

# Annual Report 2004



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JULIUS TALLBERG KIINTEISTÖT

# Julius Tallberg Real Estate Corporation

(Julius Tallberg-Kiinteistöt Oyj)

## Annual Report 2004

2004 marked the seventeenth year of operations for the Julius Tallberg Real Estate Corporation.

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# Information for Shareholders

## Annual General Meeting

The Annual General Meeting of Julius Tallberg Real Estate Corporation will be held on March 15, 2005 at 5.00 p.m. in the company's head office, street address Karapellontie 11, Espoo.

## Meeting agenda

The standard business of the Annual General Meeting under Article 12 of the Articles of Association.

The Board's proposal for amendment of Articles 6 and 10 of the Articles of Association as follows:

6 § Company business, unless falling under the duties of the Annual General Meeting, shall be managed by the Board of Directors, consisting of 5-8 members. Board members are elected at the Annual General Meeting, and their term of office shall last until the close of the next Annual General Meeting.

10 § The company shall have one (1) auditor and one (1) deputy auditor. If the company's auditor is a firm of authorized public accountants, a deputy auditor is not needed. The company's auditor must be an authorized public accountant (APA) or a firm of authorized public accountants. The auditors are elected for an indefinite period.

## Right to participate

Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by March 4, 2005 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 11, 2005. This may be done:

- by telephone at +358 207 420 705 to Ritva Savaspuro-Olli
- by telefax at +358 207 420 739
- in writing to Julius Tallberg Real Estate Corporation, P.O. Box 16, Karapellontie 11, FI-02610, Espoo, Finland
- by e-mail to [ritva.savaspuro@tallberg.fi](mailto:ritva.savaspuro@tallberg.fi) or
- on the company's web site at [www.jtkoyj.com/contact/default.asp](http://www.jtkoyj.com/contact/default.asp).

## Group in Figures

	Dec. 31, 2004	Dec. 31, 2003
Market value of real estate stock, EUR million	97.0	95.4
- change %	+1.7	+14.4
Consolidated net assets, EUR million	59.4	55.8
- change %	+6.5	+3.3
Nets assets per shares, EUR	14.42	13.52
Equity to total assets (market value) %	61.8	58.9
	<b>Jan. 1-Dec. 31, 2004</b>	<b>Jan. 1-Dec. 31, 2003</b>
Net sales, EUR million	9.9	8.8
- change %	+12.5	+20.2
Profit before taxes, EUR million	3.2	3.2
- change %	+0.9	+22.4
Dividend/share, EUR	0.30 <sup>(1)</sup>	0.29

<sup>1)</sup> Proposal by the Board of Directors

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 0.30 per share be paid for the year 2004. 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 18, 2005. The Board of Directors proposes to the Annual General Meeting that dividends be paid after the record date, as of March 29, 2005.

## Julius Tallberg Real Estate Corporation's financial information in 2005

Julius Tallberg Real Estate Corporation will publish its Financial Statements release for 2004 on Monday, February 7, 2005.

The company will publish three interim reports in 2005:

- on Tuesday May 10, 2005 for the first quarter.
- on Friday August 12, 2005 for the second quarter.
- on Monday October 31, 2005 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-02611 Espoo, by telephone at +358 207 420 705, by e-mail at [ritva.savaspuro@tallberg.fi](mailto:ritva.savaspuro@tallberg.fi) or through the company's web site.

The Interim Reports will only be published on the Internet at [www.jtkoyj.com](http://www.jtkoyj.com).

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

# Managing Director's Review

In 2004 the Company's net revenue rose by 12% to EUR 9.9 million. Income before taxes remained at last year's level of EUR 3.2 million.

The Company's capital expenditure was at a minimum this year - only EUR 1.9 million compared with EUR 16.4 million in 2003.

Based on a third-party appraisal, the market value of the Company's real estate holdings totaled EUR 97 million at the end of the year and net assets per share after deferred taxes rose to EUR 12.85 (EUR 11.96 on Dec. 31, 2003).

On December 31, 2004, the Company's B shares were quoted on the Helsinki Stock Exchange at EUR 9.78 (EUR 7.60 on Dec. 31, 2003), an increase of 29%. Yet the price was still 24% below the net asset value. The Company's P/E ratio was 16 on the same date.

2004 can be considered good in terms of the result. It was, after all, the second-best in the Company's history. The change in net assets per share was extremely satisfactory considering the circumstances, with a 7.4% rise in value.

When viewing the long-term development of the Company, growth has been steady and achieved without taking any significant risks:

During the past eight years (1997-2004), the Company has experienced significant growth. The value of the Company's real estate portfolio has risen from EUR 32.3 million to EUR 97 million and the net assets before deferred taxes from EUR 20.7 million to EUR 59.4 million; that is, they have almost tripled. Moreover, the Company has been distributing an increasing dividend during this period. At the same time, net rental income has increased to 11.35%; that is, it has almost doubled. The occupancy rate of the Company's real estate stock has also remained high. The Company's financial structure has stayed on target throughout the year, despite some notable investments.

## Outlook for 2005

The Company's result from rental operations is forecast to remain good, although the general market for office premises is still relatively poor. However, the result is expected to be good enough to permit a moderate increase in dividends paid for 2005.

The occupancy rate and net rental income of the Company is expected to remain at the current high level. The value of the Company's lease portfolio stood at almost EUR 35 million on December 31, 2004, with an average duration of 3.8 years.

The Company's interest rate risk related to financing is low thanks to hedging arrangements.

The Company's dividend proposal is EUR 0.30 per share, and the dividends paid have increased for nine consecutive years.

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



Espoo, February 7, 2005

A handwritten signature in blue ink, which appears to read 'Martti Leisti'. The signature is fluid and cursive.

Martti Leisti

# Board of Directors' Report

## BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR JANUARY 1, 2004 THROUGH DECEMBER 31, 2004

### Overview

The year 2004 marked the 17th full year of operations for the Julius Tallberg Real Estate Corporation.

The profitable and steady development of the company continued during the year despite rather poor conditions in the office leasing market. Income before taxes remained at last year's level of EUR 3.2 million, but figure included no non-recurring items as in 2003. The company's net revenue rose by 12% to EUR 9.9 million. Net rental yield remained at a high rate of 11.3% (11.3% in 2003). The occupancy rate of the company's rental property portfolio was also high, i.e. 98%.

The market value of the company's real estate holdings stood at EUR 97 million at the end of the year based on a third-party appraisal (EUR 95.4 million on December 31, 2003). This represented a 2% increase from the preceding year. Net assets per share before deferred taxes rose by 7%, totaling EUR 14.42 (EUR 13.52 on December 31, 2003). Net assets per share after deferred taxes totaled EUR 12.85 (EUR 11.96 on December 31, 2003).

Capital spending totaled EUR 1.9 million during the year, compared to EUR 16.4 million in 2003. The largest single investment was the completion of a roughly 2,500 m<sup>2</sup> new building in the Suutarila section of Helsinki early in the year. Other capital spending related to modification work at the Matinsilta shopping center and partial roofing and exterior renovations at the Äyritie property.

The company's market value-based equity-to-assets solvency ratio remained on target at 62% (59% in 2003). Occupancy rates have remained high. Computed in relation to the potential rental base, occupancy stood at 98% at the end of the financial year, unchanged from the preceding year. Despite the prevailing poor market conditions the company managed to raise its rents by slightly more than the rate of inflation.

### The real estate market

#### • Rental market

The supply of vacant office space continued to grow in the company's key markets in the greater Helsinki area during the year. Rents remained flat during the year. The supply of vacant retail, industrial and warehouse space has remained almost unchanged. Based on an estimate prepared by Catella Property Oy, the amount of vacant commercial real estate totaled roughly 0.9 million m<sup>2</sup> in the fall of 2004, or some 2.4%. The office space vacancy rate was 9.1%, while only 1.6% of retail space and 2.4% of industrial and warehouse space were vacant.

#### • Real estate investment market

Real estate investment activity was very brisk in the Helsinki region due to strong demand. Large properties and portfolios were mainly purchased by foreign real estate investors and domestic life and casualty insurers and real estate investment companies. According to Catella Property Oy, real estate investments totaled some EUR 3 billion nationwide in 2004, nearly one-half of which came from foreign investors.

#### Changes in property values and net assets per share

The EUR 97 million market value of the company's real estate portfolio is based on a third-party (Catella Property Oy) appraisal as of December 31, 2004, with the following exception. Julius Tallberg Real Estate Corporation's share of the value of three real estate companies owned jointly with Cargill, Inc. totals EUR 3.2 million. This value is based partly on other third-party appraisals and partly on the company's own estimates.

The primarily third-party (Catella Property Oy) appraised value of the property portfolio rose by 2% during the year, largely due to new property investment activity and reduced yield requirements. The company's real estate portfolio was valued at EUR 97 million at the end of the year. This EUR 3.6 million, or 6.5%, increase in the net assets of the company can be considered satisfactory.

The company's EUR 3.2 million income before taxes (EUR 3.2 million in 2003) was the second best in its history and consistent with its targeted performance.

The increase of net assets per share (without deferred taxes) from EUR 13.52 to EUR 14.42 was satisfactory.

#### Financing and financial risk management

The company's consolidated financial position remained good throughout the financial year. Financial leverage was at long-term target levels, with equity to assets at 62% based on independently appraised market values. The company has entered into interest rate hedges covering 2005 through 20013, as itemized in the notes to the financial statements, to guard against rises in interest rates. Their total value on December 31, 2004 was EUR 29.7 million, which represents 86% hedge coverage (interest rate hedges/total borrowings). This interest rate hedge position decreased to EUR 23.8 million on January 5, 2005 and hedge coverage fell to 69%. This also includes a EUR 2.6 million interest rate hedge starting on January 28, 2005.

Due to the upcoming IFRS transition the company reorganized its hedging arrangements at the end of the year, whereby interest rate hedges were mainly identified on a loan by loan basis. This measure materially reduced future income volatility stemming from interest rate hedges.

# Board of Directors' Report

The value of Julius Tallberg Real Estate Corporation's real estate holdings and assets per share changed as follows during the year:

	2004 EUR million	2003 EUR million
Market value of real estate stock <sup>1)</sup>	97.0	95.4
Comparable balance sheet value of real estate stock <sup>2)</sup>	72.1	72.9
Difference between market value and balance sheet value <sup>3)</sup>	+24.9	+22.5
Consolidated balance sheet equity	34.5	33.3
Consolidated net assets, market value on Dec. 31		
- deferred tax liabilities ignored	59.4	55.8
- deferred tax liabilities taken into account	53.0	49.3
Net assets per share, market value on Dec. 31	EUR	EUR
- deferred tax liabilities ignored	14.42	13.52
- deferred tax liabilities taken into account	12.85	11.96

<sup>1)</sup> Minority interests in real estate entities (Cargill, Inc.) have been based partly on third-party appraisals, and in part on the company's own estimates.

<sup>2)</sup> The following have been added to the book value of fixed assets to arrive at comparable debt-free market value:

– EUR 0.2 million allocated debt liability of Kiinteistö Oy DataCity  
– EUR 1.2 million allocated third-party debt liability in entities owned with Cargill, Inc.

<sup>3)</sup> Deferred taxes have been ignored

## Net revenue and income

Consolidated rental revenue grew by EUR 1.1 million (12%), amounting to EUR 9.9 million (EUR 8.8 million in 2003). Income before taxes remained at last year's level of EUR 3.2 million. This revenue increase was mainly due to higher rental income from the Suutarila property, and a one-time payment received in connection with the renegotiation of a lease agreement at the Martinsillantie property.

Personnel expenses, other operating expenses, and interest expenses stayed roughly at last year's levels. Scheduled depreciation grew significantly, mainly due to capital spending.

Return on capital employed was 6.8% (7.3% in 2003) and return on equity 7.3% (6.7% in 2003). The company's P/E ratio stood at 16 (14 on December 31, 2003) at the end of the year under review, and earnings per share totaled EUR 0.60 (EUR 0.53 in 2003).

## Strategic objectives

Julius Tallberg Real Estate Corporation draws on its extensive real estate investment and development experience and operates actively primarily in the real estate investment markets of the greater Helsinki area. All investment properties are expected to feature good locations, superior quality, and good functionality and development potential in addition to high yield potential. The company employs this operating approach in pursuit of the following objectives:

- steady increase in net assets
- steady increase in operating income and dividends
- profitable and steady increase in real estate assets

A high, minimum 50%, market value-based equity to assets ratio is a basic prerequisite for operational stability. This solvency target has been lowered from prior years. This was prompted by the increased risk diversification contributed by growth and lower interest rates.

## Future outlook

### • Rental markets

Nordea Bank forecasts that the Finnish GNP will grow by 3.5% in 2005. Growth is likely to be stronger in the Helsinki region than in the rest of Finland, and rental demand for retail, warehouse and industrial space is expected to remain unchanged. Demand for office space will probably settle at its long-term norm. Rental rates are forecast to remain largely flat and not to pick up until 2006 at the earliest.

### • Real estate investment market

Strong demand for good investment properties is expected to continue in 2005. Net yield requirements on retail and office space will probably hold steady but may come down for good properties. Traditional institutional real estate investors, such as banks and casualty insurers, have significantly reduced their real estate holdings. As in 2004, active real estate market players appear to consist of foreign investors and domestic pension and life insurers, finance companies, and traditional foundations and associations.

**• Near-term outlook**

The occupancy rate of Julius Tallberg Real Estate Corporation's property portfolio is expected to remain at its current high level as lease agreements are based on long-term partnerships with reliable corporate tenants. The company's lease portfolio stood at nearly EUR 35 million on December 31, 2004 (EUR 34 million in 2003), and the average remaining lease term was 3.8 years (3.8 years in 2003). The company's operating environment is expected to remain satisfactory overall, and the company will therefore continue to pursue its investment program as planned. The current high net rental yields are expected to remain above 10%.

The company's near-term rental income is expected to remain good. The goal for 2005 is to increase marketing, and to sell properties owned jointly with Cargill, Inc. Due to the performance of rental operations the company's net income is expected to remain high enough despite these disposals to facilitate increased dividends for the current year.

**Future goals**

The company's strategic goal is to continue to grow its current real estate portfolio of nearly EUR 100 million within the constraints of its equity-to-assets target through new acquisitions in keeping with the company's investment policies. The development of unused currently available office construction rights (some 32,000 m<sup>2</sup>) will be postponed to future years due to the relatively weak prevailing office market conditions. Meanwhile, various uses are actively explored particularly for the company's logistical construction rights at its Liukumäentie property (some 9,600 m<sup>2</sup>). The company's intent to grow its real estate portfolio promotes the diversification of risk and improved cost-effectiveness.

The goal of Julius Tallberg Real Estate Corporation is to provide its shareholders with a safe and stable investment alternative by steadily increasing its dividend paying ability and dividends during the current year and in the near term.

# Profit and Loss Account

EUR 1,000	Note	Consolidated		Parent Company	
		Jan. 1-Dec. 31 2004	Jan.1-Dec. 31 2003	Jan. 1-Dec. 31 2004	Jan.1-Dec. 31 2003
NET SALES	1	9,879	8,791	9,879	8,791
Other operating income	2	27	550	27	985
Salaries and wages	3	-403	-417	-403	-417
Depreciation and write-downs	4	-2,463	-2,047	-38	-47
Other operating expenses		-2,507	-2,448	-7,297	-7,274
OPERATING PROFIT		4,533	4,429	2,168	2,038
Financial income and expenses					
Income from other long-term investments		114	143	114	143
Other interest and financial income		26	95	1,782	1,884
Interest and other financial expenses	5	-1,457	-1,479	-1,397	-1,401
		-1,317	-1,241	499	626
INCOME BEFORE APPROPRIATIONS AND TAXES		3,216	3,188	2,667	2,664
Depreciation difference, increase (-) or decrease (+)		0	0	0	10
Income taxes	6	-738	-989	-696	-841
PROFIT FOR THE FINANCIAL YEAR		2,478	2,199	1,971	1,833



# Balance Sheet

EUR 1,000	Note	Consolidated		Parent Company	
		Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>INTANGIBLE ASSETS</b>					
	7				
Intangible rights		0	0	14	12
Other long-term expenditure		119	116	0	0
		119	116	14	12
<b>TANGIBLE ASSETS</b>					
	8				
Land		18,406	18,403	0	0
Buildings		44,917	42,616	0	0
Machinery and equipment		101	82	46	49
Other tangible assets		140	209	8	48
Construction in progress		81	2,861	0	0
		63,645	64,171	54	97
<b>INVESTMENTS</b>					
	9				
Interests in companies in the same Group		0	0	15,508	15,502
Receivables from companies in the same Group		0	0	41,454	42,336
Other shares and participations		6,671	6,716	6,670	6,715
Loan receivables		336	336	336	335
		7,007	7,052	63,968	64,888
<b>TOTAL NON-CURRENT ASSETS</b>		<b>70,771</b>	<b>71,339</b>	<b>64,036</b>	<b>64,997</b>
<b>CURRENT ASSETS</b>					
<b>Long-term receivables</b>					
Deferred tax assets		118	126	0	0
<b>Short-term receivables</b>					
Trade receivables		95	78	32	22
Other receivables		286	492	283	268
Prepaid expenses and accrued income		32	40	15	7
Cash and bank balances		2	1	0	0
<b>TOTAL CURRENT ASSETS</b>		<b>533</b>	<b>737</b>	<b>330</b>	<b>297</b>
<b>TOTAL ASSETS</b>		<b>71,304</b>	<b>72,076</b>	<b>64,366</b>	<b>65,294</b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
	10				
Share capital		21,027	21,027	21,027	21,027
Additional paid-in capital		6,109	6,109	6,109	6,109
Retained earnings		4,919	3,916	2,064	1,427
Net income for the year		2,478	2,199	1,971	1,833
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>34,534</b>	<b>33,251</b>	<b>31,172</b>	<b>30,396</b>
<b>LIABILITIES</b>					
	11				
Deferred tax liability		1,143	1,110	0	0
<b>Non-current liabilities</b>					
Loans from financial institutions		24,114	28,156	22,600	26,306
<b>Current liabilities</b>					
Loans from financial institutions		10,281	8,161	9,945	7,825
Customer advances		66	29	66	29
Accounts payable		197	98	39	18
Payables to companies in the same Group	12	0	0	97	0
Accrued liabilities		485	816	406	671
Other current liabilities		484	455	41	49
		11,513	9,559	10,594	8,592
<b>TOTAL LIABILITIES</b>		<b>36,770</b>	<b>38,825</b>	<b>33,194</b>	<b>34,898</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>71,304</b>	<b>72,076</b>	<b>64,366</b>	<b>65,294</b>

# Cash Flow Statement

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>OPERATIONS</b>				
Operating cash flow				
Operating profit	4,533	4,429	2,168	2,038
Adjustments to operating profit	2,436	1,497	10	-938
Financing expenses and income	-1,317	-1,241	499	626
Taxes	-697	-834	-695	-841
Total operating cash flow	4,955	3,851	1,982	885
<b>CHANGES IN WORKING CAPITAL</b>				
Accounts receivable, increase (-) decrease (+)	197	264	-33	242
Non-interest bearing current liabilities, increase (+) decrease (-)	-166	354	-118	-14
	31	618	-151	228
Total cash flow from operations	4,986	4,469	1,831	1,112
<b>INVESTMENTS</b>				
Capital spending	-1,931	-16,381	4	-13,150
Other investments	0	0	0	0
Repayment of loans	0	0	882	0
Proceeds from disposal of investments	64	714	64	1,150
	-1,867	-15,667	950	-12,000
Cash flow before financing	3,119	-11,198	2,781	-10,888
<b>FINANCING</b>				
Change in non-current debt, increase (+) decrease (-)	-4,042	7,636	-3,706	7,973
Change in non-current receivables, increase (-) decrease (+)	0	1,393	0	746
Change in current debt, increase (-) decrease (+)	2,120	3,241	2,121	3,241
Dividends	-1,196	-1,072	-1,196	-1,072
Total funds from financing	-3,118	11,198	-2,781	10,888
Net change in cash and equivalents, increase (+) or decrease (-)	1	0	0	0
Change in balance sheet cash and equivalents, increase (+) or decrease (-)	1	0	0	0

# Notes to the Financial Statements

## Corporate structure

Julius Tallberg Real Estate Corporation is a subsidiary of Oy Julius Tallberg Ab, Helsinki.

## Accounting principles

### • Consolidation

The consolidated financial statements incorporate all subsidiaries of the company. The parent company exercises 100% voting control over these subsidiaries. All inter-company transactions have been eliminated.

### Consolidation is based on the purchase method.

The unamortized difference between the cost of subsidiary shares and their book value at the time of acquisition has been allocated to buildings and land areas. Deferred taxes have been ignored because the company's strategy calls for selling the equity of real estate entities in full upon disposal. Capitalized consolidation differences are expensed in accordance with the building depreciation schedule.

### Depreciation and Amortization

Scheduled depreciation and amortization are based on expected useful lives and original cost.

The following annual depreciation and amortization percentages are used:

Office/retail buildings	2%	useful life 50 years
Industrial/warehouse buildings	3%	useful life 33 year
Machinery and equipment	25%	declining balance depreciation

Other capitalized expenditures 10-20 % useful life 5 or 10 years

Tenant improvement expenditures charged to tenants under lease contracts are amortized over the term of leases.

The cumulative difference between recorded and scheduled depreciation and amortization is booked as an increase in equity and deferred tax liability.

The notes to the financial statements show all figures in thousands of euros.

### Transition to IFRS reporting

Julius Tallberg Real Estate Corporation will report its consolidated financial statements in accordance with IFRS as of its 2005 annual statements. Preparations for IFRS reporting have been completed during 2004, and comparative accounting information will be gathered in the course of 2005. Systems changes required for the transition have been identified and implemented during 2004. The biggest change in the company's financial reporting stems from the valuation of investment properties in accordance with IFRS 40. The company has decided to value its investment properties at fair value on its consolidated balance sheet, and to recognize any changes in value during a reporting period on its income statement. Other changes in accounting principles related to the valuation of financial instruments. Due to the upcoming IFRS transition the company reorganized its hedging arrangements at the end of 2004, whereby interest rate hedges were generally identified on a loan by loan basis. This facilitates the application of hedge accounting in accordance with IFRS 39.

## Notes to the Profit and Loss Account

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>1. Net revenue</b>				
Rental income	9,871	8,782	9,871	8,782
Other revenue	8	9	8	9
	<b>9,879</b>	<b>8,791</b>	<b>9,879</b>	<b>8,791</b>
<p>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.</p>				
<b>2. Other operating income</b>				
Sales profits	19	549	19	985
Other income	8	1	8	0
	<b>27</b>	<b>550</b>	<b>27</b>	<b>985</b>
<b>3. Personnel costs</b>				
Salaries, fees and commissions	335	346	335	346
Pension costs	53	57	53	57
Other indirect personnel costs	15	14	15	14
	<b>403</b>	<b>417</b>	<b>403</b>	<b>417</b>
Number of personnel	4	4	4	4
Executive compensation				
Board of Directors, compensation	21	23	21	23
Pension commitments				
The Managing Director has a voluntary pension scheme with an annual cost of EUR 8,500. In addition to this and the statutory pension insurance under the Employees' Pension Act (TEL), management and personnel have no other pension arrangements.				
<b>4. Depreciation</b>				
Other capitalized expenditure	49	61	19	31
Buildings	2,357	1,962	0	0
Machinery and equipment	57	24	19	16
	<b>2,463</b>	<b>2,047</b>	<b>38</b>	<b>47</b>

# Notes to the Financial Statements

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>5. Financial income and expense</b>				
Dividend income from others	114	143	114	143
Interest income from long-term investments, from others	23	38	23	38
Other interest and financial income				
from companies in the same Group	0	0	1,756	1,842
from others	3	57	3	5
Interest and other financial expenses to others	-1,457	-1,479	-1,397	-1 401
Financing contribution <sup>1)</sup>	-86	-86	-86	-86
<b>Total financial income and expenses</b>	<b>-1,403</b>	<b>-1,327</b>	<b>413</b>	<b>541</b>
<sup>1)</sup> Included in rents and maintenance charges				
<b>6. Taxes</b>				
Tax on income from operations	697	835	696	841
Change in deferred tax liabilities	41	154	0	0
	<b>738</b>	<b>989</b>	<b>696</b>	<b>841</b>

## Notes to the Balance Sheet

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>Non-current assets</b>				
<b>7. Intangible assets</b>				
Intangible rights				
Acquisition cost, Jan. 1	137	81	31	27
Increases, Jan. 1-Dec. 31	9	56	8	4
Acquisition cost, Dec. 31	146	137	39	31
Accumulated depreciation and write-downs, Jan. 1	-21	-15	-19	-13
Depreciation, Jan. 1-Dec. 31	-6	-6	-6	-6
Book value, Dec. 31	<b>119</b>	<b>116</b>	<b>14</b>	<b>12</b>
<b>8. Tangible assets</b>				
Land and water acquisition cost, Jan. 1	18,403	13,749		
Increases, Jan. 1-Dec. 31	4	4,654		
Decreases, Jan. 1-Dec. 31	-1	0		
Book value, Dec. 31	<b>18,406</b>	<b>18,403</b>		
Buildings, acquisition cost, Jan. 1	53,685	44,854		
Increases, Jan. 1-Dec. 31	4,686	8,831		
Decreases, Jan. 1-Dec. 31	58,371	53,685		
Acquisition cost, Dec. 31	-11,073	-9,108		
Depreciation, Jan. 1-Dec. 31	-2,381	-1,961		
Book value, Dec. 31	<b>44,917</b>	<b>42,616</b>		
Accumulated depreciation difference, Jan. 1	42	42		
Accumulated depreciation difference, Dec. 31	42	42		
Machinery and equipment, acquisition cost, Jan. 1	456	443	202	197
Increases, Jan. 1-Dec. 31	72	13	41	5
Acquisition cost, Dec. 31	-69	0	-69	0
Acquisition cost, Dec. 31	459	456	174	202
Accumulated depreciation and write-downs, Jan. 1	-370	-349	-153	-137
Depreciation, Jan. 1-Dec. 31	44	0	44	0
Depreciation, Jan. 1-Dec. 31	-32	-25	-18	-16
Book value, Dec. 31	<b>101</b>	<b>82</b>	<b>47</b>	<b>49</b>
Accumulated depreciation, Jan. 1	0	0	0	10
Depreciation difference, Jan. 1-Dec. 31	0	0	0	-10
Accumulated depreciation difference, Dec. 31	0	0	0	0
Other tangible assets				
Acquisition cost, Jan. 1	507	480	196	169
Increases, 1-Dec. 31	0	27	0	27
Decreases, Jan. 1-Dec. 31	-27	0	-27	0
Acquisition cost, Dec. 31	480	507	169	196
Accumulated depreciation, Jan. 1	-298	-243	-148	-123
Depreciation, Jan. 1-Dec. 31	-43	-55	-13	-25
Book value, Dec. 31	<b>140</b>	<b>209</b>	<b>8</b>	<b>48</b>
Construction in progress				
Construction in progress, Jan. 1	2,860	61		
Increases, Jan. 1-Dec. 31	0	2,802		
Decreases, Jan. 1-Dec. 31	-2,779	-3		
Depreciation, Jan. 1-Dec. 31	0	0		
Book value, Dec. 31	<b>81</b>	<b>2,860</b>		

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>9. Investments</b>				
Equity in subsidiaries				
Acquisition cost, Jan. 1	0	0	15,502	15,494
Increases, Jan. 1-Dec. 31	0	0	6	8
Acquisition cost, Dec. 31	0	0	15,508	15,502
Other equity investments				
KOy Data-City	6,160	6,160	6,160	6,160
SK Property Oy	490	490	490	490
Other participations (Cargill)	15	15	15	15
Other shares	6	16	5	15
As Oy Lauttasaaren Meritähti Helsinki	0	35	0	35
	6,671	6,716	6,670	6,715
Other equity investments				
Acquisition cost, Jan. 1	6,716	6,882	6,715	6,881
Increases, Jan. 1-Dec. 31	0	0	0	0
Decreases, Jan. 1-Dec. 31	-45	-166	-45	-166
Acquisition cost, Dec. 31	6,671	6,716	6,670	6,715
<b>Subsidiaries and Group holdings</b>				
		Parent Company's		Book value
Subsidiaries		ownership %		EUR 1,000
KOy Gyldenintie 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		9
KOy Helsingin Kanavaranta 7		100		8
				15,508

**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 will 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 Stock Exchange in the "Investment" group.

During the fiscal year, the Board of Directors did not have authorization to raise the Company's share capital or to buy the Company's own shares. No convertible bonds or bonds with warrants were issued. The company has no valid options programs.

		Consolidated		Parent Company	
		2004	2003	2004	2003
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		6,115	4,988	3,260	2,499
Dividends paid		-1,196	-1,072	-1,196	-1,072
Profit for the financial year		2,478	2,199	1,971	1,833
Accumulated earnings, Dec. 31		7,397	6,115	4,036	3,260
Total equity		34,534	33,251	31,172	30,396
Distributable funds		4,144	3,396	4,036	3,260

# Notes to the Financial Statements

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>11. Liabilities</b>				
Deferred tax liabilities consist entirely of depreciation difference.				
<b>Liabilities with 5 year + maturity</b>				
Loans from credit institutions	7,569	11,612	7,401	11,107
<b>Current liabilities</b>				
Non-interest bearing current liabilities	1,232	1,398	649	767
Interest bearing current liabilities	10,281	8,161	9,945	7,825
	11,513	9,559	10,594	8,592

Maturing of loans	2005		2006		2007		2008		2009		2010		2011		2012		2013		Total
Maturity year																			
Consolidated	4,136	4,136	4,137	4,136	4,136	3,748	1,889	1,317	615	28,250									
Parent Company	3,800	3,800	3,800	3,800	3,800	3,579	1,889	1,317	615	26,400									

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>12. Payables to companies in the same Group</b>				
Short-term payables to subsidiaries	0	0	96	0

## Other Notes

EUR 1,000	Consolidated		Parent Company						
	2004	2003	2004	2003					
<b>13. Exposures from derivative contracts</b>									
Interest rate swaps									
Value of underlying instrument	29,708	24,313	29,708	24,313					
Market value	-576	-355	-576	-355					
<b>Maturing of derivative contracts</b>									
Maturity year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Interest rate swaps	11,920	2,877	2,877	2,877	4,189	1,893	1,230	1,230	615

EUR 1,000	Consolidated		Parent Company	
	2004	2003	2004	2003
<b>14. Corporate debt obligations</b>				
Unpaid debt from shares in real estate companies outside the Group on December 31	1,386	1,545	1,386	1,545
<b>15. Pledged assets</b>				
Debt secured by liens on real estate				
Loans from credit institutions				
Loans	34,395	36,317	32,545	34,130
Security				
- liens	39,641	43,641	0	0
Total liens on real estate	67,090	68,842	0	0

## 16. Insurance values on december 31, 2004

The properties of the real estate corporations, KOy Nahkahousuntie 3:n, KOy Gylénintie 2, Oy Soffcon Kiinteistö Ab, KOy Kauppakeskus Martinsilta, KOy Suutarilan Huoltokeskus and KOy Äyritie 4 Vantaa and Koy Helsingin Kanavaranta 7 are insured at full value. Real estate insurance totaling EUR 19.6 million is in force in the KOy Arinatie 8 and KOy Liukumäentie 15, Helsinki. 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 company's insurance policies have been with Fennia and Pension Fennia since January 1, 2004.

# Key Figures

## Group Key Figures

	2004	2003	2002	2001	2000
Net sales, EUR million	9,9	8,8	7,3	7,6	5,9
Operating profit, EUR million	4,5	4,4	3,6	5,2	2,6
- share of net sales, %	45,9	50,4	49,7	68,1	44,3
Profit before appropriations and taxes, EUR million	3,2	3,2	2,6	3,4	1,2
- share of net sales, %	32,6	36,3	35,6	44,4	20,0
Profit before appropriations and taxes, EUR million	3,2	3,2	2,6	3,4	1,2
- share of net sales, %	32,6	36,3	35,6	44,4	20,0
Return on equity (ROE), %	7,3	6,7	5,7	8,3	2,9
Return on investment (ROI), %	6,8	7,3	6,6	8,7	4,8
Equity-to-assets ratio, %					
- book value	48,5	46,2	54,1	52,0	43,3
- market value	61,8	58,9	66,4	65,1	56,8
Gross investments in fixed assets, EUR million	1,9	16,4	1,2	0,3	17,2
- share of net sales, %	19,9	186,3	16,8	4,5	291,5
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

## 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

Sector	Shareholders		Shares	
	Number	%	Number	%
Private companies	46	11.50	3,393,271	82.30
Financial institutions and insurance companies	5	1.25	62,832	1.52
Households	345	86.25	635,296	15.41
Foreign	2	0.50	13,000	0.32
Foreign	1	0.25	12,101	0.29
Unsubscribed	1	0.25	6,500	0.16
Total	400	100.00	4,123,000	100.00

## Largest Shareholders According to the Share Register on December 31, 2004 (12 Largest)

Shareholder	Shares		Shares %	Votes %
	A shares	B shares		
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	81,466	3.38	8.37
Oy Rosaco Ab	0	72,335	1.75	0.49
Tallberg Nina	440	49,166	1.20	0.39
Renlund Susanna	0	48,166	1.17	0.32
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 Oyj	12,100	6,050	0.44	1.67

## Shareholding Breakdown

Number of shares	Shareholders		Shares	
	Number	%	Number	%
1 - 99	136	34.00	5,945	0.14
100 - 999	181	45.25	52,984	1.29
1 000 - 9 999	65	16.25	155,736	3.78
10 000 - 99 999	13	3.25	378,190	9.17
100 000 - 999 999	4	1.00	782,550	18.98
1 000 000 - 9 999 999	1	0.25	2,747,595	66.64
Total	400	100.00	4,123,000	100.00

The company's Directors and President owned directly 209,760 A shares on December 31, 2004 and 208,621 B shares, which represent 29.64% of the company's voting power and 10.15% ownership.

Entities controlled by the company's Directors and President that hold the company's shares consist of:

Oy Julius Tallberg Ab, Oy Montall Ab ja Kiinteistö- ja kauppa Oy Ergy. These entities own a total of 305,326 A shares and 2,468,289 B shares that collectively carry 57.71% of the company's voting power and represent 67.27% ownership.



**Increases in Share Capital**

Subscription time/Subscribers	Increase in share capital		Issue premiums EUR 1,000	New share capital EUR 1,000	Right to dividend	
	Number	EUR 1,000				
Sept. 25, 1987/ Oy Julius Tallberg Ab (initial share capital)	327,000	A shares à EUR 5,0456	5,046	0	5,046	1/1 dividend in 1988
	673,000	B shares à EUR 5,0456				
Oct. 21, 1987/ Institutional investors	60,000	A shares à EUR 11,773	1,514	1,816	6,559	1/1 dividend in 1988
	240,000	B shares à EUR 10,932				
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	A shares à EUR 11,773	1,110	1,312	11,454	1/1 dividend in 1988
	200,000	B shares à EUR 10,932				
Nov. 1, 1988/ Oy Julius Tallberg Ab	60,000	A shares à EUR 11,773	3,330	3,936	14,784	No dividend in 1988
	600,000	B shares à EUR 10,932				
April 17-May 19, 1989/ Shareholders	46,700	A shares	1,478	0	16,262	1/1 dividend in 1989
	246,300	B shares				
	Bonus issue					
April 2-May 11, 1990 Shareholders	51,370	A shares	1,626	0	17,888	1/1 dividend in 1990
	270,930	B shares				
	Bonus issue					
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 (EUR 5.10) nominal value (EUR 5.10)	0		224	-224	21,027	

# Shares and Shareholders

## Share Prices and Trading Volumes of B Share

	2004	2003	2002	2001	2000
Share issue adjusted prices					
Highest price, EUR	10.10	7.60	5.70	5.45	5.40
Lowest price, EUR	7.10	4.95	4.85	4.24	3.86
Average price, EUR	8.85	5.97	5.36	4.61	4.88
Price on Dec. 31, EUR	9.78	7.60	5.20	5.00	4.20
Market value of stock					
B shares <sup>1)</sup> , EUR 1,000	34,797	27,040	18,501	17,789	14,943
Trading volume, shares	74,955	71,859	293,958	166,341	1,340,722
Trading, EUR 1,000	663	429	1,577	767	6,543
Turnover % <sup>2)</sup>	2.1	2.0	8.3	4.7	37.7

<sup>1)</sup> Price of B share on December 31 x number of B shares on December 31

<sup>2)</sup> 
$$\frac{\text{Trading volume of B shares}}{\text{Weighted annual number of B shares over the financial year}} \times 100$$

## Share Issue Adjusted Key Figures per Share

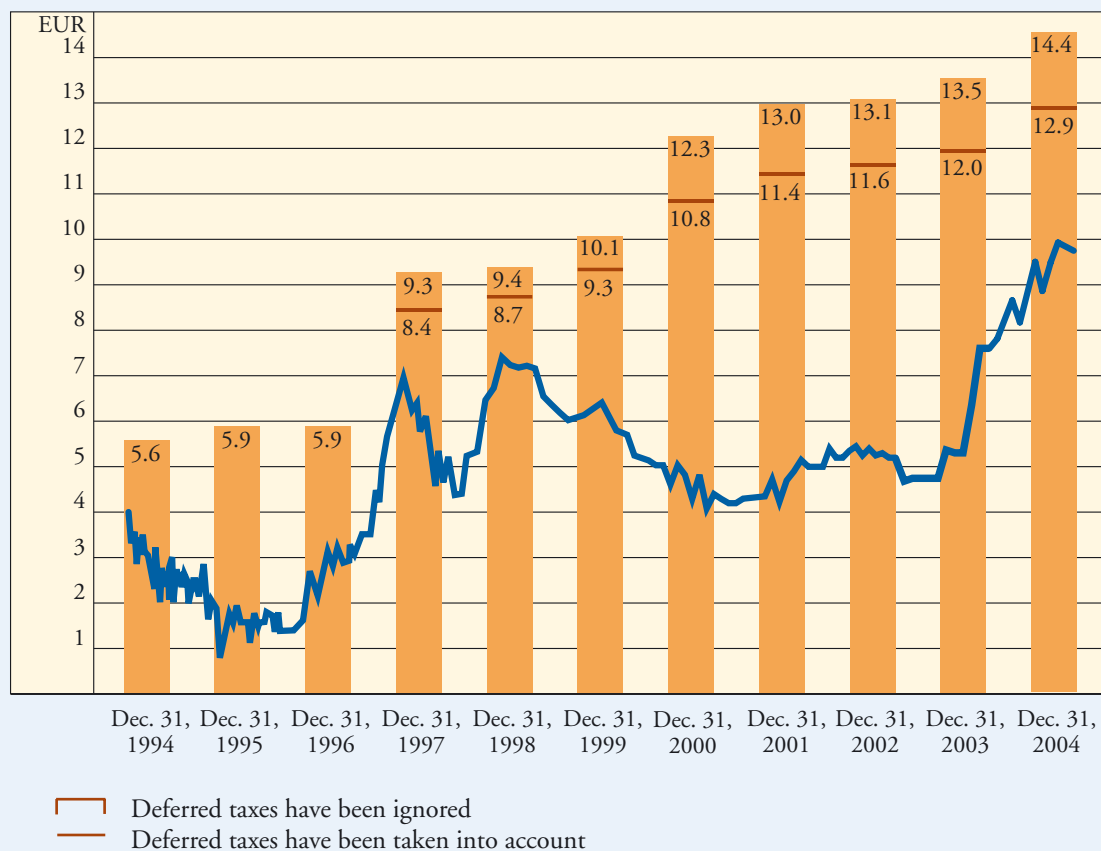
	2004	2003	2002	2001	2000
Earnings/share (EPS) <sup>1)</sup> , EUR	0.60	0.53	0.44	0.61	0.21
Net assets/share <sup>2)</sup> (market value), EUR	14.42	13.52	13.10	13.00	12.28
Equity/share (book value), EUR	8.38	8.06	7.79	7.57	7.14
Dividend/share <sup>3)</sup> , EUR	0.30	0.29	0.26	0.22	0.19
Dividend payout ratio, %	50.0	54.7	59.1	36.1	90.5
Effective dividend yield, %	3.1	4.9	5.0	4.4	4.4
Price/earnings ratio on Dec. 31	16	14	12	8	20
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

<sup>1)</sup> The number of shares used is 4 123 000; i.e. the number at the time of closing the accounts.

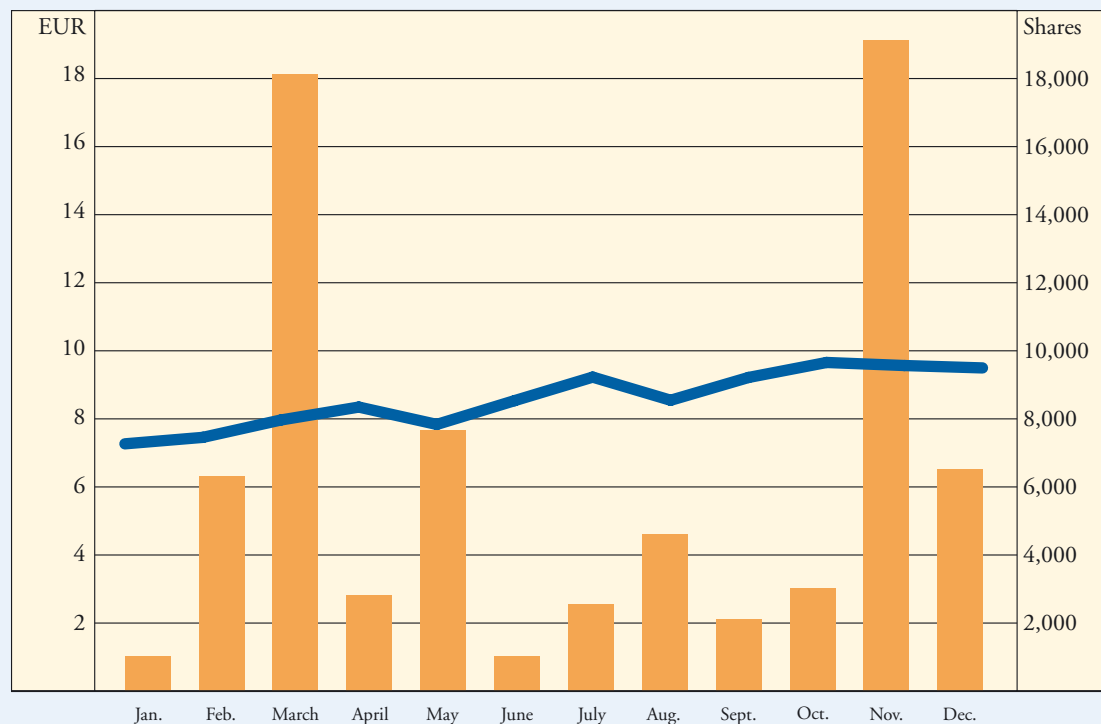
<sup>2)</sup> Deferred tax liabilities have been ignored.

<sup>3)</sup> Proposal by the Board of Directors.

### Net Assets per Share Prices



### Share Prices and Share Trading Volumes 2004



# Parent Company Dividend Proposal

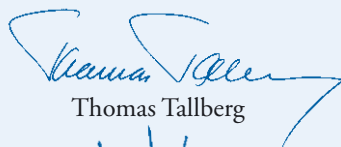
Consolidated distributable equity stands at EUR 4,143,989.95 on December 31, 2004.

The parent company's retained earnings total EUR 4,035,587.39 according to the December 31, 2004 balance sheet.

The Board of Directors proposal to the general meeting of shareholders that:

- a dividend of EUR 0.30 be paid on 4,123,000 shares, for a total of	EUR 1,236,900.00
- and that the remainder be left in retained earnings	EUR 2,798,687.39
	<hr/>
	EUR 4,035,587.39

Espoo, February 7, 2005



Thomas Tallberg




Ernst Gylfe



Kari Jordan



Susanna Renlund



Martin Tallberg



Martti Leisti  
Managing Director

## Auditors' 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 2004. 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.

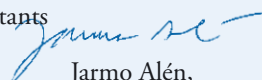
In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent 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, 2005



Kim Karhu,  
Authorized Public Accountant

PricewaterhouseCoopers Oy  
Authorized Public Accountants



Jarmo Alén,  
Authorized Public Accountant

# Corporate Governance

## Corporate governance

The Company will comply with 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 two stages. On 1 July, 2004, the recommendation was approved and adopted by the Board of Directors. Any changes in the corporate governance system that require amendment of the Articles of Association will take place no later than after the 2005 Annual General Meeting.

The Annual General Meeting, the Board of Directors and the Managing Director of Julius Tallberg Real Estate Corporation are responsible for corporate governance.

## 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 right to speak and vote at the General Meetings. The Managing Director, the Chairman of the Board and a sufficient number of Board members shall attend the General Meetings. A person proposed for the first time as a Board member 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 financial accounts, decides on the distribution of dividends and elects the Board members and auditors.

According to article 11 of the Company's Articles of Association, a notice of an Annual General Meeting shall be delivered no earlier than eight (8) weeks or no later than twelve (12) days before the meeting. A notice of the meeting shall be delivered either by publishing it in two newspapers appearing regularly in the Company's domicile, or by registered mail delivered to the shareholders at their address entered in the Company's share register.

The Board may decide that, in order for the shareholders to participate in the Annual General Meeting, they must register with the Company no later than the date specified in the notice of the meeting, which may be no earlier than five days before the meeting.

## 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.

The Annual General Meeting elects the Board members and decides on their number.

Board members must provide the Board with sufficient information to assess their competence and independence and must notify of any changes in this information.

The term of office of Board members shall end at the Annual General Meeting that follows the one at which they were elected. The Board currently has five members, none of whom are full-time.

The Board of Directors selects 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 Board member must have the qualifications required to discharge his/her duties and the possibility to devote sufficient time to the work. The majority of Board members must be independent of the Company. In addition, at least two of the Board members representing this majority must be independent of the Company's major shareholders.

To the best of the Company's knowledge, two members of the Board of Directors elected at the Annual General Meeting of March 17, 2004 are independent: Ernst Gylfe, Vice Chairman, and Kari Jordan, member. A composition of the Board that complies with recommendation 18 will be settled no later than at the 2005 Annual General Meeting.

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

The Board of Directors is responsible for supervising the management and proper organization of the Company's operations. The Board supervises and instructs the Company's operating management, appoints and dismisses the Managing Director, approves the Company's strategic goals and risk management principles and ensures the proper operation of the management system. The Board also approves the guidelines for governing financial risks. The Board's duty is to promote the interests of the Company and of all its shareholders. The Board members do not represent the interests of parties who have proposed their election as Board members.

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 major single investments, corporate and real estate acquisitions, and other strategically significant undertakings.

The Company is required to provide the Board members with the necessary information on the Company's operations. Such information concerns the Company's structure, business and markets. New Board members must be familiarized with the Company's operations.

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

In 2004 there were six Board meetings, which were attended by 87% of the Board members on average.

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

## Board committees

In its inaugural meeting on March 17, 2004 the Board did not form any committees, because the Board meets so often that corporate governance issues can be handled at its regular meetings. The auditor is invited to the Board's meetings twice per year.

# Corporate Governance

## Board of Directors

### Chairman

---

#### **Thomas Tallberg, Helsinki**

Born 1934  
MD

- Chairman of the Board of Oy Julius Tallberg Ab,
- Board member of Fiskars Oyj Abp and several foundations
- Vice Chairman of the Board of Julius Tallberg Real Estate Corporation since 1987 and Chairman since 1998
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2004 were 151,680 A shares and 70,824 B shares
- Thomas Tallberg has served as a Docent in Immunology since 1967, a Specialist in Immunology at the Helsinki University Central Hospital (1971-1997), and Director of the Institute for Bio-Immunotherapy Helsinki Ltd since 1996.

### Vice Chairman

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#### **Ernst Gylfe, Chairman of the Board, Espoo**

Born 1944  
M.Sc. (Eng.)

- Chairman of the Board of Helsingin Villakehräämö Oy
- Board member of several Finnish companies
- Member of the Board of Julius Tallberg Real Estate Corporation since 1987 and Vice Chairman since 1998
- No direct holdings in Julius Tallberg Real Estate Corporation
- Ernst Gylfe has served Helsingin Villakehräämö Oy as Managing Director (1974-2001) and as Chairman of the Board (since 2001).

### Board members

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#### **Kari Jordan, Kauniainen**

Born 1956  
M.Sc. (Econ.)

- Managing Director of Metsäliitto Group
- Board member of several Finnish companies
- Member of the Board of Julius Tallberg Real Estate Corporation since 1998
- No direct holdings in Julius Tallberg Real Estate Corporation
- Kari Jordan has served as a deputy and regular member of the OKO Bank Board of Directors (1987-1994). Since 1994, he has held management positions in KOP, Merita and Merita Nordbanken, most recently as the Group's Executive Vice President and Member of the Group Executive Management in the Nordea AB Group (to the end of 2004).

#### **Susanna Renlund, Administration Manager, Helsinki**

Born 1958  
M.Sc. (Agr.)

- Vice Chairman of the Board and Administration Manager of Julius Tallberg Corporation
- Board member of several Finnish companies
- Member of the Board of Julius Tallberg Real Estate Corporation since 1997
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2004 were 48,166 B shares
- Susanna Renlund's key duties have included the management of several housing companies and the financial management of the Institute for Bio-Immunotherapy Helsinki Ltd since 1994.

#### **Martin Tallberg, Managing Director, Helsinki**

Born 1963  
M.Sc. (Econ.)

- Managing Director of Oy Julius Tallberg Ab
- Board member of several Finnish companies
- Member of the Board of Julius Tallberg Real Estate Corporation since 1991
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2004 were 58,080 A shares and 81,466 B shares
- Martin Tallberg worked as a real estate expert for SKV briefly in 1989-1990, after which he started as a Management Assistant at Oy Julius Tallberg Ab responsible for leasing and selling real estate, and administrative and business development activities. He has been Managing Director of Oy Julius Tallberg Ab since 1995.

## The Managing Director

The Board of Directors selects the Company's Managing Director and decides on the terms of his/her employment. The Managing Director's service terms and conditions are 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.

Managing Director of the Company:

**Martti Leisti**

Born 1947

M.Sc. (Econ.)

Board member of several Finnish companies  
Managing Director of Julius Tallberg Real Estate Corporation since 1987

Before 1987, Martti Leisti worked for 10 years for YIT Corporation, of which 6.5 years were in export management posts in the Middle East and Spain. Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2004 were 8,165 B shares. No holdings and rights based on equity-based incentive schemes.

In 2004, the salaries and fees paid to the Managing Director totaled EUR 127,909. The pension insurance payments made in 2004 amounted to EUR 8,500. Under the Managing Director's service contract, the period of notice is 4 months. If the Company terminates the contract, the Managing Director is entitled to compensation equivalent to 12 months' salary, provided the reason for dismissal is not the serious breach or negligence referred to in the Employment Contracts Act.

## Other executives

Julius Tallberg Real Estate Corporation has no other executives.

## Salaries and fees

The Annual General Meeting confirms the Board members' fees annually in advance. The Board approves the Managing Director's salary and other benefits. In 2004, members of the Julius Tallberg Real Estate Corporation Board of Directors were paid a total of approx. EUR 21,300. Members of the Julius Tallberg Real Estate Corporation Board of Directors are not rewarded with options, nor do they have other incentive schemes.

## 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 performance bonus criteria and the actual performance bonuses of the Managing Director and the personnel are approved annually by the Board of Directors. Options programs affecting the Managing Director and the personnel have been discontinued.



Susanna Renlund

Kari Jordan

Thomas Tallberg  
Chairman

Martin Tallberg

Ernst Gylfe  
Vice Chairman

# Corporate Governance

The Managing Director and the personnel have a voluntary pension scheme whose annual cost for 2005 will be no more than EUR 27,000.

## Audit and auditors

### External audit

The Company has two auditors, of whom at least one must be an authorized public accountant. The Company's other auditor may be a firm of authorized public accountants. In the 2004 financial year, the auditors were paid fees amounting to approx. EUR 27,654, of which approx. EUR 10,926 were paid for IFRS services not related to auditing.

### Auditors

Auditors: Kim Karhu, APA, and Pricewaterhouse-Coopers Oy, Authorised Public Accountants, represented by Jarmo Alén, APA.

### Insider administration

The Company complies with the Guidelines for Insider Administration issued by the Helsinki Stock Exchange. 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.

All insiders have received the regulations in writing. They will also be informed in writing about the periods when they are banned from trading.

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 owned 3,192,496 shares on December 31, 2004, entitling them to 77.4% of the ownership rights and 87.3% of the voting power.

### Control systems

Julius Tallberg Real Estate Corporation's business is governed and controlled by means of the administrative and management system described above. For the purposes of business monitoring and asset management supervision, the Company has in place appropriate and reliable accounting and other information systems.

The accounting system can be used to monitor realized figures and forecasts in periods of one, three and 12 months, and a budget comparison for the corresponding periods. The system also enables long-term planning and acts as a budgeting tool.

### Internal audit and control

Julius Tallberg Real Estate Corporation's internal control comprises financial and other control. Internal control is carried out in the Company by the Board of Directors and the Managing Director and also by the entire personnel. Internal control strives to ensure that: the approved strategy and budget targets and objectives are reached the Company's resources are used economically and efficiently any operational risks are under control financial and other management information is reliable and authentic external control and internal procedures,

as well as appropriate procedures in customer relationships, are followed the Company's operations, information and property is kept safe and insurance policies are adhered to appropriate information systems and work procedures are in place to support operations.

The Board is responsible for organizing and maintaining sufficient and well-operating internal control. The Managing Director's duty is to ensure that the practical measures of internal control are carried out.

The Managing Director is responsible for ensuring that the targets, procedures and strategic plans set by the Board are followed. It is the Managing Director's duty to maintain an organization structure in which the responsibilities, authorizations and reporting procedures are defined clearly and comprehensively in writing.

The Managing Director is responsible for ensuring that the Group's day-to-day operations conform with valid legislation and the regulations based thereon, and also with the Company's operating principles and Board decisions.

The reports made by the auditors to the Board and the Managing Director during the year include an administrative audit and relevant parts of the Company's internal audit.

### Risk management

Julius Tallberg Real Estate Corporation's Board and Managing Director follow the risks involved in the business. The purpose of risk management is to reduce the probability or threat of unexpected losses. Risk management covers both internal and external risks, risks that can or cannot be measured, and risks that are within and outside the influence of the Company.

The risk involving tenants has been spread by increasing the volume of real estate and therefore increasing the number of lease agreements.

Julius Tallberg Real Estate Corporation undergoes an annual risk management process, resulting in an update of the Company's risk map and an annual action plan, which is presented to the Board at a separately agreed meeting in the autumn.

### Disclosures of significant changes in holdings for the past 12 months

There are no disclosures of significant changes in holdings for the past 12 months.

### Redemption clauses

The Articles of Association contain no redemption clauses.

### Shareholder agreements

The Company is not aware of any shareholder agreements.

### Communications and disclosure

The Company presents the following matters on its Internet site:

- Corporate governance system
- Information on General Meetings
- Shares, share capital and principal shareholders
- Annual Report
- Other circumstances to be reported in accordance with the above-mentioned Recommendation.



# 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.

## 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

**10** KOy DataCity in Turku  
(Company's ownership is 13%)

Joint ownership with Cargill:

**11** SK Property Oy (Espoo, Olarinluoma)

**12** SK Property Oy (Espoo, Niittykumpu)

## 1. Helsinki/Katajanokka Kanavaranta 7

Significant tenants:

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



## 2. Helsinki/Lauttasaari Gyldenintie 2

Significant tenants:

- Casarest Consulting Oy  
(Restaurant C.W. Gylden 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

## 4. Espoo/Suomenoja Martinsillantie 10

Significant tenants:

- Biltrema
- Café Luna
- Espoon seudun koulutus kuntayhtymä  
(AMTEK)
- Huonekaluliike Vepsäläinen Oy
- Jysk Oy
- Kymppi-Lattiat Oy
- Laattamaailma Oy
- Lidl Suomi Ky
- Maskun Kalustetalo Oy
- Rautakirja Oy
- Suomen Teesi Oy
- Rengasmaailma Oy
- Tarjoustalo/Tarjousmaxi Oy
- Tasokaluste Oy
- Veikon Kone Oy



## 5. Espoo/Kilo Karapellontie 11-13

Significant tenants:

- Espoon kaupunki, kiinteistöpalvelukeskus
- Espoon seudun koulutus-  
kuntayhtymä  
(Espoo Institute of Business)
- Evolvit Oy
- HSG-Pakkaus Oy
- Oy Julius Tällberg Ab
- Oy Soffco Ab



## 6. Vantaa/Pakkala Arinatie 8

Significant tenants:

- Nokian Renkaat Oyj
- Oy Meluton Ab
- Ramirent 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



## 10. Turku/Datacity

Significant tenants:

- Medivire Oy
- Turku University

## 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

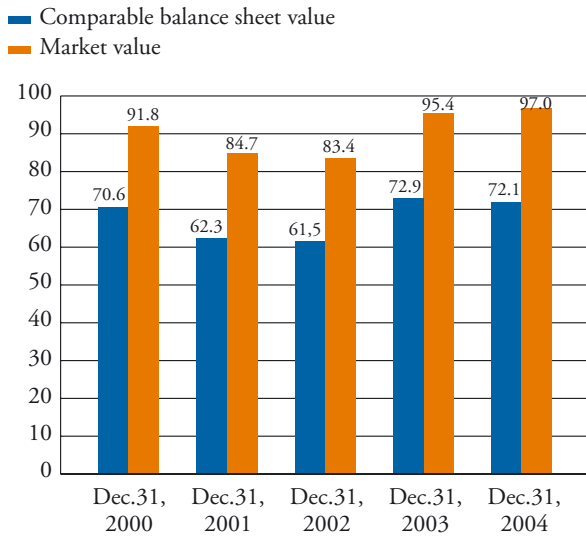
- Futuremark Oy

- Space Systems Oy

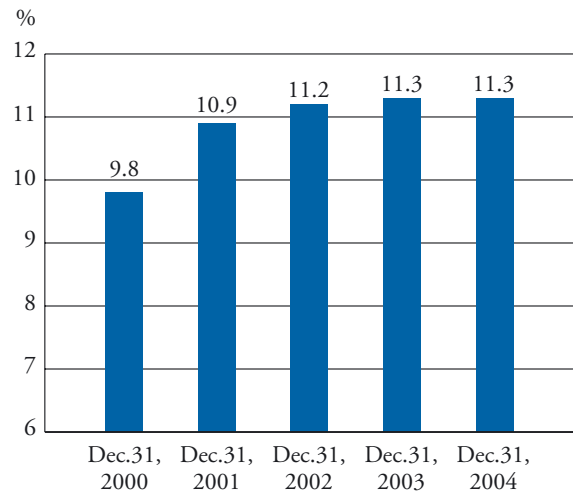


# Analyses of Real Estate Stock

## Value of Real Estate Stock, EUR Million



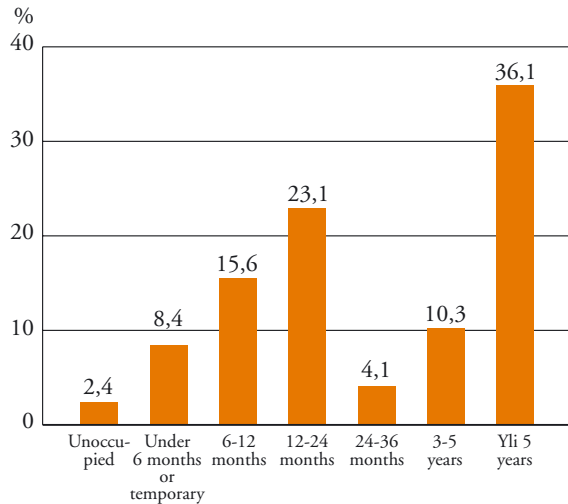
## Net Rental Income %, of Book Value



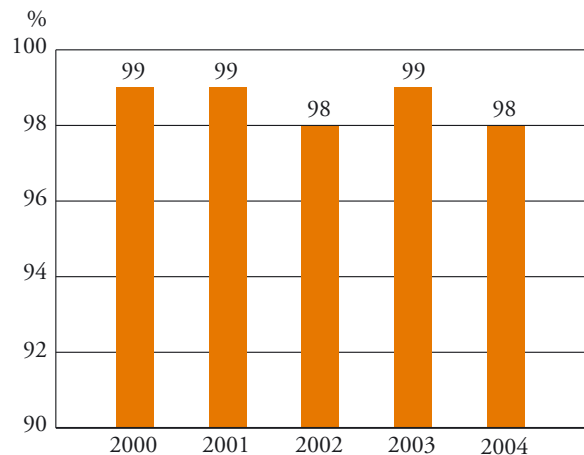
$$\text{Net rental income \%} = \frac{\text{Annual net rental income (= rental income - maintenance costs)}}{\text{Acquisition or balance sheet value of completed real estate stock including capital transfer tax (average for year)}} \times 100$$

## Rental Income Analysis on December 31, 2004

Average length of rental agreements  
3.8 years (2003: 3.8 years)

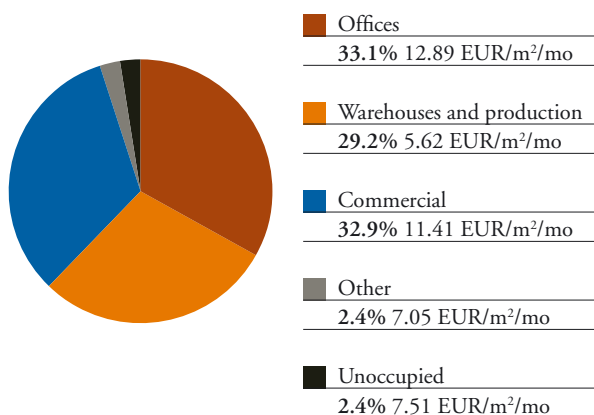


## Yield-Weighted Occupancy Rate 2000-2004

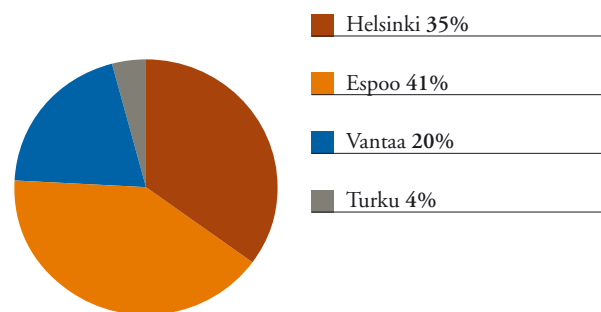


Tenancy agreement stock, total value (vat 0%) EUR 35 million (2002: EUR 25.3 million).  
As for agreements valid until further notice, rent for term of notice recognized.

## Rental Income Property Specification and Rents EUR/m<sup>2</sup>/month (vat 0%)



## Geographical Distribution of Real Estate Stock by Market Value



# Real Estate Summary December 31, 2004

Real Estate	Holding	Rentable floorspace, m <sup>2</sup>					Unused building rights, floor m <sup>2</sup>	Year of acquisition
		%	Total	Commercial	Office	Storage/production		
<b>HELSINKI</b>								
KOy Kanavaranta 7 Katajanokka	100	6,906	3,085	3,821	0	0	0	2003
KOy Gyldenintie 2 Lauttasaari	100	3,507	710	2,322	405	70	0	1987
KOy Nahkahousuntie 3 Lauttasaari	100	3,496	0	1,961	554	981	0	1988
KOy Suutarilan Huoltokeskus Suutarila	100	5,776	0	1,441	4,335	0	10,845	2000
KOy Suutarilan Lamppupolku Suutarila	100	0	0	0	0	0	8,838	2000
KOy Liukumäentie 15 Helsinki Oulunkylä	100 <sup>1)</sup>	14,382	0	0	14,382	0	9,600	2000
<b>Total</b>		<b>34,067</b>	<b>3,795</b>	<b>9,545</b>	<b>19,676</b>	<b>1,051</b>	<b>29,283</b>	
<b>ESPOO</b>								
Oy Soffcon Kiinteistö Ab Kilo	100	6,731	0	3,771	2,580	380	7,564	1988
KOy Kauppakeskus Martinsilta Suomenoja	100	12,289	6,829	1,036	3,619	805	0	1997
- old property	100	11,935	11,467	0	447	21	0	2000
<b>Total</b>		<b>30,955</b>	<b>18,296</b>	<b>4,807</b>	<b>6,646</b>	<b>1,206</b>	<b>7,564</b>	
<b>VANTAA</b>								
KOy Arinatie 8 Pakkala	100	10,708	285	1,712	8,711	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
<b>Total</b>		<b>19,452</b>	<b>285</b>	<b>3,979</b>	<b>14,610</b>	<b>578</b>	<b>32,092</b>	
<b>TURKU</b>								
KOy DataCity Lemminkäisenkatu 14-18	13	4,394	216	3,744	92	342	0	1988/ 1990
<b>Total</b>		<b>4,394</b>	<b>216</b>	<b>3,744</b>	<b>92</b>	<b>342</b>	<b>0</b>	
<b>GRAND TOTAL</b>		<b>88,868</b>	<b>22,592</b>	<b>22,075</b>	<b>41,024</b>	<b>3,177</b>	<b>68,939</b>	

<sup>1)</sup> 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

- Niittykumpu, Espoo

Share of ownership of both 18%

- Jert Properties Oy, Espoo

Share of ownership 5%

# Valuation Report

## Valuation Report on Julius Tallberg Real Estate Corporation's Real Estate Stock



### CATELLA PROPERTY CONSULTANTS

Catella Property Ltd, Valuation Service, has, at the request of the Julius Tallberg Real Estate Corporation, valued the debt-free market value of real estate and real estate shares owned by the Company on December 31, 2004. Market value determinations are based on comparable sales and investment value approaches, and on market information gained from our real estate brokerage operations.

We valued ten properties, the same ones as in the previous valuation the year before on December 31, 2003. Five of these properties were in Helsinki at Nahkahousuntie 3, Gyldenintie 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 4,394 m<sup>2</sup> of premises in Turku in a property owned by Kiinteistö Oy DataCity at Lemminkäisenkatu 14-18.

Shares held by the Julius Tallberg Real Estate Corporation in real estate companies controlled

by Cargill, Inc. are included at their total market value (EUR 3.2 million) in the hereinafter presented market value of the real estate stock, based chiefly on independent valuations.

The valued properties and ownership interests are 98% 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 Lamppupolku 3, Liukumäentie 15, Karapellontie 13 and Äyritie 6 have ample unutilized building rights.

We value the December 31, 2004 debt-free market value of the aforementioned Julius Tallberg Real Estate Corporation properties and real estate shares at ninety-seven million euros (EUR 97,000,000). 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 27, 2005

CATELLA PROPERTY Ltd  
Valuation Service

Handwritten signature of Risto Vainionpää in blue ink.

Risto Vainionpää  
Valuation Consultant  
M.Sc. (Eng.)  
Authorized Real Estate Valuer  
General Practice

Handwritten signature of Arja Lehtonen in blue ink.

Arja Lehtonen  
Valuation Consultant Manager  
M.Sc. (Eng.)  
Authorized Real Estate Valuer  
General Practice





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