Annual Report 2003

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JULIUS TALLBERG KIINTEISTÖT

Julius Tallberg Real Estate Corporation

(Julius Tallberg-Kiinteistöt Oyj)

Annual Report 2003

2003 marked the sixteenth year of operations for the Julius Tallberg Real Estate Corporation.

Contents

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Julius Tallberg Real Estate Corporation will be held on March 17, 2004 at 4.00 p.m. in the Company's head office, street address Karapellontie 11, Espoo.

The standard business of the Annual General Meeting under Article 12 of the Articles of Association will be on the agenda.

Right to participate

Shareholders registered in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd by March 5, 2004 will have the right to participate in the Annual General Meeting, as will shareholders entitled to participate under Chapter 3a, Section 4, Subsection 2 of the Companies Act.

Notification of intention to attend

Shareholders wishing to attend the Annual General Meeting must give notice of their intention to do so by 4.00 p.m. Friday March 12, 2004. This may be done:
- by phone at +358 (0)9 684 09211/Ritva Savaspuro-Olli
- by fax at +358 (0)9 684 09290
- in writing to Julius Tallberg Real Estate Corporation, P.O. Box 16, Karapellontie 11, FI-02610 Espoo
- by email to ritva.savaspuro@tallberg.fi or
- on the company's web site at www.jtkoyj.com/yhteydenotto.

In addition to supplying their name, shareholders are requested to state their ID code and/or business code.

Shareholders are requested to notify the Company of any powers of attorney giving the right to vote at the same time as they notify the company of their intention to attend. Powers of attorney should be delivered to the Company's above-mentioned office before expiration of the notification period.

Changes of address

Shareholders are requested to notify the book-entry register holding their book-entry account of any changes in address, name or shareholding.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.29 per share be paid for the year 2003. To be entitled to dividends, a shareholder must be registered in the Company's shareholder register maintained by the Finnish Central Securities Depository Ltd on the record date, March 22, 2004. The Board of Directors proposes to the Annual General Meeting that dividends be paid after the record date, on March 29, 2004.

Financial information in 2004

Julius Tallberg Real Estate Corporation will publish its Annual Report for 2003 on week 10/2004 in Finnish, Swedish and English.

The Company will publish three interim reports in 2004:
- on Monday May 10, 2004 for the first quarter
- on Thursday August 12, 2004 for the second quarter and
- on Thursday October 28, 2004 for the third quarter

The Annual Report is sent to all registered shareholders. For extra copies, please contact:

Julius Tallberg Real Estate Corporation, P.O. Box 16, FI-02610 Espoo, by phone at +358 (0)9 684 0920, or by email at ritva.savaspuro@tallberg.fi, or by visiting the company's web site.

The Interim Reports will only be published on the Internet at www.jtkoyj.com.

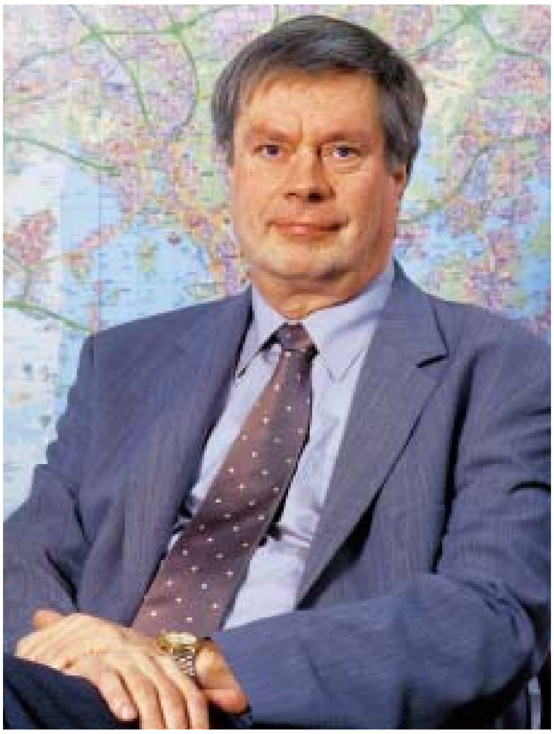
Copies can be obtained by contacting the company (see details above).

Group in Figures

	Dec. 31, 2003	Dec. 31, 2002
Market value of real estate stock, EUR million	**95.4**	83.4
- change %	**+14.4**	-1.5
Consolidated net assets, EUR million	**55.8**	54.0
- change %	**+3.3**	+0.7
Nets assets per shares, EUR	**13.5**	13.1
Equity to total assets (market value) %	**58.9**	66.4
	Jan. 1 - Dec. 31, 2003	Jan. 1 - Dec. 31, 2002
Net sales, EUR million	**8.8**	7.3
- change %	**+20.2**	-3.8
Profit before taxes, EUR million	**3.2**	2.6
- change %	**+22.4**	-23.1
Dividend/share, EUR	**0.29** (1	0.26

1) Proposal by the Board of Directors

Managing Director's Review



The Company's net sales increased by 20% to EUR 8.8 million in the 2003 financial year. Income before taxes was EUR 3.2 million, up by 22% on the previous year. The Company's net rental income rose to 11.3% of book value during the year.

The Company's investments totaled EUR 16.4 million. The most significant investments were the acquisition of the KOy Helsingin Kanavaranta 7 property and a new building constructed in Suutarila for the use of Ramirent Plc.

According to an independent appraisal, the market value of the Company's real estate portfolio totaled EUR 95.4 million at the end of 2003, an increase of 14% on the previous year. Net assets per share total about EUR 12 after the deferred tax liability.

On December 31, 2003, the price of the Company's B share on the Helsinki Exchanges was EUR 7.60, or 36% below its net asset value. The Company's P/E ratio was 11 on the same date.

The Company had a good year in terms of the results, being the second-best in its history. On the other hand, changes in real estate values and net assets per share did not fully meet expectations, which was due mostly to the weak state of the real estate market. However, asset value rose by 3.3%.

During the past seven years (1997-2003) the Company has experienced substantial and balanced growth, which has occurred without any notable risks.

- The value of the Company's real estate portfolio has tripled from EUR 32.3 million to EUR 95.4 million.
- Net asset value has more than doubled from EUR 20.7 million to EUR 55.8 million. Thus the annual rise in net asset value has averaged over 15%. Moreover, the Company has distributed increasing dividends for all of these years.
- Net rental income has almost doubled and risen to 11.3%.
- Occupancy rates have remained high and the real estate portfolio has become more balanced, both geographically and in terms of the types of premises.
- The Company's financial structure has conformed with the strategic goals throughout the period, despite notable investments.
- The Board of Directors proposes to distribute dividends of EUR 0.29 per share. The dividends paid have increased for eight consecutive years.

Outlook for 2004

Despite the rather poor situation in the real estate market, income from the renting of property investments is expected to remain good. The Company's result is expected to remain at such a good level due to rental activities that it will create conditions for dividend growth in the current and upcoming years.

The occupancy rate of the Company's real estate portfolio and the net rental income is expected to remain at the current high level. On December 31, 2003 the value of the Company's leasing portfolio was nearly EUR 34 million and the average duration of current agreements was 3.8 years.

The Company's aim is to further increase its real estate portfolio in a balanced and profitable manner, within the framework of its target for the equity-to-assets ratio.

Espoo, February 6, 2004

Martti Leisti

Board of Directors' Report

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR JANUARY 1 - DECEMBER 31, 2003

Overview

The year 2003 was the sixteenth full year of operations for Julius Tallberg Real Estate Corporation.

The Company's profitable and stable performance continued in the financial year, despite the fairly weak situation in the real estate market. Income before taxes was EUR 3.2 million compared with EUR 2.6 million in 2002, an increase of 22% on the previous year. The Company's net rental income rose to 11.3% during the year (11.2% in 2002).

The market value of the Company's real estate portfolio, based on an independent evaluation, was EUR 95.4 million at the end of the financial year, an increase of 14% on the preceding year (EUR 83.4 million on Dec. 31, 2002). The increase resulted mainly from investments. Net assets per share (before deferred tax liabilities) increased by 3.3% to EUR 13.52 (EUR 13.10 on Dec. 31, 2002). Net assets per share after deferred tax liabilities totaled EUR 11.96 (EUR 11.56 on Dec. 31, 2002). The Company's net sales, EUR 8.8 million, grew by 20% on the previous year. Income before taxes was EUR 3.2 million (EUR 2.6 million on Dec. 31, 2002).

The Company's investments during the year amounted to EUR 16.4 million. The major investments were the purchase of the "Sipuli" property located at Kanavaranta 7, Helsinki, and the new, approximately 2,500m² building to be built in Suutarila, Helsinki, at the street address Tapulikaupungintie 37/Lampputie 3.

The Company's equity-to-assets ratio based on market value was at its target level of 59% despite the investments. The occupancy rate remained high. The occupancy rate at the end of the review year was 99% relative to yield potential, compared with 98% in the previous year. Rent levels increased slightly during the year. The Company's average net rental income percentage rose from last year's 11.2% to 11.3% of book value.

The Company's strategic goals

Julius Tallberg Real Estate Corporation's long experience and expertise in investment and development operations form the foundation from which the Company carries out its operations, mainly in the Helsinki metropolitan area real estate investment market. Real estate investments require not only high yield potential, but also excellent locations, high quality, good functionality and development potential. Working in this way, the Company will strive to attain its strategic goals, which are:

- stable asset growth
- an improved operating margin, enabling the steady growth of dividends
- a profitable and balanced increase in the Company's real estate portfolio.

To safeguard its operations, the Company has set a high target of over 50% for its equity-to-assets ratio. The target for the equity-to-assets ratio has been reduced from that of previous years, due to the increased diversification of risks through Company growth, and low interest rates.

Property markets

• The rental markets

The premises market in the Helsinki metropolitan area, which is of key importance to the Company, continued to experience growth in the supply of vacant office premises, but compared with the previous year, the growth of vacant premises slowed. The decline in rents ended in the Helsinki city centre, but continued in many regional centres. The amount of vacant commercial premises and production and warehousing premises remained more or less unchanged. According to Catella Property Consultants Ltd, the total floor area of vacant business premises in September 2003 amounted to 0.7 million m², or around 3.7% of the total. The vacancy rate for office premises was 6.8%. However, the vacancy rates for commercial premises and for production and warehousing were lower, at 1.4% and 1.8% respectively.

• The real estate investment markets

The year under review was characterized by active real estate investments in the Helsinki metropolitan area, as there was a substantial amount of new high-quality business premises on offer. Concerning large premises, the main buyers were foreign real estate investors, domestic life and pension insurance companies and real estate investment companies. According to Catella Property Consultants Ltd, property investments totaled EUR 2.4 billion in 2003.

New investments

The Company made the following new investments during the review year:

1. On March 18, 2003 the Company signed a building contract agreement with SRV Viitoset Oy, for a new 2,500m² building to be built in Suutarila, Helsinki, at the address Tapulikaupungintie 37/Lampputie 3. The value of the project management contract agreement is around EUR 3.6 million. The new building will be rented by Ramirent Plc, which is already operating at the property. A long-term lease agreement has already been signed with Ramirent. The building will be used as Ramirent's new headquarters, and there are also premises for renting, sales and maintenance. The site will be completed in February 2004.
2. The Company bought the Restaurant Sipuli property from Kanava Holding Oy in a contract made on April 1, 2003 worth EUR 13 million. The area of the property located in Helsinki's Katajanokka area is about 7,000m². The most important, long-term users of the property are Restaurant Sipuli and Restaurant Nokka, owned by Royal Ravintolat Oy, and Carat Finland Oy. They represent around 60% of the property's total rental income. The property was previously owned by Kanava Holding Oy, of which 82% was owned by Cargill Inc. and 18% by Julius Tallberg Real Estate Corporation. After the transaction, Julius Tallberg Real Estate Corporation sold its shareholding of Kanava Holding Oy to Cargill Inc.

Changes in real estate value and net assets per share

The market value of the Company's property, EUR 95.4 million, is based on an independent appraisal made on December 31, 2003, with the following exceptions: Julius Tallberg Real Estate Corporation's share of the three real estate companies jointly owned by Cargill Inc. and the Company is EUR 3.2 million (the figure is mainly based on independent assessments and partly on the acquisition price).

The value of the Company's real estate portfolio, based primarily on an independent evaluation (Catella Property Consultants Ltd), grew by 14% during the year, mostly as a result of new acquisitions. At the end of 2003, the value of the Company's real estate portfolio was EUR 95.4 million. The increase of EUR 1.8 million, or 3.3%, in the Company's net assets did not meet the Company's objectives.

Likewise, the rise in net assets per share (not including deferred tax liabilities) from EUR 13.10 to EUR 13.52 did not meet the Company's objectives.

The Company's income before taxes of EUR 3.2 million for the financial year (EUR 2.6 million in 2002) was the second-best in the history of the Company, thus meeting the Company's objectives.

The change in value of the Julius Tallberg Real Estate Group's real estate stock and the change in assets per share during the financial year were as follows:

	2003 EUR million	2002 EUR million
Market value of real estate stock 1)	**95.4**	83.4
Comparable balance sheet value of real estate stock 2)	**72.9**	61.5
Difference between market value and balance sheet value 3)	**+22.5**	+21.9
Consolidated balance sheet equity	**33.3**	32.1
Consolidated net assets, market value on Dec. 31		
- deferred tax liabilities ignored	**55.8**	54.0
- deferred tax liabilities taken into account	**49.3**	47.7
Net assets per share, market value on Dec. 31	**EUR**	EUR
- deferred tax liabilities ignored	**13.52**	13.10
- deferred tax liabilities taken into account	**11.96**	11.56

1) Mainly independent appraisals and partly book-values have been used for minority interests in real estate companies (Cargill Inc.).
2) To ensure comparability with the debt-free market value, non-current assets have been adjusted upward by:
- corporate debt obligations to Kiinteistö Oy DataCity, EUR 0.3 million.
- external corporate debt obligations of companies jointly owned by the Company and Cargill, Inc., EUR 1.3 million.
3) Deferred tax liabilities have been ignored.

Funding and management of financial risks

The Company's financial standing remained good during the whole year. The equity-to-assets ratio was at its long-term target level at 59%, based on an independently evaluated market value. The Company has prepared for rising interest rates by making hedging contracts for the 2004-2013 period, as specified in the notes to the financial statements. Their combined value on December 31, 2003 was EUR 24.3 million, i.e. a hedging rate of 66% (interest rate risk hedges/the Company's loan portfolio).

Net sales and profitability

The Group's net sales accumulated from rents grew by EUR 1.4 million (20%) to EUR 8.8 million (EUR 7.3 million in 2002). Income before taxes was EUR 3.2 million, an improvement of 22% on the previous year. The increase in net sales was attributable mostly to the acquisition of Kanavaranta 7. The increase in profit was also related to Kanavaranta 7, as well as to increases in other operating income.

Salaries and wages remained more or less on par with 2002. Scheduled depreciation, other operating expenses and interest expenses increased substantially, mostly due to investments.

Return on investment (ROI) was 7.3% (6.6% in 2002) and return on equity was 6.7% (5.7% in 2002). The P/E ratio was 11 on December 31, 2003 (12 on Dec. 31, 2002) and earnings per share was EUR 0.53 (EUR 0.44 in 2002).

Future outlook

• The rental markets

Nordea Bank predicts a 3.2% increase in overall production in Finland in 2004, and an increase of 5.3% in citizens' purchasing power. It is likely that the growth will be stronger in the Helsinki metropolitan area, with the result that demand for commercial, warehousing and production premises is expected to remain at the current level. The total supply of office premises will continue to grow during the first half of 2004. The decrease in rents is forecast to end in 2004 and the rent levels of commercial premises and the amount of vacant space will stabilize towards the end of the year.

• The real estate investment markets

Although the return on investment required by investors is not expected to rise anymore, the direction is expected to turn to a slight decline in the best parts of the Helsinki metropolitan area. The demand for investment is likely to remain more or less at the current level. Traditional institutional real estate investors, such as banks and P&C insurance companies seem to be reducing their real estate assets. According to estimates, the proportion of foreign investors in the real estate business may even grow.

• Outlook for the Company

The occupancy rate of Julius Tallberg Real Estate Corporation's real estate portfolio is expected to remain at its current high level. On December 31, 2003, the value of the Company's rental portfolio was almost EUR 34 million (over EUR 25 million in 2002) and the length of the average lease was 3.8 years (3.5 years in 2002). The Company's operating environment is expected to remain reasonable, so the Company will continue its investment program as planned. The Company's net sales are expected to rise in 2004. The current high level of net rental income is expected to remain above 10%.

The Company's result from rental operations is expected to remain good. The objective is to realize the properties owned jointly by Cargill Inc. and the Company during 2004. Regardless of sales, the Company's book result is expected to remain sufficiently high due to rental operations to enable a higher dividend distribution this year.

Future goals

A strategic goal of the Company is to further increase its current real estate assets of almost EUR 100 million, within the framework of the equity-to-assets ratio target, mainly by utilizing unused building rights (totaling over 65,000 square meters), and also through new acquisitions consistent with the company's investment policy.

This objective promotes the diversification of risks and improves cost-efficiency.

The main future development project will be the development of the Company's 28,000m^2 property in the Vantaa Aviapolis area. The City of Vantaa considers the Aviapolis area, which is conveniently located in the vicinity of the Helsinki-Vantaa International Airport, Finland's most attractive business site of the decade.

For shareholders, the objective is to offer a safe and stable investment alternative by steadily improving the ability to distribute dividends and by increasing the amount of dividends in the coming years, despite Government tax reforms that will increase the taxation of dividend distribution.

Profit and Loss Account

EUR 1,000	Note	Consolidated Jan. 1-Dec. 31 2003	Consolidated Jan. 1-Dec. 31 2002	Parent Company Jan. 1-Dec. 31 2003	Parent Company Jan. 1-Dec. 31 2002
NET SALES	1	**8,791**	7,312	**8,791**	7,312
Other operating income	2	**550**	99	**985**	99
Salaries and wages	3	**-417**	-380	**-417**	-380
Depreciation and write-downs	4	**-2,047**	-1,404	**-47**	-51
Other operating expenses		**-2,448**	-1,996	**-7,274**	-4,647
OPERATING PROFIT		**4,429**	3,631	**2,038**	2,333
Financial income and expenses	5				
Income from other long-term investments		**143**	43	**143**	43
Other interest and financial income		**95**	157	**1,884**	89
Interest and other financial expenses	5	**-1,479**	-1,226	**-1,401**	-1,116
		-1,241	-1,026	**626**	-984
INCOME BEFORE APPROPRIATIONS AND TAXES		**3,188**	2,605	**2,664**	1,349
Depreciation difference, increase (-) or decrease (+)		**0**	0	**10**	0
Income taxes	6	**-989**	-785	**-841**	-407
PROFIT FOR THE FINANCIAL YEAR		**2,199**	1,820	**1,833**	942

Balance Sheet

EUR 1,000	Note	Consolidated **Dec. 31, 2003**	Consolidated Dec. 31, 2002	Parent Company **Dec. 31, 2003**	Parent Company Dec. 31, 2002
ASSETS					
NON-CURRENT ASSETS					
INTANGIBLE ASSETS	7				
Intangible rights		**0**	0	**12**	14
Other long-term expenditure		**116**	66	**0**	0
		116	66	**12**	14
TANGIBLE ASSETS	8				
Land		**18,403**	13,749	**0**	0
Buildings		**42,616**	35,746	**0**	0
Machinery and equipment		**82**	94	**49**	60
Other tangible assets		**209**	237	**48**	45
Construction in progress		**2,861**	60	**0**	0
		64,171	49,886	**97**	105
INVESTMENTS	9				
Interests in companies in the same Group		**0**	0	**15,502**	15,494
Receivables from companies in the same Group		**0**	0	**42,336**	29,229
Other shares and participations		**6,716**	6,882	**6,715**	6,881
Loan receivables		**336**	1,729	**335**	1,082
		7,052	8,611	**64,888**	52,686
TOTAL NON-CURRENT ASSETS		**71,339**	58,563	**64,997**	52,805
CURRENT ASSETS					
Long-term receivables					
Deferred tax assets		**126**	0	**0**	0
Short-term receivables					
Trade receivables		**78**	51	**22**	16
Other receivables		**492**	568	**268**	318
Prepaid expenses and accrued income		**40**	255	**7**	204
Cash and bank balances		**1**	1	**0**	0
TOTAL CURRENT ASSETS		**737**	875	**297**	538
TOTAL ASSETS		**72,076**	59,438	**65,294**	53,343
LIABILITIES					
EQUITY	10				
Share capital		**21,027**	21,027	**21,027**	21,027
Share premium account		**6,109**	6,109	**6,109**	6,109
Retained earnings		**3,916**	3,169	**1,427**	1,557
Profit for the financial year		**2,199**	1,820	**1,833**	942
TOTAL EQUITY		**33,251**	32,125	**30,396**	29,635
ACCUMULATED APPROPRIATIONS					
Depreciation difference		**0**	0	**0**	10
LIABILITIES	11				
Deferred tax liabilities		**1,110**	829	**0**	0
Long-term liabilities					
Loans from credit institutions		**28,156**	20,520	**26,306**	18,333
Current liabilities					
Loans from credit institutions		**8,161**	4,920	**7,825**	4,583
Advances received		**29**	15	**29**	15
Bills payable		**98**	77	**18**	27
Payables to companies in the same Group	12	**0**	0	**0**	419
Accrued expenses and deferred income		**816**	491	**671**	273
Other current liabilities		**455**	461	**49**	47
		9,559	5,964	**8,592**	5,364
TOTAL LIABILITIES		**38,825**	27,313	**34,898**	23,697
TOTAL EQUITY AND LIABILITIES		**72,076**	59,438	**65,294**	53,343

Cash Flow Statement

EUR 1,000	Consolidated 2003	2002	Parent Company 2003	2002
OPERATIONS				
Financing from operations				
Operating income	**4,429**	3,631	**2,038**	2,333
Adjustments to operating income	**1,497**	1,382	**-938**	27
Financial expenses and income	**-1,241**	-1,026	**626**	-984
Taxes	**-834**	-425	**-841**	-407
Financing from operations, total	**3,851**	3,562	**885**	969
CHANGE IN WORKING CAPITAL				
Current receivables, increase (-) decrease (+)	**264**	8	**242**	27
Non-interest bearing current liabilities, increase (+) decrease (-)	**354**	-337	**-15**	31
	618	-329	**227**	58
Cash flow from operations	**4,469**	3,233	**1,112**	1,027
INVESTMENTS				
Capital expenditure	**-16,381**	-1,232	**-13,150**	-8
Repayment of loans	**0**	0	**0**	1,065
Income from transfers of marketable securities	**714**	66	**1,150**	65
	-15,667	-1,166	**-12,000**	1,122
Cash flow before financing	**-11,198**	2,067	**-10,888**	2,149
FINANCING				
Change in long-term debt, increase (+) decrease (-)	**7,636**	-847	**7,973**	-511
Change in long-term receivables, increase (-) decrease (+)	**1,393**	316	**746**	66
Change in short-term debt, increase (+) decrease (-)	**3,241**	-628	**3,241**	-797
Dividends	**-1,072**	-907	**-1,072**	-907
Total funds from financing	**11,198**	-2,066	**10,888**	-2,149
Change in liquid funds according to cash flow statement, increase (+) or decrease (-)	**0**	1	**0**	0
Change in liquid funds according to balance sheet, increase (+) or decrease (-)	**0**	1	**0**	0

Notes to the Financial Statements

Corporate structure
Julius Tallberg Real Estate Corporation is a subsidiary of Oy Julius Tallberg Ab in Helsinki.

Accounting principles
• Consolidation
The consolidated financial statements include all subsidiaries. The parent company owns 100% of the voting rights in all subsidiaries. Inter-company transactions are eliminated.

The consolidated financial statements have been prepared according to the acquisition method.

In the consolidated balance sheet, the undepreciated balance of the difference between the acquisition cost and the balance sheet value of subsidiary stock has been allocated to buildings and land. Deferred tax liabilities have been ignored as selling the share capital of the realized real estate company is part of the Company's strategy. Consolidated assets allocated to buildings are depreciated according to planned depreciation on buildings.

• Depreciation
Planned depreciation of fixed assets has been calculated on the original acquisition price according to the expected useful life.

Annual depreciation applied to various items of fixed assets is as follows:
Office/commercial premises 2%, useful life 50 years
Industrial/warehouse premises 3%, useful life 33 years
Machinery and equipment 25%, on book value
Other long-term expenditure 10-20%, useful life 5 and 10 years.

Under lease agreements, renovation costs originally charged to the leaseholder will be depreciated during the lease period.

In the consolidated financial statements, the accumulated depreciation difference has been divided between shareholders' equity and deferred tax liabilities.

The figures in the notes to the financial statements are presented in EUR thousands.

Transfer to IFRS
According to current plans, the Company will transfer to IFRS compliant financial reporting in the year 2005.

The biggest change in the IFRS accounting principles is the choice of valuation principle of the Company's investment properties, i.e. whether they are valued according to the market value or the historical value. The Company has not yet made a decision on the choice of valuation principle.

A project for the transfer to IFRS has been launched within the Company.

Notes to the Profit and Loss Account

	Consolidated		Parent Company	
EUR 1,000	**2003**	2002	**2003**	2002
1. Net sales				
Rental income	**8,782**	7,301	**8,782**	7,301
Other revenue	**9**	11	**9**	11
	8,791	7,312	**8,791**	7,312
Nearly all lease and consultation agreements are in the parent company's name and therefore the rental income of the Group and parent company are equivalent.				
2. Other operating income				
Sales profits	**549**	23	**985**	23
Other income	**1**	76	**0**	76
	550	99	**985**	99
3. Personnel costs				
Salaries, fees and commissions	**346**	315	**346**	315
Pension costs	**57**	50	**57**	50
Other indirect personnel costs	**14**	15	**14**	15
	417	380	**417**	380
Number of personnel	**4**	4	**4**	4
Executive compensation				
Board of Directors, compensation	**23**	22	**23**	22
Pension commitments Management and personnel have no other pension arrangements than the stipulated pension insurance according to the Employees' Pension Act (TEL).				
4. Depreciation				
Other capitalized expenditure	**61**	61	**31**	31
Buildings	**1,962**	1,308	**0**	0
Machinery and equipment	**24**	35	**16**	20
	2,047	1,404	**47**	51
5. Financial income and expenses				
Dividend income from others	**143**	43	**143**	43
Interest income from long-term investments, from others	**38**	83	**38**	83
Other interest and financial income				
from companies in the same Group	**0**	0	**1,842**	0
from others	**57**	74	**5**	6
Interest and other financial expenses to others	**-1,479**	-1,226	**-1,401**	-1,116
Financing contribution [1)]	**-86**	-86	**-86**	-86
Total financial income and expenses	**-1,327**	-1,112	**541**	-1,070
6. Taxes				
Tax on income from operations	**835**	425	**841**	407
Change in deferred tax liabilities	**154**	360	**0**	0
	989	785	**841**	407

[1)] Included in rents and maintenance charges

Notes to the Balance Sheet

EUR 1,000	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
Non-current assets				
7. Intangible assets				
Intangible rights				
Acquisition cost, Jan. 1	**81**	79	**27**	25
Increases, Jan. 1-Dec. 31	**56**	2	**4**	2
Acquisition cost, Dec. 31	**137**	81	**31**	27
Accumulated depreciation and write-downs, Jan. 1	**-15**	-10	**-13**	-8
Depreciation, Jan. 1-Dec. 31	**-6**	-5	**-6**	-5
Book value, Dec. 31	**116**	66	**12**	14
8. Tangible assets				
Land and water acquisition cost, Jan. 1	**13,749**	13,744		
Increases, Jan. 1-Dec. 31	**4,654**	5		
Decreases, Jan. 1-Dec. 31	**0**	0		
Book value, Dec. 31	**18,403**	13,749		
Buildings, acquisition cost, Jan. 1	**44,854**	43,632		
Increases, Jan. 1-Dec. 31	**8,831**	1,222		
Decreases, Jan. 1-Dec. 31	**0**	0		
Acquisition cost, Dec. 31	**53,685**	44,854		
Accumulated depreciation and write-downs, Jan. 1	**-9,108**	-7,800		
Depreciation, Jan. 1-Dec. 31	**-1,961**	-1,308		
Book value, Dec. 31	**42,616**	35,746		
Accumulated depreciation difference, Jan. 1	**42**	42		
Accumulated depreciation difference, Dec. 31	**42**	42		
Machinery and equipment, acquisition cost, Jan. 1	**443**	436	**197**	190
Increases, Jan. 1-Dec. 31	**13**	7	**5**	7
Acquisition cost, Dec. 31	**456**	443	**202**	197
Accumulated depreciation and write-downs, Jan. 1	**-349**	-314	**-137**	-117
Depreciation, Jan. 1-Dec. 31	**-25**	-35	**-16**	-20
Book value, Dec. 31	**82**	94	**49**	60
Accumulated depreciation, Jan. 1	**0**	0	**10**	10
Depreciation difference, Jan. 1-Dec. 31	**0**	0	**-10**	0
Accumulated depreciation difference, Dec. 31	**0**	0	**0**	10
Other tangible assets				
Acquisition cost, Jan. 1	**480**	480	**169**	169
Increases, Jan. 1-Dec. 31	**27**	0	**27**	0
Decreases, Jan. 1-Dec. 31	**0**	0	**0**	0
Acquisition cost, Dec. 31	**507**	480	**196**	169
Accumulated depreciation, Jan. 1	**-243**	-187	**-123**	-97
Depreciation, Jan. 1-Dec. 31	**-55**	-56	**-25**	-26
Book value, Dec. 31	**209**	237	**48**	46
Construction in progress				
Construction in progress, Jan. 1	**61**	64		
Increases, Jan. 1-Dec. 31	**2,802**	9		
Decreases, Jan. 1-Dec. 31	**-3**	-12		
Depreciation, Jan. 1-Dec. 31	**0**	0		
Book value, Dec. 31	**2,860**	61		

Notes to the Financial Statements

EUR 1,000	Consolidated 2003	2002	Parent Company 2003	2002
9. Investments				
Equity in subsidiaries				
Acquisition cost, Jan. 1	**0**	0	**15,494**	15,494
Increases, Jan. 1-Dec. 31	**0**	0	**8**	0
Decreases, Jan. 1-Dec. 31	**0**	0	**0**	0
Acquisition cost, Dec. 31	**0**	0	**15,502**	15,494
Other equity investments				
KOy Data-City	**6,160**	6,160	**6,160**	6,160
SK Property Oy	**490**	490	**490**	490
Kanava Holding Oy	**0**	1	**0**	1
Other participations (Cargill)	**15**	15	**15**	15
Other shares (Elisa, OKR)	**16**	42	**15**	41
As Oy Lauttasaaren Meritähti Helsinki	**35**	174	**35**	174
	6,716	6,882	**6,715**	6,881
Other equity investments				
Acquisition cost, Jan. 1	**6,882**	6,924	**6,881**	6,923
Increases, Jan. 1-Dec. 31	**0**	0	**0**	0
Decreases, Jan. 1-Dec. 31	**-166**	-42	**-166**	-42
Acquisition cost, Dec. 31	**6,716**	6,882	**6,715**	6,881

The total allocable indebtedness related to equity in unconsolidated real estate entities was EUR 1.6 million on December 31, 2003.

Subsidiaries and Group holdings

Subsidiaries	Parent Company's ownership %	Book value EUR 1,000
KOy Gyldénintie 2	100	5,574
KOy Nahkahousuntie 3	100	2,156
Oy Soffcon Kiinteistö Ab	100	4,485
KOy Arinatie 8 (formerly KOy Ylästöntie 14)	100	1,009
KOy Kauppakeskus Martinsilta	100	673
KOy Äyritie 4 Vantaa	100	505
KOy Vantaan Äyri	100	168
KOy Liukumäentie 15 Helsinki	100	748
KOy Suutarilan Huoltokeskus	100	173
KOy Suutarilan Lamppupolku	100	3
KOy Helsingin Kanavaranta 7	100	8
		15,502

10. Equity

The nominal value of the Company's shares is EUR 5.10. If the Company's share capital is increased, the holders of A shares have the right to subscribe to new A shares, and the holders of B shares to new B shares. A General Meeting may also decide on a rights issue so that A shares give the right to subscribe only, or partially, for B shares. A General Meeting also has the right to decide to execute a rights issue by giving only A shares or B shares for subscription. The Company's B shares are listed on the Helsinki Exchanges in the "Investment" group.

During the financial year, the Board of Directors had no authorization to increase the share capital or to buy the Company's own shares. No convertible bonds or bonds with warrants were issued.

The Board issued options to the personnel (excluding Board members) in accordance with the authorization of August 9, 2000. The number of outstanding options was 52,500, which gave the right to subscribe to no more than 52,500 of the Company's B shares at EUR 5.77 per share, during May 15-June 15, 2003. No subscriptions were made in this period and the options program ended. The Company has no valid options programs.

		Consolidated 2003	2002	Parent Company 2003	2002
A stock (20 votes/share)	565,070 shares	**2,882**	2,882	**2,882**	2,882
B stock (1 vote/share)	3,557,930 shares	**18,145**	18,145	**18,145**	18,145
Total	4,123,000 shares	**21,027**	21,027	**21,027**	21,027
Share capital Jan. 1	4,123,000 shares	**21,027**	21,027	**21,027**	21,027
Share capital Dec. 31	4,123,000 shares	**21,027**	21,027	**21,027**	21,027
Share premium account, Jan. 1		**6,109**	6,109	**6,109**	6,109
Share premium account, Dec. 31		**6,109**	6,109	**6,109**	6,109
Accumulated earnings, Jan. 1		**4,988**	4,075	**2,499**	2,464
Dividends paid		**-1,072**	-907	**-1,072**	-907
Profit for the financial year		**2,199**	1,820	**1,833**	942
Accumulated earnings, Dec. 31		**6,115**	4,988	**3,260**	2,499
Total equity		**33,251**	32,125	**30,396**	29,635
Distributable funds		**3,396**	2,958	**3,260**	2,499

EUR 1,000	Consolidated 2003	2002	Parent Company 2003	2002
11. Liabilities				
Deferred tax liabilities consist entirely of depreciation difference.				
Liabilities with 5 year + maturity				
Loans from credit institutions	**11,612**	8,983	**11,107**	8,142
Current liabilities				
Non-interest bearing current liabilities	**1,398**	1,045	**767**	781
Interest bearing current liabilities	**8,161**	4,920	**7,825**	4,583
	9,559	5,965	**8,592**	5,364

Maturing of loans

Maturity year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Consolidated	4,048	4,136	4,136	4,137	4,136	4,136	3,655	1,889	1,317	615	32,205
Parent Company	3,712	3,800	3,800	3,800	3,800	3,800	3,485	1,889	1,317	615	30,018

EUR 1,000	Consolidated 2003	2002	Parent Company 2003	2002
12. Payables to companies in the same Group				
Short-term payables to subsidiaries	**0**	0	**0**	419

Other Notes

13. Exposures from derivative contracts				
Interest rate swaps				
Value of underlying instrument	**24,313**	17,673	**24,313**	17,673
Market value	**-355**	-347	**-355**	-347
Forward rate agreements				
Value of underlying instrument	**0**	15,000	**0**	15,000
Market value	**0**	-12	**0**	-12

Maturing of derivative contracts

Maturity year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Interest rate swaps	4,594	4,593	7,130	1,230	1,230	1,230	1,230	1,230	1,230	615

EUR 1,000	Consolidated 2003	2002	Parent Company 2003	2002
14. Pledged assets				
Debt secured by liens on real estate				
Loans from credit institutions				
Loans	**36,317**	25,440	**34,130**	22,244
Security				
- liens	**43,641**	29,200	**0**	0
Total liens on real estate	**68,842**	44,000	**0**	0

15. Insurance values on December 31, 2003

The properties of the real estate corporations, KOy Nahkahousuntie 3, KOy Gyldénintie 2, Oy Soffcon Kiinteistö Ab, KOy Kauppakeskus Martinsilta, KOy Suutarilan Huoltokeskus, KOy Äyritie 4 Vantaa and KOy Helsinki Kanavaranta 7 are insured at full value. Real estate insurance totaling EUR 21.4 million is in force for the KOy Arinatie 8 and KOy Liukumäentie 15 Helsinki real estate corporations. The fire insurance value of the Oy Soffcon Kiinteistö Ab industrial/warehouse building amounts to EUR 1.0 million. The parent company has loss-of-profits insurance regarding rental income (12 months).

The Corporation's insurance policies were with Pohjola Group plc and Ilmarinen Mutual Pension Insurance Company until December 31, 2003. Beginning on January 1, 2004, the insurance policies were transferred with similar content to Fennia and Pension Fennia.

Key Figures

Group Key Figures

	2003	2002	2001	2000	1999
Net sales, EUR million	**8.8**	7.3	7.6	5.9	4.9
Operating profit, EUR million	4.4	3.6	5.2	2.6	2.3
- share of net sales, %	**50.4**	49.7	68.1	44.3	45.9
Profit before extraordinary items, EUR million	**3.2**	2.6	3.4	1.2	1.6
- share of net sales, %	**36.3**	35.6	44.4	20.0	32.6
Profit before appropriations and taxes, EUR million	**3.2**	2.6	3.4	1.2	1.6
- share of net sales, %	**36.3**	35.6	44.4	20.0	31.8
Return on equity (ROE), %	**6.7**	5.7	8.3	2.9	4.6
Return on investment (ROI), %	7.3	6.6	8.7	4.8	4.8
Equity-to-assets ratio, %					
- book value	**46.2**	54.1	52.0	43.3	56.6
- market value	**58.9**	66.4	65.1	56.8	65.1
Gross investments in fixed assets, EUR million	**16.4**	1.2	0.3	17.2	4.2
- share of net sales, %	**186.3**	16.8	4.5	291.5	84.3
Personnel	4	4	4	4	4

Calculation of Key Figures

Return on equity (ROE), (%) = $\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Equity + minority interests + reserves (average over the year)}} \times 100$

Return on investment (ROI), (%) = $\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average over the year)}} \times 100$

Equity-to-assets ratio, (%) = $\frac{\text{Equity + minority interests + reserves}}{\text{Balance sheet total - advances received}} \times 100$

Earnings/share, EUR = $\frac{\text{Profit before extraordinary items - minority interests - taxes}}{\text{Weighted annual number of share issue adjusted shares}}$

Equity/share (book value), EUR = $\frac{\text{Balance sheet equity + reserves + accumulated difference between recorded and planned depreciations}}{\text{Share issue adjusted number of shares at end of year}}$

Dividend/share, EUR = $\frac{\text{Dividend paid for the financial year}}{\text{Share issue adjusted number of shares at end of year}}$

Dividend payout ratio, (%) = $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield, (%) = $\frac{\text{Dividend/share}}{\text{Share issue adjusted share price (average price) at end of year}} \times 100$

Price/Earnings ratio = $\frac{\text{Share issue adjusted share price (average price) at end of year}}{\text{Result/share}}$

Shares and Shareholders

Increases in Share Capital

Subscription time/Subscribers	Number	Increase in share capital	EUR 1,000	Issue premiums EUR 1,000	New share capital EUR 1,000	Right to dividend
Sept. 25, 1987/ Oy Julius Tallberg Ab (initial share capital)	327,000 673,000	A shares à EUR 5.0456 B shares à EUR 5.0456	5,046	0	5,046	1/1 dividend in 1988
Oct. 21, 1987/ Institutional investors	60,000 240,000	A shares à EUR 11.773 B shares à EUR 10.932	1,514	1,816	6,559	1/1 dividend in 1988
Nov. 2-Nov. 13, 1987/ Public and personnel	750,000	B shares à EUR 10.932	3,784	4,415	10,344	1/1 dividend in 1988
Dec. 4, 1987/ Helsingin Villakehräämö Oy	20,000 200,000	A shares à EUR 11.773 B shares à EUR 10.932	1,110	1,312	11,454	1/1 dividend in 1988
Nov. 1, 1988/ Oy Julius Tallberg Ab	60,000 600,000	A shares à EUR 11.773 B shares à EUR 10.932	3,330	3,936	14,784	No dividend in 1988
April 17-May 19, 1989/ Shareholders	46,700 246,300 Bonus issue	A shares B shares	1,478	0	16,262	1/1 dividend in 1989
April 2-May 11, 1990/ Shareholders	51,370 270,930 Bonus issue	A shares B shares	1,626	0	17,888	1/1 dividend in 1990
March 6, 1998 Aktia Savings Bank Plc	577,700	B shares à EUR 7.568	2,915	1,457	20,803	1/1 dividend in 1998
March 21, 2001 Share capital increase due to changeover to euro nominal value (EUR 5.10)	0		224	-224	21,027	

Share Capital Structure

Shares	Number	%	Votes	%
A	565,070	13.7	11,301,400	76.1
B	3,557,930	86.3	3,557,930	23.9
Total	4,123,000	100.0	14,859,330	100.0

Shareholders by Sector

	Shareholders		Shares	
Sector	Number	%	Number	%
Private companies	50	11.96	3,404,456	82.58
Financial institutions and insurance companies	6	1.44	74,802	1.81
Households	360	86.12	638,154	15.48
Foreign	1	0.24	500	0.01
Unsubscribed	1	0.24	5,088	0.12
Total	418	100.00	4,123,000	100.00

Shares and Shareholders

Largest Shareholders According to the Share Register on December 31, 2003 (12 Largest)

Shareholder	Shares A shares	Shares B shares	Shares %	Votes %
Oy Julius Tallberg Ab	281,126	2,466,469	66.64	54.44
Etra Invest Oy/Tiiviste Group	0	420,500	10.20	2.83
Tallberg Thomas	151,680	70,824	5.40	20.89
Tallberg Martin	58,080	79,466	3.34	8.35
Oy Rosaco Ab	0	72,335	1.75	0.49
Tallberg Nina	440	47,166	1.15	0.38
Renlund Susanna	0	46,166	1.12	0.31
Thominvest Oy	9,680	26,620	0.88	1.48
Sijoitusrahasto Aktia Secura	0	35,000	0.85	0.24
Helsinki Investment Trust Oy	0	30,000	0.73	0.20
Kiinteistö- ja kauppa Oy Ergy	24,200	0	0.59	3.26
Fiskars Corporation	12,100	6,050	0.44	1.67

Shareholding Breakdown

Number of shares	Shareholders Number	Shareholders %	Shares Number	Shares %
1 - 99	139	33.25	6,075	0.15
100 - 999	185	44.26	52,020	1.26
1,000 - 9,999	78	18.66	183,504	4.45
10,000 - 99,999	11	2.63	348,168	8.44
100,000 - 999,999	4	0.96	780,550	18.93
1,000,000 - 9,999,999	1	0.24	2,747,595	66.65
Unsubscribed	-	0.00	5,088	0.12
Total	418	100.00	4,123,000	100.00

On December 31, 2003 members of the Board and the Managing Director directly held a total of 209,760 A shares and 209,121 B shares, which represents 29.64% of the voting rights and 10.16% of the total holdings in the Company.

Members of the Board and the Managing Director have holdings entitling them to the majority of voting rights in the following companies: Oy Julius Tallberg Ab, Oy Montall Ab and Kiinteistö- ja kauppa Oy Ergy. Together these companies hold a total of 305,326 A shares and 2,468,289 B shares, which in all entitles them to 57.71% of the voting rights and 67.27% of the total holdings in the Company.

Share Prices and Trading Volumes of B Share

Share issue adjusted prices	**2003**	2002	2001	2000	1999
Highest price, EUR	**7.60**	5.70	5.45	5.40	6.35
Lowest price, EUR	**4.95**	4.85	4.24	3.86	4.75
Average price, EUR	**5.97**	5.36	4.61	4.88	6.05
Price on Dec. 31, EUR	**7.60**	5.20	5.00	4.20	5.00
Market value of stock					
B shares [1], EUR 1,000	**27,040**	18,501	17,789	14,943	17,772
Trading volume, shares	**71,859**	293,958	166,341	1,340,722	134,889
Trading, EUR 1,000	**429**	1,577	767	6,543	816
Turnover [2], %	**2.0**	8.3	4.7	37.7	3.8

[1] Price of B share on December 31 x number of B shares on December 31

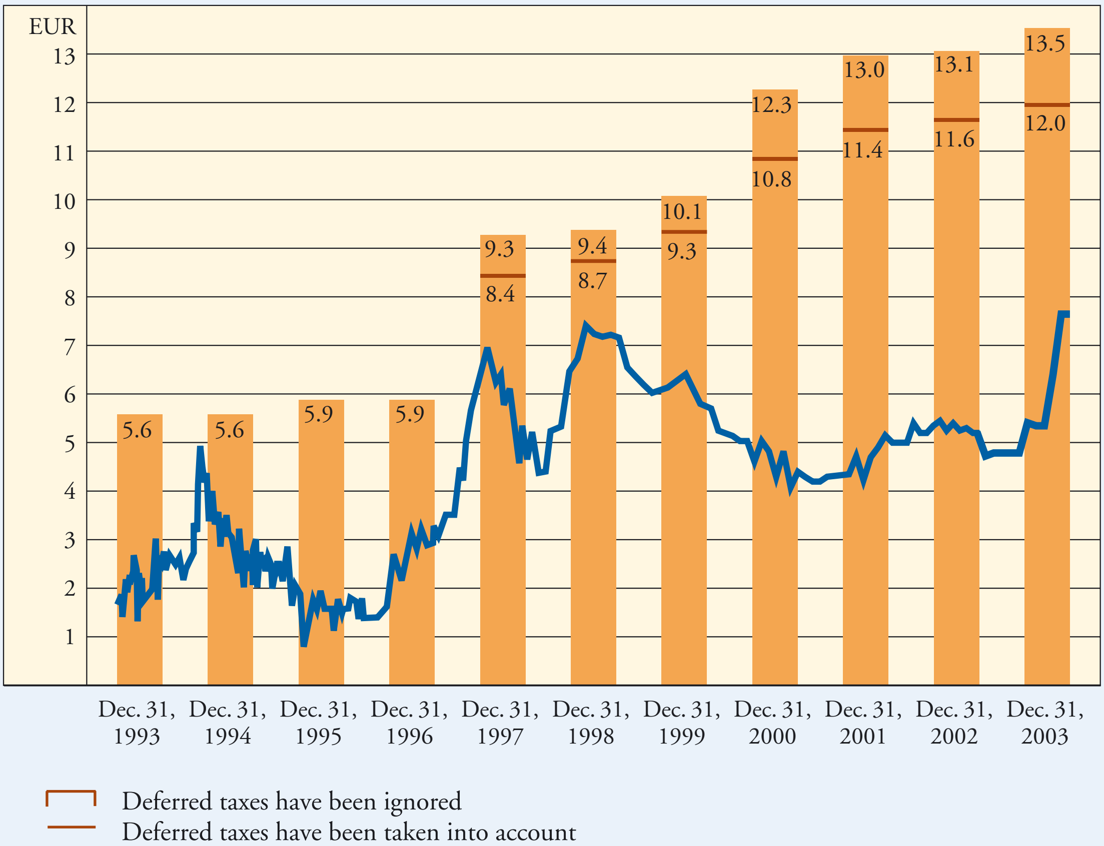
[2] $$\frac{\text{Trading volume of B shares}}{\text{Weighted annual number of B shares over the financial year}} \times 100$$

Share Issue Adjusted Key Figures per Share

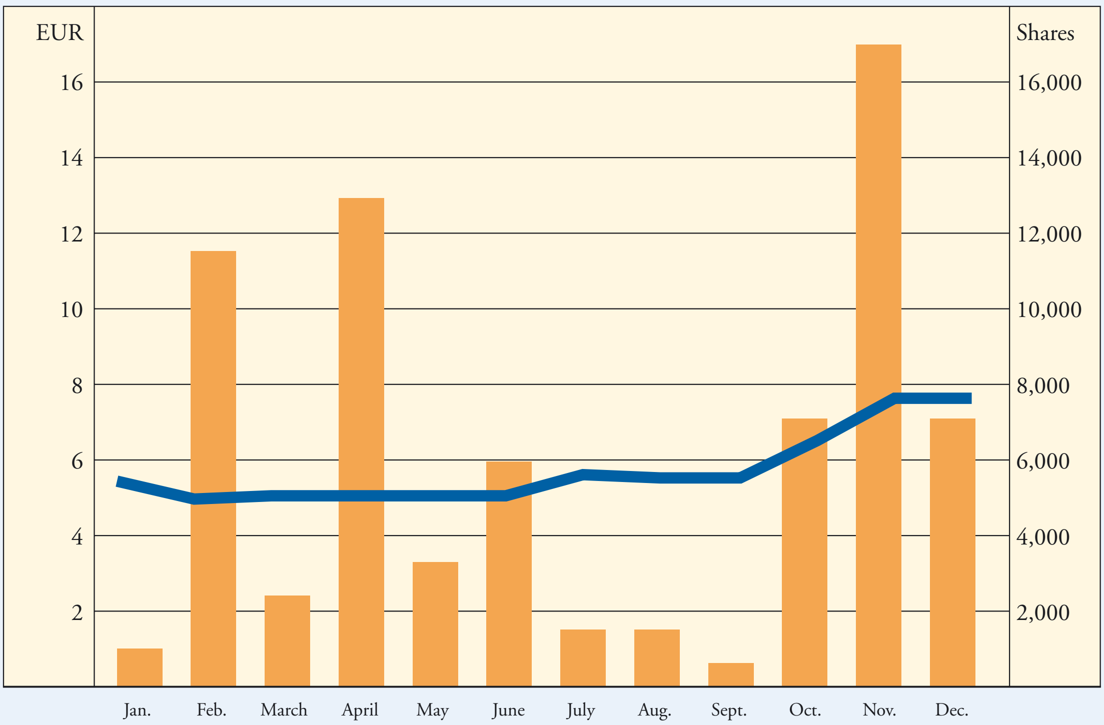
	2003	2002	2001	2000	1999
Earnings/share (EPS) [1], EUR	**0.53**	0.44	0.61	0.21	0.32
Net assets/share [2], EUR (market value)	**13.52**	13.10	13.00	12.28	10.16
Equity/share, EUR (book value)	**8.06**	7.79	7.57	7.14	7.10
Dividend/share [3], EUR	**0.29**	0.26	0.22	0.19	0.17
Dividend payout ratio, %	**54.7**	59.1	36.1	90.5	52.0
Effective dividend yield, %	**4.9**	5.0	4.4	4.4	3.4
Price/earnings ratio on Dec. 31	**11**	12	8	20	15
Number of shares (A and B)					
- period average, 1,000 shares	**4,123.0**	4,123.0	4,123.0	4,123.0	4,123.0
- at the close of the year, 1,000 shares	**4,123.0**	4,123.0	4,123.0	4,123.0	4,123.0

[1] The number of shares used is 4,123,000; i.e. the number at the time of closing the accounts.
No options issued to the personnel were exercised during the subscription period, May 15 - June 15, 2003, and the options program was terminated. The Company currently has no valid options programs.
[2] Deferred tax liabilities have been ignored.
[3] Proposal by the Board of Directors.

Net Assets per Share and Share Prices



Share Prices and Share Trading Volumes 2003



Parent Company Dividend Proposal

The consolidated distributable equity totaled EUR 3,396,225.01 on December 31, 2003.

The parent company's retained earnings on the balance sheet date, December 31, 2003, totaled EUR 3,259,781.83.

The Board of Directors proposes to the Annual General Meeting that:

- a dividend of EUR 0.29 per share be paid on 4,123,000 shares, totaling	EUR 1,195,670.00
- and that the remainder be left in retained earnings	EUR 2,064,111.83
	EUR 3,259,781.83

Espoo, February 6, 2004

Thomas Tallberg

Ernst Gylfe

Kaj-Gustaf Bergh

Kari Jordan

Susanna Renlund

Martin Tallberg

Martti Leisti
Managing Director

Auditor's Report

to the Shareholders of Julius Tallberg-Kiinteistöt Oyj

We have audited the accounting, the financial statements and the administration of Julius Tallberg-Kiinteistöt Oyj for the financial year 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

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

Espoo, February 9, 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant

Jarmo Alén
Authorised Public Accountant

Corporate Governance

The Company will adopt the Corporate Governance Recommendation for Listed Companies prepared by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers in stages according to the following timetable. The recommendation will be adopted and commented on by the Board of Directors no later than on July 1, 2004, and any changes requiring recommendations to amend the Articles of Association will be made no later than after the 2005 Annual General Meeting.

Corporate governance is the responsibility of Julius Tallberg Real Estate Corporation's bodies, i.e. the Annual General Meeting, Board of Directors and Managing Director.

Annual General Meeting

Julius Tallberg Real Estate Corporation's highest decision making body is the Annual General Meeting, in which shareholders participate in the supervision and control of the Company. The Annual General Meeting is held each year before the end of June. An Extraordinary General Meeting is convened when necessary. The shareholders exercise their rights of vote and action at the General Meetings. The Managing Director, the Chairman of the Board and a sufficient number of Directors shall attend the General Meetings. A person proposed for the first time as Director shall participate in the General Meeting that decides on his/her election unless there are well-founded reasons for the absence.

The Annual General Meeting approves the Company's accounts, decides on the distribution of dividends and elects the Board members and auditors.

The Board of Directors

The Company's Board of Directors consists of a minimum of three and a maximum of seven members.

The Board has a quorum when at least half of its members are present.

Board members are chosen in such a way that their Board membership ends at the Annual General Meeting that follows the one at which they were elected. The Board of Directors currently comprises six members, none of whom function on the Board on a full-time basis.

The Board of Directors chooses a Chairman and Vice Chairman from among its members for a term of one year.

The Company will adopt recommendation 11 (at least 5 members) after the 2005 Annual General Meeting.

A person elected as a Director must have the qualifications required to discharge a directors' duties and the possibility to devote sufficient time to the work. The majority of directors must be independent of the company. In addition, at least two of the directors representing this majority must be independent of significant shareholders of the Company.

According to the interpretation of the Company, three, i.e. half of the members of the Company's Board of Directors in 2003, are independent: Vice Chairman Ernst Gylfe and members Kaj-Gustaf Bergh and Kari Jordan. A Board of Directors' composition compliant with recommendation 18 will be discussed at the latest at the 2005 Annual General Meeting.

The Company's Managing Director, who is not a Board member, regularly represents the Company's operating management at Board of Directors' meetings. The Managing Director also functions as the Board's secretary.

The Board of Directors is responsible for supervising the management and the proper organization of the operations of the Company. The Board gives orders and instructions to the operating management of the Company, appoints and dismisses the Managing Director, approves the strategic goals and the principles of risk management for the Company and ensures the proper operation of the management system. The duty of the Board is to promote the interests of the Company and those of all of its shareholders. The members of the Board do not represent the interests of the parties who have proposed their election as members of the Board.

In addition to the duties specified by law and the Articles of Association, the Board of Directors approves the Company's operating plans and budget, and decides on important single investments, corporate and real estate acquisitions, and other strategically significant undertakings.

The Board of Directors has a written charter for its work.

In 2003 there were six Board meetings, which were attended by 89% of the members of the Board on average.

The Board evaluates its performance annually by an internal self-evaluation.

Board Committees

The Board of Directors shall elect from among its members an Executive Committee and an Audit Committee, each having three members.

Each committee must regularly report on their work to the Board. The Board of Directors confirms the core duties and operating principles of the committees in a written charter. The Company must report the number of committee meetings held during the year.

The members of the Audit committee must be independent of the Company after the 2005 Annual General Meeting.

The Managing Director

The Managing Director's service terms and conditions shall be specified in writing in the Managing Director's service contract approved by the board.

The Managing Director is responsible for the Company's result and balance sheet. The Managing Director is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Companies Act, the Articles of Association and the Board of Directors. The Managing Director may undertake acts which, considering the scope and nature of the operations of the Company, are unusual or extensive, only with the authorization of the Board. The Managing Director ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner.

Board of Directors

Chairman

Thomas Tallberg, MD, Helsinki
- Born 1934
- Oy Julius Tallberg Ab, Chairman of the Board
- Ramirent Oyj, Vice Chairman of the Board
- Board member in companies including Fiskars Oyj Abp and several foundations
- Julius Tallberg Real Estate Corporation, Vice Chairman of the Board since 1987 and Chairman of the Board since 1998
- Julius Tallberg Real Estate Corporation, direct holdings 151,680 A shares and 70,824 B shares.

Vice Chairman

Ernst Gylfe, M.Sc. (Eng.), Espoo
- Born 1944
- Helsingin Villakehräämö Oy, Chairman of the Board
- Board member in several Finnish companies
- Julius Tallberg Real Estate Corporation, member of the Board since 1987 and Vice Chairman since 1998
- Julius Tallberg Real Estate Corporation, no direct holdings.

Board Members

Kaj-Gustaf Bergh, B.Sc. (Econ.), LL.M., Helsinki
- Born 1955
- Board member in several Nordic companies
- Julius Tallberg Real Estate Corporation, member of the Board since 1998
- Julius Tallberg Real Estate Corporation, direct holdings 3,000 B shares.

Kari Jordan, B.Sc. (Econ.), Kauniainen
- Born 1956
- Nordea AB, Vice President
- Board member in several Nordic companies
- Julius Tallberg Real Estate Corporation, member of the Board since 1998
- Julius Tallberg Real Estate Corporation, no direct holdings.

Susanna Renlund, M.Sc. (Agr.), Helsinki
- Born 1958
- Oy Julius Tallberg Ab, Vice Chairman of the Board, Administrative Director
- Board member in several Finnish companies
- Julius Tallberg Real Estate Corporation, member of the Board since 1997
- Julius Tallberg Real Estate Corporation, direct holdings 46,166 B shares.

Martin Tallberg, M.Sc. (Econ.), Helsinki
- Born 1963
- Oy Julius Tallberg Ab, Managing Director
- Board member in several Finnish companies
- Julius Tallberg Real Estate Corporation, member of the Board since 1991
- Julius Tallberg Real Estate Corporation, direct holdings 58,080 A shares and 79,466 B shares.

Susanna Renlund   Kari Jordan   Thomas Tallberg Chairman   Kaj-Gustaf Bergh   Ernst Gylfe Vice Chairman   Martin Tallberg

Board Committees

Executive Committee
Chairman
Thomas Tallberg, Helsinki
Members
Ernst Gylfe, Espoo
Kaj-Gustaf Bergh, Helsinki

Audit Committee
Chairman
Thomas Tallberg, Helsinki
Members
Kari Jordan, Kauniainen
Susanna Renlund, Helsinki

Managing Director of the Company

Martti Leisti, M.Sc. (Econ.)
- Born 1947
- Board member in several Finnish companies
- Julius Tallberg Real Estate Corporation, Managing Director since 1987
- Julius Tallberg Real Estate Corporation, direct holdings 9,665 B shares.

Auditors

Kim Karhu, APA, and PricewaterhouseCoopers Oy, Authorized Public Accountants the principally responsible auditor being Jarmo Alén, APA.

Compensation

The compensation of the Board members is decided by the Annual General Meeting. In 2003, the fees paid to Board members amounted to approximately EUR 23,000. The members of the Board of Directors have no other incentive systems.

Personnel incentive systems

The Company has an incentive system for the personnel confirmed on February 6, 2004, which supports the achievement of the Company's long-term and short-term objectives. The criteria for the performance bonuses of the Managing Director and the personnel are approved by the Board of Directors annually. The options program for the Managing Director and the personnel has been discontinued. The personnel have no other incentive systems.

External audit

The Company has two auditors, of whom at least one must be an authorized public accountant. The other auditor may be a company of authorized public accountants. In the 2003 financial year, the auditors were paid fees amounting to around EUR 44,000, of which around EUR 9,000 were paid for services not related to auditing.

Personnel

During the year there were four employees on the Company's payroll. The subsidiaries had no employees.

Internal control and risk management

The purpose of the Company's internal control and risk management is to ensure the effective and successful operation of the company, reliable information and compliance with the relevant regulations and operating principles.

The Company has a written definition of the operating principles of internal control and risk management. Risk management is part of the Company's control system.

Insider administration

The Company complies with the Guidelines for Insiders issued by the Helsinki Exchanges.

The persons who are considered to have continual access to inside information about the Company are the Company's Board members, the Managing Director and the auditors. Other individuals with continual access to inside information are those to whom the Managing Director has assigned special tasks. The Company uses the insider registry service provided by the Finnish Central Securities Depository, which shows the current share ownership of insiders.

According to the Finnish Central Securities Depository, the members of the Board of Directors and the companies under their control and Julius Tallberg Real Estate Corporation own 3,194,996 shares, entitling them to 77.5% of the ownership rights and 87.4% of the voting power.

Communication and disclosure

The Company ensures that the following matters are presented on the website of the Company:
- information on compliance with the Corporate Governance Recommendation, as well as possible deviations and their reasons
- information on General Meetings
- the Articles of Association
- the Board of Directors
- the Managing Director and other executives
- the auditors
- the shares, share capital, principal shareholders and disclosures of major holdings for the past 12 months
- redemption clauses of the Articles of Association
- shareholder agreements known to the company
- the Annual Report
- other circumstances to be reported in accordance with the above-mentioned Recommendation.

Appraisal Report

Appraisal Report on Julius Tallberg Real Estate Corporation's Real Estate Stock

CATELLA PROPERTY CONSULTANTS

Catella Property Consultants, Ltd, Appraisal Service, has, at the request of the Julius Tallberg Real Estate Corporation, appraised the debt-free market value of real estate and real estate shares owned by the Company on December 31, 2003. Market value determinations are based on comparable sales and investment value approaches, and on market information gained from our real estate brokerage operations.

The appraisal covers the same nine properties as the prior December 31, 2002 appraisal, as well as one new property. Five of these properties were in Helsinki at Nahkahousuntie 3, Gyldénintie 2, Tapulikaupungintie 37/Lamppupolku 3, Liukumäentie 15 and Kanavaranta 7; two were in Espoo at Martinsillantie 10 and Karapellontie 11-13 (two properties); two were in Vantaa at Arinatie 8 and Äyritie 4-6; and 4,394m^2 of premises in Turku in a property owned by Kiinteistö Oy DataCity at Lemminkäisenkatu 14-18.

Five unsold heated parking spaces located at Vattuniemenkatu 2, Helsinki and shares held by the Julius Tallberg Real Estate Corporation in real estate companies controlled by Cargill, Inc. (total of EUR 3.3 million) are included in the hereinafter presented market value of the real estate stock, based chiefly on independent appraisals.

The appraised properties and ownership interests are 99% leased, calculated by their rental yield potential. During the year, the length of the average lease term has remained more or less unchanged. Rental rates used in new lease agreements correspond well with current market rates. The rental status of the properties is generally good. The properties at Karapellontie 13, Lamppupolku 3 and Äyritie 6 have ample unutilized building rights.

We appraise the December 31, 2003 debt-free market value of the aforementioned Julius Tallberg Real Estate Corporation properties and real estate shares at ninety-five million four hundred thousand euros (EUR 95,400,000). The debt-free market value refers to the likely debt-free cash price based on regular terms and conditions and excluding capital transfer taxes.

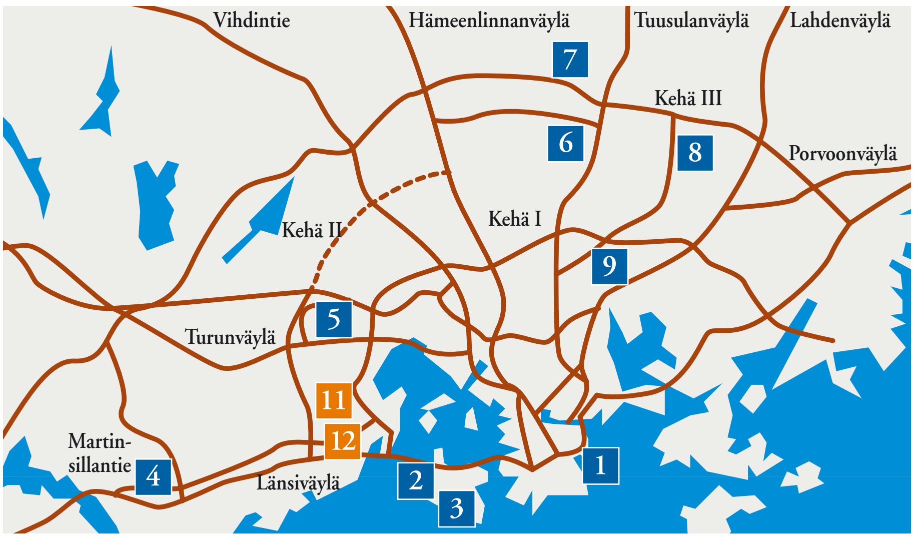
Helsinki, January 28, 2004

CATELLA PROPERTY CONSULTANTS LTD
Appraisal Service

Risto Vainionpää
Appraisal Consultant
M.Sc. (Eng.)
Authorized Real Estate Appraiser
General Practice

Arja Lehtonen
Manager, Appraisal Services
M.Sc. (Eng.)
Authorized Real Estate Appraiser
General Practice

Real Estate Locations in Helsinki Metropolitan Area



1. KOy Helsingin Kanavaranta 7
2. KOy Gyldénintie 2
3. KOy Nahkahousuntie 3
4. KOy Kauppakeskus Martinsilta
5. Oy Soffcon Kiinteistö Ab
6. KOy Arinatie 8
7. KOy Äyritie 4 Vantaa
8. KOy Suutarilan Huoltokeskus
9. KOy Liukumäentie 15 Helsinki

Joint ownership with Cargill:
11. SK Property Oy
(Espoo, Olarinluoma)
12. SK Property Oy
(Espoo, Niittykumpu)

In addition the Company owns 13% share of KOy DataCity in Turku, Finland.

Real Estate Investment and Development

The objective of the Company's real estate investment operations is the effective management of the existing real estate stock and the development of tenancy relations.

The objective of the Company's real estate development is to produce high-quality commercial, office, industrial and residential properties for sale and long-term investment purposes through efficient planning and implementation.

1. Helsinki/Katajanokka Kanavaranta 7

Significant tenants:
- Royal Ravintolat Oy (Restaurant Sipuli and Restaurant Nokka)
- Oy Carat Finland Ab
- International Marble & Granite Oy
- Good Mood Productions Oy
- StaffPoint Oy
- Jarowskij Suomi Oy


1


2

2. Helsinki/Lauttasaari Gyldénintie 2

Significant tenants:
- Casaret Consulting Oy (Restaurant C.W. Gyldén and Restaurant Piratti)
- Diacor Terveyspalvelut Oy
- Sairaala Laseri Oy

3. Helsinki/Lauttasaari Nahkahousuntie 3

Significant tenants:
- CC-Tukku Oy
- Det Norske Veritas Oy/Ab
- DNV Certifications Oy
- Vallilan Kopioteam Oy


3

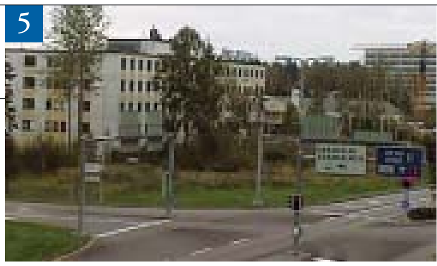
4. Espoo/Suomenoja Martinsillantie 10

Significant tenants:
- Biltema
- Café Restaurant Aire
- Espoon seudun koulutuskuntayhtymä (Espoo Institute of Technology)
- Huonekaluliike Vepsäläinen Oy
- Jysk Oy
- Kymppi-Lattiat Oy
- Laattamaailma Oy
- Maskun Kalustetalo Oy
- Suomen Teesi Oy
- Tarjoustalo/Tarjousmaxi Oy
- Tasokaluste Oy
- Veikon Kone Oy


4

5. Espoo/Kilo
Karapellontie 11-13

Significant tenants:
- Espoon seudun koulutus-
  kuntayhtymä
  (Espoo Institute of Business)
- Evolvit Oy
- HSG-Pakkaus Oy
- Oy Julius Tallberg Ab
- Oy Soffco Ab



6. Vantaa/Pakkala
Arinatie 8

Significant tenants:
- Exel Logistics Oy
- Oy Meluton Ab
- Ramirent Oyj
- Nokian Renkaat Oyj

8. Helsinki/Suutarila
Tapulikaupungintie 37

Rented entirely to Ramirent Oyj.

7. Vantaa/Aviapolis
Äyritie 4-6

Rented entirely to
Philips Medical Systems
MR Technologies Finland Oy.

9. Helsinki/Oulunkylä
Liukumäentie 15

Tenants:
- Oy Schenker East Ab
- Tekmanni Oy

Joint ownership with Cargill

The objective of the co-operation with the US company, Cargill Inc., is to obtain, through joint ownership, high-yielding office properties, mostly located in the Helsinki metropolitan area and on a short-term ownership basis.

The most important joint ownership properties:
11. SK Property Oy, Espoo, Olarinluoma
Tenant:
- Laattamaailma Oy

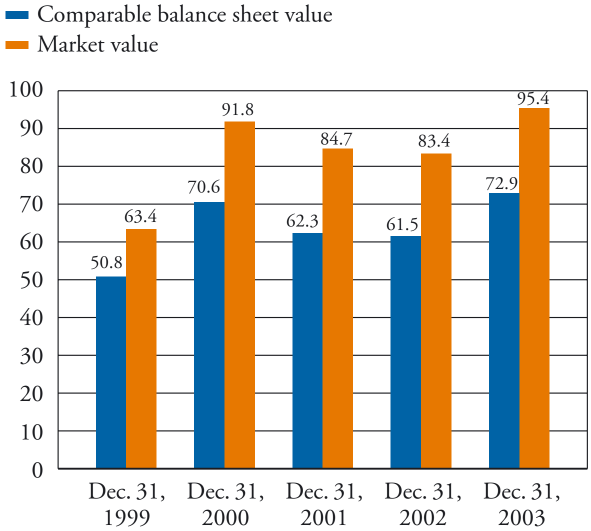
12. SK Property Oy, Espoo, Niittykumpu
Significant tenants:
- Espotel Oy
- Futuremark Oy
- Space Systems Oy

10. Turku/Datacity

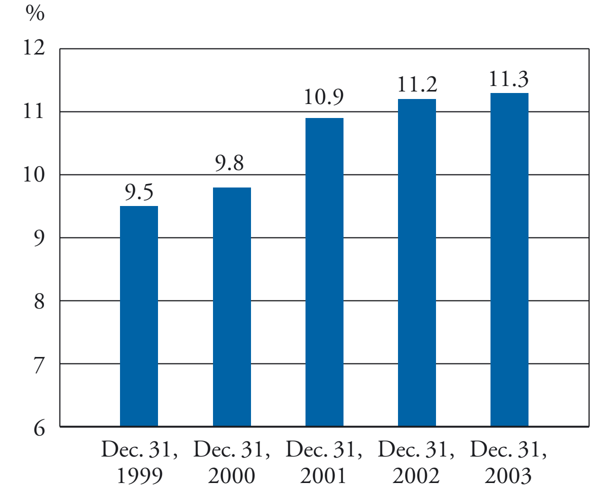
Significant tenants:
- Turku School of Economics
- Turku University
- Medivire Oy

Analyses of Real Estate Stock

Value of Real Estate Stock, EUR Million



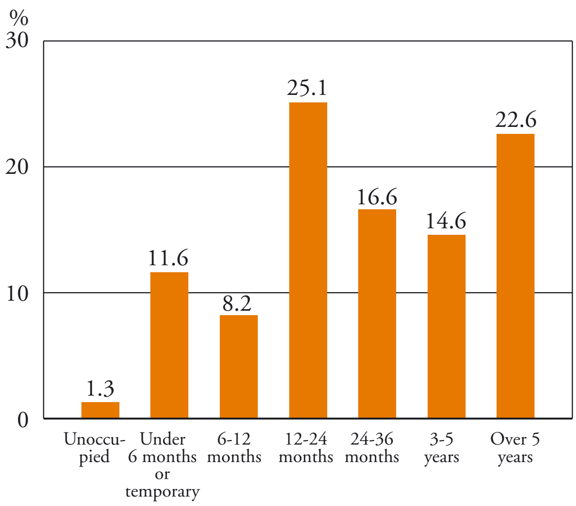
Net Rental Income %, of Book Value



$$\text{Net rental income \%} = \frac{\text{Annual net rental income (= rental income - maintenance costs)}}{\text{Acquisition or balance sheet value of completed real estate stock including capital transfer tax (average for year)}} \times 100$$

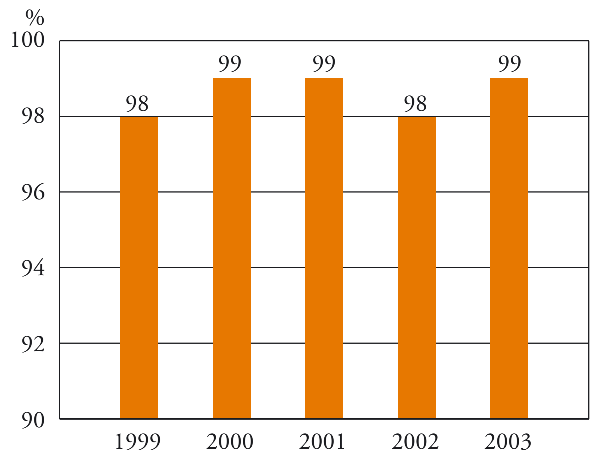
Rental Income Analysis on December 31, 2003

Average length of rental agreements
3.8 years (2002: 3.5 years)

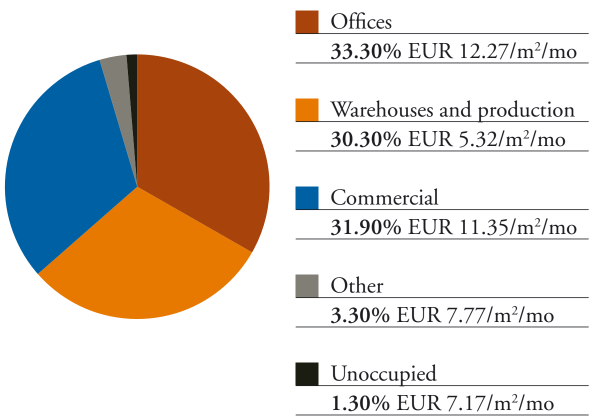


Tenancy agreement stock, total value (vat 0%) EUR 34 million (2002: EUR 25.3 million).
As for agreements valid until further notice, rent for term of notice recognized.

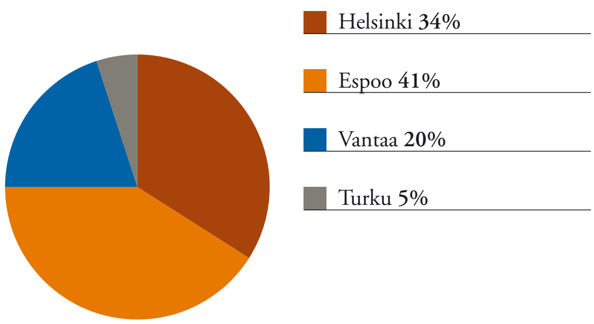
Yield-Weighted Occupancy Rate 1999-2003



Rental Income Property Specification and Rents EUR/m²/month (vat 0%)



Geographical Distribution of Real Estate Stock by Market Value



Real Estate Summary December 31, 2003

Real estate	Holding %	Rentable floorspace, m² Total	Commercial	Office	Storage/ production	Other	Unused building rights, floor m²	Year of acquisition
HELSINKI								
KOy Kanavaranta 7 Katajanokka	100 [1]	6,906	3,085	3,821	0	0	0	2003
KOy Gyldénintie 2 Lauttasaari	100	3,507	710	2,322	405	70	0	1987
KOy Nahkahousuntie 3 Lauttasaari	100	3,432	0	1,961	490	981	0	1988
KOy Suutarilan Huoltokeskus Suutarila	100	4,570	0	750	3,820	0	11,442	2000
KOy Suutarilan Lamppupolku Suutarila	100	0	0	0	0	0	8,838	2000
KOy Liukumäentie 15 Helsinki Oulunkylä	100 [2]	16,654	0	0	16,654	0	4,528	2000
Total		35,069	3,795	8,854	21,369	1,051	24,808	
ESPOO								
Oy Soffcon Kiinteistö Ab Kilo	100	6,731	0	3,771	2,580	380	7,564	1988
KOy Kauppakeskus Martinsilta Suomenoja								
- old property	100	12,289	6,829	1,036	3,619	805	0	1997
- new construction	100	11,886	11,418	0	447	21	0	2000
Total		30,906	18,247	4,807	6,646	1,206	7,564	
VANTAA								
KOy Arinatie 8 Pakkala	100	10,693	285	1,712	8,696	0	3,880	1991
KOy Äyritie 4 Vantaa Veromies	100	8,744	0	2,267	5,899	578	4,068	1997
KOy Vantaan Äyri Veromies	100	0	0	0	0	0	24,144	1997
Total		19,437	285	3,979	14,595	578	32,092	
TURKU								
KOy DataCity Lemminkäisenkatu 14-18	13	4,394	216	3,744	92	342	0	1988/ 1990
Total		4,394	216	3,744	92	342	0	
GRAND TOTAL		89,806	22,543	21,384	42,702	3,177	64,464	

[1] 18% of the real estate was purchased in 2000. The share of ownership was raised to 100% in 2003.
[2] The lot has been rented from the City of Helsinki. The rental agreement is valid until December 31, 2030.

The following minority holdings also belong to the Company's real estate stock:

Minority holdings in real estate corporations owned by Cargill Inc.:

- SK Property Oy
  - Olarinluoma, Espoo
  - Kappelitie, Espoo

Share of ownership of both 18%

- Jert Properties Oy, Espoo

Share of ownership 5%

JULIUS TALLBERG KIINTEISTÖT

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