordea Bank Finland	35 715	19.84
UPM-Kymmene Corporation	14 836	8.24
Wärtsilä Corporation	14 473	8.04
Partek Corporation	10 905	6.06
Finnish Cooperative Wholesale Society SOK	5 305	2.95
Stockmann plc	3 627	2.01
Mutual Fond Conventum Finland Value	3 501	1.94
Saxby Holding Oy Ab	2 067	1.15
Pohjola Group Insurance Corporation	1 600	0.89
Total for ten biggest	139 374	77.41
Nominee-registered	6 298	3.50
Other	40 683	22.59
Total	180 057	100.00

Shareholders and voting rights by grouping, 28 Dec. 2001	
	%
Companies*)	57
Financial and insurance institutions	26
Households	12
Nominee-registered and foreign	4
Other	1
*) Less nominee-registered holdings	

Holdings by number of shares, 31 Dec. 2001				
Number of shares	Shareholders	%	Shares	%
1 - 100	1 524	31.23	51 707	0.03
101 - 1 000	1 415	29.00	723 395	0.40
1 001 - 10 000	1 433	29.36	6 206 159	3.45
10 001 - 100 000	442	9.06	13 542 548	7.52
100 001 - 1 000 000	54	1.11	13 932 568	7.74
over 1 000 000	12	0.25	145 466 660	80.79
Total	4 880	100.00	179 923 037	99.93
Total on waiting list			0	0.00
On joint accounts			134 187	0.07
Total issued stock			180 057 224	100.00

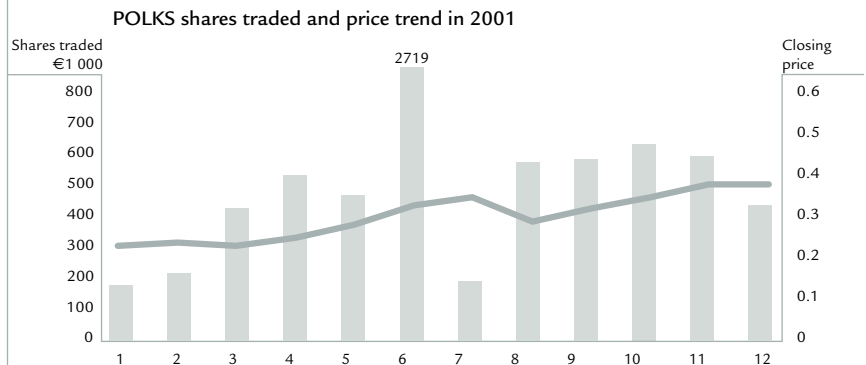
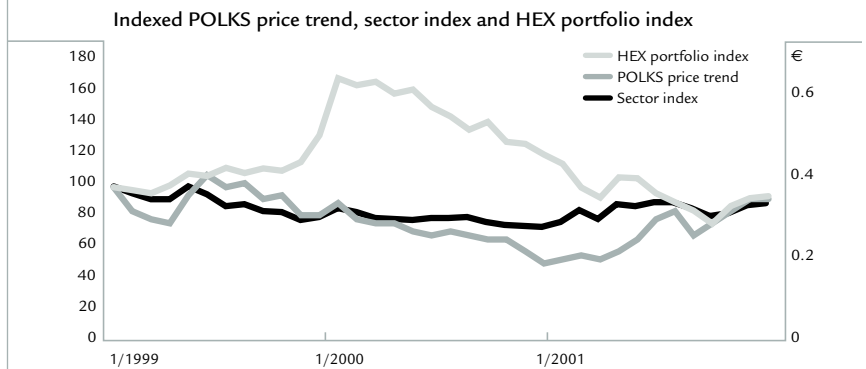
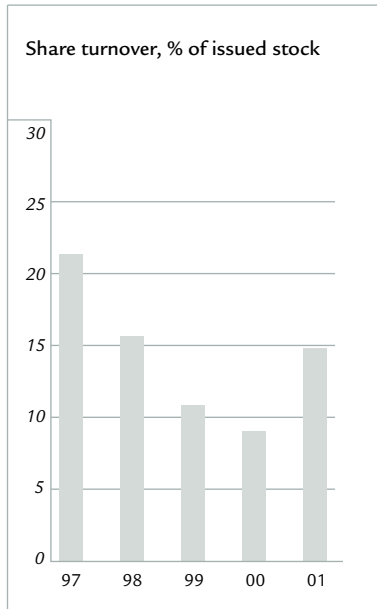
According to the register of industry insiders on 31 December 2001, the members of the Board of Directors and the Management Committee held a total of 212,242 shares, corresponding to approximately 0.1% of the issued stock and voting rights. At year-end, Polar Real Estate Group held 139,931 of Polar Real Estate Corporation's shares.

Shareholder agreements

The shareholder agreement which was in force during the statutory restructuring programme was terminated on 31 December 2001.

Share trading and price trend

In the course of 2001, a total of 26.7 million Polar Real Estate Corporation shares were traded for MEUR 7.2. This corresponds to 14.8% of the issued stock. The average daily trade was 107,200 shares and EUR 29,052. The year's highest traded price was EUR 0.39 and the lowest was EUR 0.19. The market capitalisation at year-end was MEUR 64.8 and the last traded price was EUR 0.36.



The Board's proposal to the annual general meeting

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

The Board of Directors propose to the annual general meeting that no dividend be paid for the financial year 2001.

Helsinki, 12 February 2002

Jan-Henrik Kulp
Chairman

Jukka Salminen
Deputy Chairman

Kari Heinistö

Jorma Laakkonen

Raimo Lind

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, 2001. 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 accor-

dance 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, 18 February 2002

SVH PricewaterhouseCoopers Oy
Authorised Public Accountants

Risto Laitinen
APA

Jorma Jäske
APA

Administration

Members of 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 expires in 2004



Jorma Laakkonen, born 1943
LL.M.

Member of the Board of Directors since 2001, term expires in 2004



Chairman
Jan-Henrik Kulp, born 1943
B.Sc. (Econ.)

Senior Financial Advisor of the UPM-Kymmene Group

Member of the Board of Directors since 1996, term expires in 2003



Raimo Lind, born 1953
M.Sc. (Econ.)

Group Vice President & CFO of Wärtsilä Corporation

Member of the Board of Directors since 2001, term expires in 2003



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

Executive Director of OKOBANK

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



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

Senior Executive Vice President of the Partek Group

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

The administration of Polar Real Estate Corporation is performed in compliance 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 matters including 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.

The 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. In the course of 2001, the Board of Directors convened on 16 occasions.

The Board of Directors supervise Polar Real Estate's operations and administration as well as decide 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.

The President and CEO

The Board of Directors appoint the President and his deputy and decide 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. The pensionable age for the President is 60, and the pension liability is covered by pension insurance. Erkka Valkila has served as the Group's President and CEO and Risto Varpula as its Executive Vice President since 1 January 1999.

Members of the Management Committee



Erkkka 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



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

Senior Vice President, Investments,
Acquisitions and Sales

Has served the company since 1994



Heidi Lepäntalo, born 1951
M.Sc. (Econ.)

Director, Business Development

Has served the company
since 1997



Matti Lavikainen, born 1955
M.Sc. (Eng.)

Senior Vice President, Invest-
ment Properties, Leasing,
Management and Maintenance

Has served the company
since 1989

The 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 2001 were MEUR 0.3.

Insider dealing

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 auditors. The company's specified insiders include all personnel. The personnel have been notified of insider matters.

According to the insider register of 28 December 2001, the members of the Board of Directors and the Management Committee plus those under their orders held a total of 212,242 shares.

Supervision systems

The annual general meeting elects auditors for one year at a time. The auditors elected in 2001 were SVH Pricewater-

houseCoopers 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 ended on 31 December 2001. The implementation of the programme was monitored by a seven-member committee of creditors, the chairman of which was law graduate Pekka Konttinen. Attorney-at-law Pekka Sirviö served as the supervisor; he reported 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, 5 March 2002, starting at 5 p.m. at Scandic Marina Congress Center, Katajanokanlaituri 6, FIN-00160 Helsinki, Finland.

Shareholders have the right to attend the AGM if they have been registered as a shareholder no later than 22 February 2002 in the company's register of members maintained by the Finnish Central Securities Depository Ltd.

Shareholders wishing to attend the annual general meeting must enrol no later than 3 p.m. on 4 March 2002, either

- through the company's website
(www.polarakiinteistot.fi) or
- by letter to Polar Real Estate Corporation,
Tarja Koistinen, PO Box 102,
FIN-00241 Helsinki, Finland or
- by telephoning the number (+358 9) 8259 2327.

Proxy documents should be deposited with or sent to Tarja Koistinen at the company's head office at the address given above before the deadline for notifications.

Payment of dividend

The Board will propose to the annual general meeting that no dividend be paid for 2001.

Financial disclosures

Publications dates of interim reports:

January – March	23 April 2002
January – June	8 August 2002
January – September	22 October 2002

The annual report for the financial year and interim reports will be published in Finnish and English. They will be available at the company's website www.polarakiinteistot.fi. Company's releases can be subscribed from the website's Investor relations section to be sent automatically to requested e-mail address. Mail for further information to anna-maija.hevosmaa@polarakiinteistot.fi.

Contact information

Polar Real Estate Corporation

PO Box 102
FIN-00241 Helsinki, Finland
Tel (+358 9) 82 591
Fax (+358 9) 8259 2300

Visiting address:

Pasilanrautio 5
FIN-00240 Helsinki, Finland

Tampere

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

Oulu

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

<http://www.polarakiinteistot.fi>

e-mail: firstname.familyname@polarakiinteistot.fi

21
20
19
18
17
16
15
14
13

