



Annual Report 2003

POLAR
REAL ESTATE

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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

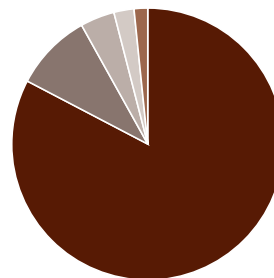
Description of operations

Polar Real Estate Corporation is a stock exchange listed real estate investment company concentrating on owning, leasing and developing offices and commercial premises. The company is a member of the German IVG group practising real estate investment business. The main thrust in its operations is on the Helsinki Metropolitan Area

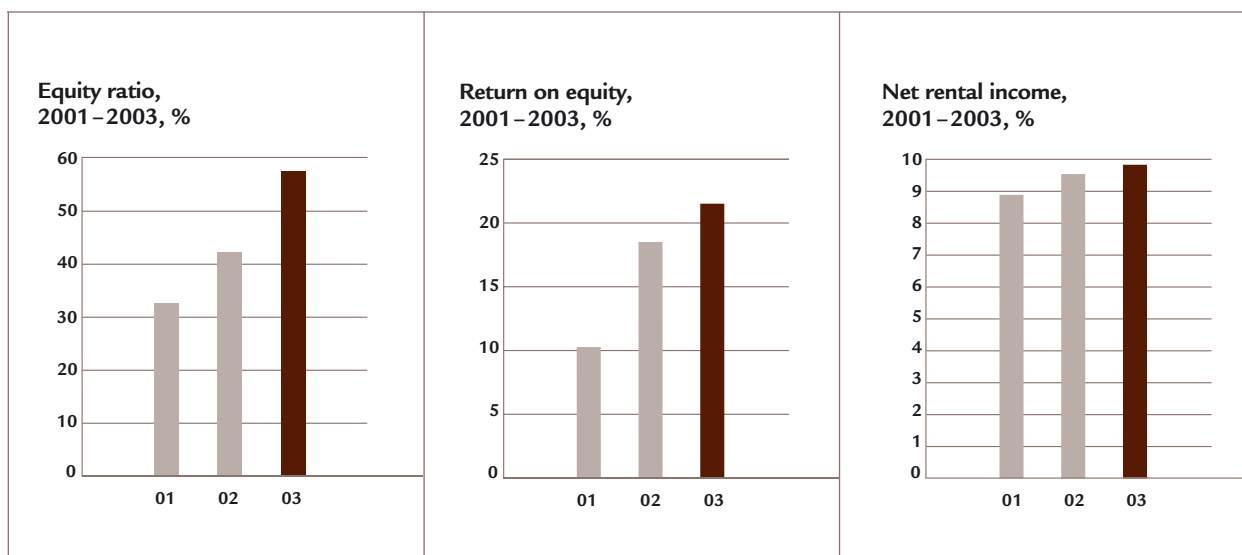
Operative action 2003

- At year-end, the investment properties' leasable area totalled 238,000 sq.m. In all, 600 clients operated in the properties.
- A total of 131 new leases were signed for investment properties, with an annual rent of €5.5m.

Assets according to business sector
€309m (2002: €365m)



- **Investment properties**
€255.6m (€301.4m)
- **Investment properties in Provincial Centres** €28.6m (€33.3m)
- **Plots in HMA**
€12.6m (€11.6m)
- **Property for Sale**
€7.4m (€10.3m)
- **Other investment**
€5.0m (€8.5m)



- The rental occupancy rate remained favourable and was roughly 95%.
- The shopping centres Tampereen Koskikeskus in Tampere and Valkeakosken Koskikara in Valkeakoski were sold to Citycon Oyj at the end of the year. Furthermore, a letter of intent was signed for the possible sales of shares in the shopping centre Seinäjoen Torikeskus by the end of February 2004.
- Polar Real Estate Corporation and Mutual Insurance Company Pension Fennia decided to start an extension to the shopping centre Jumbo in Vantaa.
- During the year the company invested a total of €4.1m.
- Real estate holdings were sold for €57m.

Change in ownership in 2003

The German real estate investment company IVG Immobilien AG announced on 1 October 2003 that it had entered into an agreement with Cervuctum Oy, Nordea Bank Finland Plc, UPM-Kymmene Corporation, Wärtsilä Corporation, Partek Corporation and Suomen Osuuskauppojen Keskuskunta, to purchase from the above-mentioned shareholders of Polar Real Estate Corporation all their shares. After the approval of competition authorities, on 15 October 2003, a total of 71.4% of shares and voting rights was transferred to IVG Group. IVG Group submitted a redemption offer to the remaining shareholders 7.11 – 8.12.2003. After the redemption offer and at the end of the year the IVG Group owned 85.0% of all Polar Real Estate Corporation shares and voting rights.

Key indicators

Indicators	2003	2002
Turnover, €m	48.5	61.9
Operative operating margin, €m	29.8	41.7
Profit before extraordinary items, €m	13.2	26.1
Net profit for financial year, €m	37.5	28.9
Balance sheet total as at 31.12, €m	337.9	370.3
Return on equity, % (ROE)	21.5	18.5
Return on investment, % (ROI)	6.9	10.2
Equity ratio, %	57.3	42.1
Personnel as at 31.12	18	21
Share indicators		
Earnings per share, €	0.21	0.14
Equity per share, €	1.07	0.86
Traded share price at year-end, €	0.77	0.53
P/E ratio	3.7	3.7
Operative indicators for investment properties		
Investment properties, €m	284.2	334.7
Net yield of properties, €m	31.5	30.4
Net yield of properties, % *	9.8	9.5
Rental occupancy rate, %	95.1	97.0

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

Risto Varpula, President and CEO



President's report

The economy was still in the doldrums in 2003, both in Finland and throughout the Western market economies. Economic forecasters predict an economic recovery in the present year. Finland GDP grew by a modest 1.5% in 2003, but a distinctly more vigorous rate is expected in 2004. Inflation and interest rates remained low in the euro zone, which was particularly beneficial in capital-intensive sectors of business.

In the property investment sector, demand for office premises remained sluggish. This made itself felt in an increase in vacant premises. For example, the amount of vacant premises in the Helsinki Metropolitan Area rose above the 5% considered normal to roughly 7%. Furthermore, real rents fell slightly, particularly in less sought-after areas. On the other hand, the situation remained good in the market for commercial premises. There was little vacant space and rents held steady.

Polar Real Estate Corporation's business proceeded in 2003 in accordance with the targets set. In particular, the target for solvency was overachieved by a clear margin. We have continued to shift the focus of operations to office and commercial premises in the Helsinki Metropolitan Area and we will go on with this trend in the near future.

The company had an important year in its history in 2003. In October its longtime biggest shareholders sold their shares in the company to the German property investment company IVG Group. I would like to express my warm thanks to the former shareholders and their representatives on the company's Board of Directors for their tireless work, which demanded time and effort for the development of the company into an operationally interesting and financially well-placed enterprise. As a result of this work, the company has become part of an international, expert and well-managed corporate group which has excellent prospects for continuing operational development.

I also warmly thank other stakeholders and the personnel for their contributions during the changes of the past year.

Risto Varpula
President and CEO

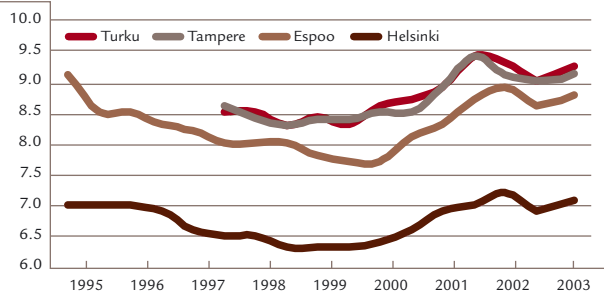
Description of the business climate

The Finnish economy grew slowly in 2003. In spite of this, Finland still led the field among EU member states for its competitiveness and its economy. Industrial investment declined in 2003 and it is not expected to recover until 2005. On the other hand, investment in housing and private consumption continued to rise last year. The global economic recovery is expected to stimulate Finland's economic growth in 2004.

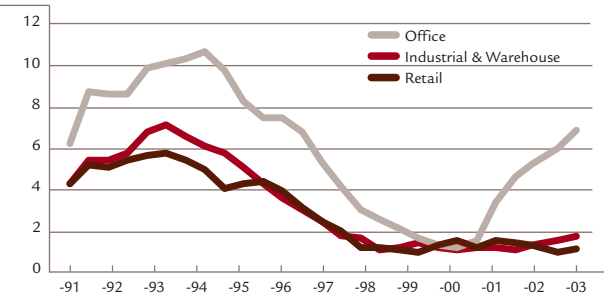
There are differences between the subdivisions of the property market. The situation has been good in the markets for housing and commercial premises, whereas uncertainty continues in the market for office premises. Demand for office premises in the Helsinki Metropolitan Area has been low, causing the number of vacant offices to rise. The vacancy rate today is roughly 7%. There are, however, great differences between cities. There are fewer vacant offices in Helsinki than in Espoo and Vantaa. There are also differences between districts within cities. Little new office space was completed in 2004, so the amount of vacant office premises is no longer expected to grow substantially. Office rents may continue to decline in certain subdivisions for some time. At the same time, office rents may diverge. However, the situation is expected to stabilise in the second half of 2004.

Demand for commercial premises in the Helsinki Metropolitan Area has remained good and the amount of vacant property is small. The vacancy rate is under two per cent, and the business facilities under construction are not expected to upset the high rental occupancy rate. There were no major changes in rent levels. Thanks to vibrant private consumption, the convenience goods trade will continue to compete for good business locations, which will keep rent levels stable in the near future.

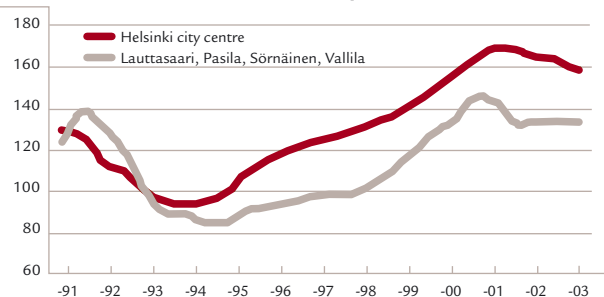
Net yield requirements for offices, %



Vacancy rates for business premises in the HMA



Trend in rent index for office premises



Source: KTI Kiinteistötieto Oy, Catella Kiinteistökonkultointi Oy

Polar Real Estate in 2003

Polar Real Estate Corporation is a stock exchange listed real estate investment company concentrating on owning, leasing and developing offices and commercial premises. The company is a member of the German property investment group IVG Group. Its main business sector, Investment Properties, is comprised mainly of office and commercial properties in Helsinki Metropolitan Area.

The real estate portfolio

The company's entire real estate portfolio at the end of 2003 amounted to €309.2m (€365.0m). The proportion of investment properties was €284.2m (€335.0m) or 92% (92%) of the total for the real estate portfolio. There were 37 (39) investment properties and their leasable floor area was 238,000 sq.m. There were 172,000 sq.m. of office

premises and 66,000 sq.m. of commercial premises. The gross rental income from investment properties was €41.1m (€39.2m) and the net rental income was €31.5m (€30.4m), which gives a 9.6% (9.5%) return on the balance sheet value. The real estate portfolio in other business areas at year-end totalled €25.0m (€30.0m), which is €5.0m less than at the end of the previous year.

Valuation of the real estate portfolio

The investment properties, which have a balance sheet value of €284.2m, were assessed by an authorised assessor at the end of the year. According to Kiinteistötöaito Peltola & Pulkkanen Oy's assessment, the investments properties' market value was €310.6m, and it exceeded their balance sheet value by €26.4m.

NET PROFIT PER BUSINESS SECTOR, €m						
	Investment Properties	Investment Properties in Provincial Centres	Plots in HMA	Property for Sale	Other Investments	Total
2003						
Sales of property	44.6	5.9	0.3	4.7	1.5	57.0
Turnover	35.5	5.4	0.2	5.7	1.8	48.5
Operating margin	25.5	2.9	-0.5	0.8	1.2	29.8
Depreciation	-4.1	-0.8	0.0	0.0	-0.3	-5.2
Write-downs	-	-	-	-	-0.5	-0.5
Operating profit/loss	21.4	2.1	-0.5	0.8	0.4	24.1
Profit before extraordinary items	13.0	1.2	-1.1	0.2	0.0	13.2
Effect of sales on income	0.0	-0.1				
Profit from rental business	12.0	1.3				
2002						
Sales of property	-	5.1	8.7	16.3	4.3	34.5
Turnover	33.7	5.6	7.4	10.9	4.4	62.0
Operating margin	23.7	2.6	5.1	6.2	4.2	41.7
Depreciation	-4.1	-0.7	0.0	0.0	-0.2	-5.0
Write-downs	-	-	-	-	-	-
Operating profit/loss	19.7	1.9	5.1	6.2	4.0	36.8
Profit before extraordinary items	12.0	0.9	4.2	5.4	3.6	26.1
Effect of sales on income	-	-0.6				
Profit from rental business	12.0	1.5				



The productivity and solvency of operations

The profit before extraordinary items in 2003 was €13.2m (€26.1m). The profit from rental business was €13.3m (€13.5m). The combined profits of sales and other business sectors than investment properties were -€0.1m (€12.6m). The profit after a tax credit change of €24.3m and €0.0m (€2.8m) in extraordinary items was €37.5m (€28.9m). During the calculation period, expenses arising from the management incentive scheme were booked in the amount of €1.4m. Return on investment was 6.9% (10.2%) and return on equity rose to 21.5% (18.5%). The equity ratio rose to 57.3% (42.1%).



Business sectors

Investment properties

The investment properties are office and commercial facilities mainly in the Helsinki Metropolitan Area. There are 25 properties in the Helsinki Metropolitan Area and two properties in Turku. The business premises have an area of 189,500 square metres, including 151,000 square metres of office premises and 38,400 square metres of business premises. The properties' balance sheet value totals €255.6m (€301.4m) net of debt. The business sector's net profit on rental business was €12.0m (€12.0m) and the overall profit was €13.0m (€12.0m).

Leasing

Net rental income was €28.0m (€26.7m), which gave a 9.4% (9.3%) return on the properties' balance sheet value. The properties' rental occupancy rate at year-end was

96.4% and the financial rental occupancy rate was 96.4%. 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.

New leases were signed 95 plus 12 extensions for a total of 28,300 square metres of premises. Among the major new leases signed during the year were a lease signed with Tamro Plc for 3,140 square metres of office space in the property KOy Teerikukonkuja in Helsinki and a lease signed with Novamil Oy for 2,358 square metres of office space in the property KOy Nova in Turku.

Investments and acquisitions

Investments and acquisitions in the Investment Properties business sector totalled €1.8m (€19.7m).

INVESTMENT PROPERTIES			Net leasable	
	Holding, %	Location	area, sq.m.	Book value, €m
Investment Properties				
Office premises				
Vallila companies ¹⁾	100	Helsinki	34,798	42.2
KOy Vilhonkatu 5	100	Helsinki	5,766	15.0
Munkkiniemen liiketalo	100	Helsinki	6,706	12.4
KOy Sörnäisten Rantatie 25	100	Helsinki	6,465	9.4
KOy Kutomotie 6	100	Helsinki	7,697	6.6
KOy Pasilanraito 5	92	Helsinki	6,739	7.3
KOy Vuorikatu 20	100	Helsinki	6,740	5.9
KOy Vanha Talvitie 11	100	Helsinki	6,667	5.4
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	2.1
Kamppi Parkki Oy		Helsinki		0.5
KOy Tapiontuuli	100	Espoo	6,940	10.0
KOy Sinimäentie 10	77	Espoo	9,702	9.5
KOy Kilon Helmi	100	Espoo	3,757	6.8
KOy Kilon Timantti	100	Espoo	4,035	6.5
KOy Scifin Alfa	100	Espoo	5,326	5.8
KOy Lastupolku	100	Espoo	1,199	1.0
KOy Plaza Forte	100	Vantaa	6,069	13.6
KOy Pakkalan Kartanonkoski 3	100	Vantaa	7,755	10.1
KOy Pakkalan Kartanonkoski 12	100	Vantaa	3,311	6.2
KOy Nova	100	Turku	2,358	2.6
Office premises, total			151,154	192.2
Commercial premises				
KOy Vantaanportin Liikekeskus	21	Vantaa	11,515	20.6
KOy Sisustaja	100	Vantaa	15,866	15.8
KOy Kivikukkaro	100	Turku	11,011	26.7
Commercial premises, total			38,392	63.4
Investment Properties, total			189,546	255.6
Investment Properties in Provincial Centres				
Office premises				
KOy F-Medi	22	Tampere	2,826	3.8
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
KOy Kouvolan Valtakatu 28	100	Kouvola	1,939	1.2
Office premises, total			20,958	10.4
Commercial premises				
Seinäjoen Torikeskus ¹⁾	93	Seinäjoki	11,698	7.0
KOy Hollolan Ostospaikka	100	Hollola	5,442	6.3
KOy Lentäjätie 17-19	100	Lappeenranta	7,600	3.3
KOy Jämsän Forum	54	Jämsä	2,665	1.6
Commercial premises, total			27,405	18.2
Investment Properties in Provincial Centres, total			48,363	28.6
Investment Properties, total			237,909	284.2

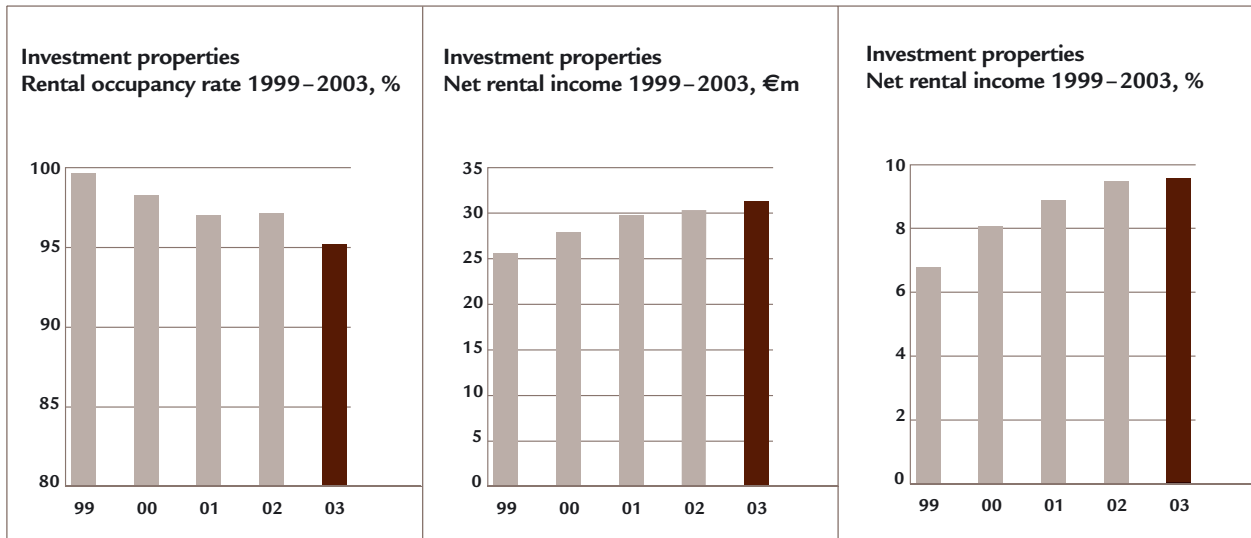
¹⁾ Holdings in more than one real estate company



INVESTMENT PROPERTIES' KEY INDICATORS 31.12.2003

	Book value		Net leasable area	Rental occupancy rate	Net rents		Net yield
	€m	%	sq.m.	%	€m *	%	%
Office premises	192.2	75	151,154	95.5	17.3	70	9.0
Commercial premises	63.4	25	38,392	100.0	7.5	30	11.8
Investment properties, total	255.6	100	189,546	96.4	24.8	100	9.7
Office premises	10.4	36	20,958	79.8	1.1	35	10.4
Commercial premises	18.2	64	27,405	97.5	2.0	65	11.2
Investment properties in Provincial Centres, total	28.6	100	48,363	89.8	3.1	100	10.9
Office premises	202.7	71	172,112	93.6	18.4	66	9.1
Commercial premises	81.6	29	65,797	98.9	9.5	34	11.6
All investment properties, total	284.2	100	267,909	95.1	27.9	100	9.8

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



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

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

Development projects

In October 2003 Polar Real Estate Corporation and Mutual Insurance Company Pension Fennia decided to start a project for an extension of the Shopping Centre Jumbo in Vantaa. Jumbo will be extended by 27,500 square metres to 82,500 square metres, with construction work starting in early 2004. A total of 45% of the extension's commercial premises is reserved for Stockmann department store.

Sales

At the end of the year Polar Real Estate Corporation sold the shares it held in the real estate holding companies which own Tampereen Koskikeskus and to Investment properties in Provincial Centres belonging Valkeakosken Koskikara to Citycon Oyj. The sales price of these was €49.3m net of debt and the sales had no effect on the net profit.

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 48,400 square metres of area. The number of properties is ten, six of which are offices and four commercial properties. The balance sheet value of the properties net of debt is €28.6m (€33.3m).

The net profit from rental business was €1.3m (€1.5m) and the effect of sales on earnings was -€0.1m (-€0.6m). The business sector's overall net profit was €1.2m (€0.9m).

Net rental income was €3.6m (€3.7m), which gives an 11.0% yield (10.3%) on the balance sheet value. The rental occupancy rate of the premises at year-end was 89.8% and financial occupancy rate was 92.3%.

A total of 24 new leases and extensions were signed for 5,700 square metres of premises. Among the major leases were in the property company KOy F-Medi in Tampere with Tampere University for 914 square metres and the Family Federation of Finland for 649 square metres.

During the last quarter of 2003, the office real estate company KOy Kouvola Valtakatu 28, with 1,939 square metres, was acquired in a swap. During the second quarter a 5,600 square metre warehouse KOy Viinikan Kaupakeskus was sold in Tampere. Additionally, the above-mentioned shopping Centre Valkeakosken Koskikara was sold to Citycon Oyj. Also, a letter of intent was signed with Citycon for the possible sale of shares in the shopping centre Seinäjoen Torikeskus by February 2004. Sales in 2003 accounted for €5.9m.



Plots in the Helsinki Metropolitan Area

Plots in Helsinki Metropolitan Area consist of tracts intended for business premises and residential construction. The business plots, which have a combined permitted building volume of roughly 56,000 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 Kaivoksela district of Vantaa, Sarfvik district in Kirkkonummi and Hista district in Espoo. It is intended to sell them after progress has been made in zoning.

There were no significant sales in this sector during 2003. The business sector's net loss was €1.1m (profit of €4.2m).

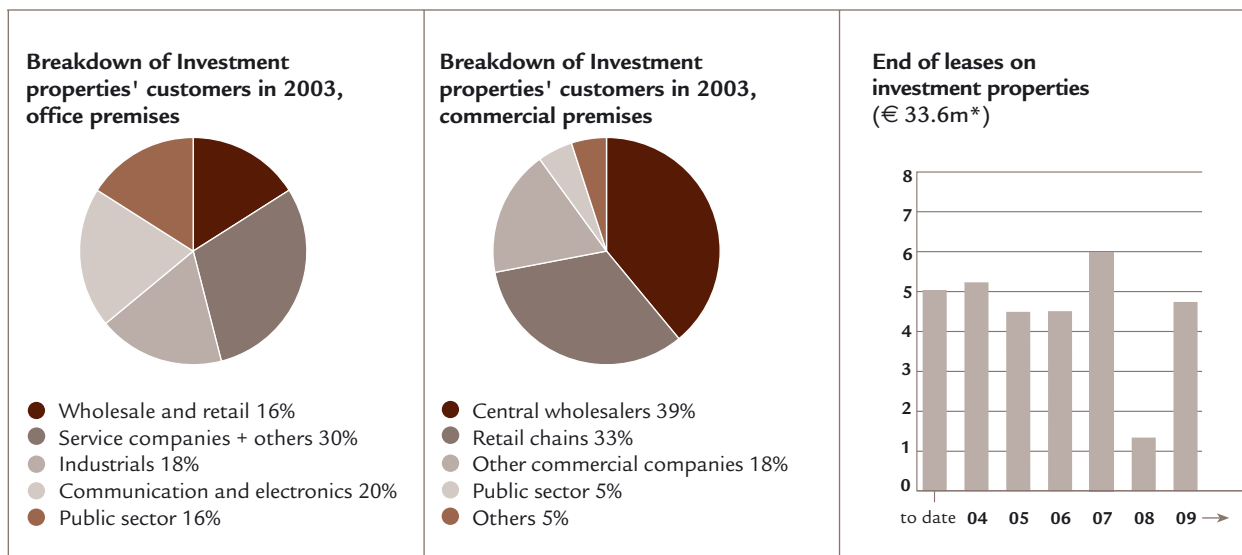
The balance sheet value of plots at year-end was €12.6m (€11.1m).

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 €4.7m. The business sector's net profit was €0.2m (€5.4m). The balance sheet value of Property for Sale was €7.4m (€10.3m).

Other Investments

The company's Other Investments amount to €5.0m (€8.5m). During 2003, a one per cent shareholding in the real estate investment company Citycon Oyj, which had comprised most of the investments in Finland, was sold. The balance sheet value of foreign investments is €4.4m. The business sector's net profit was €0.0m (€3.6m).



* Annualised rental income.

PLOTS IN HMA			
	Location	Permitted building volume sq.m. floor area	Book value €m
Business plots			
Commercial building plots			
KOy Kalustaja, Varisto	Vantaa	9,650	3.8
Jumbo extension	Vantaa	18,000	3.4
Office building plots			
Vantaanportti			
business park	Vantaa	17,800	0.8
Kilo district*	Espoo	18,400	2.6
Total			10.6
*Partly scheduled for zoning			
Residential construction areas due for zoning			
		Area Hectares	Book value €m
Hista	Espoo	102.0	1.1
Sarfvik	Kirkkonummi	14.1	0.4
Others			0.5
Total			2.0
Plots in HMA total, €m			12.6

PROPERTY FOR SALE	
	Book value, €m
Business premises	3.6
Plots	3.8
Other property	0.0
Total	7.4

Customers

Polar Real Estate has 600 customers in its properties and it has 900 lease agreements. Currently valid leases were valued at the end of 2003 at €5m and those valid until the end of 2004 at €7m.

Among the major customers are Elisa Corporation, Espoo tax office, Kesko Corporation, the Research Institute for the Languages of Finland, Oy Radiolinja Ab, Segafredo Zanetti Finland Oy, SOK Corporation and Telia-Sonera Finland Oyj.

The biggest customer's share of annual rental income is 26.3% and that of the five biggest is 50.8%. The biggest single lease agreement accounts for 8.2% and the five biggest lease agreements for 30.8% of rental income. The customer structure is balanced in terms of the business segment spread.

Investment properties, Helsinki Metropolitan Area



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 – 1940, 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 pass through the building to get to Kaisaniemi metro station.

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 92%/6,739 sq.m.



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 Corporation.

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

Investment properties, Helsinki Metropolitan Area



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%



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 2000
Percentage owned 100%

Investment properties, Helsinki Metropolitan Area



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%



Kauppakeskus Jumbo | Vantaanportinkatu 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%

Investment properties, the rest of Finland



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%



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 Innotrac 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%



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.



Pitkänsillankatu 1 – 3 KOy | Pitkänsillankatu 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%

Investment properties, the rest of Finland



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%



Kouvola Valtakatu 28 KOy | Valtakatu 28, 45100 Kouvola

The Old Printing House is an impressive office and commercial property in the very centre of Kouvola, close to services. On the ground floor of the three-storey building there are commercial suites and the two upper floors have offices. The attic-style skylights on the upper floor give the building an individual look.

Building type Office and commercial building
Net leasable area 1,939 sq.m.
Completion year 1921, several partial renovations
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%



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%



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%



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.



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.



Lentäjätie 17-19 KOy | Lentäjätie 17-19, 53600 Lappeenranta

The commercial building on Lentäjätie 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%

Polar Real Estate Corporation is stock exchange listed real estate investment company concentrating on owning, leasing and developing office and commercial properties. The company is a member of the German property investment group, IVG Group. Its main business sector, Investment Properties, is comprised of office and commercial properties mainly in the Helsinki Metropolitan Area. 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 €48.5m (€61.9m), of which rental income accounted for €43.5m (€43.3m). Operating margin was €29.8m (€47.1m). Operating profit was €24.1m (€36.8m), profit after financing items was €13.2m (€26.1m), and the overall profit for the financial year was €37.5m (€28.9m). During the calculation period, expenses arising from the management incentive scheme were booked in the amount of €1.4m.

Polar Real Estate Corporation has losses of roughly €260m which have not been used in taxation. The company decided during the period under review to book the deferred tax credit arising from the losses as well as the deferred tax expense arising from the net profit of the period under review. In net amounts, the amount of the tax credit remaining at the end of the period under review is €25.2m. The booking is based on a calculation made with due prudence of the next few years' profit before taxes. Polar Real Estate Group's net profit rose to €37.5m.

Earnings per share were €0.21 (€0.14). Equity per share was €1.07 (€0.86). The equity ratio was 57.3% (42.1%). Return on investment was 6.9% (10.2%) and return on equity was 21.5% (18.5%). The comparable return on equity net of the change in tax credits was 8.2%.

The net rental income of Investment Properties and Investment Properties in Provincial Centres during 2003 was €31.5m (€30.4m), which means a yield of 9.6% (9.5%) on the property portfolio. The Group's investments and purchases during the period under review were €4.1m (€21.0m) and sales totalled €57.0m (€34.5m).

Business sectors

Investment properties

The Investment Properties business sector includes office and commercial space mainly in the Helsinki Metropolitan Area. There are 25 of these properties in the Helsinki Metropolitan Area and two in Turku. The facilities total 189,500 square metres, including 151,100 square metres of office premises and 38,400 square metres of commercial premises. The balance sheet value of the properties amount to €255.6m (€301.4m) net of debt.

The business sector's net profit on rental business was €12.0m (€12.0m) and the overall profit was €13.0m (12.0m). Net rental income was €28.0m (€26.7m). During the last quarter of 2003, the company sold the shares it held in the real estate holding companies which own shop-

ping centres Tampereen Koskikeskus and Valkeakosken Koskikara to Citycon Oyj. Investments and acquisitions in the business area amounted to €1.8m (€19.7m).

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 48,400 square metres. The balance sheet value of the properties net of debt is €28.6m (€33.3m). The investments during 2003 amounted to €1.8m (€0.3m) and the sales were €5.9m (€5.1m).

The net profit from rental business was €1.3m (€1.5m) and the effect of sales was -€0.1m (-€0.6m). The business sector's overall net profit was €1.2m (€0.9m). The net rental income was €3.6m (€3.7m).

Plots in Helsinki Metropolitan Area

Plots in the Helsinki Metropolitan Area consist of tracts intended for business premises and residential construction. The balance sheet value of them was €12.6m (€11.6m). Plots were sold in 2003 for a total of €0.3m. The business sector's net loss was €1.1m (profit of €4.2m).

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 at year-end totalled €7.4m (€10.3m). Assets were sold during the financial year for €4.7m. The business sector's net profit was €0.2m (€5.4m).

Other Investments

The company's Other Investments amount to €5.0m (€8.5m), including €0.6m investments in Finland and €4.4m abroad. The business sector's net profit was €0.0m (€3.6m).

Financing

The interest-bearing liabilities on the consolidated balance sheet as at the end of 2003 were €132.9m (€200.0m). In addition to this, the company is liable for loans in the amount of €3.4m (€3.9m) in unconsolidated real estate companies included in inventories and partly owned.

The Group's liquid assets at the end of the period under review were €1.9m (€2.0m). Net financing expenses were €10.9m (€10.7m).

Of the loans hedged, €30.0m of interest rate derivatives and €70.0m hedged with interest rate ceiling and floor derivatives ended in 2003.

During 2003 five-year interest rate swaps at 3.265% were made on loans for €100m and for roughly €20m on Lahden Hansa's rental liability. Of the Group's other loans at year end, €10.8m was at fixed interest rates or pegged to five-year interest rates.

Obligatory reserves

Obligatory reserves in the consolidated balance sheet total €6.2m (€8.2m), of which rental liabilities for Lahden Hansa, based on a lease lasting until 2012, have been posted in the amount of €2.3m (€3.6m). A reserve amounting to €2.3m (€2.9m) has been booked on liabilities from

construction business, which was sold off in 1998, lasting until 2008.

A suit is pending against the company, concerning the restructuring programme which ended on 31 December 2001, which has been rejected by the District Court. The plaintiff has appealed to the Court of Appeal. It is estimated that the suit does not make an obligatory reserve necessary.

Share capital

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

Shares and shareholders

The German real estate investment company IVG Immobilien AG announced on 1 October 2003 that it had entered into an agreement with Cervuctum Oy, Nordea Bank Finland Plc, UPM-Kymmene Corporation, Wärtsilä Corporation, Partek Corporation and Suomen Osuuskäyttökeskuskunta, to purchase from the above-mentioned shareholders of Polar Real Estate Corporation all their shares. After approval from the competition authorities on 15 October 2003, a total of 71.4% of shares and voting rights was transferred to IVG Group on 31 October 2003. IVG Group entered a redemption offer for the remaining shareholders 7.11 – 8.12.2003. After the redemption offer and at year-end the IVG Group owned 85.0% of all Polar Real Estate Corporation shares and voting rights.

A total of 197.7 million shares in Polar Real Estate Corporation were traded on the Helsinki Stock Exchange in 2003, which is equal to 109.8% of the issued stock. The period's lowest traded price was €0.48 and the highest was €0.82. The closing price on 31 December 2003 was €0.77 and the market capitalisation was €138.6m.

According to the insider register on 31 December 2003, the members of the Board of Directors and Management Committee held or controlled a total of 1,000 shares. The company complies with the Helsinki Stock Exchange's regulations on insider trading. The company held 139,931 of its own shares. Polar Real Estate Corporation had a total of 2,107 shareholders at the end of the period under review.

Board of Directors and auditors

The annual general meeting of 4 March 2003 confirmed the number of members of the Board of Directors as six. Jan-Henrik Kulp and Raimo Lind were re-elected for three-year terms on the expiry of their previous terms of office. The continuing memberships of the Board of Directors are held by Jukka Salminen (term of office ending in 2004), Kari Heinistö (2005), Ari Heiniö (2005) and Jorma Laakkonen (2004).

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

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

The extraordinary general meeting of 21 November 2003 confirmed the number of members of the Board of Directors at six. The following people were elected to the

Board: CEO of IVG Immobilien AG, Eckart John von Freyend (born 1942); COO of IVG Immobilien AG, Bernd Kottmann (born 1958); Jan-Henrik Kulp, M. Sc. (Econ.), (born 1943); Jorma Laakkonen, LL.M. (born 1943); CFO of IVG Immobilien AG, Dirk Matthey (born 1949); and attorney-at-law Karl Ohi (born 1938).

The Board of Directors elected from among its members Eckart John von Freyend as its chairman and Bernd Kottmann as deputy chairman.

Amendments to the Company's Articles of Association

The Extraordinary General Meeting of Shareholders decided on amendments to the company's Articles of Association and on the election of the Board of Directors as follows:

The 2nd paragraph of Article 8 of the Articles of Association was amended to read as follows: The Board of Directors shall comprise a minimum of three (3) and a maximum of eight (8) members. The members of the Board of Directors are elected to their office for an indefinite term. The Board of Directors shall elect a Chairman and a Vice Chairman from among its members.

The 3rd paragraph of Article 12 of the Articles of Association was amended to read as follows: The Auditors shall be elected to their office for an indefinite term.

The last paragraph of Article 13 of the Articles of Association was deleted. The deleted paragraph read as follows: At a shareholders' meeting no shareholder may vote with more than one fifth of the aggregate votes present at the meeting.

Authorisation of the Board of Directors

The annual general meeting of 4 March authorised the Board of Directors to decide on a share issue to subscribe for a maximum total of 36 million new shares with a par value of €0.20 each. The share capital may be increased under this authorisation by a maximum of €7.2m. The authorisation has not been exercised.

Management and Personnel

Risto Varpula has been the Group's President and CEO since 16 March 2003 following the move of his predecessor, Erkkä Valkila, to Sato-Yhtymä Oyj as President. The average number of personnel for the year was 20 (24) and at year-end the Group had 18 (21) employees. The salaries paid by the Group totalled €2.6m (€1.8m), of which the salaries and emoluments of the Board of Directors and the President accounted for €0.8m (€0.3m).

Outlook

The rental occupancy rate for investment properties is forecast to hold steady at the 2003 level. The net rental income percentage is also forecast to stay on a good level. It is intended to increase the number of investment properties.

Payment of dividend

Because of the reduction in the share capital effected in 2001, payment of dividend on the profit for the year 2003 is subject to a permit under the Companies Act. The Board will propose to the annual general meeting that no dividend be paid for 2003.

Profit and loss account

€m	Group		Parent Company	
	2003	2002	2003	2002
Turnover	48.5	61.9	52.1	55.4
Share in associated companies' profit/loss	-	0.2	-	-
Other income from business operations	1.1	3.2	29.0	8.4
Expenses				
Materials and services	-14.8	-20.2	-8.3	-16.3
Personnel expenses	-2.9	-2.0	-2.9	-1.9
Depreciation and write-downs	-5.7	-4.9	-1.9	-1.3
Other expenses of business operations	-2.1	-1.4	-2.1	-1.4
	-25.5	-28.5	-15.1	-20.8
Operating profit	24.1	36.8	66.0	43.0
Financing income and expenses				
Dividend income	0.1	0.1	0.1	0.1
Interest income on long-term investments	0.0	0.1	0.2	1.2
Other financing income	0.2	1.0	1.2	1.5
Interest expenses	-10.8	-11.7	-10.7	-13.0
Other financing expenses	-0.5	-0.1	-1.5	-0.7
	-10.9	-10.7	-10.7	-10.8
Profit before extraordinary items	13.2	26.1	55.3	32.2
Extraordinary items	-	2.8	0.5	5.8
Profit before appropriations and taxes	13.2	28.9	55.8	37.9
Appropriations	-	-	0.1	0.1
Taxes	24.3	0.0	-	0.0
Net profit for year	37.5	28.9	55.9	38.0

Balance sheet

€m	Group		Parent Company	
	2003	2002	2003	2002
Assets				
Non-current assets				
Immaterial goods	5.5	6.6	2.5	3.6
Tangible assets	259.3	302.6	13.5	13.4
Investments	8.7	16.3	5.4	13.1
Holdings in companies in same Group	–	–	313.6	305.6
Holdings in cross-ownership companies	22.5	23.0	3.4	23.0
Other investments	0.2	0.2	0.2	0.2
	296.3	348.8	338.7	358.9
Current assets				
Inventories	8.6	12.1	3.1	6.3
Short-term receivables	5.8	6.3	7.6	3.3
Tax credit	25.2	–	–	–
Securities included in financial assets	–	1.1	–	1.1
Cash in hand and banks	1.9	2.0	1.6	1.7
	41.6	21.5	12.3	12.5
Current assets, total	337.9	370.3	351.0	371.4
Liabilities and shareholders' equity				
Shareholders' equity				
Share capital	36.0	36.0	36.0	36.0
Share premium account	49.8	49.8	49.8	49.8
Reserve fund	69.7	40.8	60.2	22.2
Net profit for year	37.5	28.9	55.9	38.0
	193.1	155.6	202.0	146.1
Accumulation of appropriations	–	–	7.0	7.2
Obligatory reserves	6.2	8.2	3.9	5.4
Liabilities				
Long-term liabilities	21.7	175.9	22.1	182.8
Current liabilities	116.9	30.6	115.9	29.9
	138.6	206.5	138.1	212.8
Liabilities and shareholders' equity, total	337.9	370.3	351.0	371.4

Statement of source and application of funds

€m	Group		Parent Company	
	2003	2002	2003	2002
Business operations				
Operating profit	24.1	36.8	66.0	43.0
Depreciation	5.7	4.9	1.9	1.3
Other adjustments to operating profit	-1.2	-14.7	-12.7	-11.0
Change in net working capital	3.9	23.6	2.8	17.7
Interest received	0.0	0.1	0.2	1.2
Interest paid	-10.8	-11.7	-11.5	-13.0
Dividend received	0.1	0.1	0.1	0.1
Other financing items	-0.3	0.7	-0.3	0.6
Extraordinary income	-	-	0.5	-
Taxes paid	-0.0	0.0	-	0.0
Net cash flow from business operations	21.6	39.7	46.9	40.0
Investments				
Group companies acquired	-	-	-16.3	-9.2
Associated companies acquired	-0.3	-0.1	-0.3	-0.1
Purchases of other shares	-	-1.7	-	-0.0
Purchases of other fixed assets	-6.3	-19.1	-1.0	-0.3
Group companies sold	-	-	74.6	-
Associated companies sold	6.4	-	19.9	-
Sales of other shares	0.3	2.2	0.3	0.0
Sales of other fixed assets	43.0	5.7	1.1	0.1
Increase in long-term investments	-	-	-57.7	-17.9
Decrease in long-term investments	1.9	2.7	5.9	12.6
Cash flow from investments, total	45.0	-10.3	26.4	-14.7
Cash flow before financing	66.6	29.4	73.3	25.2
Financing				
Use of long-term loans	16.9	33.3	16.1	33.3
Instalments on long-term loans	-83.6	-28.1	-89.5	-27.5
Instalments on equity loans	-	-38.8	-	-38.8
Financing, total	-66.7	-33.6	-73.4	-33.1
Increase/Decrease in liquid assets	-0.1	-4.3	-0.1	-7.8
Liquid assets 1.1	2.0	6.3	1.7	9.5
Liquid assets 31.12	1.9	2.0	1.6	1.7

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 companies' 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 KOy Kouvola Valtakatu 28 was acquired by the Group. KOy Viinikan Kauppakeskus, KOy Tampereen Hatanpää, KOy Tampereen Suvantokatu and KOy Valkeakosken Torikatu 2 left the Group through sales. Polar Corporation was liquidated 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 credit has been booked on accumulated losses and the deferred tax liability has been booked on profit from financial year, both given net in the balance sheet. The booking is based on a calculation made with due prudence of the next few years' profit before taxes.

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	
	2003	2002	2003	2002
1. Turnover				
Rental income	43.5	42.5	42.3	40.7
Other sales revenue	5.0	19.4	9.8	14.7
	48.5	61.9	52.1	55.4
2. Other income from business operations				
Capital gains on sales of fixed assets	0.9	1.4	27.3	1.9
Other	0.1	1.9	1.7	6.6
	1.1	3.2	29.0	8.4
3. Expenses of business operations				
Materials and services				
Purchases during the year	-0.2	7.8	0.5	7.3
Change in inventories	-3.5	-15.3	-3.2	-11.9
External services and maintenance expenses	-11.1	-12.7	-5.6	-11.7
	-14.8	-20.2	-8.3	-16.3
Personnel expenses				
Wages, salaries and emoluments				
Salaries for Board of Directors and President	-0.8	-0.3	-0.8	-0.3
Other wages and salaries	-1.8	-1.5	-1.8	-1.4
	-2.6	-1.8	-2.6	-1.7
Indirect personnel expenses				
Pension expenses	-0.2	-0.1	-0.2	-0.1
Other indirect personnel expenses	-0.1	-0.1	-0.1	-0.1
	-0.3	-0.2	-0.3	-0.2
Other expenses of business operations	-2.1	-1.4	-2.1	-1.4
Total	-19.8	-23.6	-13.3	-19.6
Personnel, average	20	24	20	24
4. Planned depreciation and write-downs				
Depreciation on immaterial goods				
Other long-term expenditure	-1.2	-1.2	-1.1	-1.0
Depreciation on tangible assets				
Buildings	-3.4	-3.3	-0.1	-0.1
Machinery and equipment	-0.6	-0.5	-0.1	-0.2
	-3.9	-3.7	-0.2	-0.3
Write-downs on fixed assets and long-term investments				
Long-term investments	-0.5	0.0	-0.5	0.0
Total	-5.7	-4.9	-1.9	-1.3

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

In the consolidated financial statements, the depreciation difference booked in separate companies is divided into shareholders' equity and deferred tax liability, which is deducted from the deferred tax credit.

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	
	2003	2002	2003	2002
5. Financing income and expenses				
Dividend income				
From others	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	0.1
Dividend income on long-term investments				
From companies in the same Group	-	-	0.2	1.1
From others	0.0	0.1	0.0	0.1
	0.0	0.1	0.2	1.2
Income on long-term investments, total	0.1	0.2	0.3	1.3
Other interest and financing income				
From others	0.2	0.8	0.2	0.6
Financing income, total	0.4	1.0	0.6	2.0
Other financing expenses				
Write-downs on long-term investments	-	0.2	-0.1	0.2
Others	-	-	-1.4	-0.9
	-	0.2	-1.5	-0.7
Interest expenses and other financing expenses				
To companies in the same Group	-	-	-0.2	-1.5
To others	-11.3	-11.9	-9.7	-10.6
	-11.3	-11.9	-9.8	-12.1
Financing income and expenses, total	-10.9	-10.7	-10.7	-10.8
The item interest and financing income includes exchange rate gains	0.0	0.2	0.0	0.2
6. Extraordinary income and expenses				
Extraordinary income				
Group subventions received	-	-	0.5	2.9
Reversing of obligatory reserves	-	2.8	-	2.8
Extraordinary income and expenses, total	-	2.8	0.5	5.8
7. Effect of change in obligatory reserves on profit and loss account				
Increases in obligatory reserves and such reductions as are caused by a decline in a previously estimated expenditure are credited or charged to income.				
8. Taxes				
Taxes for the year	24.3	-	-	-
Taxes for previous year	-0.0	0.0	-	0.0
	24.3	0.0	-	0.0

Supplementary information on the balance sheet

€m	Group		Parent Company	
	2003	2002	2003	2002
9. Non-current assets				
Immaterial goods				
Immaterial rights				
Acquisition cost 1.1	2.6	2.5	0.0	0.0
Increases during year	0.1	0.2	-	-
Decreases during year	-0.1	-0.0	-0.0	-0.0
Acquisition cost 31.12	2.6	2.6	0.0	0.0
Accumulated planned depreciation	-	-	-	-
Book value 31.12	2.6	2.6	0.0	0.0
Other long-term expenditure				
Acquisition cost 1.1	11.9	12.6	11.0	11.5
Increases during year	0.8	0.4	0.7	0.4
Decreases during year	-0.7	-1.1	-0.7	-1.0
Acquisition cost 31.12	12.0	11.9	11.0	11.0
Accumulated planned depreciation	-9.1	-7.9	-8.5	-7.4
Book value 31.12	2.9	4.0	2.5	3.6
Immaterial goods, total				
Acquisition cost 1.1	14.5	15.0	11.0	11.6
Increases during year	0.9	0.6	0.7	0.4
Decreases during year	-0.7	-1.2	-0.7	-1.0
Acquisition cost 31.12	14.6	14.5	11.0	11.0
Accumulated planned depreciation	-9.1	-7.9	-8.5	-7.4
Book value 31.12	5.5	6.6	2.5	3.6
Tangible assets				
Land areas				
Acquisition cost 1.1	80.4	78.2	5.6	5.6
Increases during year	0.5	2.6	-	-
Decreases during year	-15.0	-0.3	-	-
Acquisition cost 31.12	65.9	80.4	5.6	5.6
Accumulated planned depreciation	-5.9	-11.4	-0.9	-0.9
Book value 31.12	60.1	69.0	4.7	4.7
Buildings and structures				
Acquisition cost 1.1	288.0	280.5	13.4	13.4
Increases during year	2.0	14.7	-	-
Decreases during year	-51.0	-7.2	-	-
Acquisition cost 31.12	239.0	288.0	13.4	13.4
Accumulated planned depreciation	-49.6	-65.0	-5.4	-5.2
Book value 31.12	189.4	223.1	8.0	8.1
Machinery and equipment				
Acquisition cost 1.1	24.3	20.9	8.3	8.4
Increases during year	0.7	3.7	0.3	0.1
Decreases during year	-5.2	-0.4	-0.0	-0.2
Acquisition cost 31.12	19.8	24.3	8.6	8.3
Accumulated planned depreciation	-10.0	-13.8	-7.9	-7.8
Book value 31.12	9.8	10.5	0.7	0.5
Tangible assets, total				
Acquisition cost 1.1	392.7	379.7	27.3	27.3
Increases during year	3.2	21.0	0.3	0.1
Decreases during year	-71.2	-7.9	-0.0	-0.2
Acquisition cost 31.12	324.8	392.7	27.6	27.3
Accumulated planned depreciation	-65.5	-90.1	-14.1	-13.9
Book value 31.12	259.3	302.6	13.5	13.4

€m	Group		Parent Company	
	2003	2002	2003	2002
Investments				
Group companies				
Shares 1.1	-	-	275.0	286.5
Increases during year	-	-	16.3	9.2
Decreases during year	-	-	-56.7	-20.8
Shares 31.12	-	-	234.6	275.0
Loans receivable 1.1	-	-	126.6	143.9
Increases during year	-	-	79.6	15.7
Decreases during year	-	-	-31.2	-33.1
Loans receivable 31.12	-	-	175.0	126.6
Write-downs 1.1	-	-	-96.0	-87.8
Increases during year	-	-	-	-8.2
	-	-	-96.0	-96.0
Book value 31.12	-	-	313.6	305.6
Cross-ownership companies				
Shares 1.1	22.3	23.1	26.4	26.3
Increases during year	0.3	0.1	0.3	0.1
Decreases during year	-0.0	-0.9	-19.8	-0.0
Shares 31.12	22.5	22.3	6.8	26.4
Loans receivable 1.1	-	1.7	-	1.7
Decreases during year	-	-1.7	-	-1.7
Loans receivable 31.12	-	-	-	-
Write-downs 1.1	-	0.7	-3.4	-3.4
	-	0.7	-3.4	-3.4
Book value 31.12	22.5	23.0	3.4	23.0
Other investments				
Shares 1.1	8.4	6.7	6.5	6.5
Increases during year	-	1.8	-	0.0
Decreases during year	-5.3	-0.1	-5.3	-0.1
Shares 31.12	3.1	8.4	1.2	6.5
Loans receivable 1.1	15.1	51.3	13.7	50.0
Increases during year	-	-	-	-
Decreases during year	-1.9	-36.3	-1.9	-36.3
Loans receivable 31.12	13.2	15.1	11.8	13.7
Write-downs	-6.9	-42.2	-6.9	-42.2
Decreases during year	-0.5	35.3	-0.5	35.3
	-7.4	-6.9	-7.4	-6.9
Book value 31.12	8.9	16.6	5.7	13.3

€m	Group		Parent Company	
	2003	2002	2003	2002
10. Current assets				
Inventories				
Work in progress	0.8	0.8	0.2	0.8
Land areas and buildings	2.1	2.4	1.3	1.6
Shares	5.7	8.9	1.6	3.9
Inventories, total	8.6	12.1	3.1	6.3
Current receivables				
Accounts receivable	0.6	1.4	0.5	1.3
Short-term loans receivable	3.3	4.0	6.2	1.0
Tax receivable	25.2	-	-	-
Accrued assets	0.5	0.5	0.6	0.5
Other receivables	1.5	0.5	0.3	0.5
Current receivables, total	31.0	6.3	7.6	3.3
Receivables from companies in the same Group				
Accounts receivable	-	-	0.0	0.1
Short-term loans receivable	-	-	5.0	0.0
Accrued assets	-	-	0.2	0.4
Other receivables	-	-	-	0.2
	-	-	5.3	0.6
Receivables from cross-ownership companies				
Accounts receivable	0.0	0.0	0.0	0.0
Cash loans to company management				
As at 31.12.2003, the company management and members of the Board of Directors had no cash loans from the company or its subsidiaries.				

€m	Group		Parent Company	
	2003	2002	2003	2002
11. Shareholders' equity				
Share capital 1.1	36.0	36.0	36.0	36.0
Share capital 31.12	36.0	36.0	36.0	36.0
Share premium account 1.1	49.8	49.8	49.8	49.8
Share premium account 31.12	49.8	49.8	49.8	49.8
Own shares fund 1.1	-	0.0	-	0.0
Increase/decrease	-	-0.0	-	-0.0
Own shares fund 31.12	-	-	-	-
Accumulated profits 1.1	69.7	40.7	60.2	22.2
Transfer to own shares' fund	-	-	-	-0.0
Other changes	-0.0	0.1	-	-
Net profit for year	37.5	28.9	55.9	38.0
Accumulated profits 31.12	107.2	69.7	116.2	60.2
Equity loans 1.1	-	38.8	-	57.0
Decreases	-	-38.8	-	-57.0
Equity loans 31.12	-	-	-	-
Shareholders' equity, total 31.12	193.1	155.6	202.0	146.1
Calculation of distributable assets				
Accumulated profits	69.7	40.8	60.2	22.2
Net profit for year	37.5	28.9	55.9	38.0
Portion of accumulated depreciation entered in shareholders' equity	-5.9	-8.1	-	-
Total	101.4	61.6	116.2	60.2
Own shares				
Number	139,931	139,931	85,844	85,844
Par value	0.20	0.20	0.20	0.20
Percentage of share capital	0.001%	0.001%	0.000%	0.000%
Percentage of voting rights	0.001%	0.001%	0.000%	0.000%

€m	Group		Parent Company	
	2003	2002	2003	2002
12. Obligatory reserves				
Construction liabilities	2.3	2.9	0.0	0.0
Municipal engineering reserves	0.1	0.1	0.1	0.1
Rental liabilities	2.3	3.6	2.3	3.6
Reserve for treating contaminated land	0.6	0.6	0.6	0.6
Liabilities for commissioning housing construction	0.9	1.0	0.9	1.0
Total	6.2	8.2	3.9	5.4
13. Accumulated appropriations				
The accumulated appropriations in the parent company are comprised of the accumulated depreciation difference.				
14. Long-term liabilities				
Corporate bonds	-	8.4	-	8.4
Loans from financial institutions	21.7	167.4	17.5	163.3
Pension loans	-	0.0	-	0.0
Other long-term debts	-0.0	0.1	4.7	11.1
Total	21.7	175.9	22.1	182.8
Debts maturing in five years				
Loans from financial institutions	13.5	23.5	13.0	23.4
Debts to Group companies				
Other long-term debts	-	-	4.6	11.1
15. Current liabilities				
Corporate bonds	8.4	8.4	8.4	8.4
Loans from financial institutions	102.7	15.7	102.5	15.1
Pension loans	-	0.0	-	0.0
Advances received	1.2	1.4	1.0	1.4
Accounts payable	0.9	1.2	0.3	1.2
Deferred liabilities	1.3	2.4	1.3	2.4
Other short-term debts	2.4	1.4	2.3	1.4
Total	116.9	30.6	115.9	29.9
Corporate bonds				
Unpaid from 1996 issue	8.4	16.9	8.4	16.9
Interest rate	As of 1.1.1998, 12-month Helibor rate plus 2% margin			
Instalments	The loan will be paid off year 2004			
Short-term debt to companies in the same Group				
Accounts payable	-	-	-	0.1
Deferred liabilities	-	-	0.2	0.2
	-	-	0.2	0.3
Significant items included in deferred liabilities				
Matched financing expenses	0.6	1.4	0.8	1.6
Personnel expenses	0.2	0.5	0.2	0.2
Others	0.4	0.5	0.2	0.7
	1.3	2.4	1.3	2.4

Other notes

€m	Group		Parent Company	
	2003	2002	2003	2002
16. Contingent liabilities				
Pledges				
To secure own liabilities	185.7	152.1	191.7	276.7
of which	118.7	80.1	137.9	208.3
shares				
receivables	66.7	71.6	53.5	68.1
deposits	0.4	0.4	0.3	0.3
Mortgages				
To source own liabilities	120.4	168.2	22.1	22.1
Guarantees				
For consolidated Group companies	-	3.9	3.9	3.9
For other companies	0.2	0.3	0.2	0.3
The debts secured by guarantees and mortgages amount in total to	135.5	183.3	178.6	178.6
Other contingent liabilities				
Derivate interest rate instruments				
Interest rate instruments purchased				
Par value	-	70.0	-	70.0
Market value	-	0.0	-	0.0
Interest rate instruments sold				
Par value	-	70.0	-	70.0
Market value	-	-1.0	-	-1.0
Interest rate swaps				
Par value	121.0	30.0	121.0	30.0
Market value	0.6	-0.5	0.6	-0.5
17. IAS/IFRS				
Polar Real Estate Corporation has initiated action to prepare for the introduction of IAS/IFRS accounting rules from the beginning of 2005.				

Shares included in fixed assets

Company	Group holding %	Parent company %	Company	Group holding %	Parent company %
Subsidiaries included in consolidated financial statements					
Companies in Finland					
Ferenda Oy	100	100	KOy Solartalo 2001	100	100
Oulun Myllykiinteistöt Oy	100	100	KOy Solartalo 2002	100	100
Polar International Oy	100	100	KOy Solartalo 2003	100	100
Polar-Rakennus Oy	100	100	KOy Solartalo 2004	100	100
Suomen Osakaskiinteistöt Oy	100	100	KOy Solartalo 2005	100	100
KOy Helsingin Vuorikatu 20	100	100	KOy Sörnäisten Rantatie 25	100	100
KOy Hollolan Ostospaikka	100	0	KOy Tapiontuuli	100	100
KOy Jämsän Forum	54	0	KOy Teerikukkonuja	100	100
KOy Järvenpään Helsinginportti	100	100	KOy Turun Kalevantie 25	100	100
KOy Kalustaja	100	100	KOy Vallilan Solar 1	100	100
KOy Kilometri	100	100	KOy Vallilan Solar 2	100	100
KOy Kilon Helmi	100	100	KOy Vallilan Solar 3	100	100
KOy Kilon Timantti	100	100	KOy Vallilan Solar 4	100	100
KOy Kivikkaro	100	100	KOy Vanha Talvitie 11	100	100
KOy Kornetintie 6	100	100	KOy Vantaanportin Liiketilat	60	0
KOy Kouvolan Valtakatu 28	100	100	KOy Vilhonkatu 5	100	100
KOy Kuopion Satama 4	100	100	KOy Ässäatalo 2001	100	100
KOy Kutomotie 6	100	100			
KOy Lappeenrannan Lentäjätie 17-19	100	0			
KOy Larvalankatu 13	100	100	Foreign Companies		
KOy Lastupolku	100	100	International Park Partner Inc.	100	100
KOy Malmin Kauppatie 8	100	100	Polar Holding Inc.	100	100
KOy Niittylänpolku 16	100	100	Polar Property Development Inc.	100	
KOy Nova	100	100	S + T Bautrading GmbH	100	100
KOy Pakkalan Kartanonkoski 3	100	100			
KOy Pakkalan Kartanonkoski 12	100	100	Affiliated Companies		
KOy Pasilanraitio 5	92	92	Finn-Stroi Oy	32	32
KOy Pitkäsillankatu 1-3	100	100	International Park Associated LLC	50	
KOy Plaza Forte	100	100	KOy F-Medi	22	22
KOy Satomalmi	88	88	KOy Rytilahden Maja	25	25
KOy Scifin Alfa	100	100	KOy Vantaanportin Liikekeskus	21	21
KOy Seinäjoen Kino	90	90	PolarBEK Company	49	
KOy Sinimäentie 10	77	77	Polar Construction Ukraine JSC	37	37
KOy Sisustaja	100	0			

The Group's financial trend

Profit and loss account	2003	2002	2001	2000	1999
Turnover, €m	48.5	61.9	68.9	96.9	104.6
Other income and expenses of business operations, €m	1.1	3.2	5.9	8.3	2.6
Operating profit/loss, €m	24.1	36.8	30.5	-40.2	16.7
Profit before extraordinary items, €m	13.2	26.1	15.0	-55.9	2.7
Extraordinary income and expenses, €m	0.0	2.8	10.0	-	-
Profit/loss before taxes, €m	13.2	28.9	25.0	-55.9	2.7
Balance sheet					
Fixed assets	296.3	348.8	341.1	384.1	433.5
Inventory and financial assets (net)	41.1	20.7	47.2	74.0	128.2
Assets, €m*	337.4	369.5	388.3	458.1	561.6
Shareholders' equity	193.1	155.5	126.6	102.3	202.1
Equity loans	-	-	38.8	43.9	43.9
Obligatory reserves	6.2	8.2	17.4	21.5	20.1
Long-term liabilities					
- non-interest-bearing	0.0	0.0	0.0	0.0	2.0
- interest-bearing	21.7	175.9	182.5	266.6	302.2
Current liabilities					
- non-interest-bearing	5.2	5.6	10.4	11.4	13.1
- interest-bearing	111.2	24.2	12.6	12.4	41.9
Liabilities and shareholders' equity, €m*	337.4	369.5	388.3	458.1	561.6
* does not include advances					
Key figures and financial trends					
Return on equity, ROE, %	21.5	18.5	13.2	-42.9	1.7
Return on investment, ROI, %	6.9	10.2	7.9	-7.7	3.6
Equity ratio, %	57.3	42.1	32.6	22.3	28.2
Key figures and financial trends					
Personnel, average	20	24	34	41	48
Dividend payment, €m	0.0	0.0	0.0	0.0	0.0
Key figures for shares					
Earnings per share (EPS), €	0.21	0.14	0.08 *	-0.31 *	0.02*
Equity per share, €	1.07	0.86	0.70 *	0.57 *	0.88*
Dividend per share, €	-	-	-	-	-
Dividend/profit, %	-	-	-	-	-
Effective dividend yield-%	-	-	-	-	-
Price/earnings ratio	3.69	3.66	4.29	-0.64	3.51
Trend in share price and turnover					
Issue-adjusted share price, €					
average price	0.74	0.43	0.27	0.30	0.35
lowest traded price	0.48	0.36	0.19	0.19	0.29
highest traded price	0.82	0.58	0.39	0.40	0.52
last traded price at year-end	0.77	0.53	0.36	0.20	0.32
Market capitalisation, 31.12, €m	138.6	95.4	64.8	36.0	57.5
Trend in share turnover					
shares traded (1,000)	197,700	31,000	26,700	16,200	19,455
% of shares, average	109.99/109.99**	17.22/17.24**	14.83/14.85**	9.00/9.01**	10.81/10.82**
Issue-adjusted number of shares					
average (1,000)	180,057/180,057**	180,057/179,850**	180,045/179,833**	180,018/179,878**	80,018/179,878**
at year end (1,000)	180,057/180,056**	180,057/179,854**	180,057/179,811**	180,018/179,878**	180,018/179,878**

* 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), %	=	$\frac{\text{Profit before extraordinary items} - \text{Taxes for financial year}}{\text{Shareholders' equity} + \text{Minority interest (average)}} \times 100$
Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items} + \text{Financing expenses}}{\text{Balance sheet total} - \text{Non-interest-bearing debts (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{Advance invoicing} - \text{Developer/contractor project advances}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items} + / - \text{Minority interest in profit for financial year} - \text{Taxes for financial year}}{\text{Issue-adjusted number of shares during year}}$
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Issue-adjusted number of shares held by non-Group parties}}$
Dividend per share	=	$\frac{\text{Dividend paid for the financial year}}{\text{Issue-adjusted number of shares at year-end}}$
Dividend/profit, %	=	$\frac{\text{Dividend paid for the financial year}}{\text{Earnings (as in EPS)}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Issue-adjusted last traded share price during year}} \times 100$
Price/earnings ratio (P/E)	=	$\frac{\text{Issue-adjusted last traded share price during year}}{\text{Earnings per share}}$
Issue-adjusted average share price	=	$\frac{\text{Total trading in shares, EUR}}{\text{Issue-adjusted number of shares traded during year}}$
Market capitalisation	=	Number of shares at year-end x Last traded share price during year

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

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

Shares and shareholders

Polar Real Estate Corporation's shares are quoted on the Helsinki 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 share has a par value of €0.20.

Share capital

At year-end, there were 180,057,224 shares and the share capital was €36,011,444.80. The company's minimum capital is €30,000,000 and its maximum capital is €120,000,000.

The 10 biggest shareholders, 31 Dec. 2003

Name	Shares 1,000	%
1. IVG Immobilière SAS	96,494	53.59
2. IVG Promotion SàRL	36,011	20.00
3. IVG Beteiligungs GmbH	20,545	11.41
4. Pohjola Finland Value Fund	5,264	2.92
5. EQ Pikkujätkäläiset/EQ Rahastoyhtiö Oy	2,000	1.11
6. Erikoissijoitusrahasto Avenir	1,239	0.69
7. Pohjola Group Insurance Corporation	900	0.50
8. Neomarkka Oyj	600	0.33
9. Oyj Jurinvest Ab	407	0.23
10. FIM Maltti Erikoissijoitusrahasto	402	0.22
Total for 10 biggest	163,862	91.01
Others	16,194	8.99
Total	180,057	100.00

Shareholdings

At the end of 2003, Polar Real Estate Corporation had a total of 2,107 shareholders and the total percentage held by nominee-registered parties and directly foreign-owned shares was 86.4%. The biggest shareholder groups held about 91% of the company's shares and 20 largest held about 93%.

According to the register of industry insiders on 31 December 2003, the members of the Board of Directors and the Management Committee and those under their control held a total of 1,000 shares. At year-end, the company held 139,931 Polar Real Estate Corporation shares.

Share trading and price trend

In the course of 2003, a total of 197.7 million Polar Real Estate Corporation shares were traded for €145.8m. This corresponds to 109.8% of the issued stock. The average daily trade was 790,842 shares and €583,177. The year's highest trade price was €0.82 and lowest €0.48. The market capitalisation at year-end was €138.6m and the last traded price was €0.77.

Shareholdings and voting rights by grouping, 31 Dec. 2003

	%
Companies *	2.5
Financial and insurance institutions	5.7
Households	4.5
Nominee-registered and foreign	86.4
Others	1.0

* Less nominee-registered holdings

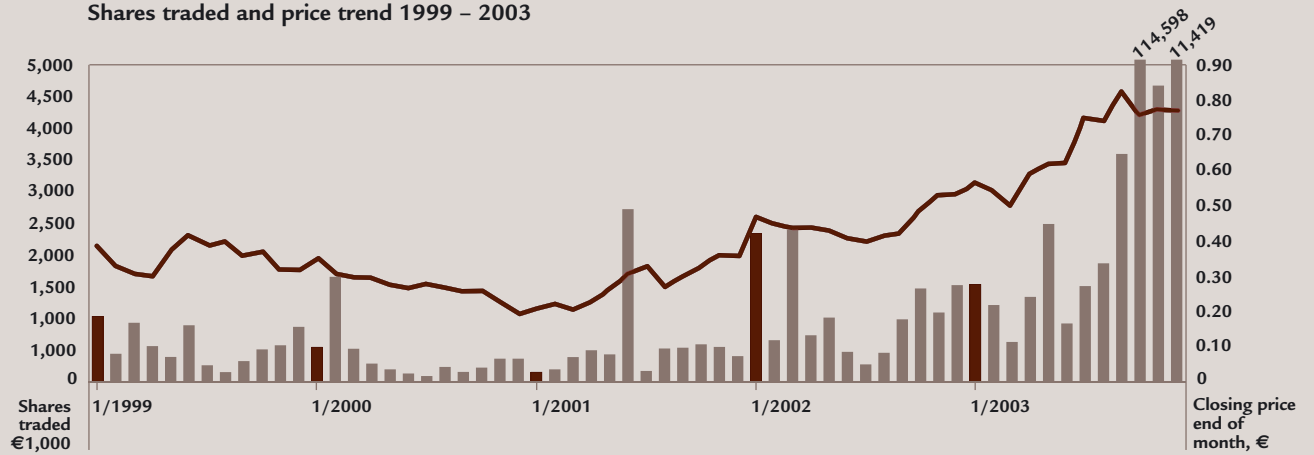
Increases and reductions in share capital

Increases Subscription period	Subscription/ conversion rate	Subscription price, €	Number of shares	Share capital, €	Entitlement to dividend	New share capital, €
Reduction in share's par value to €0.20 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

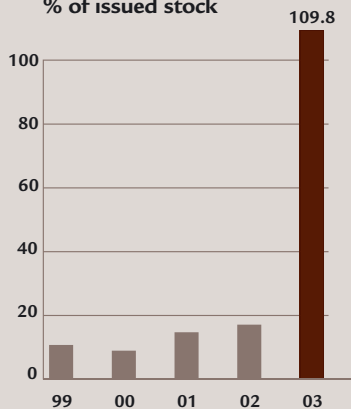
Holdings by number of shares, 31 Dec. 2003

Number of shares	Shareholders	%	Shares	%
1 - 100	641	30.42	21,922	0.01
101 - 1,000	677	32.13	317,231	0.18
1,001 - 10,000	552	26.20	2,446,839	1.36
10,001 - 100,000	199	9.44	6,013,266	3.34
100,001 - 1,000,000	31	1.47	7,569,400	4.20
over 1,000,000	7	0.33	163,593,905	90.86
Total	2,107	100.00	179,962,563	99.95
Total on waiting list			0	0.00
On joint accounts			94,661	0.05
Total issued stock			180,057,224	100.00

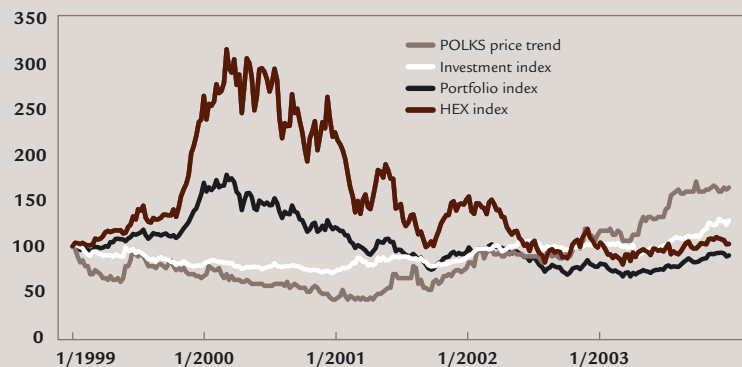
Shares traded and price trend 1999 - 2003



Share turnover, % of issued stock



Indexed POLKS price trend, HEX, portfolio and investment index



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 2003 is subject to a permit under the Companies Act. The Board proposes to the annual general meeting that no dividend be paid for 2003.

Helsinki, 30 January 2004

Eckart John von Freyend
Chairman

Bernd Kottmann
Deputy Chairman

Jan-Henrik Kulp

Jorma Laakkonen

Dirk Matthey

Karl Ohl

Risto Varpula
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 2003. 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 an audit be performed to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, 11 February 2004

Risto Laitinen, APA

PricewaterhouseCoopers Oy

Administration

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. The company's Board of Directors also made a decision in December 2003 to comply with the recommendation on public companies' governance and control systems issued on 2 December 2003 by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers after it comes into effect on 1 July 2004.

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 3 – 8 members to the Board of Directors, who elect from among their number a chairman and deputy chairman. The members of the Board of Directors are elected to their office for an indefinite term. No employees of Polar Real Estate are members of the Board of Directors. In the course of 2003, the Board of Directors convened on 21 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 their terms of service. The President manages the company's business and day-to-day administration in accordance with the Board of Directors' instructions. The legality of the company's accounts and its asset management are the responsibility of the President. Risto Varpula has served as the Group's President and CEO since 16 March 2003.

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 2003 were €0.8m.

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 31 December 2003, 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 11,000 Polar Real Estate Corporation shares.

Members of the Board of Directors



Chairman
Dr. Eckart John von Freyend
born 1942
Dipl.-Volkswirt
CEO of IVG Immobilien AG
Member of the Board of Directors
since 2003, term indefinite



Deputy Chairman
Dr. Bernd Kottmann
born 1958
Dipl.-Kfm.
COO of IVG Immobilien AG
Member of the Board of Directors
since 2003, term indefinite



Jan-Henrik Kulp
born 1943
B.Sc. (Econ.)
Member of the Board of Directors
since 1996, term indefinite



Jorma Laakkonen
born 1943
LL.M.
Member of the Board of Directors
since 2001, term indefinite
Holds 1,000 Polar Real Estate
Corporation shares



Dr. Dirk Matthey
born 1949
Dipl.-Kfm.
CFO of IVG Immobilien AG
Member of the Board of Directors
since 2003, term indefinite



Dr. Karl Ohl
born 1938
Dr. jur.
Attorney-at-Law
Member of the Board of Directors
since 2003, term indefinite

Members of the Management Committee



Risto Varpula
born 1945
M.Sc. (Econ.)
President & CEO
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,
Management and Maintenance
Has served the company since 1989

Information for shareholders

Annual general meeting

The annual general meeting of Polar Real Estate Corporation will be held on Wednesday, 3 March 2004, starting at 2 p.m. at the Conference Room on the banquet and meetings floor of Hotel Palace at the address Eteläranta 10, FIN-00130 Helsinki, Finland.

Shareholders have the right to attend the AGM if they have been registered as a shareholder no later than 20 February 2004 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 at noon on 2 March 2004, as follows:

- through the company's website at www.polarkiinteistot.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 2003 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 2003.

Financial disclosures

Publication dates of interim reports are:

January - March	23 April 2004
January - June	21 July 2004
January - September	21 October 2004

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.polarkiinteistot.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@polarkiinteistot.fi.

Contact information

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PO Box 102

FIN-00241 Helsinki

Finland

Tel. +358 9 82 591

Fax +358 9 8259 2300

Visiting address:

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00240 Helsinki

<http://www.polarkiinteistot.fi>

e-mail: firstname.familyname@polarkiinteistot.fi

