

Annual Report 2002



**POLAR**  
REAL ESTATE

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## Values

**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.

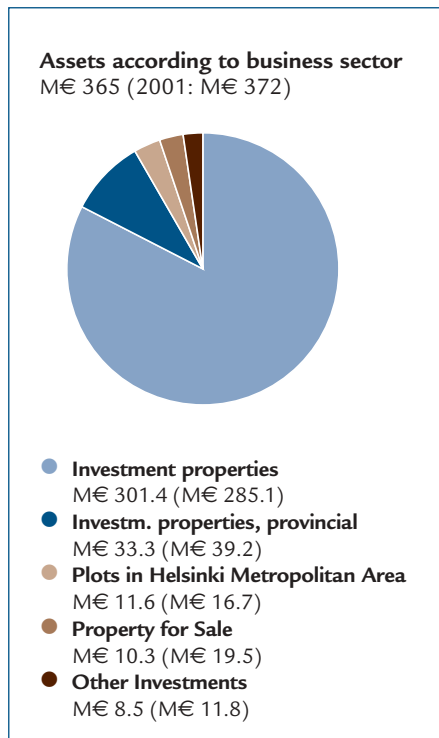
**Dependability** | Our services and products correspond to our promises and to our customers' expectations. We also accept our responsibility in case of problems, and we correct our mistakes.

**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.



## 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.

### Strategic action 2002

- Investment properties' share of the real estate portfolio grew to 92%.
- Other real estate holdings declined to MEUR 30.
- The financial targets set by the company were overachieved:
  - Equity ratio exceeded the 35% target and rose to 42%.
  - Return on equity exceeded the 8% target and rose to 18%.
  - Net rental income exceeded the 9% target and rose to 9.5%
- The company's cost structure, number of personnel and expertise correspond to the needs of the main business sector.

### Operative action 2002

- At year-end, the investment properties' leasable area totalled 264,000 sq.m. In all, 620 clients operated in the properties.
- A total of 110 new leases were signed for investment properties, with an annual rent of MEUR 3.3.
- The rental occupancy rate remained favourable and was roughly 97%.
- Polar Real Estate and Pension Fennia made a letter of intent for leasing premises to the Stockmann department store in the planned extension to the Jumbo shopping centre.
- The main acquisitions of real estate were KOy Plaza Forte in the Aviapolis district of Vantaa and KOy Nova in Turku Bio Valley.
- During the year the company invested a total of MEUR 21.0.
- Real estate holdings were sold for MEUR 34.5.
- The company paid off MEUR 39 quasi-equity equity loans.

## The future and goals

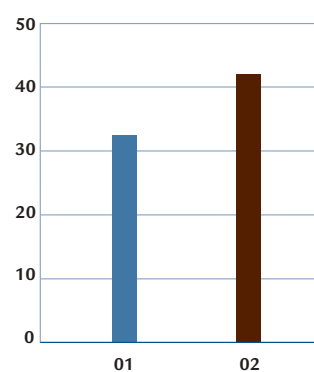
- The goal of the company's operations is profitable growth in the main business sector.
- The new target levels for the financial indicators in 2003 are as follows:
  - 40% equity ratio
  - 10% return on equity
  - 9.5% net rental income.
- Cash flow financing will be used to boost the value of the company, e.g. through investment. Investment will be aimed mainly at acquiring existing office properties and at extensions of company-owned commercial centres.
- The company does not intend to pay a dividend for the next few years.

### Key indicators

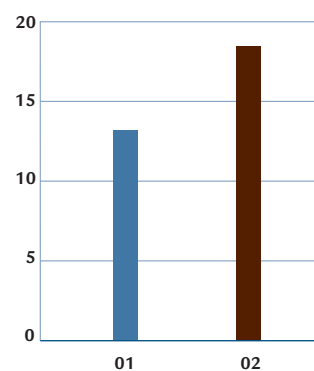
Indicators	2002	2001
Turnover, M€	61.9	68.9
Operative operating margin, M€	41.7	37.8
Profit before extraordinary items, M€	26.1	15.0
Net profit for financial year, M€	28.9	25.1
Balance sheet total, M€	370.3	392.1
Return on equity, % (ROE)	18.5	13.2
Return on investment, % (ROI)	10.2	7.9
Equity ratio, %	42.1	32.6
Personnel as at 31.12	21	27
Share indicators		
	2002	2001
Earnings per share, €	0.14	0.08
Equity per share, €	0.86	0.70
Traded share price at year-end, €	0.53	0.36
P/E ratio	4	4
Operative indicators for investment properties		
	2002	2001
Investment properties, M€	334.7	324.3
Net yield of properties, M€	30.4	29.9
Net yield of properties, % *	9.5	8.9
Rental occupancy rate, %	97.0	96.9

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

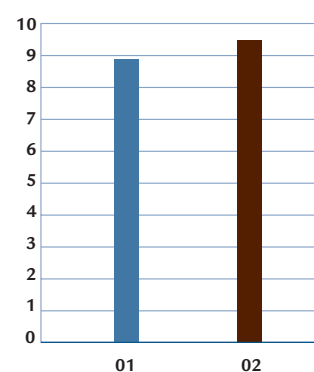
Equity ratio, 2001–2002, %



Return on equity, 2001–2002, %



Net rental income, 2001–2002, %



*Erkka Valkila, President and CEO*



## President's report

Uncertainty prevailed over the economic trend in 2002. Unimpressive growth figures in the USA and Europe affected Finland. Although economic growth in Finland was higher than the EU average, it was less than two per cent. Prevailing interest rates were at record lows. Low interest rates as such had a positive effect on capital-intensive enterprises like real estate investment companies.

As a result of the sluggish economic trend, companies were cautious in their investments and in expanding their business. On the market for office premises, this manifested itself in an increase in vacant properties due to a downturn in demand for space. On the other hand, new construction of office facilities was scanty, which helped to stabilise the situation on the rental market. Demand for business premises balances with supply due to growth in private consumption and the resultant demand for commercial space. Rents for office and commercial space have mostly held steady, but in certain subdivisions they have fallen.

On the securities market, the real estate investment sector is still seeking the interest of investors. Companies' market capitalisations are lower than their net asset values, and the undervaluation of stocks means less opportunity to obtain additional capital. In order to attract investors and to enhance the credibility of the sector, real estate investment companies have increased the transparency of their financial information and the openness of their operations. Work to correct the undervaluation of the sector must be continued, which requires companies to have open communications on their strategy and its implementation.

The price trend of Polar Real Estate shares has been positive, as in two years the share price has risen by approximately 170%. Equity yielded 18% last year, but the market capitalisation of the shares was roughly 35% below net asset value. Moreover, according to an external evaluation, the value of our investment properties exceeds the balance sheet value by more than in the previous year.

#### **Polar Real Estate has excellent prospects**

In 2002 we attained a sound financial position. We exceeded the financial targets we had set, which were 35% for equity ratio, 8% for return on equity and 9% for rental income. Overachieving the targets was done by complying with a systematic strategy in all the company's business sectors. Our new business sector structure facilitated more efficient operations and the provision of more open and clear information. The number of personnel and their skills are in line with our main business sector and the challenges of the future. Investment properties' proportion of the balance sheet has increased further through the investments and sales we have effected. The rental occupancy rate remained high, and no increase in vacant premises is expected this year either. Rental income increased and net rental income rose to the excellent level of 9.5%.

The figures achieved of 42% for equity ratio and 18% for return on equity create a good basis for the future. We have set new targets for these indicators, which give a clear framework for profitable growth. Strict criteria for investment and adherence to them are prerequisites for continuing the healthy trend.

Successful real estate investment business demands a real estate portfolio that both complies with the strategy and meets the customers' needs. We renovate and improve business premises to attain the standards required of them and to achieve customer satisfaction. The work is a continuing dialogue between the customer and the property owner. Customer satisfaction measures our expertise, which we want to improve constantly.

At the end of my own ten-year stint with Polar, I am now going to work for Sato Corporation and the time has come to give thanks for these eventful years of cooperation. I would like to thank the members of the Board of Directors, the owners and other stakeholders for their tireless work in building a successful real estate investment company. I would like to express my particular thanks to the personnel for the good work we have done together and for fruitful operations.

Erkka Valkila  
President and CEO

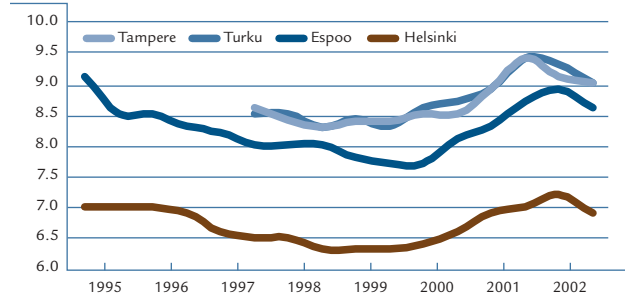
## Description of the business climate

In the first half of 2002, the Finnish economy went into cautious growth fuelled by exports and private consumption, and this is expected to gather strength during the present year. However, a requirement for this is a global economic recovery in accordance with forecasts. Inflation has stayed below two per cent and this is forecast to continue until 2004. Interest rates are low and consumer purchasing power has grown steadily. Nevertheless, there is still uncertainty in the economy and there is little willingness to invest.

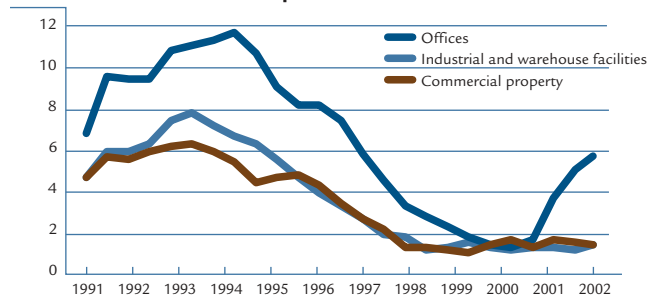
The trend on the Finnish market for business premises has polarised; in some areas the situation has mostly stayed good, whereas in some other subdivisions of the market rents have fallen and vacancy rates have increased. The vacancy rate for office premises has risen to the five per cent level normal for the sector. Companies are cautious in expanding their offices. New construction is scanty, and no new facilities contributing to vacancy rates will enter the market this year. Demand for commercial premises has remained good due to steady growth in purchasing power. Rents for offices and commercial property are expected to hold steady.

Investors' net yield requirements have remained unchanged after an increase in 2001, in spite of the low interest rate due to the uncertain rental market.

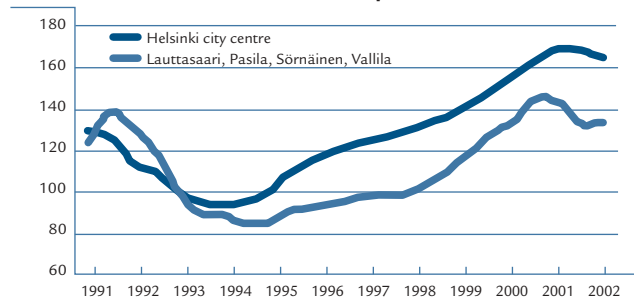
Net yield requirements for offices, %



Vacancy rates for business premises in the Helsinki Metropolitan Area



Trend in rent index for office premises



Source: KTI Property Information Ltd, Catella Property Consultants



## Polar Real Estate in 2002

Polar Real Estate Corporation is a stock exchange listed real estate investment company concentrating on owning, leasing and developing office and commercial properties. Its main business sector, Investment Properties, is comprised of office and commercial properties in the Helsinki Metropolitan Area, Tampere and Turku. The company's growth and investments will be channelled to this business sector in the future. The other business sectors are Investment Properties in Provincial Centres, Plots in the Helsinki Metropolitan Area, Property for Sale, and Other Investments. The intention is to pull out of these sectors in accordance with a strategy confirmed for each of them.

### The real estate portfolio

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The company's entire real estate portfolio at the end of 2002 amounted to MEUR 365. The proportion of investment properties has been systematically increased and its total was MEUR 335 (MEUR 324) or 92% (87%) of the total for the real estate portfolio. There were 39 (39) investment properties and their leasable floor area amounted to 264,000 square metres. There were 169,000 square metres of office properties and 95,000 square metres of commercial facilities. The gross rental income from investment properties was MEUR 39.2 (MEUR 40.9) and the net rental income was MEUR 30.4 (MEUR 29.9), which gives a 9.5% (8.9%) return on the balance sheet value. The real estate portfolio in other business areas at year-end totalled MEUR 30 (MEUR 48), which is MEUR 18 less than at the end of the previous year.

### Valuation of the real estate portfolio

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The investment properties, which have a balance sheet value of MEUR 335, were assessed by an authorised assessor at the end of the year. According to the assessment, the investment properties' market value exceeds their balance sheet value by MEUR 14.

### The productivity and solvency of operations

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The profit before extraordinary items in 2002 was MEUR 26.1 (MEUR 15.0). The profit from rental business was MEUR 13.5 (MEUR 8.2). The combined profits of sales and other business sectors than investment properties were MEUR 12.6 (MEUR 6.8). The profit after MEUR 2.8 in extraordinary items was MEUR 28.9 (MEUR 25.0). Return on investment rose to 10.2% (7.9%) and return on equity to 18.5% (13.2%). The equity ratio went up to 42.1% (32.6%).

### Shareholder value

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Polar Real Estate has continued its action to boost its shareholder value. The company's goal is profitable growth with due attention to the targets set for the key indicators. The company continues to direct its operations towards its main sector of business. The other business sectors' proportion will be reduced and the intention is to relinquish them in a few years.

The company intends to use cash flow financing to boost the value of the company, for example, through investments. Investments will be channelled mainly to acquiring existing office premises and to extending commercial centres already owned by the company.

The company has losses of roughly MEUR 300 which are unused in taxation. The deferred tax credit has not been posted to the balance sheet. The company intends not to pay dividend over the next few years. This means that the company will pay no income tax in the next few years.

When the prohibition on the payment of dividend due to the reduction in the share capital has expired in 2004, Polar Real Estate intends to buy back company shares, market conditions permitting.

#### Targets for key indicators

The targets for key indicators were revised and the new targets are:

- 40% for equity ratio
- 10% for return on equity
- 9.5% for net rental income.



Real estate holding company KOy Pakkalan Kartanonkoski 3

## Operating methods

### Leasing

Leasing strategies have been drawn up for each investment property, specifying objectives for the desired business idea, level of rent and length of lease. This guides practical action at the single property level and reduces the risks associated with leasing business. Premises are leased in the form of collaboration between Polar personnel and longtime agency partners.

### Management of buildings

Servicing and maintenance of real estate is aimed at enhancing the value of our investment properties. Upkeep investments are made in accordance with a long-term investment plan, and they are mainly timed to coincide with major lessee alterations. Investments are planned and carried out and the main services related to management of buildings are provided together with established, skilled partners. The Model Contract for Management of Buildings which we use is a successful system for streamlining the maintenance of our properties, for setting maintenance targets, for measuring the

success of the work, and for enhancing customer satisfaction.

### Investments

Polar Real Estate's investments and acquisitions are targeted on the Investment Properties business sector. The main investment prospects are existing properties with development potential for which added value is achievable through our own development and leasing activities. Investments in new construction concern Polar-owned plots and extensions of Polar's existing properties. Investments have to attain the set target of 9.5% for net rental income.

### Sales

The real estate of the Investment Properties business sector is intended to be held for a long period of time. Properties may be sold to enhance the structure of the investment portfolio according to the state of the market. The intention is to pull out of the other business sectors in the next few years, in accordance with the strategy confirmed for each of them.

NET PROFIT PER BUSINESS SECTOR, M€						
	Investment properties	Investment properties in Provincial centres	Plots in Helsinki Metropolitan area	Property for Sale	Other Investments	Total
<b>Year 2002</b>						
Sales of property	-	5.1	8.7	16.3	4.3	<b>34.5</b>
Turnover	33.7	5.6	7.4	10.9	4.4	<b>62.0</b>
Operating margin	23.7	2.6	5.1	6.2	4.2	<b>41.7</b>
Depreciation	-4.1	-0.7	0.0	0.0	-0.2	<b>-5.0</b>
Write-downs	-	-	-	-	-	<b>-</b>
Operating profit	19.7	1.9	5.1	6.2	4.0	<b>36.8</b>
Profit before extraord. items	12.0	0.9	4.2	5.4	3.6	<b>26.1</b>
Effect on sales on income	-	-0.6	-	-	-	<b>-</b>
Profit from rental business	12.0	1.5	-	-	-	<b>-</b>
<b>Year 2001</b>						
Sales of property	41.8	6.7	4.0	7.2	1.4	<b>61.2</b>
Turnover	35.2	5.7	4.1	15.1	8.8	<b>68.9</b>
Operating margin	29.1	3.2	-0.6	4.6	1.5	<b>37.8</b>
Depreciation	-4.0	-0.8	0.0	-0.1	-0.1	<b>-5.0</b>
Write-downs	-	-	-1.1	-	-1.2	<b>-2.3</b>
Operating profit	24.0	2.3	-0.6	3.4	1.4	<b>30.5</b>
Profit before extraord. items	13.0	0.9	-2.4	2.4	1.1	<b>15.0</b>
Effect on sales on income	5.7	0.0	-	-	-	<b>-</b>
Profit from rental business	7.3	0.9	-	-	-	<b>-</b>

## Business sectors

### Investment Properties

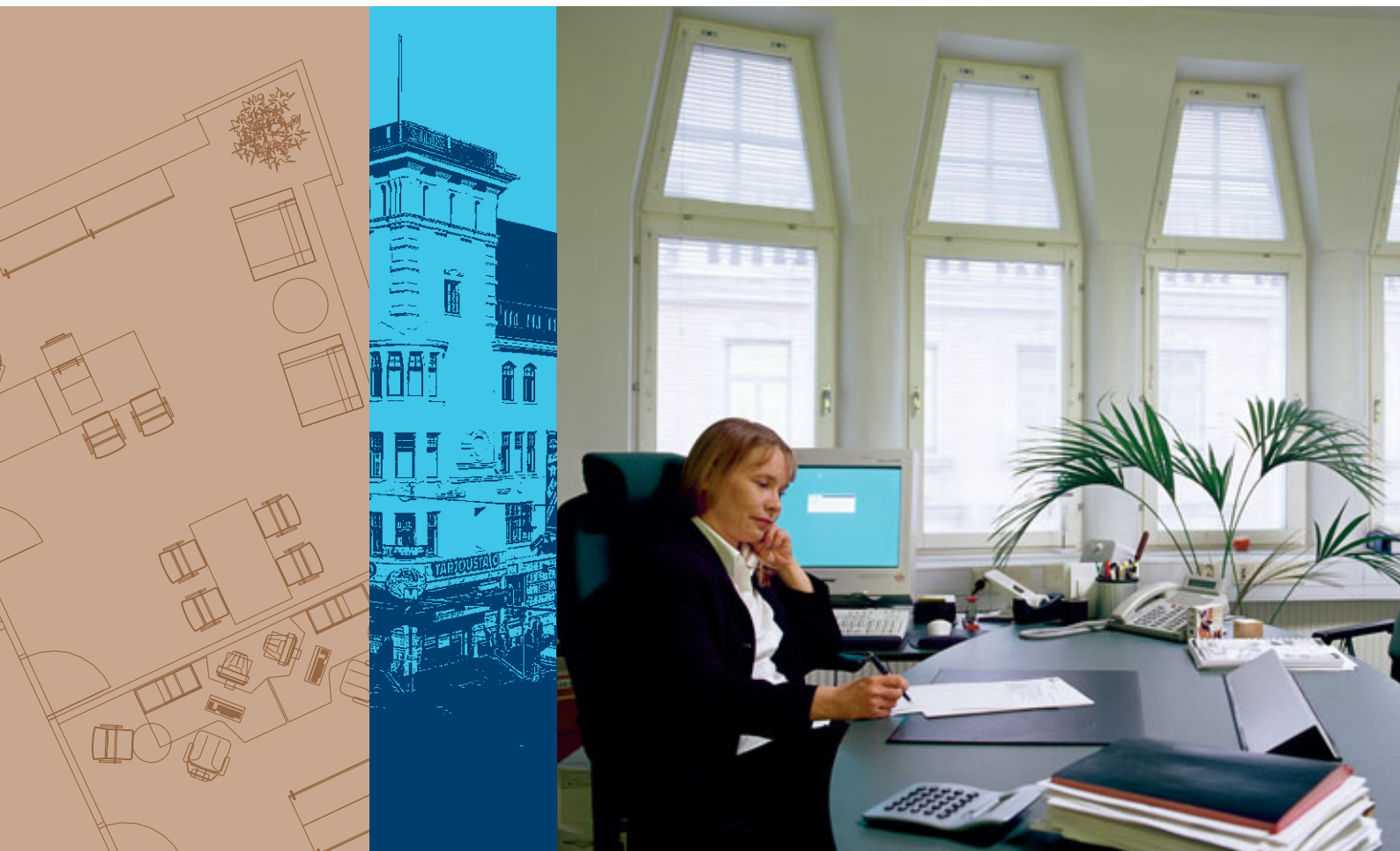
The investment properties are office and commercial facilities in the Helsinki Metropolitan Area and in central Tampere and Turku. There are 25 properties in the Helsinki Metropolitan Area and a total of three in Tampere and Turku. Three more properties were acquired in 2002. The business premises have an area of 206,000 square metres, including 150,000 square metres of office premises and 56,000 square metres of commercial facilities. The properties' balance sheet value totals MEUR 301.4 (MEUR 285.1) net of debt. The business sector's net profit on rental business was MEUR 12.0 (MEUR 7.3) and the overall profit was MEUR 12.0 (MEUR 13.0).

### Leasing

Net rental income was MEUR 26.7 (MEUR 25.2), which gives a 9.3% (8.8%) return on the properties' balance sheet value. The properties' rental occupancy rate at year-end was 99.0% and the financial rental occupancy rate was

99.1%. The financial rental occupancy rate describes the rent obtained for the premises as a percentage of the combined total for the rent on the leased area plus the estimated rent for the vacant area.

The number of new leases signed was 58 plus 27 extensions for a total of 19,700 square metres of premises. Among the major leases signed during the year were leases signed with Genera Oy for roughly 1,400 square metres of office space and with Peek Traffic Oy for roughly 1,100 square metres of office space in the property KOy Niittylänpolku 16 in Espoo, a lease signed with Asoasunnot Oy for 700 square metres of premises in the building owned by KOy Satomalmi in Helsinki, and a contract with Roche Oy for 570 square metres of premises in the building owned by KOy Sinimäentie 10 in Espoo. An extension lease was signed with Manhattan Steak House for 390 square metres of commercial space in the Tampereen Koskikeskus mall in Tampere.



Real estate holding company KOy Vilhonkatu 5

### *Investments and acquisitions*

In the first quarter of 2002, 340 square metres of office premises was acquired in the building owned by KOy Sato-malmi in Helsinki. Polar Real Estates' holding in this property rose to 88% and 4,080 square metres.

During the second quarter, the property holding company KOy Nova, which owns a building with 1,753 square metres of net leasable area, was acquired from Turku Bio Valley Ltd. These premises have been leased to Novatreat Oy. The property is in Turku's Bio Valley district, which provides high-quality offices and product development premises for biotech companies.

During the third quarter, 207 square metres of office space was acquired in a building in Helsinki owned by KOy Pasilanraitio 5, in which Polar Real Estate's holding rose to 80%. In connection with the sale of the holding in Suomen Kiinteistökehitys SKK Oy, the property holding company KOy Teerikukonkuja 5 with its 4,000 square metre office and warehouse property in the Helsinki district of Malmi was acquired; the property has been leased out to Maersk Logistics Finland Oy.

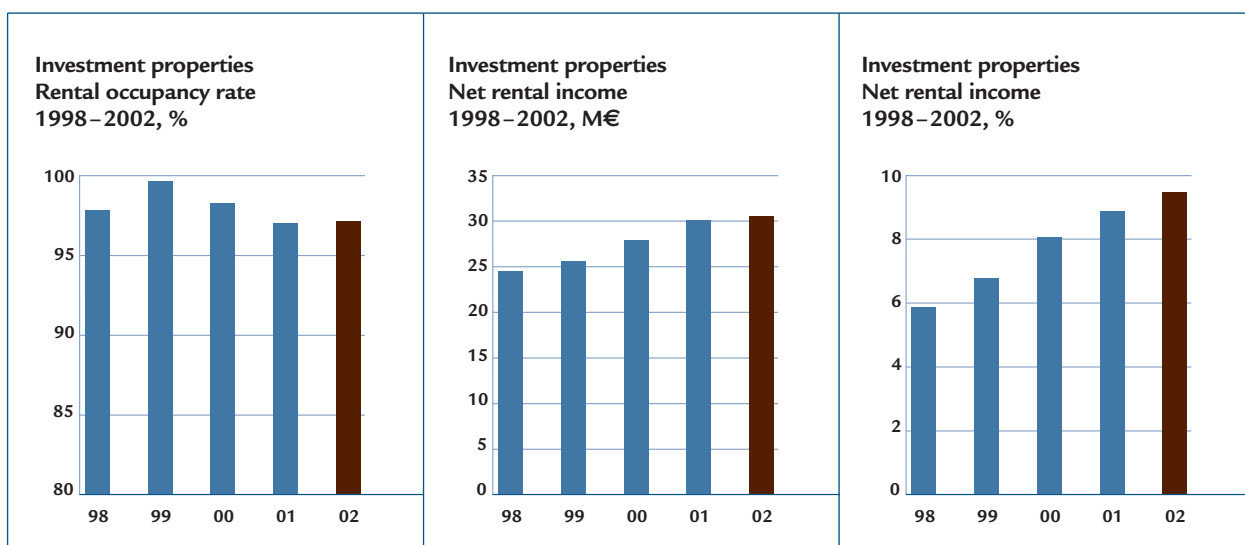
At the end of the year, Polar Real Estate purchased the property holding company KOy Plaza Forte from NCC Finland Oy. The company has an office building in the Aviapolis district of Vantaa, completed in summer 2002, with 6,069 square metres of space. The building's rental occupancy rate was approximately 70% at year-end.

Investments and acquisitions in the Investment Properties business sector totalled MEUR 20.0 (MEUR 15.0).

### *Development projects*

The planning for an extension project at the Kauppakeskus Jumbo shopping centre in Vantaa got underway in the beginning of 2002. The extension project is valued at roughly MEUR 80, of which Polar Real Estate's share is 60%. Phase II of Jumbo will have an area of some 30,000 square metres. After the extension is completed the shopping centre will have an area of roughly 85,000 square metres and 3,600 parking spaces.

In August 2002 a letter of intent was signed for leasing 11,000 square metres of facilities in Jumbo II to the Stockmann department store. The final investment decision



Accumulated rental income, less variable expenses attributable to leasing business.

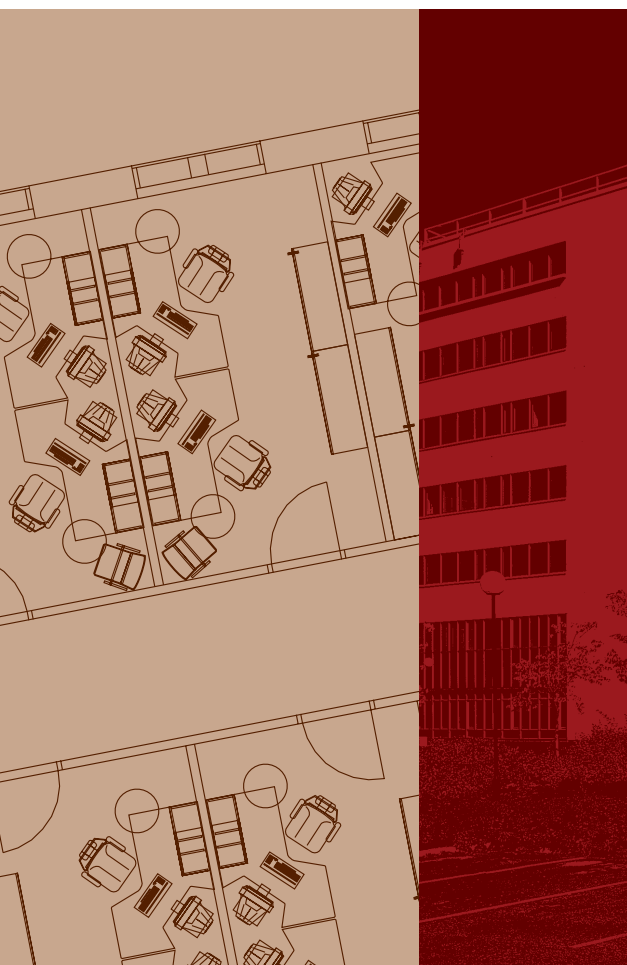
Net rents as at year-end, less variable expenses attributable to leasing business.

#### INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES IN PROVINCIAL CENTRES PROPERTIES, KEY INDICATORS, 1 JANUARY

	Book value M€	%	Net leasible area sq. m.	Rental occupancy rate, %	Net rents M€ *)	%	Net yield, %
Office premises	193.4	64	150,202	97.2	17.6	62	9.1
Commercial premises	108.0	36	55,830	100.0	10.6	38	9.8
<b>Investment Properties, total</b>	<b>301.4</b>	<b>100</b>	<b>206,032</b>	<b>98.0</b>	<b>28.2</b>	<b>100</b>	<b>9.4</b>
Office premises	8.7	26	19,019	80.2	1.0	27	10.9
Commercial premises	24.5	74	38,908	92.4	2.6	73	10.7
<b>Investment Properties in Provincial Centres, total</b>	<b>33.3</b>	<b>100</b>	<b>57,927</b>	<b>88.4</b>	<b>3.6</b>	<b>100</b>	<b>10.7</b>
Office premises	202.1	60	169,221	95.3	18.6	58	9.2
Commercial premises	132.5	40	94,738	96.9	13.2	42	10.0
<b>All Investment Properties, total</b>	<b>334.7</b>	<b>100</b>	<b>263,959</b>	<b>95.9</b>	<b>31.8</b>	<b>100</b>	<b>9.5</b>

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





Real estate holding company KOy Pakkalan Kartanonkoski 3

on the project will be made in 2003, making the estimated completion date for the extension 2005.

#### *Sales*

Investment Properties did not effect any sales during the period under review.

#### **Investment Properties in Provincial Centres**

Investment Properties in Provincial Centres are comprised of office and commercial facilities in provincial centres, with a combined total of 58,000 square metres of area. The number of properties is eleven. During the year, three properties were sold. The balance sheet value of the properties net of debt is MEUR 33.3 (MEUR 39.2).

The net profit from rental business was MEUR 1.5 (MEUR 0.9) and the effect of sales on earnings was MEUR -0.6 (MEUR 0.0). The business sector's overall net profit was MEUR 0.9 (MEUR 0.9).

Net rental income was MEUR 3.7 (MEUR 4.0), which gives a 10.3% (10.1%) yield on the balance sheet value. The rental occupancy rate of the premises at year-end was 88.4% and the financial rental occupancy rate was 91.8%.

INVESTMENT PROPERTIES				
	Holding, %	Location	Net leasable area, sq. m.	Book value, M€
<b>Investment Properties</b>				
<b>Office premises</b>				
Vallila companies <sup>1)</sup>	100	Helsinki	34,798	42.9
KOy Vilhonkatu 5	100	Helsinki	5,766	15.3
Munkkiniemen liiketalo	100	Helsinki	6,706	12.3
KOy Sörnäisten Rantatie 25	100	Helsinki	6,465	9.3
KOy Kutomotie 6	100	Helsinki	7,697	6.6
KOy Pasilanraitio 5	80	Helsinki	5,787	6.2
KOy Vuorikatu 20	100	Helsinki	6,740	5.9
KOy Vanha Talvitie 11	100	Helsinki	6,667	5.5
KOy Satomalmi	88	Helsinki	4,081	4.1
KOy Malmin Kauppatie 8	100	Helsinki	4,739	3.5
KOy Kornetintie 6	100	Helsinki	3,265	3.5
KOy Teerikukonkuja 5	100	Helsinki	4,090	2.2
KOy Niittylänpolku 16	100	Helsinki	2,950	2.2
Kamppi Parkki Oy		Helsinki		0.5
KOy Tapiontuuli	100	Espoo	6,940	10.2
KOy Sinimäentie 10	77	Espoo	9,702	9.7
KOy Kilon Helmi	100	Espoo	3,757	6.8
KOy Kilon Timantti	100	Espoo	4,035	6.6
KOy Scifin Alfa	100	Espoo	5,326	5.9
KOy Lastupolku	100	Espoo	1,199	1.0
KOy Plaza Forte	100	Vantaa	6,069	13.9
KOy Pakkalan Kartanonkoski 3	100	Vantaa	7,755	10.3
KOy Pakkalan Kartanonkoski 12	100	Vantaa	3,311	6.3
KOy Nova	100	Turku	2,358	2.7
<b>Office premises, total</b>			<b>150,202</b>	<b>193.4</b>
<b>Commercial premises</b>				
KOy Vantaanportin Liikekeskus	21	Vantaa	11,515	19.9
KOy Sisustaja	100	Vantaa	15,866	15.8
Tampereen Koskikeskus <sup>1)</sup>	60	Tampere	17,438	45.2
KOy Kivikukkaro	100	Turku	11,011	27.0
<b>Commercial premises, total</b>			<b>55,830</b>	<b>108.0</b>
<b>Investment Properties, total</b>			<b>206,032</b>	<b>301.4</b>
<b>Investment Properties in Provincial Centres</b>				
<b>Office premises</b>				
KOy F-Medi	22	Tampere	2,826	3.3
KOy Pitkänsillankatu 1-3	100	Kokkola	6,740	2.6
KOy Kuopion Satama 4	100	Kuopio	5,761	1.4
KOy Turun Kalevantie 25	100	Turku	2,735	0.8
KOy Järvenpään Helsinginportti	100	Järvenpää	957	0.7
<b>Office premises, total</b>			<b>19,019</b>	<b>8.7</b>
<b>Commercial premises</b>				
Seinäjoen Torikeskus <sup>1)</sup>	93	Seinäjoki	11,698	7.3
KOy Hollolan Ostospaikka	100	Hollola	5,442	6.3
Valkeakosken Koskikara <sup>1)</sup>	55	Valkeakoski	5,898	4.9
KOy Lentäjätie 17-19	100	Lappeenranta	7,600	3.3
KOy Jämsän Forum	54	Jämsä	2,665	1.6
KOy Viinikan Kauppakeskus	100	Tampere	5,605	1.1
<b>Commercial premises, total</b>			<b>38,908</b>	<b>24.5</b>
<b>Investment Properties in Provincial Centres, total</b>			<b>57,927</b>	<b>33.3</b>
<b>Investment Properties, total</b>			<b>263,959</b>	<b>334.7</b>

<sup>1)</sup> Holdings in more than one real estate company



*Real estate holding company KOy Pakkalan Kartanonkoski 12*

A total of 25 new leases and extensions were signed for 4,400 square metres of premises. Among the major leases were in Seinäjoen Torikeskus shopping centre with Jysk Oy for 1,170 square metres and with Geracap Oy for 650 square metres of commercial facilities.

Sales during the year were 2,266 square metres of office and commercial premises in Jyväskylän Väinönkeskus, a 3,600 square metre commercial property held by KOy Hatanpään Valtatie 44 in Tampere, and a commercial property 2,665 square metres in area held by KOy Hollolan Liikekeskus. Sales amounted to MEUR 5.0.

#### **Plots in the Helsinki Metropolitan Area**

Plots in the Helsinki Metropolitan Area consist of tracts intended for office buildings and residential construction. The office plots, which have a combined permitted building volume of roughly 60,000 square metres of floor area, are in Vantaa and Espoo. The intention is to use them for new investments or to sell them. The tracts of land intended for residential construction are in the Sarfvik district of Kirkkonummi and the Hista district of Espoo. It is intended to sell them after progress has been made in zoning.

Plots were sold in 2002 for a total of MEUR 8.7. The main sales were areas intended for residential construction in the Kaivoksela district of Vantaa and the Malmi district of Helsinki as well as an office plot in the Vantaanportti district. The business sector's net profit was MEUR 4.2 (MEUR -2.4).

The balance sheet value of the plots was MEUR 11.6 (MEUR 16.7) at year-end.



### Property for Sale

The Property for Sale business sector encompasses business premises, plots and other holdings outside the Helsinki Metropolitan Area. Assets were sold during the financial year for MEUR 13. The business sector's net profit was MEUR 5.4 (MEUR 2.4). The balance sheet value of Property for Sale totalled MEUR 10.3 (MEUR 19.5) at year-end.

### Other Investments

The company's Other Investments amount to MEUR 8.5 (MEUR 11.8). The MEUR 1.7 of investments in Finland includes, for example, a one per cent shareholding in the real estate investment company Citycon Oyj. During 2002 the company sold its 50% shareholding in Suomen Kiinteistökehitys SKK Oy. The balance sheet value of foreign investments is MEUR 6.8. A transaction entered into at the end of the year entailed the sale from foreign investments of companies with holdings in Cyprus. The business sector's net profit was MEUR 3.6 (MEUR 1.1).

PLOTS IN THE HELSINKI METROPOLITAN AREA			
	Location	Permitted building volume, sq. m. floor area	Book value M€
<b>Business plots</b>			
Commercial building plots			
KOy Kalustaja, Varisto	Vantaa	9,650	3.8
Jumbo extension	Vantaa	18,000	2.2
Office building plots			
Vantaanportti			
business park	Vantaa	17,800	0.7
Kilo district*	Espoo	17,100	2.6
<b>Total</b>			<b>9.3</b>
*Partly scheduled for zoning			
		Area, ha	Book value M€
<b>Residential construction areas due for zoning</b>			
Hista	Espoo	102.0	1.1
Sarfvik	Kirkkonummi	14.1	0.4
Others			0.8
<b>Total</b>			<b>2.3</b>
<b>Plots in the Helsinki Metropolitan Area total, M€</b>			<b>11.6</b>

PROPERTY FOR SALE	
	Book value, M€
Business premises	5.1
Plots	4.1
Other property	1.0
<b>Total</b>	<b>10.3</b>



*Shopping centre Jumbo*

## Customers

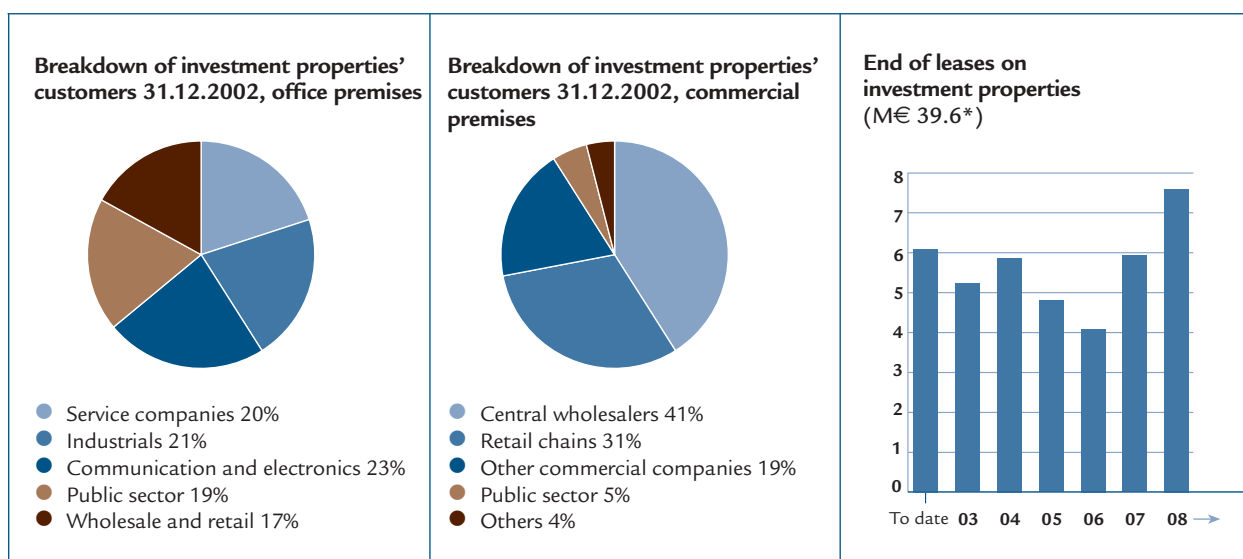
Polar Real Estate has 620 customers in its properties and it has 860 lease agreements. Currently valid leases were valued at the end of 2002 at MEUR 5.7 and at the end of 2003 at MEUR 5.2. Among the major customers are Segafredo Zanetti Finland Oy, SOK Corporation, Espoo tax office, the Research Institute for the Languages of Finland, Oy Radiolinja Ab, Elisa Solutions Oy, Sonera Corporation, Kesko Corporation, Seppälä Oy and Lindex Oy. The biggest customer's share of annual rental income is 18% and that of the five biggest is 35%. The biggest single lease agreement accounts for 6% and the five biggest lease agreements for 25% of rental income. The customer structure is balanced in terms of the business segment spread.

### Customer satisfaction

A cornerstone of long-term, profitable real estate investment business is the customers' satisfaction with both their business premises and the lessor. Business premises that optimally serve the customer's wishes and needs are

in the interest of both the customer and the lessor. Open communication and constant interaction with our customers are important elements with which we can find the right solutions for our customers' changing needs. The rental occupancy rate in our properties remained high in 2002, although there was a general rise in vacancy rates for properties at the same time. This is a sign of our customers' satisfaction with our premises and our expertise.

We have surveyed our customers' satisfaction for several years by means of special polls. In the survey carried out by the Finnish Institute for Real Estate Economics in 2002, the response rate was 80%, and the results of the survey proved our customers' confidence in us and that satisfaction with our expertise has remained strong. The feedback from the survey was valuable for the improvement of our operations. It is a challenge to maintain our customers' confidence and further to improve customer service.



\*End of annualised rental income.

## Environmental work

In environmental work, the theme for 2002 was optimisation of buildings' energy consumption. The energy consumption of all our properties can be monitored in real time, so any problems can be detected and corrected fast. With our signing of the real estate and construction industry's energy conservation agreement KRESS, our goal has been to keep energy consumption below the average for the other contracting parties. In connection with this aim, we initiated energy reviews during the period under review. Half of our properties were reviewed by the end of 2002 and the work continues in such a way that all our investment properties will have been reviewed by the end of this year. The first energy conservation investments were carried out at the end of the financial year.

### 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 building maintenance

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 we anticipate any amendments to legislation.
2. We reduce the relative consumption of energy and water, prevent pollution of the environment and promote recycling.
3. We commit ourselves to working for the environment, and also help our customers and contractual partners 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.

# List of buildings, Investment Properties

## OFFICE PROPERTIES



### Vallila companies | Satamaradankatu 1, 00510 Helsinki

This multipurpose building in the Vallila district of Helsinki forms a complex with some 35,000 sq.m., of which 14,000 sq.m. has been renovated for use as offices. Most of the facilities are occupied by SOK, Sonera and Segafredo Zanetti.

**Building type** Offices and manufacturing facilities  
**Net leasable area** 34,798 sq.m.  
**Completion year** 1930 – 40, partial renovation 1999 – 2001  
**Percentage owned** 100%



### Vilhonkatu 5 KOy | Vilhonkatu 5, 00100 Helsinki

A fine building, Vilhonkatu 5 is at a central location close to Helsinki's railway station and next to Radisson SAS Plaza Hotel. Pedestrians visiting the commercial premises can get to Kaisaniemi metro station through the building.

**Building type** Commercial and office building  
**Net leasable area** 5,766 sq.m.  
**Completion year** 1992  
**Percentage owned** 100%



### Munkkiniemen Puistotie 25 | Munkkiniemen Puistotie 25, 00330 Helsinki

An elegant property in a prominent position with good connections. The interior has been totally refurbished to meet today's needs. Deloitte & Touche and others operate in the building.

**Building type** Office building  
**Net leasable area** 6,706 sq.m.  
**Completion year** 1973, partial renovation 1997 – 1999  
**Percentage owned** 100%



### Sörnäisten Rantatie 25 KOy | Sörnäisten Rantatie 25, 00500 Helsinki

The building Sörnäisten Rantatie 25 is located by a busy access route in the growing district of Sörnäinen. The building is divided into office and warehouse sections and there are exhibition premises on the ground floor. It has 100 parking spaces outside and an indoor car park.

**Building type** Office and warehouse building  
**Net leasable area** 6,465 sq.m.  
**Completion year** 1961, 1985  
**Percentage owned** 100%



### Kutomotie 6 KOy | Kutomotie 6, 00380 Helsinki

Kutomotie 6 is in the Pitäjänmäki district of Helsinki and it is comprised of two buildings, an office section on the street side and a manufacturing section facing the courtyard. The facilities in the buildings are multifunctional and are suited to many sectors of business.

**Building type** Office and manufacturing building  
**Net leasable area** 7,697 sq.m.  
**Completion year** 1946, 1966  
**Percentage owned** 100%



### Pasilanraito 5 KOy | Pasilanraito 5, 00240 Helsinki

Pasilanraito 5 is in West Pasila, close to the railway station, a practical office building area that is in demand. The companies operating in this building include Intrum Justitia and Polar Real Estate. The building is on a site leased from the City of Helsinki.

**Building type** Office and commercial building  
**Net leasable area** 7,680 sq.m.  
**Completion year** 1984  
**Percentage owned** 100%



### Helsingin Vuorikatu 20 KOy | Vuorikatu 20, 00100 Helsinki

Helsingin Vuorikatu 20 is in Helsinki city centre, close to Kaisaniemi metro station and the main railway station. The building is entirely occupied by the University of Helsinki.

**Building type** Office building  
**Net leasable area** 6,740 sq.m.  
**Completion year** 1954, major renovation 1972  
**Percentage owned** 100%



#### **Vanha Talvitie 11 KOy** | Vanha Talvitie 11, 00580 Helsinki

Vanha Talvitie 11, in the Hermanni district, has excellent traffic connections. The property is comprised of two separate buildings. The architecturally superb old part (built 1919) has four storeys and the new part (1991) has six. The building is on a site leased from the City of Helsinki.

**Building type** Office and manufacturing building  
**Net leasable area** 6,667 sq.m.  
**Completion year** 1919, 1991  
**Percentage owned** 100%



#### **Satomalmi KOy** | Malminkaari 5, 00700 Helsinki

This five-storey building is prominently located in the centre of the Malmi district and it is well suited to many kinds of office layouts.

**Building type** Office building  
**Net leasable area** 4,831 sq.m.  
**Completion year** 1989  
**Percentage owned** 88% / 4,081 sq.m.



#### **Malmin Kauppatie 8 KOy** | Malmin Kauppatie 8, 00380 Helsinki

This four-storey building is in the centre of the Malmi district, in a prominent place near the station. The building is on a site leased from the City of Helsinki. The entire property has been leased out to Elisa Solutions Oy.

**Building type** Office building  
**Net leasable area** 4,739 sq.m.  
**Completion year** 1987  
**Percentage owned** 100%



#### **Kornetintie 6 KOy** | Kornetintie 6, 00380 Helsinki

Kornetintie 6 is in the Pitäjänmäki district of Helsinki. The three-storey building is on a site leased from the City of Helsinki. The interior of the building has been renovated as modern office premises.

**Building type** Office building  
**Net leasable area** 3,265 sq.m.  
**Completion year** 1966, 1985, partial renovation 1998  
**Percentage owned** 100%



#### **Teerikukonkuja KOy** | Teerikukonkuja 5, 00700 Helsinki

The warehouse and office building on Teerikukonkuja is in a logistically central location in the Malmi district of Helsinki. The high-level warehouse facility with its versatile loading bays and the second-floor offices make this a highly functional package. The building is on a site leased from the City of Helsinki.

**Building type** Warehouse and office building  
**Net leasable area** 4,090 sq.m.  
**Completion year** 1986  
**Percentage owned** 100%



#### **Niittylänpolku 16 KOy** | Niittylänpolku 16, 00620 Helsinki

Niittylänpolku 16 is a multifunctional, two-storey office and warehouse building in the Metsälä district of Helsinki. The building is close to the Tuusula and Hämeenlinna motorways.

**Building type** Office, manufacturing and warehouse building  
**Net leasable area** 2,950 sq.m.  
**Completion year** 1988  
**Percentage owned** 100%



#### **Tapiontuuli KOy** | Itätuulentie 1, 02100 Espoo

Tapiontuuli is in Tapiola city centre, at Itätuulentie 1. The building's technology has been renovated. The main occupant of the four-storey office building is Espoo Tax Office.

**Building type** Office building  
**Net leasable area** 6,940 sq.m.  
**Completion year** 1977, renovation 1999  
**Percentage owned** 100%



## List of buildings, Investment Properties



### Sinimäentie 10 KOy | Sinimäentie 10, 02630 Espoo

The architecturally beautiful property Sinimäentie 10 is in the Sinimäki district of Espoo, in a prominent location close to the Turku motorway. The seven-storey building offers a wide range of layouts for businesses.

**Building type** Office and manufacturing building  
**Net leasable area** 12,600 sq.m.  
**Completion year** 1989  
**Percentage owned** 77% / 9,702 sq.m.



### Kilon Helmi KOy | Kutojantie 11, 02630 Espoo

Kilon Helmi is on Kutojantie in the Kilo district of Espoo. The district is a busy concentration of workplaces with good transport connections, close to the connection between Helsinki Ring Road II and the Turku motorway. Kilon Helmi is a high-quality, modern office building with five storeys.

**Building type** Office building  
**Net leasable area** 3,757 sq.m.  
**Completion year** 1991  
**Percentage owned** 100%



### Kilon Timantti KOy | Kutojantie 7, 02630 Espoo

Kilon Timantti is a mirror image of Kilon Helmi. Together with the planned extension, these office buildings will form an extensive, 15,000 sq.m. office complex for businesses.

**Building type** Office building  
**Net leasable area** 4,035 sq.m.  
**Completion year** 1991  
**Percentage owned** 100%



### Scifin Alfa KOy | Piispantilankuja 4, 02240 Espoo

The architecturally elegant Scifin Alfa is in a prominent location next to the Länsiväylä highway in the Piispankylä district of Espoo. Scifin Alfa is a modern, three-storey office building with design solutions that facilitate flexible spaces for companies' varying needs. The entire building has been leased out to Radiolinja Oy.

**Building type** Office building  
**Net leasable area** 5,326 sq.m.  
**Completion year** 1991  
**Percentage owned** 100%



### Lastupolku KOy | Nikkarinkuja 5, 02600 Espoo

Lastupolku KOy is in the Leppävaara regional centre in Espoo, close to the excellent transport links of Helsinki Ring Road I and Leppävaara railway station. The building is suitable for various small offices.

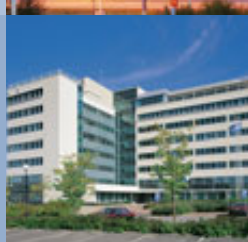
**Building type** Office building  
**Net leasable area** 1,199 sq.m.  
**Completion year** 1992  
**Percentage owned** 100%



### Plaza Forte KOy | Äyritie 12, 01510 Vantaa

Completed in 2002, Plaza Forte is one of three office buildings in the Airport Plaza Business Park. The property is at the centre of the Aviapolis district of Vantaa in the immediate vicinity of Helsinki-Vantaa airport. Its other transport connections are also excellent and the Business Park has a wide range of services available to customers.

**Building type** Office building  
**Net leasable area** 6,069 sq.m.  
**Completion year** 2002  
**Percentage owned** 100%



### Pakkalan Kartanonkoski 3 KOy | Pakkalankuja 6, 01510 Vantaa

Pakkalan Kartanonkoski is in the Vantaanportti Business Park next to the Jumbo shopping centre. Completed in 1992, the property is suitable for use as a head office and has six storeys of office space. The Helsinki-Vantaa airport region is one of the fastest-growing areas in the Helsinki Metropolitan Area and an important concentration of employment.

**Building type** Office building  
**Net leasable area** 7,755 sq.m.  
**Completion year** 1992  
**Percentage owned** 100%



### Pakkalan Kartanonkoski 12 KOy | Pakkalankuja 7, 01510 Vantaa

Pakkalan Kartanonkoski 12, combined with Vantaa Environment Centre, forms the Leija environmental complex. One of the driving forces in the environmental centre of excellence is the solar energy company Naps Systems. In addition to the completed first phase with 3,311 sq.m. of office space, a second phase extension is planned.

**Building type** Office building  
**Net leasable area** 3,311 sq.m.  
**Completion year** 2001  
**Percentage owned** 100%



### Nova KOy | Biolinja 2, 20750 Turku

The two-storey property KOy Nova is in the Lauste district of Turku, roughly two kilometres east of the city centre. Turku Bio Valley is being built here, providing high-quality manufacturing and product development facilities for biotechnology companies. KOy Nova is the first office building completed in Bio Valley. The building is on a site leased from the City of Turku.

**Building type** Office and manufacturing building  
**Net leasable area** 2,358 sq.m.  
**Completion year** 2001  
**Percentage owned** 100%

## COMMERCIAL PROPERTIES



### Kauppakeskus Jumbo | Vantaanportti 3, 01510 Vantaa

The Jumbo shopping centre is in Vantaanportti, next to Helsinki Ring Road III. There are roughly 60 retail outlets in the two-storey shopping centre, and the commercial space totals 53,000 sq.m. It has 3,200 parking spaces, half of which are roofed over. The anchor tenants in Jumbo are two hypermarkets. In addition to specialist retailers there are plenty of peripheral services. The comfortable and well-lit shopping centre is ideal for families with children and for people of restricted mobility.

**Building type** Shopping centre  
**Net leasable area** 53,795 sq.m.  
**Completion year** 1999  
**Percentage owned** 21% / 11,515 sq.m.



### Sisustaja KOy | Martinkyläntie 48, 01720 Vantaa

The home decoration department store Anttila Kodin Ykkönen is in the Varisto district of Vantaa along Helsinki Ring Road III in a large complex of interior decoration retailers. The plot permits an extension of some 10,000 sq.m. to the facilities.

**Building type** Department store  
**Net leasable area** 15,866 sq.m.  
**Completion year** 1992  
**Percentage owned** 100%



### Tampereen Koskikeskus | Hatanpään Valtatie 1, 33100 Tampere

Koskikeskus is the most diverse city-centre mall in the Tampere economic zone. The four-storey property has roughly 100 retailers, numerous restaurants and a medical centre.

**Building type** Shopping centre  
**Net leasable area** 28,790 sq.m.  
**Completion year** 1988  
**Percentage owned** 60% / 17,438 sq.m.



### Kivikukkaro KOy | Yliopistonkatu 29 b, 20100 Turku

Kivikukkaro is in the centre of Turku, close to the market square and the Hansa quarter. The property was converted in 2000 for use as a department store. The property has four storeys of commercial facilities, office premises on the top floor, and 220 parking spaces in a new indoor car park.

**Building type** Department store  
**Net leasable area** 11,011 sq.m.  
**Completion year** 1975, conversion 2000  
**Percentage owned** 100%

# List of buildings, Investment Properties in Provincial Centres

## OFFICE PROPERTIES



### F-Medi KOy | Lenkkeilijänkatu 6, 33520 Tampere

Located adjacent to Tampere University Hospital, the facility serves companies operating in the medical and healthcare sector. The building is part of a growing healthcare complex.

**Building type** Office building  
**Net leasable area** 11,808 sq.m.  
**Completion year** 1994  
**Percentage owned** 22% / 2,826 sq.m.



### Pitkäsillankatu 1 - 3 KOy | Pitkäsillankatu 1-3, 67100 Kokkola

An old leather factory converted for offices, the property is in the centre of Kokkola. The main tenants are the Chydenius Institute and AIM Automation Oy.

**Building type** Office building  
**Net leasable area** 6,740 sq.m.  
**Completion year** 1887, major renovations 1990 and 1998  
**Percentage owned** 100%



### Kuopion Satama KOy | Minna Canthinkatu 4, 70100 Kuopio

The property is in Kuopio city centre's grid plan area on the shore of Lake Kallavesi. The building is a representative of 1930s architecture. There is mostly small-scale production activities on the street level, and the upper floors are office space.

**Building type** Office and manufacturing premises  
**Net leasable area** 5,761 sq.m.  
**Completion year** 1940, partly renovated 1985  
**Percentage owned** 100%



### Turun Kalevantie 25 KOy | Kalevantie 25, 20520 Turku

The office and commercial building on Kalevantie is in the Turku Science Park district, near Kupittaa station and technology centre and a few kilometres from central Turku. The main occupant of the building is Innotrak Oy. The building is on a site leased from the City of Turku.

**Building type** Office and commercial building  
**Net leasable area** 2,735 sq.m.  
**Completion year** 1982, extension 1986  
**Percentage owned** 100%



### Järvenpään Helsinginportti KOy | Helsingintie 44, 04430 Järvenpää

Järvenpään Helsinginportti is close to the centre of Järvenpää and near the Lahti motorway. The property suits one or two tenants.

**Building type** Office and commercial building  
**Net leasable area** 957 sq.m.  
**Completion year** 1991  
**Percentage owned** 100%



## COMMERCIAL PROPERTIES



### Seinäjoen Torikeskus | Kauppatori 1 – 3, 60100 Seinäjoki

Seinäjoen Torikeskus is a richly varied shopping centre in the centre of Seinäjoki next to the Hotel Vaakuna. Its three storeys house more than thirty specialist retailers, restaurants and cafés. There is also a Business Services Centre in the property.

**Building type** Shopping centre  
**Net leasable area** 13,030 sq.m.  
**Completion year** 1992  
**Percentage owned** 93% / 11,698 sq.m.



### Hollolan Ostospaikka KOy, Kompassi | Kansankatu 8, 15870 Hollola

Kompassi is a pleasant shopping centre in the regional hub of Hollola. The two storeys of Kompassi house more than twenty businesses and the anchor tenant is a large supermarket. The property has 4,700 sq.m. of commercial space and 800 sq.m. of office premises. Its 300 heated parking spaces are in the building's own indoor car park.

**Building type** Shopping centre  
**Net leasable area** 5,442 sq.m.  
**Completion year** 1993  
**Percentage owned** 100%



### Valkeakosken Koskikara | Valtakatu 9 – 11, 37600 Valkeakoski

The shopping centre is located in central Valkeakoski next to the marketplace. The four-storey Koskikara property has forty specialist retailers and a grocery outlet.

**Building type** Shopping centre  
**Net leasable area** 10,483 sq.m.  
**Completion year** 1993  
**Percentage owned** 55% / 5,898



### Lentäjäntie 17 – 19 KOy | Lentäjäntie 17 – 19, 53600 Lappeenranta

The commercial building on Lentäjäntie is close to the centre of Lappeenranta, not far from the airport. The building houses Kesko's cash-and-carry outlet and other facilities requiring space. The same block also has a Prisma department store and the Tapuli shopping centre.

**Building type** Commercial building  
**Net leasable area** 7,600 sq.m.  
**Completion year** 1948  
**Percentage owned** 100%



### Jämsän Forum KOy | Keskuskatu 2, 42100 Jämsä

The shopping centre Jämsän Forum is in the centre of Jämsä, at the edge of the town square. Jämsän Forum has a large supermarket, about fifteen specialist retailers and a restaurant.

**Building type** Shopping centre  
**Net leasable area** 4,607 sq.m.  
**Completion year** 1989  
**Percentage owned** 54% / 2,665 sq.m.



### Viinikan Kauppakeskus KOy | Viinikankatu 45, 33800 Tampere

The property has been leased out temporarily as a warehouse facility, and it is located in a developing area not far from Tampere city centre. The premises can be converted into commercial facilities.

**Building type** Warehouse building  
**Net leasable area** 5,605 sq.m.  
**Completion year** In several sections since the 1950s, major renovation 1984  
**Percentage owned** 100%

Polar Real Estate Corporation is a stock exchange listed real estate investment company concentrating on owning, leasing and developing office and commercial properties. Its main business sector, Investment Properties, is comprised of office and commercial properties in the Helsinki Metropolitan Area, Tampere and Turku. The company's growth and investments will be channelled to this business sector in the future. The other business sectors are Investment Properties in Provincial Centres, Plots in the Helsinki Metropolitan Area, Property for Sale and Other Investments. The intention is to pull out of these sectors in accordance with a strategy confirmed for each of them.

### **Turnover, profitability and financial position**

The Polar Real Estate Group's turnover was MEUR 61.9 (MEUR 68.9), of which rental income accounted for MEUR 43.3 (MEUR 43.7). Operating margin was MEUR 41.7 (MEUR 37.8). Operating profit was MEUR 36.8 (MEUR 30.5), profit after financing items was MEUR 26.1 (MEUR 15.0), and the overall profit for the financial year was MEUR 28.9 (MEUR 25.1). A total of MEUR 2.8 in reduction in rental liabilities and terminated reserves was booked as extraordinary income.

Earnings per share were EUR 0.14 (EUR 0.08). Equity per share was EUR 0.86 (EUR 0.70). The equity ratio was 42.1% (32.6%). Return on investment was 10.2% (7.9%) and return on equity was 18.5% (13.2%).

The combined net rental income of Investment Properties and Investment Properties in Provincial Centres in 2002 was MEUR 30.4 (MEUR 29.9), which gives a 9.5% (8.9%) yield for the real estate portfolio. The Group's investments and purchases during the period under review

totalled MEUR 21.0 (MEUR 15.0) and sales totalled MEUR 34.5 (MEUR 59.9).

### **Business sectors**

#### *Investment Properties*

The investment properties are office and commercial facilities in the Helsinki Metropolitan Area and in central Tampere and Turku. There are 25 properties in the Helsinki Metropolitan Area and a total of three in Tampere and Turku. Three more properties were acquired in 2002. The business premises have an area of 206,000 square metres, including 150,000 square metres of office premises and 56,000 square metres of commercial facilities. The properties' balance sheet value totals MEUR 301.4 (MEUR 285.1) net of debt.

The business sector's net profit on rental business was MEUR 12.0 (MEUR 7.3) and the overall profit was MEUR 12.0 (MEUR 13.0). Net rental income was MEUR 26.7 (MEUR 25.2). Investments and acquisitions in the business sector amounted to MEUR 20.0 (MEUR 15.0). Investment Properties did not effect any sales during the period under review.

#### *Investment Properties in*

#### *Provincial Centres*

Investment Properties in Provincial Centres are comprised of office and commercial facilities in provincial centres, with a combined total of 58,000 square metres of area. The balance sheet value of the properties net of debt is MEUR 33.3 (MEUR 39.2).

The net profit from rental business was MEUR 1.5 (MEUR 0.9) and the effect of sales on earnings was MEUR -0.6 (MEUR 0.0). The business sector's overall net profit was MEUR 0.9 (MEUR 0.9). Net rental income was MEUR 3.7 (MEUR 4.0).

#### *Plots in the Helsinki Metropolitan Area*

Plots in the Helsinki Metropolitan Area consist of tracts intended for office buildings and residential construction. The balance sheet value of the plots was MEUR 11.6 (MEUR 16.7) at year-end. Plots were sold in 2002 for a total of MEUR 8.7. The business sector's net profit was MEUR 4.2 (MEUR -2.4).

#### *Property for Sale*

The Property for Sale business sector encompasses business premises, plots and other holdings outside the Helsinki Metropolitan Area. The balance sheet value of Property for Sale totalled MEUR 10.3 (MEUR 19.5) at year-end. Assets were sold during the financial year for MEUR 13. The business sector's net profit was MEUR 5.4 (MEUR 2.4).

#### *Other Investments*

The company's Other Investments amount to MEUR 8.5 (MEUR 11.8), of which MEUR 1.7 consists of investments in Finland and MEUR 6.8 is investments in other countries. The business sector's net profit was MEUR 3.6 (MEUR 1.1).

### **Financing**

During the first quarter of the year, Polar Real Estate paid off MEUR 38.8 of quasi-equity equity loans. The interest-bearing liabilities on the consolidated balance sheet at year-end were MEUR 200.0 (MEUR 229.9). The company is also liable for approximately MEUR 3.9 (MEUR 4.0) of loans to non-consolidated real estate holding companies included in inventories and partly owned by Polar.

The Group's liquid assets at year-end were MEUR 2.0 (MEUR 6.3). Net financing expenses were MEUR -10.7 (MEUR -15.5).

Of the Group's loans at year-end, MEUR 22.5 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 8.2 (MEUR 17.4), of which rental liabilities of property holding company Lahden Hansa lasting until 2012 account for MEUR 3.6 (MEUR 7.5). The other rental liabilities terminated in the course of 2002. The liabilities of the construction business sold in 1998, which will last until 2008, are the subject of a MEUR 2.9 reserve (MEUR 3.5).

A suit is pending against the company which is related to the statutory restructuring programme which ended on 31 December 2001. It is believed that this will not require an obligatory reserve.

#### **Share capital**

Polar Real Estate Corporation has 180,057,224 shares with a par value of EUR 0.20 and its share capital is EUR 36,011,444.80.

#### **Shares and shareholders**

In the course of 2002, a total of 31,0 million Polar Real Estate Corporation shares were traded, which corresponds to 17.2% of the issued stock. The year's lowest traded price was EUR 0.36 and the highest was EUR 0.58. The closing price at year-end was EUR 0.53 and the market capitalisation at year-end was MEUR 95.4.

According to the register of industry insiders on 30 December 2002, the members of the Board of Directors and the Management Committee, as well as those under their control, held a total of 202,240 shares. The company complies with HEX regulations on insider trading. The

company held 139,931 of its own shares. At year-end, Polar Real Estate had a total of 4,956 shareholders.

#### **Board of Directors and auditors**

The annual general meeting of 5 March 2002 confirmed the number of the members of the Board of Directors to be six. At the end of his term in office, Kari Heinistö was re-elected for another three-year term. After Helena Walldén announced her intention to resign from the Board, Ari Heiniö, Varatuomari (Finnish title), was elected in her place for a three-year term. The continuing memberships of the Board of Directors are held by Jan-Henrik Kulp (term in office ends in 2003), Jukka Salminen (2004), Jorma Laakkonen (2004) and Raimo Lind (2003).

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

The auditor elected was Risto Laitinen, M.Sc. (Econ.), APA, with the accounting firm SVH PricewaterhouseCoopers Oy as deputy auditor.

#### **Management and personnel**

The President and CEO of the Group is Erkkä Valkila and Risto Varpula serves as Executive Vice President. Valkila is to leave his post on 15 March 2003 to become President of Sato Corporation. The average number of personnel for the year was 24 (34) and at year-end the Group had 21 (27) employees. The salaries paid by the Group totalled MEUR 1.8 (MEUR 2.2), of which the salaries and emoluments of the Board of Directors and the President accounted for MEUR 0.3 (MEUR 0.3).

#### **Management share options**

The company's Board of Directors has agreed to replace share options to be issued to the management on the basis of an authorisation given by

the annual general meeting with an incentive bonus system. The options conferred entitlement to subscribe for a total of 5.7 million shares. From the viewpoint of the recipient, the financial effects of the arrangement are unchanged.

#### **Authorisations**

The annual general meeting of 5 March 2002 authorised the Board of Directors to decide on buying back company shares and on an issue of shares. The authorisations have not been exercised.

#### **Outlook for the future**

The rental occupancy rate for investment properties is forecast to hold steady at the 2002 level. The profit from rental business and the net rental income percentage are forecast to improve. It is intended to increase the number and proportion of investment properties further. Now that property for sale has been reduced, both the quantity of sales and the profit from them are expected to decline relative to the previous year.

#### **Payment of dividend**

Because of the reduction in the share capital effected in 2001, payment of dividend on the profits for the year 2002 is subject to a permit under the Companies Act. The Board will propose to the annual general meeting that no dividend be paid for 2002.

#### **The Board's proposal for an authorisation to issue shares**

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.

## Profit and loss account

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>Turnover</b>	<b>61.9</b>	68.9	<b>55.4</b>	74.3
Share in associated companies' profit/loss	<b>0.2</b>	-0.0	-	-
Other income from business operations	<b>3.2</b>	5.9	<b>8.4</b>	2.0
<b>Expenses</b>				
Materials and services	<b>-20.2</b>	-37.2	<b>-16.3</b>	-43.4
Personnel expenses	<b>-2.0</b>	-2.4	<b>-1.9</b>	-2.5
Depreciation and write-downs	<b>-4.9</b>	-5.3	<b>-1.3</b>	-5.3
Other expenses of business operations	<b>-1.4</b>	0.6	<b>-1.4</b>	0.6
	<b>-28.5</b>	-44.4	<b>-20.8</b>	-50.7
<b>Operating profit</b>	<b>36.8</b>	30.5	<b>43.0</b>	25.6
<b>Financing income and expenses</b>				
Dividend income	<b>0.1</b>	0.1	<b>0.1</b>	0.1
Interest income on long-term investments	<b>0.1</b>	0.1	<b>1.2</b>	2.5
Other financing income	<b>1.0</b>	0.9	<b>1.5</b>	0.8
Interest expenses	<b>-11.7</b>	-16.4	<b>-13.0</b>	-17.8
Other financing expenses	<b>-0.1</b>	-0.2	<b>-0.7</b>	-0.2
	<b>-10.7</b>	-15.5	<b>-10.8</b>	-14.6
<b>Profit before extraordinary items</b>	<b>26.1</b>	15.0	<b>32.2</b>	11.0
Extraordinary items	<b>2.8</b>	10.0	<b>5.8</b>	10.9
<b>Profit before appropriations and taxes</b>	<b>28.9</b>	25.0	<b>37.9</b>	21.9
Appropriations	-	-	<b>0.1</b>	0.1
Direct taxes	<b>0.0</b>	0.1	<b>0.0</b>	0.2
<b>Net profit for year</b>	<b>28.9</b>	25.1	<b>38.0</b>	22.2

## Balance sheet

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>Assets</b>				
<b>Non-current assets</b>				
Immaterial goods	6.6	7.4	3.6	4.4
Tangible assets	302.6	292.2	13.4	13.6
Investments	16.3	15.6	13.1	14.1
Holdings in companies in same Group	–	–	305.6	342.7
Holdings in cross-ownership companies	23.0	25.5	23.0	24.6
Other investments	0.2	0.3	0.2	0.2
	<b>348.8</b>	341.1	<b>358.9</b>	399.6
<b>Current assets</b>				
Inventories	12.1	27.3	6.3	18.2
Short-term receivables	6.3	12.4	3.3	16.7
Securities included in financial assets	1.1	5.1	1.1	5.0
Cash in hand and banks	2.0	6.3	1.7	5.5
	<b>21.5</b>	51.1	<b>12.5</b>	45.5
<b>Assets, total</b>	<b>370.3</b>	392.1	<b>371.4</b>	445.2
<b>Liabilities and shareholders' equity</b>				
<b>Shareholders' equity</b>				
Share capital	36.0	36.0	36.0	36.0
Share premium account	49.8	49.8	49.8	49.8
Own shares fund	–	0.0	–	0.0
Reserve fund	40.8	15.6	22.2	-0.0
Net profit for year	28.9	25.1	38.0	22.2
Equity loans	–	38.8	–	57.0
	<b>155.6</b>	165.4	<b>146.1</b>	165.1
<b>Accumulation of appropriations</b>	–	–	7.2	7.3
<b>Obligatory reserves</b>	8.2	17.4	5.4	13.9
<b>Liabilities</b>				
Deferred tax liability	–	–	–	–
Long-term liabilities	175.9	182.5	182.8	209.8
Current liabilities	30.6	26.8	29.9	49.1
	<b>206.5</b>	209.3	<b>212.8</b>	258.9
<b>Liabilities and shareholders' equity, total</b>	<b>370.3</b>	392.1	<b>371.4</b>	445.2

## Statement of source and applications of funds

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>Business operations</b>				
Operating profit	36.8	30.5	43.0	25.6
Depreciation	4.9	5.3	1.3	5.3
Other adjustments to operating profit	-14.7	4.1	-11.0	-2.3
Change in net working capital	23.6	5.7	17.7	46.0
Interest received	0.1	0.1	1.2	2.5
Interest paid	-11.7	-16.4	-13.0	-17.8
Dividend received	0.1	0.1	0.1	0.1
Other financing items	0.7	0.7	0.6	1.0
Extraordinary income	-	5.2	-	6.1
Taxes paid	0.0	0.1	0.0	0.2
<b>Net cash flow from business operations</b>	<b>39.7</b>	<b>35.4</b>	<b>40.0</b>	<b>66.6</b>
<b>Investments</b>				
Group companies acquired	-	-3.0	-9.2	-3.0
Associated companies acquired	-0.1	-0.1	-0.1	-0.1
Purchases of other shares	-1.7	-	-0.0	-
Purchases of other fixed assets	-19.1	-19.1	-0.3	-1.9
Group companies sold	-	24.8	-	24.8
Sales of other shares	2.2	0.7	0.0	0.7
Sales of other fixed assets	5.7	16.8	0.1	3.0
Increase in long-term investments	-	-7.4	-17.9	-42.0
Decrease in long-term investments	2.7	0.0	12.6	1.9
<b>Cash flow from investments, total</b>	<b>-10.3</b>	<b>12.6</b>	<b>-14.7</b>	<b>-16.7</b>
<b>Cash flow before financing</b>	<b>29.4</b>	<b>48.0</b>	<b>25.2</b>	<b>49.9</b>
<b>Financing</b>				
Use of long-term loans	33.3	8.8	33.3	6.9
Instalments on long-term loans	-28.1	-70.1	-27.5	-69.5
Increase/decrease in short-term financing	-	-0.4	-	-
Instalments on equity loans	-38.8	-	-38.8	-
<b>Financing, total</b>	<b>-33.6</b>	<b>-61.7</b>	<b>-33.1</b>	<b>-62.6</b>
<b>Increase/Decrease in liquid assets</b>	<b>-4.3</b>	<b>-13.7</b>	<b>-7.8</b>	<b>-12.6</b>
<b>Liquid assets 1.1</b>	<b>6.3</b>	<b>24.0</b>	<b>9.5</b>	<b>22.2</b>
<b>Liquid assets 31.12</b>	<b>2.0</b>	<b>10.3</b>	<b>1.7</b>	<b>9.5</b>

# 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

Mutual 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

During the financial year, the entire issued stock of KOy Nova, KOy Teerikukko and KOy Plaza Forte companies was acquired by the Group. OK-Maanrakennus Oy, KOy Hagströminkulma and Espoon Sosiaalinen Asuntotuotanto Oy were liquidated and Py-Investointi Oy and KOy Helsingin Kansakoulukatu 3 were amalgamated with the parent company. During the financial year, KOy Hatanpään Valtatie 44, Koy Jyväskylän Väinönkeskus and KOy Hollolan Liikekeskus left the Group through sales. KOy Vantaanportin Liiketilat was added to the consolidation during the financial year.

### 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. Contrary to previous practice, the shares in the parent company held by the Group have not been booked as assets in the balance sheet.

### 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, etc.

### 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

The deferred tax liability has been calculated on 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 items.

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	
	2002	2001	2002	2001
<b>1. Turnover</b>				
Rental income	42.5	43.7	40.7	41.4
Other sales revenue	19.4	25.2	14.7	32.9
	<b>61.9</b>	<b>68.9</b>	<b>55.4</b>	<b>74.3</b>
<b>2. Other income from business operations</b>				
Capital gains on sales of fixed assets	1.4	5.9	1.9	-0.2
Other	1.9	0.0	6.6	2.2
	<b>3.2</b>	<b>5.9</b>	<b>8.4</b>	<b>2.0</b>
<b>3. Expenses of business operations</b>				
Materials and services				
Purchases during the year	7.8	-11.0	7.3	-21.1
Change in inventories	-15.3	-6.9	-11.9	-4.3
External services and maintenance expenses	-12.7	-19.3	-11.7	-18.1
	<b>-20.2</b>	<b>-37.2</b>	<b>-16.3</b>	<b>-43.4</b>
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	-1.5	-1.9	-1.4	-1.9
	<b>-1.8</b>	<b>-2.2</b>	<b>-1.7</b>	<b>-2.2</b>
Indirect personnel expenses				
Pension expenses	-0.1	-0.1	-0.1	-0.3
Other indirect personnel expenses	-0.1	-0.1	-0.1	-0.1
	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.4</b>
Other expenses of business operations	-1.4	0.6	-1.4	0.6
<b>Total</b>	<b>-23.6</b>	<b>-39.0</b>	<b>-19.6</b>	<b>-45.4</b>
<b>Personnel, average</b>	<b>24</b>	<b>34</b>	<b>24</b>	<b>32</b>



M€	Group		Parent Company	
	2002	2001	2002	2001
<b>4. Planned depreciation and write-downs</b>				
<b>Depreciation on immaterial goods</b>				
Other long-term expenditure	-1.2	-1.1	-1.0	-1.0
<b>Depreciation on tangible assets</b>				
Buildings	-3.3	-3.5	-0.1	-0.2
Machinery and equipment	-0.5	-0.5	-0.2	-0.1
	-3.7	-3.9	-0.3	-0.3
<b>Write-downs on fixed assets and long-term investments</b>				
Long-term investments	0.0	-0.3	0.0	-4.0
<b>Total</b>	<b>-4.9</b>	<b>-5.3</b>	<b>-1.3</b>	<b>-5.3</b>

The planned depreciation is calculated according to the economic life as follows:

Other long-term expenses	10.0% – 33.3% straight-line depreciation
Buildings	1.5% of residual value/acquisition cost
Machinery and equipment	5.0% – 25.0% of residual value/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	
	2002	2001	2002	2001
<b>5. Financing income and expenses</b>				
<b>Dividend income</b>				
From others	0.1	0.1	0.1	0.1
	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Dividend income on long-term investments</b>				
From companies in the same Group	-	-	1.1	2.4
From others	0.1	0.1	0.1	0.1
	<b>0.1</b>	<b>0.1</b>	<b>1.2</b>	<b>2.5</b>
<b>Income on long-term investments, total</b>	<b>0.2</b>	<b>0.2</b>	<b>1.3</b>	<b>2.6</b>
<b>Other interest and financing income</b>				
From others	0.8	0.9	1.5	0.8
<b>Financing income, total</b>	<b>1.0</b>	<b>1.1</b>	<b>2.8</b>	<b>3.4</b>
<b>Other financing expenses</b>				
Write-downs on long-term investments	0.2	-0.9	0.2	-0.9
Others	-	-	-0.9	0.7
	<b>0.2</b>	<b>-0.9</b>	<b>-0.7</b>	<b>-0.2</b>
<b>Interest expenses and other financing expenses</b>				
To companies in the same Group	-	-	-1.5	-2.7
To others	-11.9	-15.7	-11.5	-15.2
	<b>-11.9</b>	<b>-15.7</b>	<b>-13.0</b>	<b>-17.8</b>
<b>Financing income and expenses, total</b>	<b>-10.7</b>	<b>-15.5</b>	<b>-10.8</b>	<b>-14.6</b>
<b>The item interest and financing income includes exchange rate gains</b>	<b>0.2</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>
<b>6. Extraordinary income and expenses</b>				
<b>Extraordinary income</b>				
Group subventions received	-	-	2.9	7.5
Additional selling price on construction interests sold	2.8	-	2.8	-
Arrangement of convertible bond issue	-	6.6	-	-
Reimbursement received for international business	-	4.8	-	4.8
Ulkomaisesta toiminnasta saatu korvaus	-	0.6	-	0.6
<b>Extraordinary expenses</b>				
Write-downs on foreign receivables	-	-2.0	-	-2.0
<b>Extra ordinary income and expenses. total</b>	<b>2.8</b>	<b>10.0</b>	<b>5.8</b>	<b>10.9</b>
<b>7. Effect of change in obligatory reserves on profit and loss account</b>				
Increases in obligatory reserves and such reductions as are caused by a decline in a previously estimated expenditure are credited or charged to income.				
<b>8. Direct taxes</b>				
Taxes for previous years	0.0	0.1	0.0	0.2
	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>

## Supplementary information on the balance sheet

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>9. Non-current assets</b>				
<b>Immaterial goods</b>				
<b>Intangible rights</b>				
Acquisition cost 1.1	2.5	2.4	0.0	0.0
Increases during year	0.2	0.1	-	0.0
Decreases during year	-0.0	-0.1	-0.0	-0.0
Acquisition cost 31.12	2.6	2.5	0.0	0.0
Accumulated planned depreciation	-	-0.0	-	-
<b>Book value 31.12</b>	<b>2.6</b>	<b>2.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Other long-term expenditure</b>				
Acquisition cost 1.1	12.6	14.8	11.5	13.5
Increases during year	0.4	3.7	0.4	3.7
Decreases during year	-1.1	-5.9	-1.0	-5.7
Acquisition cost 31.12	11.9	12.6	11.0	11.5
Accumulated planned depreciation	-7.9	-7.6	-7.4	-7.2
<b>Book value 31.12</b>	<b>4.0</b>	<b>5.0</b>	<b>3.6</b>	<b>4.4</b>
<b>Immaterial goods, total</b>				
Acquisition cost 1.1	15.0	17.2	11.6	13.6
Increases during year	0.6	3.8	0.4	3.7
Decreases during year	-1.2	-6.0	-1.0	-5.7
Acquisition cost 31.12	14.5	15.0	11.0	11.6
Accumulated planned depreciation	-7.9	-7.6	-7.4	-7.2
<b>Book value 31.12</b>	<b>6.6</b>	<b>7.4</b>	<b>3.6</b>	<b>4.4</b>
<b>Tangible assets</b>				
<b>Land areas</b>				
Acquisition cost 1.1	78.2	92.6	5.6	5.1
Increases during year	2.6	2.3	-	1.2
Decreases during year	-0.3	-16.7	-	-0.7
Acquisition cost 31.12	80.4	78.2	5.6	5.6
Accumulated planned depreciation	-11.4	-11.4	-0.9	-0.9
<b>Book value 31.12</b>	<b>69.0</b>	<b>66.8</b>	<b>4.7</b>	<b>4.7</b>
<b>Buildings and structures</b>				
Acquisition cost 1.1	280.5	338.2	13.4	13.9
Increases during year	14.7	30.8	-	-
Decreases during year	-7.2	-88.5	-	-0.5
Acquisition cost 31.12	288.0	280.5	13.4	13.4
Accumulated planned depreciation	-65.0	-61.8	-5.2	-5.1
<b>Book value 31.12</b>	<b>223.1</b>	<b>218.8</b>	<b>8.1</b>	<b>8.3</b>
<b>Machinery and equipment</b>				
Acquisition cost 1.1	20.9	23.1	8.4	8.3
Increases during year	3.7	0.9	0.1	0.3
Decreases during year	-0.4	-3.1	-0.2	-0.2
Acquisition cost 31.12	24.3	20.9	8.3	8.4
Accumulated planned depreciation	-13.8	-14.3	-7.8	-7.8
<b>Book value 31.12</b>	<b>10.5</b>	<b>6.6</b>	<b>0.5</b>	<b>0.6</b>
<b>Tangible assets, total</b>				
Acquisition cost 1.1	379.7	454.0	27.3	27.3
Increases during year	21.0	34.0	0.1	1.4
Decreases during year	-7.9	-108.4	-0.2	-1.4
Acquisition cost 31.12	392.7	379.7	27.3	27.3
Accumulated planned depreciation	-90.1	-87.4	-13.9	-13.7
<b>Book value 31.12</b>	<b>302.6</b>	<b>292.2</b>	<b>13.4</b>	<b>13.6</b>

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>Investments</b>				
<b>Group companies</b>				
Shares 1.1	-	-	286.5	290.2
Increases during year	-	-	9.2	31.3
Decreases during year	-	-	-20.8	-35.1
Shares 31.12	-	-	275.0	286.5
Loans receivable 1.1	-	-	143.9	163.9
Increases during year	-	-	15.7	20.5
Decreases during year	-	-	-33.1	-40.5
Loans receivable 31.12	-	-	126.6	143.9
Write-downs	-	-	-87.8	-87.8
Increases during year	-	-	-8.2	-
	-	-	-96.0	-87.8
<b>Book value 31.12</b>	-	-	305.6	342.7
<b>Cross-ownership companies</b>				
Shares 1.1	23.1	4.2	26.3	7.4
Increases during year	0.1	19.2	0.1	19.2
Decreases during year	-0.9	-0.3	-0.0	-0.2
Shares 31.12	22.3	23.1	26.4	26.3
Loans receivable 1.1	1.7	1.7	1.7	1.7
Decreases during year	-1.7	-	-1.7	-
Loans receivable 31.12	-	1.7	-	1.7
Write-downs	0.7	0.7	-3.4	-3.4
	0.7	0.7	-3.4	-3.4
<b>Book value 31.12</b>	23.0	25.5	23.0	24.6
<b>Other investments</b>				
Shares 1.1	6.7	23.9	6.5	18.7
Increases during year	1.8	1.2	0.0	6.3
Decreases during year	-0.1	-18.4	-0.1	-18.4
Shares 31.12	8.4	6.7	6.5	6.5
Loans receivable 1.1	51.3	121.4	50.0	120.3
Increases during year	-	6.1	-	6.0
Decreases during year	-36.3	-76.1	-36.3	-76.3
Loans receivable 31.12	15.1	51.3	13.7	50.0
Write-downs	-42.2	-116.1	-42.2	-116.1
Decreases during year	35.3	73.9	35.3	73.9
	-6.9	-42.2	-6.9	-42.2
<b>Book value 31.12</b>	16.6	15.9	13.3	14.4

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>10. Current assets</b>				
<b>Inventories</b>				
Work in progress	0.8	1.1	0.8	1.1
Land areas and buildings	2.4	4.2	1.6	3.2
Shares	8.9	22.1	3.9	14.0
<b>Inventories, total</b>	<b>12.1</b>	<b>27.3</b>	<b>6.3</b>	<b>18.2</b>
<b>Current receivables</b>				
Accounts receivable	1.4	4.3	1.3	3.6
Short-term loans receivable	4.0	6.2	1.0	4.2
Accrued assets	0.5	1.3	0.5	1.1
Other receivables	0.5	0.7	0.5	7.8
<b>Current receivables, total</b>	<b>6.3</b>	<b>12.4</b>	<b>3.3</b>	<b>16.7</b>
<b>Receivables from companies in the same Group</b>				
Accounts receivable	-	-	0.1	0.0
Short-term loans receivable	-	-	0.0	0.1
Accrued assets	-	-	0.4	0.8
Other receivables	-	-	0.2	7.3
	-	-	0.6	8.2
<b>Receivables from cross-ownership companies</b>				
Accounts receivable	0.0	0.0	0.0	0.0
<b>Significant items included in short-term accrued assets</b>				
Matched dividend income	0.0	0.1	0.4	0.6
VAT receivable on investments	0.1	0.6	-	-
Others	0.3	0.5	0.2	0.5
	0.5	1.3	0.5	1.1

**Cash loans to company management**

As at 31.12.2002, the company management and members of the Board of Directors had no cash loans from the company or its subsidiaries.

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>11. Shareholders' equity</b>				
Share capital 1.1	<b>36.0</b>	151.4	<b>36.0</b>	151.4
Reduction in share capital	-	-115.4	-	-115.4
Convertible bonds exercised for share capital	-	0.0	-	0.0
<b>Share capital 31.12</b>	<b>36.0</b>	36.0	<b>36.0</b>	36.0
Share premium account 1.1	<b>49.8</b>	50.0	<b>49.8</b>	50.0
Previous losses covered	-	-0.2	-	-0.2
Offering of convertible bonds	-	0.1	-	0.1
<b>Share premium account 31.12</b>	<b>49.8</b>	49.8	<b>49.8</b>	49.8
Reserve fund 1.1	-	0.0	-	0.0
Previous losses covered	-	-0.0	-	-0.0
<b>Reserve fund 31.12</b>	-	-	-	-
Own shares fund 1.1	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Increase/decrease	<b>-0.0</b>	0.0	<b>-0.0</b>	0.0
<b>Own shares fund 31.12</b>	<b>0.0</b>	0.0	<b>0.0</b>	0.0
Accumulated losses 1.1	<b>40.7</b>	-99.1	<b>22.2</b>	-115.7
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	<b>-0.0</b>	-0.0
Other changes	<b>0.1</b>	-0.9	-	0.0
Net profit for year	<b>28.9</b>	25.1	<b>38.0</b>	22.2
<b>Accumulated profits 31.12</b>	<b>69.7</b>	40.7	<b>60.2</b>	22.2
Equity loans 1.1	<b>38.8</b>	43.9	<b>57.0</b>	108.4
Decreases	<b>-38.8</b>	-4.9	<b>-57.0</b>	-51.3
To share capital	-	-0.0	-	-0.0
To share premium account	-	-0.1	-	-0.1
<b>Equity loans 31.12</b>	-	38.8	-	57.0
<b>Shareholders' equity, total 31.12</b>	<b>155.6</b>	165.4	<b>146.1</b>	165.1
<b>Calculation of distributable assets</b>				
Accumulated profits	<b>40.8</b>	15.6	<b>22.2</b>	-0.0
Net profit for year	<b>28.9</b>	25.1	<b>38.0</b>	22.2
Portion of accumulated depreciation entered in shareholders' equity	<b>-11.4</b>	-12.1	-	-
<b>Total</b>	<b>58.3</b>	28.6	<b>60.2</b>	22.2
<b>Own shares</b>				
Number	<b>139 931</b>	139 931	<b>85 844</b>	24 148
Par value	<b>0.20</b>	0.20	<b>0.20</b>	0.20
Percentage of share capital	<b>0.001 %</b>	0.001 %	<b>0.000 %</b>	0.000 %
Percentage of voting rights	<b>0.001 %</b>	0.001 %	<b>0.000 %</b>	0.000 %

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>12. Equity loans</b>				
<b>Quasi-equity convertible bonds</b>				
Unpaid on issue	-	3.8	-	17.0
<b>Convertible equity loan</b>				
Unpaid on issue	-	35.1	-	40.0
<b>Equity loans to Group companies</b>				
Quasi-equity convertible bonds	-	-	-	13.2
Convertible equity loan	-	-	-	5.0
<b>13. Obligatory reserves</b>				
Construction liabilities	<b>2.9</b>	3.8	<b>0.0</b>	0.3
Municipal engineering reserves	<b>0.1</b>	0.6	<b>0.1</b>	0.6
Rental liabilities	<b>3.6</b>	7.5	<b>3.6</b>	7.5
Reserve for treating contaminated land	<b>0.6</b>	2.7	<b>0.6</b>	2.7
Liabilities for commissioning housing construction	<b>1.0</b>	1.1	<b>1.0</b>	1.1
Reserve for plot development expenses	-	1.7	-	1.7
Other obligatory reserves	-	0.0	-	0.0
<b>Total</b>	<b>8.2</b>	17.4	<b>5.4</b>	13.9
<b>14. Accumulated appropriations</b>				

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

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>15. Long-term liabilities</b>				
Corporate bonds	8.4	16.9	8.4	30.4
Loans from financial institutions	167.4	165.3	163.3	160.6
Pension loans	0.0	0.0	0.0	0.0
Other long-term debts	0.1	0.3	11.1	18.9
<b>Total</b>	<b>175.9</b>	<b>182.5</b>	<b>182.8</b>	<b>209.8</b>
<b>Debts maturing in five years</b>				
Loans from financial institutions	23.5	26.1	23.4	25.9
<b>Debts to Group companies</b>				
Corporate bonds	-	-	-	13.5
Other long-term debts	-	-	11.1	18.7
<b>Corporate bonds</b>				
Unpaid from 1996 issue	16.9	25.3	16.9	45.6
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	
	2002	2001	2002	2001
<b>16. Current liabilities</b>				
Warrant bonds	8.4	8.4	8.4	15.2
Corporate bonds	15.7	4.1	15.1	3.4
Loans from financial institutions	0.0	0.0	0.0	0.0
Pension loans	1.4	5.4	1.4	5.3
Advances received	1.2	1.8	1.2	1.3
Accounts payable	2.4	4.5	2.4	4.9
Other short-term debts	1.4	2.6	1.4	18.9
<b>Total</b>	<b>30.6</b>	<b>26.8</b>	<b>29.9</b>	<b>49.1</b>
<b>Short-term debt to companies in the same Group</b>				
Corporate bonds	-	-	-	6.7
Accounts payable	-	-	0.1	0.1
Deferred liabilities	-	-	0.2	0.9
Other short-term debts	-	-	-	16.5
	-	-	0.3	24.2
<b>Significant items included in deferred liabilities</b>				
Matched financing expenses	1.4	3.1	1.6	3.9
Personnel expenses	0.5	0.5	0.2	0.5
Others	0.5	0.9	0.7	0.5
	2.4	4.5	2.4	4.9

## Other notes

M€	Group		Parent Company	
	2002	2001	2002	2001
<b>17. Contingent liabilities</b>				
<b>Pledges</b>				
To secure own liabilities	<b>152.1</b>	210.2	<b>276.7</b>	339.2
Of which				
shares	<b>80.1</b>	87.4	<b>208.3</b>	220.0
receivables	<b>71.6</b>	122.5	<b>68.1</b>	118.9
deposits	<b>0.4</b>	0.4	<b>0.3</b>	0.3
<b>Mortgages</b>				
To source own liabilities	<b>168.2</b>	178.1	<b>22.1</b>	21.9
<b>Guarantees</b>				
For consolidated Group companies	<b>3.9</b>	-	<b>3.9</b>	3.9
For associated companies	-	3.4	-	3.4
For other companies	<b>0.3</b>	0.5	<b>0.3</b>	0.5
The debts secured by guarantees and mortgages amount in total to	<b>183.3</b>	173.3	<b>178.6</b>	167.9
<b>Other contingent liabilities</b>				
Derivative interest rate instruments				
Interest rate instruments purchased				
par value	<b>70.0</b>	70.0	<b>70.0</b>	70.0
market value	<b>0.0</b>	0.2	<b>0.0</b>	0.2
Interest rate instruments sold				
par value	<b>70.0</b>	70.0	<b>70.0</b>	70.0
market value	<b>-1.0</b>	-1.2	<b>-1.0</b>	-1.2
Interest rate swaps				
par value	<b>30.0</b>	30.0	<b>30.0</b>	30.0
market value	<b>-0.5</b>	-0.5	<b>-0.5</b>	-0.5

## Shares included in fixed assets

Company	Group holding, %	Parent company holding, %	Company	Group holding, %	Parent company holding, %
<b>Subsidiaries included in consolidated financial statements</b>					
<b>Companies in Finland</b>					
Ferenda Oy	100	100	KOy Sinimäentie 10	77	77
Oulun Myllykiinteistöt Oy	100	100	KOy Sisustaja	100	100
Polar-International Ltd	100	100	KOy Solartalo 2001	100	100
Polar-Rakennus Oy	100	100	KOy Solartalo 2002	100	100
Polar Corporation	100	100	KOy Solartalo 2003	100	100
Suomen Osakaskiinteistöt Oy	100	100	KOy Solartalo 2004	100	100
KOy Helsingin Vuorikatu 20	100	100	KOy Solartalo 2005	100	100
KOy Hollolan Ostospaikka	100	100	KOy Sörnäisten Rantatie 25	100	100
KOy Jämsän Forum	54	54	KOy Tampereen Hatanpää	100	100
KOy Järvenpään Helsinginportti	100	100	KOy Tampereen Suvantokatu	100	100
KOy Kalustaja	100	100	KOy Tapiontuuli	100	100
KOy Kilometri	100	100	KOy Teerikukonkuja	100	100
KOy Kilon Helmi	100	100	KOy Turun Kalevantie 25	100	100
KOy Kilon Timantti	100	100	KOy Valkeakosken Torikatu 2	100	100
KOy Kivikukkaro	100	100	KOy Vallilan Solar 1	100	100
KOy Korretintie 6	100	100	KOy Vallilan Solar 2	100	100
KOy Kuopion Satama 4	100	100	KOy Vallilan Solar 3	100	100
KOy Kutomotie 6	100	100	KOy Vallilan Solar 4	100	100
KOy Lappenrannan Lentäjätie 17-19	100	100	KOy Vanha Talvitie 11	100	100
KOy Larvalankatu 13	100	100	KOy Vantaanportin Liiketilat	100	100
KOy Lastupolku	100	100	KOy Viinikan Kauppakeskus	100	100
KOy Malmin Kauppatie 8	100	100	KOy Vilhonkatu 5	100	100
KOy Niittyänpolku 16	100	100	KOy Ässäntalo 2001	100	100
KOy Nova	100	100			
KOy Pakkalan Kartanonkoski 3	100	100	<b>Foreign companies</b>		
KOy Pakkalan Kartanonkoski 12	100	100	International Park Partner Inc.	100	100
KOy Pasilanraitie 5	80	80	Polar Holding Inc.	100	100
KOy Pitkänsillankatu 1-3	100	100	Polar Property Development Inc.	100	
KOy Plaza Forte	100	100	S + T Baurtrading GmbH	100	100
KOy Satomalmi	88	88			
KOy Scifin Alfa	100	100			
KOy Seinäjoen Kino	90	90			

Company	Group holding, %	Parent company holding, %
<b>Affiliated companies</b>		
International Park Associated LLC	50	
Koskikeskuksen Huolto Oy	49	
KOy F-Medi	22	22
KOy Valkeakosken Liikekeskus	25	25
KOy Vantaanportin Liikekeskus	21	21
Polar-BEK Company	49	

The complete list of Group-owned shares included in fixed assets as per the Finnish Companies Act is included in the company's official financial statements.

## The Group's financial trend

	2002	2001	2000	1999	1998
<b>Profit and loss account</b>					
Turnover, M€	61.9	68.9	96.9	104.6	241.1
Other income and expenses of business operations, M€	3.2	5.9	8.3	2.6	12.2
Operating profit/loss, M€	36.8	30.5	-40.2	16.7	-3.2
Profit before extraordinary items, M€	26.1	15.0	-55.9	2.7	-19.5
Extraordinary income and expenses, M€	2.8	10.0	-	-	-
Profit/loss before taxes, M€	28.9	25.0	-55.9	2.7	-19.5
<b>Balance sheet</b>					
Fixed assets	348.8	341.1	384.1	433.5	413.1
Inventory and financial assets (net)	20.7	47.2	74.0	128.2	222.2
<b>Assets, M€ *)</b>	<b>369.5</b>	<b>388.3</b>	<b>458.1</b>	<b>561.6</b>	<b>635.2</b>
Shareholders' equity	155.5	126.6	102.3	202.1	202.0
Equity loans	-	38.8	43.9	43.9	0.0
Minority interest	-	-	-	-	-
Reserves and accumulated depreciation difference	-	-	-	-	21.9
Obligatory reserves	8.2	17.4	21.5	20.1	19.0
Long-term liabilities					
- non-interest-bearing	0.0	0.0	0.0	2.0	30.9
- interest-bearing	175.9	182.5	266.6	302.2	59.7
Current liabilities					
- non-interest-bearing	5.6	10.4	11.4	13.1	38.7
- interest-bearing	24.2	12.6	12.4	41.9	263.0
<b>Liabilities and shareholders' equity, M€ *)</b>	<b>369.5</b>	<b>388.3</b>	<b>458.1</b>	<b>561.6</b>	<b>635.2</b>
*) does not include advances					
<b>Key figures for financial trends</b>					
Return on equity, %, ROE	18.5	13.2	-42.9	1.7	-14.5
Return on investment, %, ROI	10.2	7.9	-7.7	3.6	-0.2
Equity ratio, %	42.1	32.6	22.3	28.2	28.4
<b>Key indicators for business operations</b>					
Average number of personnel	24	34	41	48	919
Dividend payment, M€	0.0	0.0	0.0	0.0	0.0
<b>Key figures for shares</b>					
Earnings per share (EPS), €	0.14	0.08 *)	-0.31 *)	0.02 *)	-0.13*)
Equity per share, €	0.86	0.70 *)	0.57 *)	0.88 *)	1.12*)
Dividend per share, €	-	-	-	-	-
Dividend/profit, %	-	-	-	-	-
Effective dividend yield-%	-	-	-	-	-
Price/earnings ratio	3.66	4.29	-0.64	3.51	-0.50
Trend in share price and turnover					
Issued-adjusted share price, €					
average price	0.43	0.27	0.30	0.35	0.59
lowest traded price	0.36	0.19	0.19	0.29	0.36
highest traded price	0.58	0.39	0.40	0.52	1.43
last traded price at year end	0.53	0.36	0.20	0.32	0.38
Market capitalisation 31.12, M€	95.4	64.8	36.0	57.5	68.1
Trend in share turnover					
share traded (1 000)	31 000	26 700	16 200	19 455	28 149
% of shares, average	17.22/17.24 **	14.83/14.85 **	9.00/9.01 **	10.81/10.82 **	17.4/17.5 **
Issue-adjusted number of shares					
average (1 000)	180 057/179 850 **	180 045/179 833 **	180 018/179 878 **	180 018/179 878 **	161 343/161 258 **
at year-end (1 000)	180 057/179 854 **	180 057/179 811 **	180 018/179 878 **	180 018/179 878 **	180 018/179 933 **

\*) 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.

Polar Real Estate Corporation's shares are quoted on the Helsinki Exchanges. 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 each shares has 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 minimum capital is EUR 30,000,000 and its maximum capital is EUR 120,000,000.

### Shareholdings

At the end of 2001, Polar Real Estate Corporation had a total of 4,956 shareholders and the total percentage held by nominee-registered parties and directly foreign-owned shares was 2.19%. The ten biggest shareholder groups held about 76% of the company's shares and the 20 largest held about 80%. There were no major changes in shareholdings during 2002.

According to the register of industry insiders on 30 December 2002, the members of the Board of Directors and the Management Committee and those under their control held a total of 202,240 shares, corresponding to approximately 0.1% of the issued stock and voting rights. At year-end, the company held 139,931 Polar Real Estate Corporation shares.

### Share trading and price trend

In the course of 2002, a total of 31.0 million Polar Real Estate Corporation shares were traded for MEUR 13.4. This corresponds to 17.2% of the issued stock. The average daily trade was 124,412 shares and EUR 53,963. The year's highest traded price was EUR 0.58 and the lowest was EUR 0.36. The market capitalisation at year-end was MEUR 95.4 and the last traded price was EUR 0.53.

**Holdings by number of shares, 30 Dec. 2002**

Number of shares	Shareholders	%	Shares	%
1 – 100	1,477	29.80	49,852	0.03
101 – 1,000	1,437	29.00	749,459	0.42
1,001 – 10,000	1,517	30.61	6,586,999	3.66
10,001 – 100,000	452	9.12	13,340,575	7.41
100,001 – 1,000,000	61	1.23	16,955,515	9.42
over 1,000,000	12	0.24	142,247,623	79.00
<b>Total</b>	<b>4,956</b>	<b>100.00</b>	<b>179,930,023</b>	<b>99.93</b>
Total on waiting list			0	0.00
On joint accounts			127,201	0.07
<b>Total issued stock</b>			<b>180,057,224</b>	<b>100.00</b>

**The 10 biggest shareholders, 30 Dec. 2002**

Name	1,000 shares	%
1. Cervuctum Oy*)	47,344	26.29
2. Nordea Bank Finland Plc	35,715	19.84
3. UPM-Kymmene Corporation	14,836	8.24
4. Wärtsilä Corporation	14,473	8.04
5. Partek Corporation	10,905	6.06
6. Finnish Cooperative Wholesale Society	5,305	2.95
7. Pohjola Finland Value Fund	4,850	2.69
8. Jokinen, Reino	1,500	0.83
9. Pohjola Non-Life Insurance Company Ltd	1,450	0.81
10. Erikoissijoitusrahasto Avenir	1,301	0.72
<b>Ten biggest, total</b>	<b>137,680</b>	<b>76.46</b>
Others	42,377	23.54
<b>Total</b>	<b>180,057</b>	<b>100.00</b>

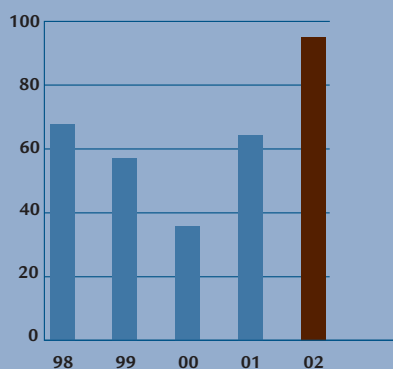
\*) The owners of Cervuctum Oy are: UPM-Kymmene (37.5%), Wärtsilä (37.5%) and Partek (25%).

**Shareholders and voting rights by grouping, 30 Dec. 2002**

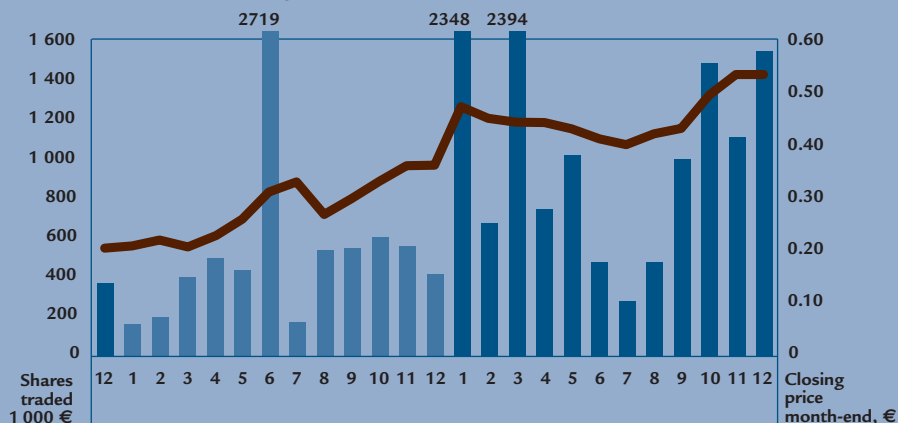
	%
Companies*)	56
Financial and insurance institutions	28
Households	13
Nominee-registered and foreign	2
Others	1

\*) Less nominee-registered holdings

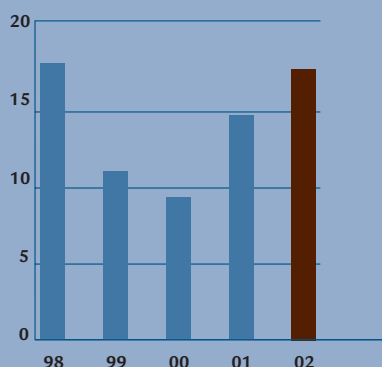
Market capitalisation 31 Dec., M€



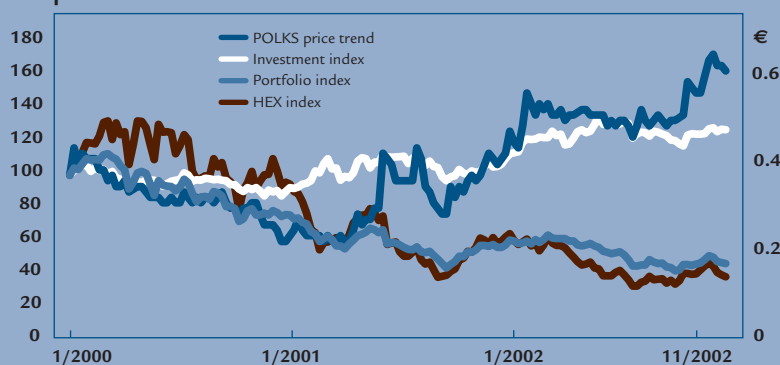
Shares traded and price trend 12/2000 – 12/2002



Share turnover, % of issued stock



Indexed POLKS price trend, HEX, portfolio and investment index



**Increases and reductions in share capital 1998 – 2002**

Increases Subscription period	Subscription/ conversion rate	Subscription price, €	Number of shares	Share capital, €	Entitlement to dividend	New share capital, €
Convertible equity loan 1996 converted 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 converted in 1998	€3.36 of debt 1 share		550,350	462,811		151,384,585
Reduction in share's par value to € 0.2 27.4.2001				-115,380,910		36,003,675
Convertible bonds 1996 converted in 2001	€3.36 of debt 1 share		25,000	5,000	2,002	36,008,675
Convertible bonds 1994 converted in 2001	€3.36 of debt 1 share		13,850	2,770	2,002	36,011,445



# The Board's proposal to the annual general meeting

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

Because of the reduction in the share capital effected in 2001, payment of dividend on the profits for the year 2002 is subject to a permit under the Companies Act. The Board proposes to the annual general meeting that no dividend be paid for 2002.

Helsinki, 6 February 2003

Jan-Henrik Kulp                      Jukka Salminen  
Chairman                              Deputy Chairman

Kari Heinistö                        Ari Heiniö

Jorma Laakkonen                  Raimo Lind

Erkka Valkila  
President and CEO

## Auditors' report

### To the shareholders of Polar Real Estate Corporation

I have audited the accounting, the financial statements and the corporate governance of Polar Real Estate Corporation for the financial year 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on my audit I express an opinion on these financial statements and on corporate governance.

The audit was conducted in accordance with Finnish Standards on Auditing. Those standards require

that an audit be performed in sufficient depth to verify that the book-keeping and the accounting conventions, content and presentation of the financial statements are free of material errors or omissions. The purpose of the 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 my opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the

Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by me. The proposal by the Board of Directors regarding the distributable earnings is in compliance with the Companies Act.

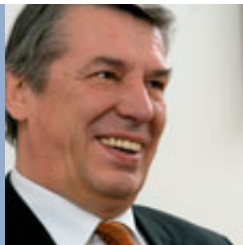
Helsinki, 17 February 2003

Risto Laitinen, APA

PricewaterhouseCoopers Oy

# Administration

## Members of the Board of Directors



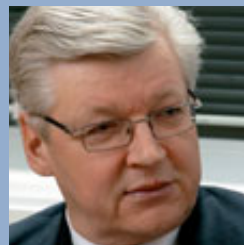
Chairman  
**Jan-Henrik Kulp**, born 1943  
B.Sc. (Econ.)  
Senior Financial Advisor of the  
UPM-Kymmene Group  
Member of the Board of  
Directors since 1996 and term  
expires in 2003



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 and term  
expires in 2004



**Kari Heinistö**, born 1958  
M.Sc. (Econ.)  
Senior Executive Vice President  
of the Partek Group  
Member of the Board of  
Directors since 1993 and term  
expires in 2005



**Ari Heiniö**, born 1945  
Varatuomari (Finnish title)  
Member of the Board of  
Directors since 2002 and term  
expires in 2005



**Jorma Laakkonen**, born 1943  
LL.M.  
Member of the Board of  
Directors since 2001 and term  
expires in 2004



**Raimo Lind**, born 1953  
M.Sc. (Econ.)  
Group Vice President & CFO  
of Wärtsilä Corporation  
Member of the Board of  
Directors since 2001 and term  
expires in 2003

The administration of Polar Real Estate Corporation is performed in compliance with the Companies Act and with the recommendations 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

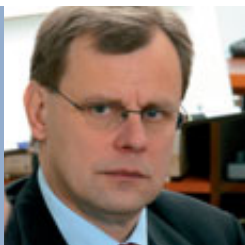
member of the Board ends at the closing of the third annual general meeting following the election. No employees of Polar Real Estate are members of the Board of Directors. The Board usually convenes once a month. In the course of 2002, the Board of Directors convened on 18 occasions.

The Board of Directors supervise Polar Real Estate's operations and administration, and they decide on important matters concerning strategy, investment, organisation and financing. The Board of Directors are responsible for the company's administration and proper arrangement of its business, 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 admin-

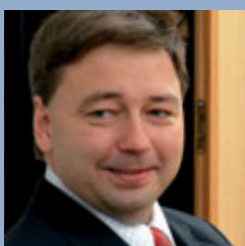
## Members of the Management Committee



**Erkka Valkila**, born 1953  
B.Sc. (Eng.)  
President and 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



**Matti Lavikainen**, born 1955  
M.Sc. (Eng.)  
Senior Vice President  
Leasing, Management and  
Maintenance  
Has served the company since  
1989

istration in accordance with the Board of Directors' instructions. The legality of the company's accounts and its asset management are the responsibility of the President. Erkka Valkila has served as the Group's President and CEO and Risto Varpula as its Executive Vice President since 1 January 1999. Valkila will leave his post on 15 March 2003 to become President of Sato Corporation.

### 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 2002 were MEUR 0.3.

### Insider dealing

Polar Real Estate Corporation has adopted the rules of the Helsinki Exchanges 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 30 December 2002, the members of the Board of Directors and the Management Committee plus those under their orders, together with Polar Real Estate personnel, together held a total of 221,004 shares.

## Information for shareholders

### Annual general meeting

The annual general meeting of Polar Real Estate Corporation will be held on Tuesday, 4 March 2003, 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 21 February 2003 in Polar Real Estate Corporation'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 3 March 2003, as follows:

- through the company's website at [www.polarikiinteistot.fi](http://www.polarikiinteistot.fi) or
- by letter to Polar Real Estate Corporation, Tarja Koistinen, PO Box 102, FIN-00241 Helsinki, Finland, or
- by phone, number +358 9 8259 2327 or +358 9 8259 2648.

Proxy voting documents should be sent to Tarja Koistinen at the address given above before the deadline for notifications.

### Payment of dividend

Because of the reduction in the share capital effected in 2001, payment of dividend on the profits for the year 2002 is subject to a permit under the Companies Act. The Board will propose to the annual general meeting that no dividend be paid for the financial year 2002.

### Financial disclosures

Publication dates of interim reports are:

January – March	23 April 2003
January – June	6 August 2003
January – September	21 October 2003.

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.polarikiinteistot.fi](http://www.polarikiinteistot.fi). Company releases can be subscribed for using the website's Investor relations section to be sent automatically on the issue date to the requested e-mail address.

For further information, please contact [anna-maija.hevosmaa@polarikiinteistot.fi](mailto:anna-maija.hevosmaa@polarikiinteistot.fi).

## Contact information

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Fax +358 9 8259 2300

Visiting address:

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00240 Helsinki

<http://www.polarikiinteistot.fi>

e-mail: [firstname.familyname@polarikiinteistot.fi](mailto:firstname.familyname@polarikiinteistot.fi)

### Tampere

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Koskikeskus  
FIN-33100 Tampere  
Finland  
Tel. +358 3 274 0400  
Fax +358 3 212 1879

## Fifty years of Polar

- |              |   |             |  |
|--------------|---|-------------|--|
| <b>1952</b>  | The establishment of Rakennus- ja Insinööritoimisto Yrjö Karjalainen Oy.  | <b>1994</b> | The companies operating in Finland were amalgamated and construction and real estate business were separated to form divisions. It was decided to give up operating outside Finland.   |
| <b>1960s</b> | Regional construction began. The ownership base was broadened and the company name was changed to Polar Construction Corporation in 1964.   | <b>1998</b> | Construction business interests were sold in August 1998 to Skanska Oy and real estate business became the main sphere of operations. The company concentrated on owning, leasing and developing offices and commercial premises in the Helsinki Metropolitan Area, Tampere and Turku. |
| <b>1970s</b> | Housing construction was at its peak. Project exports to Russia began.  | <b>1999</b> | The name was changed to Polar Real Estate Corporation.   |
| <b>1980s</b> | Polar Construction Corporation with its subsidiaries was one of Finland's biggest construction companies. It expanded its operations into Finnish and international real estate business. Foreign business was significant. | <b>2001</b> | The statutory reconstruction programme for protection against creditors terminated at the end of 2001.   |
| <b>1989</b>  | Polar Construction Corporation was the first building company in Finland to go public, in February 1989.  | <b>2002</b> | The company's long-term targets for profitability and financial soundness have been achieved and the basis for operational development is sound.   |
| <b>1990</b>  | Polar Construction Corporation took over Kiinteistö-sijoitusyhtiö Ferenda Oy.   |             |  |
| <b>1991</b>  | The name was changed to Polar Corporation.  |             |  |
| <b>1993</b>  | Polar Corporation and its Finnish subsidiaries filed for protection from creditors beginning in 1993.   |             |  |



