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JULIUS TALLBERG KIINTEISTÖT

ANNUAL REPORT 2005

# Julius Tallberg Real Estate Corporation

(Julius Tallberg-Kiinteistöt Oy)

## Annual Report 2005

2005 marked the eighteenth year of operations for the Julius Tallberg Real Estate Corporation

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## Annual General Meeting

The Annual General Meeting of Julius Tallberg Real Estate Corporation will be held on March 21, 2006 at 5.00 p.m. in the company's head office, street address Karapellontie 11, Espoo, Finland.

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

## Right to participate

Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by March 10, 2006 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. Thursday March 16, 2006. This may be done:

- by telephone at +358 207 420 705 to Ritva Savaspuro-Olli
- in writing to Julius Tallberg Real Estate Corporation, P.O. Box 16, Karapellontie 11, FI-02610, Espoo, Finland
- by email to 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).

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 0.31 per share be paid for the year 2005. 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 24, 2006. The Board of Directors proposes to the Annual General Meeting that dividends be paid after the record date, as of March 31, 2006.

## Julius Tallberg Real Estate Corporation's financial information in 2006

Julius Tallberg Real Estate Corporation will publish its Financial Statements release for 2005 on Monday, February 6, 2006.

The company will publish three interim reports in 2006:

- on Tuesday May 9, 2006 for the first quarter.
- on Thursday August 10, 2006 for the second quarter.
- on Thursday October 26, 2006 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 telephone at +358 207 420 705, by email 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).

## GROUP IN FIGURES (IFRS)

	Dec. 31, 2005	Dec. 31, 2004
Market value of real estate assets, EUR million	107.9	97.0
- Change %	+11.2	+1.7
Consolidated equity, EUR million	57.0	51.6
- Change %	+10.5	+6.7
Equity per share, EUR	13.82	12.51
Equity to assets, %	52.8	54.2

	Jan. 1 - Dec. 31, 2005	Jan. 1 - Dec. 31, 2004
Revenue, EUR million	9.8	9.9
- Change %	-1.0	+12.5
Profit before taxes, EUR million	9.3	5.5
- Change %	+68.4	-
Dividend/share, EUR	0.31 <sup>(1)</sup>	0.30

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

A significant change in Julius Tallberg Real Estate Corporation's accounting policies for 2005 was the preparation of the consolidated financial statements in compliance with the International Financial Reporting Standards (IFRS), in which the Company recognizes investment properties at fair value.

Based on third-party appraisal, the value of the Company's investment properties rose to EUR 105.7 million at the end of 2005, an increase of 13% on the previous year. The total value of property holdings was EUR 107.9 million. The Group's equity per share rose to approximately EUR 14, an increase of some 10%. Net asset value per share before deferred taxes (measured by the previous Finnish accounting practice) increased to around EUR 16.

Net revenue was on par with the previous year at EUR 9.8 million. The IFRS profit before taxes was EUR 9.3 million, up by 68% on the EUR 5.5 million recorded in 2004. The profit improvement was due mainly to the higher value of investment properties, measured in accordance with the IFRS.

The Group's capital spending for the year totaled EUR 7.2 million and comprised the acquisition of the Kiinteistö Oy Espoon Suomalaisentie 7 property, valued at EUR 5.4 million, and the Liukumäentie extension project in Helsinki, of which EUR 1.8 million had been implemented by the end of 2005. The project's total value is approximately EUR 7 million and is scheduled for completion in summer 2006.

On December 31, 2005, the Company's B share was quoted on the Helsinki Stock Exchange at EUR 13.40 (EUR 9.76 on Dec. 31, 2004), an increase of 37%. The Company's P/E ratio was 8.

The Group's operating year can be considered good in terms of both the result and the increase in equity per share. Return on investment (ROI) was 11.7% and return on equity was 12.4%, while the equity-to-assets ratio was 53%.

An inspection of the long-term development of the Company shows that growth has been steady and that it has been achieved without taking appreciable risks.

During the past ten years (1996-2005), the Group has experienced significant growth. The value of the property portfolio has risen from EUR 32.3 million to EUR 107.9 million; in other words, it has more than tripled. Net assets after deferred taxes (equity, in accordance with the new IFRS) has increased from EUR 20.7 million to EUR 57 million; in other words, it has almost tripled. Moreover, right through the past decade, the Company has distributed an increasing dividend. During this period, net rental income (measured by the previous Finnish accounting practice), has increased to 11%; in other words, it has more than doubled. The occupancy rate of the Company's property stock has also remained high. The Company's financial structure has stayed on target throughout the period, despite some notable investments.

#### OUTLOOK FOR 2006

The Company's result from rental operations is forecast to remain good, as there are no significant threats in sight in the property markets. The Company's IFRS-compliant result is also expected to remain good, even though it is difficult to forecast how the values of the Company's investment properties will develop, dependent as they are on the property markets. Without substantial market disturbances, the Company's profit performance is expected to permit a moderate increase in the dividend payout for 2006 as well.

The occupancy rates and net rental income from the Company's property stock are expected to remain at the current high level. The value of the Company's lease portfolio stood at approximately EUR 41.5 million on December 31, 2005, with an average duration of over 4 years. The Company's financing interest rate risk is low, thanks to the interest rate hedges arranged.

The Company's dividend proposal is EUR 0.31 per share. The amount of dividends distributed has increased every year for the past decade.

The Company's goal is to further increase the Company's real estate portfolio in a balanced and profitable manner, within the limits set by the Company's targeted equity-to-assets ratio.

In Espoo, February 6, 2006



Martti Leisti



## BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

## OVERVIEW

The year 2005 marked the eighteenth full year of operation for Julius Tallberg Real Estate Corporation.

Julius Tallberg Real Estate Corporation adopted the International Financial Reporting Standards (IFRS) for its consolidated financial statements for the year 2005. The Group measures investment properties in the consolidated balance sheet at fair value and reports changes in fair value in the income statement. Another significant change in accounting policies relates to the measurement of financial instruments, which are treated as specified in IAS39.

The Group's profitable and steady development continued during the financial year. The IFRS profit before taxes was EUR 9.3 million (EUR 5.5 million in 2004), up by 68%. The increase in the value of investment properties was EUR 4.7 million (0.7). The parent company financial statements are still compiled in accordance with Finnish Accounting Standards (FAS). The Group's revenue was EUR 9.8 million, approximately the same as in 2004. The occupancy rate of the Group's real estate stock continued to be high, i.e. 94% (98%).

The value of the Group's investment properties based on a third-party appraisal determined in accordance with the IVS (International Valuation Standard) 2005 5.2 was EUR 105.7 million (EUR 93.8 million on December 31, 2004). The change compared with the previous year, including new investments, was 13%. The Group's equity per share rose to

EUR 13.82 (12.51), an increase of 10%. The net asset value per share before deferred tax liability, calculated by the previous Finnish accounting practice, increased to EUR 16 (14).

The Group's capital spending totaled EUR 7.2 million during the year, compared to EUR 1.0 million in 2004. Investments included the Suomalaistentie property in Espoo, at a cost of EUR 5.4 million, and the Liukumäentie extension project in Helsinki, of which EUR 1.8 million had been realized by the end of 2005. The total value of the project is around EUR 7 million, and it is due to be completed in the summer of 2006.

The company's equity-to-assets ratio, based on market value, remained on target at 53% (54%). The return on investment was 11.7% (8.0%), and the return on equity was 12.4% (9.3%).

## THE REAL ESTATE MARKET

## Rental market

The supply of vacant office space in the Group's key markets in the greater Helsinki area continued to grow during the first half of 2005, but started to decline in the fall. 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, or some 5.4% – roughly the same level as in 2004. The highest vacancy rate was for office space, at around 8.9% in the fall of 2005 (9.1%). The office vacancy rate was low in new, renovated and modern properties. On the other hand,

there was a greater risk of high vacancy rates in the portfolio of old properties. The supply of vacant retail premises remained more or less unchanged during the year, and was 1.7% in the fall. There was also some shortage of production/warehousing facilities, with the vacancy rate being 2.8%. Rent levels remained virtually unchanged during the year.

## Real estate investment market

The overall picture of the business premises market in the greater Helsinki region was positive in 2005, and there was plenty of real estate investment activity during the financial year. Demand for good sites was greater than supply. Large properties and portfolios were mainly purchased by foreign real estate investors, mostly real estate funds that have bought real estate in growth areas and are still seeking new targets.

## CHANGES IN GROUP PROPERTY VALUES AND NET ASSETS PER SHARE

The value of the Group's investment properties and available-for-sale investments on December 31, 2005, based on an estimate determined by a third party (Catella Property Oy) in accordance with IVS 2005 5.2 was EUR 107.9 million. This represents a change of 11% on 2004.

The value of the Group's investment properties was EUR 105.7 million (93.8). The available-for-sale investments are jointly owned with Cargill, Inc., and were valued at EUR 2.2 million (3.2).

## The value of the Group's investment assets and available-for-sale investments changed as follows during the year:

EUR million	2005	2004
Market value of investment assets	105.7	93.8
Market value of available-for-sale investments	2.2	3.2
Total	107.9	97.0
Debt proportion of available-for-sale investments	- 1.0	- 1.2
Total	106.9	95.8
Increase in investment assets	7.2	1.0
Change in fair value of investment assets	4.7	0.7
Change in fair value of available-for-sale investments	-0.8	1.4
Total change	11.1	3.1

## The Group's shareholders' equity changed as follows during the year:

	2005	2004	Change	
Equity on December 31, EUR million	57.0	51.6	5.4	10%
Equity on December 31 / share, EUR	13.82	12.51	1.31	10%

As real estate assets are valued at market value, the Group's equity corresponds to the fair net asset value of the company.

The Group's equity per share rose to EUR 13.82, up by 10%, which can be considered very satisfactory.

#### NET REVENUE AND INCOME

Consolidated rental income remained at the previous year's level and was EUR 9.8 million (9.9). Income before taxes was EUR 9.3 million (5.5), an increase of 68%. The increase was mainly due to the EUR 4.0 million increase in the change of the value of investment properties.

Expenses related to employee benefits and other operating expenses increased, while maintenance costs decreased slightly. Interest expenses were almost at the previous year's level.

Consolidated income before taxes was EUR 9.3 million (5.5), an increase of 68%. The result can be considered good.

Consolidated earnings per share increased to EUR 1.63 (1.13), an increase of 44%.

Return on investment was 11.7% (8.0%) and return on equity was 12.4% (9.3%). The P/E ratio was 8 at December 31, 2005 (9).

#### FUNDING

The Group's financial position was good throughout the financial year. The equity-to-assets ratio was at the level of the long-term targets and stood at 53%. The company has prepared for rising interest rates by making interest rate hedges for the 2006-2013 period, as specified in the notes. Their combined value on December 31, 2005 was EUR 17.6 million, representing a hedging rate of 60% as targeted, and taking into account the Company's fixed interest rate loan of EUR 5.4 million.

#### RISK MANAGEMENT

Risk management is an integral part of Julius Tallberg Real Estate Corporation's strategic and operational planning, daily decision-making process and internal control system. In order for the Group's corporate governance systems to function properly, risk management must be implemented systematically, and must be sufficiently comprehensive and reliable.

According to the risk assessment made in December 2005, the risk level related to the Group's strategic targets is low. The risk level can be considered low with respect to tenant portfolio risk management, the competition and the operating environment, and subcontractors and suppliers. Similarly, the risk level is low with respect to financial position, financ-

ing and investments. The company is also well prepared for accident and liability risks, as well as data security risks. Due to the small number of personnel, the risk level related to the functioning of the back-up system for longer absences is fairly high, and this problem has been acknowledged.

#### GROUP'S STRATEGIC GOALS

Julius Tallberg Real Estate Corporation operates actively primarily in the property 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 a high yield potential. The Group employs this operating approach in pursuit of the following objectives:

- Steady increase in equity
- Steady increase in operating income and dividends
- Profitable and steady increase in property assets.

A high, minimum 50%, equity-to-assets ratio is a basic prerequisite for operational stability.

The Group's strategic goal is to continue to increase its current investment property portfolio of approximately EUR 106 million within the constraints of its equity-to-assets target in keeping with the company's investment policies and by utilizing unused building rights. The property portfolio growth objective facilitates risk spreading and improves cost efficiency.

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.

#### FUTURE OUTLOOK

##### Rental markets

Nordea Bank forecasts that the Finnish GDP will grow by 3.6% in 2006. Growth is likely to be stronger in the greater 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.

##### Property investment market

Strong demand for good investment properties is expected to continue in 2006. The volume of transactions on new buildings is forecast to

remain at the previous year's level. Net yield requirements on retail and office space will probably hold steady but may come down for good properties. As in 2005, active property market players appear to consist of foreign investors and domestic pension and life insurers, finance companies, and traditional foundations and associations. Traditional institutional property investors, such as banks and P&C insurers, have significantly reduced their property holdings. The share of foreign investors in property transactions is expected to increase and remain significant.

#### Near-term outlook

The occupancy rate of Julius Tallberg Real Estate Corporation's property portfolio is expected to remain at its current high level. The Group's leases are based on long-term partnerships with reliable corporate tenants. The Group's lease portfolio stood at EUR 41.5 million on December 31, 2005 (35) and the average remaining lease term was 4.2 years (3.8). The Group's operating environment is expected to remain satisfactory overall, and the Group will therefore continue to pursue its investment program as planned.

The Group's near-term rental income is expected to remain good. A goal for 2005 is to increase marketing. Due to the performance of rental operations the Group's income is expected to remain high enough to facilitate increased dividends for the current year.

It is difficult to forecast the value changes for the investment properties of the Group that are largely dependent on the investment property markets, but due to the positive situation in the property markets of the greater Helsinki area, it is estimated that there are no threats in sight that would substantially affect investment property values in the short term, such as a rapid increase in the level of interest rates.

**CONSOLIDATED INCOME STATEMENT**

EUR 1,000	note	Jan. 1-Dec. 31	Jan. 1-Dec. 31
		2005	2004
REVENUE	1	<b>9,773</b>	9,879
Other income from operations	2	<b>13</b>	27
Employee benefit	3	<b>-582</b>	-403
Depreciation	4	<b>-22</b>	-38
Changes in fair value of invest. property	12	<b>4,722</b>	725
Property maintenance costs	5	<b>-2,814</b>	-2,935
Other operating expenses	6	<b>-491</b>	-444
<b>OPERATING PROFIT</b>		<b>10,599</b>	6,811
Financial income	7	<b>27</b>	141
Finance costs	7	<b>-1,372</b>	-1,457
<b>PROFIT BEFORE TAXES</b>		<b>9,254</b>	5,495
Income tax	8	<b>-2,529</b>	-841
<b>PROFIT FOR THE YEAR</b>	9	<b>6,725</b>	4,654
Earnings per share			
Diluted		<b>1.63</b>	1.13
Undiluted		<b>1.63</b>	1.13

**CONSOLIDATED CASH FLOW STATEMENT**

EUR 1,000	Jan. 1-Dec. 31	Jan. 1-Dec. 31
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	<b>6,725</b>	4,654
Adjustments for:		
Non-cash transactions		
Proceeds from disposal of fixed assets	<b>-13</b>	-28
Depreciation	<b>22</b>	38
Changes in fair value of invest. property	<b>-4,722</b>	-726
Financial items	<b>1,345</b>	1,317
Income tax expense	<b>2,529</b>	841
Changes in working capital		
Change in trade and other receivables	<b>-453</b>	284
Change in trade and other payables	<b>458</b>	-82
Interests and financing expenses, paid	<b>-1,641</b>	-1,474
Interest received	<b>8</b>	18
Tax paid	<b>-623</b>	-778
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,635</b>	4,064
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in tangible and intangible assets	<b>-3</b>	2
Investments in investment properties	<b>-7,182</b>	-975
Proceeds from sale of investment property	<b>18</b>	72
Dividend received	<b>1</b>	81
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-7,163</b>	-820
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	<b>8,900</b>	1,905
Repayments of loans	<b>-4,136</b>	-3,953
Dividend paid	<b>-1,237</b>	-1,195
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>3,527</b>	-3,243
Movement in cash and cash equivalents	<b>-1</b>	1
Cash and cash equivalents at start of year	<b>2</b>	1
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1</b>	2

## CONSOLIDATED BALANCE SHEET

EUR 1,000	Dec. 31, 2005	Dec. 31, 2004
<b>ASSETS</b>		
Non-current assets		
Tangible fixed assets	10 41	54
Intangible assets	11 9	14
Investment property	12 105,700	93,800
Available-for-sale investments	13 878	510
Receivables	14 336	336
Deferred tax asset	15 180	118
	<b>107,144</b>	<b>94,832</b>
Current assets		
Trade and other receivables	16 886	413
Cash and cash equivalents	17 1	2
	<b>887</b>	<b>415</b>
<b>TOTAL ASSETS</b>	<b>108,031</b>	<b>95,247</b>

EUR 1,000	Dec. 31, 2005	Dec. 31, 2004
<b>EQUITY AND LIABILITIES</b>		
Capital and reserve attributable to equity holders of parent company		
Share capital	18 21,027	21,027
Share premium account	18 6,109	6,109
Revaluation reserve	19 277	0
Hedge fund	20 -190	0
Retained earnings	21 29,738	24,427
<b>TOTAL EQUITY</b>	<b>56,961</b>	<b>51,563</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	15 9,790	7,734
Interest-bearing liabilities	22 25,641	24,402
	<b>35,431</b>	<b>32,136</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	23 2,031	1,156
Current income tax liabilities	8 0	111
Current interest-bearing liabilities	22 13,607	10,281
	<b>15,638</b>	<b>11,548</b>
<b>TOTAL LIABILITIES</b>	<b>51,069</b>	<b>43,684</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108,031</b>	<b>95,247</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Share premium account	Revaluation fund	Hedge fund	Retained earnings	Total
<b>Equity of Dec. 31, 2003</b>	<b>21,027</b>	<b>6,109</b>			<b>6,115</b>	<b>33,251</b>
Effect of adopting IFRS					14,853	14,853
<b>Adjusted equity Jan. 1, 2004</b>	<b>21,027</b>	<b>6,109</b>			<b>20,968</b>	<b>48,104</b>
Profit for the financial year					4,654	4,654
Dividend relating to 2003					-1,196	-1,196
<b>Equity Dec. 31, 2004</b>	<b>21,027</b>	<b>6,109</b>			<b>24,426</b>	<b>51,563</b>
Effect of adopting of IAS 32 and IAS 39			848	-249	-177	422
<b>Adjusted equity Jan. 1, 2005</b>	<b>21,027</b>	<b>6,109</b>	<b>848</b>	<b>-249</b>	<b>24,249</b>	<b>51,985</b>
Interest rate hedges						
Losses recognised in equity				80		80
Deferred tax liabilities				-21		-21
Available-for-sale financial assets						
Gains/losses of changes in fair value			-758			-758
Amount transferred to income statement			-14			-14
Taxes on items recognized in equity or transferred from equity			201			201
Net revenue recognised directly in equity			-571	59		-512
Profit for the financial year					6,725	6,725
<b>Income and expenses recognized for the year, total</b>	<b>0</b>	<b>0</b>	<b>-571</b>	<b>59</b>	<b>6,725</b>	<b>58,197</b>
Dividend relating to 2004					-1,237	-1,237
<b>Equity Dec. 31, 2005</b>	<b>21,027</b>	<b>6,109</b>	<b>277</b>	<b>-190</b>	<b>29,737</b>	<b>56,961</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL INFORMATION ON THE COMPANY

The Group owns real estate, controls the commercial, office and warehousing premises located in them, and leases them out.

The Group's parent company is Julius Tallberg Real Estate Corporation. The parent company's domicile is Espoo, Finland and its registered address is Karapellontie 11, FI-02610 Espoo.

Julius Tallberg Real Estate Corporation is part of a group whose parent company is Oy Julius Tallberg Ab. Julius Tallberg Real Estate Corporation is listed on the Helsinki Stock Exchange in the GICS sector category: "Finance".

The Board of Directors approved the publishing of these financial statements on 6 February, 2006.

### ACCOUNTING POLICIES APPLIED TO THE FINANCIAL STATEMENTS

#### ACCOUNTING POLICIES

The consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) approved for use in the EU and in compliance with the IAS and IFRS standards and the SIC and IFRIC interpretations valid on December 31, 2005.

The Group adopted the IFRS during 2005 and has applied IFRS 1: First time adoption of International Financial Reporting Standards. The transition date is January 1, 2004, except in the case of IAS 32 and IAS 39 where the transition date is January 1, 2005. According to the version of IAS 39 published in December 2003 and applied in Tallberg's reporting for 2005, no comparative information for 2004 needs to be prepared with respect to this standard. Therefore, in reporting the financial instruments referred to in IAS 32 and IAS 39, Finnish accounting practice has been applied to the comparative information for 2004. Differences arising from the adoption of the IFRS are presented in the reconciliation statements which are included in Note 31 of the Notes to the Consolidated Financial Statements. The comparative information for 2004 has been converted to comply with the IFRS.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and derivative contracts, which are measured at fair value.

Preparation of the financial statements in conformity with the IFRS requires Group management to make certain estimates and judgements with respect to the application of accounting policies. The section "Accounting policies requiring management's judgement and key sources of estimation uncertainty" refers to the judgements made by management and those financial statement items on which judgements have a significant effect.

#### SUBSIDIARIES

Subsidiaries are companies in which the Group exercises control. The Group exercises control if it owns more than half of the voting rights or it has the right to exercise control over the financial and operating policies of the entity. Internal shareholdings are eliminated by the acquisition cost method. Acquired subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. All intra-group transactions, receivables, payables and internal distribution of profits are eliminated in preparing the consolidated financial statements. Unrealised losses are not eliminated, if the loss is due to impairment of an asset.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at original cost less depreciation. Repair and maintenance costs are recognised in profit or loss when incurred.

Straight-line depreciation is calculated over the estimated useful life of an asset. The estimated depreciation periods are as follows:

- Machinery, equipment and vehicles: 3–10 years.
- Renovations made in leased premises are recorded in the balance sheet in acquisition cost and are recognised as an expense during the validity period of the lease.
- The residual value and useful life of assets is reviewed in each financial statements and, if necessary, is adjusted to reflect changes in the expected useful life.

The depreciation of a tangible asset ceases when the asset is classified as held-for-sale in accordance with IFRS 5: Non-current assets held for sale. Gains and losses from sales and disposals of fixed assets are recognised in the income statement and presented as other operating income and expense.

### BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

### INVESTMENT PROPERTIES

Investment properties are properties which the Group possesses in order to gain rental income or appreciation of assets. Investment properties are measured at fair value. The fair value is determined annually on the basis of an assessment made by an external property valuer in compliance with the IVS principles, and it corresponds to the market value on active markets.

Commercial and rental value methods, together with the market knowledge of real estate agencies, are used as the methods to determine market values.

Changes in the fair value of investment properties are presented in the income statement in their own row: Revaluation of investment properties.

### INTANGIBLE ASSETS

#### Other Intangible Assets

Financial administration software licences which have a limited useful life are entered in the balance sheet at original cost and are depreciated on a straight-line basis in the income statement through their useful life (5 years).

### RESEARCH AND DEVELOPMENT COSTS

The Group has no research and development expenses.

### LEASES

Julius Tallberg Real Estate Corporation has made all leases relating to the premises of mutual real estate companies included in investment properties as the lessor, because it controls the leased out apartments as a shareholder of the mutual real estate companies. Rent incomes are recognised in the income statement on a straight-line basis over the lease term. The Group has leased from the City of Helsinki an industrial warehouse site at Liukumäentie 15, Helsinki, in which is located the investment property owned by the Group. The lease term expires in the year 2030.

The Group has no leases classified as finance leases and no operating leases in which it would be the lessor or lessee.

## IMPAIRMENT

On each balance sheet date, the Group assesses whether there are any indications that the value of an asset has decreased. If such indications exist, the recoverable amount of the asset in question will be estimated. The recoverable amount of the following assets is also estimated annually independent of whether there are indications of impairment: goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use. The need for impairment is examined at the level of cash-generating units, i.e. at the level of the smallest independent group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the asset or a cash-generating unit. The recoverable amount of financial assets is either the fair value or the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

If an impairment loss is allocated to a cash-generating unit, it is first allocated to a reduction of the goodwill applied to the cash-generating unit and thereafter to a reduction of other of the unit's assets on a pro rata basis. An impairment loss is reversed if the circumstances have changed and the recoverable amount of the asset has changed from the date on which the impairment loss was recognised. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash generating unit would be without recognition of an impairment loss. However, an impairment loss recognised on goodwill cannot be reversed under any circumstances. In addition, impairment losses of equity investments classified as financial assets held-for-sale cannot be reversed through profit or loss. With respect to financial assets carried at amortised cost after an impairment loss in accordance with IAS 39, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## EMPLOYEE BENEFITS

The Group has statutory pension insurance in a Finnish pension insurance company and its annual contributions cover the pension liabilities. The Group's whole personnel (4 persons) have a voluntary, defined contribution plan. The contributions made under this pension plan are recognised in the income statement for that period when they are incurred.

## INCOME TAXES

The income statement's tax expense comprises the current tax for the period and deferred taxes. The current tax for the period is calculated on taxable revenue in accordance with the valid tax rate, adjusted by any taxes related to previous periods.

Deferred taxes are calculated on all temporary differences between the tax bases and carrying amounts of assets and liabilities. The most significant temporary differences arise from measurement at fair value of investment properties and derivative contracts. However, an exception is made from the above principle when calculating the deferred tax liabilities of investment properties. The unamortised portion of the difference between the acquisition cost of a subsidiary's shares and their equity at the acquisition date is allocated in the consolidated balance sheet to investment properties. No deferred tax liabilities are calculated

on consolidation difference allocated to investment properties, because the company's strategy is not to sell individual properties, but the stock of real estate companies.

Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

A deferred tax asset is recognised to the extent it is probable that it can be utilised against future profit.

## REVENUE RECOGNITION POLICIES

Revenue from leases is recognised monthly in accordance with the monthly rents defined in the leases. A lump-sum compensation received on the jointly agreed termination of a valid lease is amortised over the shorter of the outstanding terminated lease period or the economic life.

## FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied IAS 39: Financial instruments: recognition and measurement since 1 January, 2005. Financial assets and liabilities for 2004 have been measured according to Finnish accounting practice (Note 31).

From the beginning of 2005, the Group's financial assets have been classified under IFRS into the following categories:

- Loans and other receivables
- Available-for-sale financial assets

Financial assets are classified on the basis of the purpose for which they were acquired, and are classified at the time of original acquisition. Transaction costs arising directly from an acquisition and clearly related to a certain asset are included in the original carrying amount with respect to an asset that is not measured at fair value through profit or loss. All purchases and sales of financial assets are recognised at the date of the trade.

### Loans and other receivables

comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group is not keeping for trading purposes. This category includes the Group's financial assets that have been gained by transferring money, goods or services to a debtor. They are measured at amortised cost and are included in current financial assets because they mature within 12 months.

### Available-for-sale financial assets

comprise non-derivative financial investments that are designated as available-for-sale and are not classified into any other category. Shares are classified as available-for-sale financial assets and are measured at fair value. The fair values of the investments of this category are mainly determined by a third-party expert valuer as explained in the Investment Properties section of the Accounting Policies. Changes in the fair value of available-for-sale financial assets are entered in the revaluation fund in equity. The cumulative change in fair value is transferred from equity to profit or loss when the assets are sold or when an impairment loss is recognised

## FINANCIAL LIABILITIES

Financial liabilities are originally recognised at fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Later, financial liabilities are measured at amortised cost using the effective interest method.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and in demand bank deposits. The used portion of a bank overdraft facility is included in current, interest-bearing liabilities.

### DERIVATIVES AND HEDGE ACCOUNTING

The Group has treated derivative contracts as defined in IAS 39 Financial instruments: recognition and measurement since 1 January 2005. Derivative contracts are recognised at original cost, which corresponds to their fair value.

The fair value of interest rate swaps is determined by discounting the expected cash flows of the swaps with the interest rates prevailing at the balance sheet date. The Group uses the financial statement measurements of the counterparty as an aid.

The Group applies cash flow hedge accounting to hedge the exposure to variable rate loans by using interest rate swaps. When a hedging relationship is formed, the Group documents the relationship between the hedged item and the hedging instruments as well as the Group's risk management objectives and the strategy for inception of a hedge. When initiating hedging and continuously thereafter, the Group documents its estimate of whether the change in fair value of hedging instruments corresponds very effectively to the underlying cash flows or the change in fair value of other hedged items.

The change in fair value of the effective portion of derivative instruments fulfilling the conditions of a cash flow hedge is recognised directly in the hedge fund in equity. The gains and losses recognised in equity are transferred to the income statement for that period in which the hedged item is entered in the income statement.

When a hedging instrument acquired to hedge a cash flow matures, is sold or no longer fulfils the criteria of hedge accounting, the profit or loss accumulated through the hedging instrument is left in equity until the forecast transaction occurs. However, if it is assumed that the forecast transaction will no longer occur, the profit or loss left in equity is recognised in the income statement.

The fair value of derivatives maturing within a year is presented in current assets or liabilities.

### ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements it is necessary to make forward-looking estimates and assumptions which may not, in fact, turn out to be true. In addition, it is necessary to use judgement in applying accounting policies to the financial statements.

### SEGMENT INFORMATION

The Group's business comprises the leasing of investment properties and their related value increases, which are monitored as a whole. As the investment properties are mainly located in the greater Helsinki region, there is no reason for any geographical segmentation.

### NEW STANDARDS

The following is a list of the standards published before the date of disclosing the financial statements, but which the Group has not yet adopted. Adoption of the standards requires endorsement by the EU.

In the judgement of management, the Group has no activities such that the following standards, their amendments and interpretations would have an impact on the consolidated financial statements:

- IAS 21 (amendment) The effects of changes on foreign exchange rates
- IFRS 1 (amendment) First time adoption of International Financial Reporting Standards and IFRS 6 (amendment) Exploration for and evaluation of mineral resources
- IFRS 6 Exploration for and evaluation of mineral resources
- IFRIC 5 Rights to Interests arising from decommissioning, restoration, and environmental rehabilitation funds
- IFRIC 6 Liabilities arising from participating in a specific market - waste electrical and electronic equipment
- IFRIC 7 Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies
- IFRIC 8 Scope of IFRS 2

In the judgement of management, the following standards, their amendments and interpretations, have no material impact on the consolidated financial statements:

- IAS 39 (amendment) Financial instruments: recognition and measurement and IFRS 4 (amendment) Insurance contracts (Financial guarantee contracts)
- IAS 19 (amendment) Employee benefits
- IFRIC 4 Determining whether an arrangement contains a lease

In the judgement of the Group, adoption of the following standard mainly affects the notes to the financial statements.

- IFRS 7 Financial instruments: information to be presented in the financial statements

In the judgement of the Group, adoption of the following standard mainly affects information presented in the notes.

- IAS 1 Presentation of financial statements (amendment): capital disclosures

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR 1,000	2005	2004
<b>1. Revenue</b>		
Rental income	9,764	9,871
Other revenue	9	8
	9,773	9,879
<b>2. Other income from operations</b>		
Proceeds from disposal of tangible fixed assets	0	8
Proceeds from sale of shares	13	19
	13	27
<b>3. Employee benefit</b>		
Salaries, fees and commissions	492	335
Pension costs, defined contribution plans	70	53
Other indirect personnel costs	20	15
Total	582	403
Average number of Group personnel during the year	4 persons	4 persons
<b>4. Depreciation</b>		
Accumulated depreciation		
Parent company's depreciation by asset category		
Intangible assets		
ADP software	5	6
	5	6
Tangible fixed assets		
Machinery and equipment	6	6
Motor vehicles	6	13
Basic improvement of rental apartments	5	13
	17	32
<b>5. Property maintenance costs</b>		
Direct maintenance costs		
On investment properties that have accumulated rental income during the period	2,704	2,913
On investment properties that have not accumulated rental income during the period	110	22
	2,814	2,935
<b>6. Other operating costs</b>		
Overhead costs of parent	491	444
<b>7. Financial income and costs</b>		
Interest costs	-1,109	-1,052
Hedging costs	-239	-400
Interest income	27	26
Dividend income	1	114
Other financial costs	-25	-4
	-1,345	-1,316

EUR 1,000	2005	2004
<b>8. Income tax</b>		
Current tax	503	737
Tax from prior periods	0	-40
Deferred tax		
Change in tax rate	0	-777
Deferred tax expense or income on the recognition or cancellation of temporary differences	2,026	921
Total	2,529	841
Reconciliation of tax expense in the income statement and taxes assessed for the Group: (Tax rates 2005: 26%, 2004: 29%)		
Profit before taxes	9,254	5,495
Taxes at 26% tax rate	2,406	1,429
Changes in the tax rate	0	-698
Change in deferred taxes of investment properties	123	182
Tax returns of prior years	0	-40
Others	0	-32
Taxes in the income statement	2,529	841
Effective tax rate %	27.3	15.3
<b>9. Earnings per share</b>		
Profit for year attributable to equity holders of parent	6,725,393.46	4,654,030.19
Number of parent company's shares in the financial year	4,123,000	4,123,000
Undiluted earnings per share	1.63	1.13

When calculating the dilution-adjusted earnings per share, the diluting effect of possible conversions into ordinary shares is taken into account in the weighted number of shares.

The Group has no diluting instruments that would increase the number of ordinary shares.

	Machinery and equipment	Motor vehicles	Other tangible assets	Total
<b>10. Tangible fixed assets</b>				
Acquisition cost Jan. 1, 2005	40	34	65	139
Increases	3	0	0	3
Decreases	0	0	0	0
Acquisition cost Dec. 31, 2005	43	34	65	142
Accumulated depreciation Jan. 1, 2005	-18	-9	-57	-84
Depreciation	-5	-7	-5	-17
Reversal of depreciation	0	0	0	0
Accumulated depreciation Dec. 31, 2005	-23	-16	-62	-101
Carrying amount Jan. 1, 2005	22	26	8	55
Carrying amount Dec. 31, 2005	20	18	3	41
Acquisition cost Jan. 1, 2004	33	69	92	194
Increases	7	34	0	41
Decreases	0	-69	-27	-96
Acquisition cost Dec. 31, 2004	40	34	65	139
Accumulated depreciation Jan. 1, 2004	-12	-41	-44	-97
Increases	-6	-12	-13	-32
Decreases	0	44	0	44
Accumulated depreciation Dec. 31, 2004	-18	-9	-57	-84
Carrying amount Jan. 1, 2004	21	28	48	97
Carrying amount Dec. 31, 2004	22	25	8	54

	Computer software	Total
<b>11. Intangible assets</b>		
Acquisition cost, Jan. 1, 2005	24	24
Increases	0	0
Decreases	0	0
Acquisition cost, Dec. 31, 2005	24	24
Accumulated depreciation Jan. 1, 2005	-10	-10
Depreciation	-5	-5
Decreases	0	0
Accumulated depreciation Dec. 31, 2005	-15	-15
Carrying amount, Jan. 1, 2005	14	14
Carrying amount, Dec. 31, 2005	9	9

	Computer software	Total
<b>Note 11. continued</b>		
Acquisition cost Jan. 1, 2004	16	16
Increases	8	8
Decreases	0	0
Acquisition cost Dec. 31, 2004	24	24
Accumulated depreciation Jan. 1, 2004	-4	-4
Depreciation	-6	-6
Decreases	0	0
Accumulated depreciation Dec. 31, 2004	-10	-10
Carrying amount Jan. 1, 2004	12	12
Carrying amount Dec. 31, 2004	14	14

EUR 1,000	2005	2004
<b>12. Investment property</b>		
At beginning of period	93,800	92,100
Increases	7,178	975
Change in fair value	4,722	725
At end of period	105,700	93,800
Value of investment property at 1.1.2004 under FAS		70,340
Change in fair value		21,760
Value of investment property in 2004 FAS balance sheet		92,100

At 9 May, 2005, an office-industrial-warehousing property at the address Suomalaistentie 7, Espoo was purchased from Oy Agfa Gevaert Ab into the Group on behalf of a company to be established. The new company, KOy Espoon Suomalaistentie 7, was registered at 13 May, 2005. The purchased property comprises an 18,622 m<sup>2</sup> plot and the buildings on it, with a total surface area of 12,652 m<sup>2</sup>. The transaction was financed with a EUR 5.4 million five-year fixed-interest bullet loan from Nordea Bank Finland Plc. In conjunction with the purchase, the transaction price and asset transfer tax were entered in the Group's investment assets. The total increase was EUR 5,417,915.30. The right to control the property was transferred to the Group at 1 May, 2005. Since the transaction concerned a property, no other assets or liabilities were recognized for the Group other than the item entered in investment assets. The Group has signed a EUR 6.35 million contract agreement regarding the extension of the Liukumäki 15 investment property owned by it. The extension will take place in 2005-2006. It was approx. 26% complete at 31 December, 2005.

EUR 1,000	2005	2004
Recognized through profit/loss		
Rental income from investment properties	9,764	9,870
Direct maintenance costs that have produced rental income during the financial year	-2,704	-2,913
Direct maintenance costs that have not produced rental income during the financial year	-110	-22

#### Insurance values on 31 December, 2005

The investment properties are insured at full value, with the exception of KOy Liukumäentie 15 and KOy Arinatie 8, which have real estate insurance totaling EUR 19.7 million. Oy Soffcon Kiinteistö Ab is insured against fire for EUR 1.1 million. The Group's insurance policies have been with Fennia and Pension Fennia since 1 January, 2004.

#### 13. Available-for-sale financial assets

Available-for-sale financial assets consist mainly of the shares of Jert Properties Oy and SK Property Oy, which are jointly owned by the U.S. company, Cargill, and of which the Group owns 5% and 18%.

EUR 1,000	2005	2004
Elisa Oyj	0	5
Jert Properties Oy	96	15
SK Property Oy	782	490
	878	510

#### 14. Receivables

Loan receivables		
Jert Properties Oy	27	27
SK Property Oy	309	309
Total	336	336

Effective interest rate	6.64	7.15
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Loan receivables are loans with an indefinite loan period. Receivables do not include major credit concentrations.

15. Deferred tax asset and liabilities				
Changes in deferred taxes during 2005;		Recognised in	Recognised in	
Deferred tax assets	31/12/2004	income statement	equity	31/12/2005
Elimination of intra-Group sales gains	118			118
Adjustment of change in tax rate		-4		-4
Derivatives at fair value			150	150
Cancellation of derivatives		-62		-62
Derivatives at fair value in 2005			-21	-21
	118	-67	129	180
<b>Deferred tax liabilities</b>				
Accumulated depreciation	1,143	266		1,409
Available-for-sale financial assets at fair value			97	97
Investment properties at fair value	6,591	1,693		8,284
	7,734	1,959	97	9,790

Changed in deferred taxes during 2004;		Recognised in	Recognised in	
Deferred tax asset	31/12/2003	income statement	equity	31/12/2004
Elimination of intra-Group sales gains	126	-8	0	118
	<b>126</b>	<b>-8</b>	<b>0</b>	<b>118</b>
Deferred tax liabilities				
Accumulated depreciation	1,110	33		1,143
Investment properties at fair value	6,489	102		6,591
	<b>7,599</b>	<b>135</b>	<b>0</b>	<b>7,734</b>

EUR 1,000	2005	2004
<b>16. Trade receivables and other receivables</b>		
Trade receivables	93	95
Other receivables	793	318
Total	886	413

The material items included in prepaid expenses and accrued income relate to VAT receivables. No credit losses were recognised in receivables during the year.

EUR 1,000	2005	2004
<b>17. Cash and cash equivalents</b>		
Cash and cash equivalents comprise the following:		
Cash in hand and at bank according		
to the balance sheet	1	2
	<b>1</b>	<b>2</b>

## 18. Notes on equity

	Number of shares	Share capital	Share premium account	Total
Jan. 1, 2004	4,123,000	21,027	6,109	27,136
Dec. 31, 2004	4,123,000	21,027	6,109	27,136
Dec. 31, 2005	4,123,000	21,027	6,109	27,136

The Company's combined A and B shares total no more than 7,200,000. The maximum number of A shares is 7,200,000. The maximum number of B shares is 7,200,000. Each A share carries twenty votes at the Annual General Meeting and each B share carries one vote. The par value of shares is EUR 5.10 per share and the Group's maximum share capital is EUR 36,720,000. All issued shares have been paid in full.

EUR 1,000	2005	2004
<b>19. Revaluation reserve</b>		
The revaluation fund includes changes in the fair value of available-for-sale financial assets.	277	0

## 20. Hedge fund

The hedge fund includes the measurement at fair value of derivative instruments used as a cash flow hedge.	-190	0
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## 21. Dividends

Dividend distributed, EUR	1,237,000	1,196,000
Dividend per share, EUR	0.30	0.29
After the balance sheet date, the Board proposed the distribution of a dividend of EUR 0.31 per share.		

EUR 1,000	2005	2004
<b>22. Interest-bearing liabilities</b>		
Non-current		
Bank loans	25,640	24,402
Current		
Bank loans	9,000	5,500
Bank overdraft used (Note 17)	471	645
Repayments on long-term loans	4,136	4,136
	<b>13,607</b>	<b>10,281</b>

In 2005, the average loan interest rate was 4.32 % and the average maturity was 2.4 years, but the loan interests and repayments are still funded by cash flow. The effective interest rate of the cheque account was 5.22%, including the overdraft interest. The fair values of loans, Note 25.

Non-current liabilities mature as follows:	<b>2005</b>	2004
2006		4,136
2007	4,136	4,136
2008	4,136	4,136
2009	4,136	4,136
2010	9,410	3,748
2011	1,889	2,177
Later	1,933	1,933
Total	<b>25,640</b>	24,402

The EUR 5.4 million loan maturing in 2010 has a fixed interest rate. Other loans have floating interest rates, and 53% of them have been converted to fixed interest rate loans with interest rate swaps. In other words, 59.6% of the loan portfolio has a fixed interest rate, or has been converted to have a fixed interest rate. All loans are denominated in euros.

EUR 1,000	<b>2005</b>	2004
<b>23. Trade and other payables</b>		
Current		
Trade payables	<b>686</b>	196
Accrued liabilities	<b>416</b>	422
Liabilities based on derivative contracts	<b>297</b>	63
Other liabilities	<b>632</b>	474
Total	<b>2,031</b>	1,156

#### 24. Management of financial risks

In undertaking its standard business, the Group is exposed to financial risks. The objective of the Group's risk management is to minimize the negative effect of changes in the financial markets on the Group's result. The main financial risks are interest rate risk and liquidity risk. The Group applies derivative contracts to hedge against interest rate risk. The general risk management principles are accepted by the Board, and their practical implementation is the responsibility of the Group's Managing Director.

#### Market risk – cash flow interest rate risk

The Group's interest rate risk is considered to be mainly related to the Group's loan portfolio. According to the Group's general risk management principles, at least 60% of the loan portfolio should have fixed interest rates. The Group may draw loans with either fixed or floating interest rates, and apply interest rate swaps to meet the policy's target. On the balance sheet date, the Group had six open euro-denominated interest rate swaps. Interest rate swaps and loans have been handled in accordance with the cash flow hedging principles stipulated in IAS 39.

#### Credit risk

The Group's policy determines the requirements for the investment policy and the creditworthiness of customers and counterparties of investment transactions and derivative contracts. Leases will only be made with companies that have no payment defaults in their credit information. The Group has no significant credit risk concentrations, because most of the leases incorporate deposits, and the payment of receivable is continuously monitored, and even minor deviations in the cash flow are immediately acknowledged per tenant. When necessary, a collection company is used to collect rent. The counterparties of derivative contracts and investment transactions are companies with good creditworthiness. The Group's maximum credit risk is the carrying amount of financial assets on December 31, 2005.

#### Liquidity risk

In accordance with the Group's strategy, in order to secure funding, the Company's market value-based equity-to-assets ratio must be 50%. The Group's aim is to continuously estimate and monitor the amount of financing required by the business, so that the Group would have a sufficient amount of liquid assets to finance operations and repay maturing loans. The intention is to ensure the availability and flexibility of funding through undrawn bank overdrafts. As of December 31, 2005, the Group had no undrawn bank overdrafts.

#### Currency risk

All of the Company's assets and liabilities are denominated in euros, which means that the Group is not subject to currency risks.

25. Fair values of financial assets and liabilities	Note	2005	2005	2004	2004
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Trade and other receivables	16	886	886	413	413
Cash and cash equivalents	17	1	1	2	2
Financial liabilities					
Bank loans	22	-38,776	-38,776	-34,038	-34,038
Bank overdraft	22	-471	-471	-645	-645
Trade and other payable	23	-1,775	-1,775	-1,156	-1,156
Interest rate swaps	26	-256	-256	0	0
of which determined as hedging instruments		-256	-256	0	0

The management estimates that the par values of credits are close to fair values, because the interest spread of credits has remained the same. Due to this, there is no material difference between the fair value and the carrying amount of loans with floating interest rates. EUR 5.4 million of the loans have fixed interest rates, and EUR 33.8 million have floating interest rates. Interest rate swaps that have been determined in the cash flow hedging relationship are recognised in equity in the hedge fund and are recognised in the income statement by the year 2013.



<b>26. Derivative contracts</b>		
2005	Negative	
Interest rate swaps	fair value	Par value
6	-256	17,567
This information is based on market value reports issued quarterly by the bank.		
Interest rate swaps mature as follows, EUR 1,000:		
	2005	2004
Maturing in less than 1 year	2,877	11,920
Maturing in 2-5 years	11,615	12,820
Maturing in 6-10 years	3,075	4,968
Total	17,567	29,708
Interest rate swaps and loans have been treated in accordance with the cash flow hedging principles determined in IAS 39. The year 2004 comparison figures of the balance sheet values of interest rate swaps are not equal to their fair values.		
<b>27. Operating leases</b>		
<b>Group as lessor</b>		
The minimum rental income based on non-cancellable leases, EUR 1,000		
	2005	2004
Not later than one year	9,862	8,553
Later than one year and not later than five years	18,601	13,351
Later than five years	13,149	12,863
Total	41,612	34,767
The Group leases out properties in its ownership as office, production, sales, and warehousing premises. The properties have been classified as investment properties.		
<b>Group as lessee</b>		
Rent payable based on non-cancellable leases, EUR 1,000		
	2005	2004
Not later than one year	74	74
Later than one year and not later than five years	294	294
Later than five years	1,480	1,554
Total	1,848	1,922

**28. Contingent liabilities**

Pledges given as collateral for own debts, and liabilities secured by mortgages on investment property

	2005	2004
Bank loans	38,514	34,395
Mortgages	45,020	39,641
Property mortgages, total	68,137	67,090

**29. Insiders**

Julius Tallberg Real Estate Corporation Group is part of a Group, the parent company of which is Oy Julius Tallberg Ab (Julius Tallberg Real Estate Corporation = JTREC, the parent company = Oy Julius Tallberg Ab = JT)

Thomas Tallberg, Chairman of the Board, JTREC and JT  
 Susanna Renlund, Vice Chairman of the Board, JTREC;  
 member of the Board, JT  
 Kari Jordan, member of the Board, JTREC  
 Magnus Bargum, member of the Board, JTREC  
 Kaj Hedvall, member of the Board, JTREC  
 Ernst Gylfe, member of the Board, JTREC  
 Martin Tallberg, member of the Board, JTREC and JT, and  
 Managing Director of JT  
 Marja Tallberg, member of the Board, JT  
 Nina Tallberg, member of the Board, JT  
 Tuomas Särkilahti, member of the Board, JT  
 Kaj-Gustaf Bergh, member of the Board, JT  
 Martti Leisti, Managing Director, Julius Tallberg Real Estate Corporation

Julius Tallberg Real Estate Corporation's parent and subsidiary relationships are as follows:

Company	Domicile	Holding	Voting rights
Julius Tallberg Real Estate			
Company (parent)	Espoo		
KOy Helsingin Kanavaranta 7	Helsinki	100%	100%
KOy Espoon Suomalaistentie 7	Espoo	100%	100%
KOy Gyldeintie 2	Helsinki	100%	100%
KOy Nahkahousuntie 3	Helsinki	100%	100%
Oy Soffcon Kiinteistö Ab	Espoo	100%	100%
KOy Kauppakeskus Martinsilta	Espoo	100%	100%
KOy Arinatie 8	Vantaa	100%	100%
KOy Liukumäentie 15	Helsinki	100%	100%
KOy Suutarilan Huoltokeskus	Helsinki	100%	100%
KOy Suutarilan Lamppupolku	Helsinki	100%	100%
KOy Äyritie 4 Vantaa	Vantaa	100%	100%
KOy Vantaan Äyri	Vantaa	100%	100%

Oy Julius Tallberg Ab Group includes the following companies:

Oy Soffco Ab  
 Tallberg Roboma Oy Ab  
 Bioimmunoterpien laitos Oy  
 Tallberg Toimitilajohto Oy (until June 30, 2005)  
 Oy Neurofood Ab

The following business transactions involving company insiders were carried out: EUR 1,000

<b>2005</b>	<b>Purchases</b>	<b>Sales</b>	<b>Receivables</b>	<b>Liabilities</b>
Oy Julius Tallberg Ab	20	32		3
Institute for Bio-Immunotherapy Helsinki		25		
Oy Soffco Ab		72		
Tallberg Toimitilajohto Oy (until June 30, 2005)	53			
<b>Total</b>	<b>73</b>	<b>129</b>	<b>0</b>	<b>3</b>
<b>2004</b>				
Oy Julius Tallberg Ab	19	33		19
Institute for Bio-Immunotherapy Helsinki		25		
Oy Soffco Ab		58		
Tallberg Toimitilajohto Oy	108			1
<b>Total</b>	<b>127</b>	<b>116</b>	<b>0</b>	<b>20</b>

Business transactions involving company insiders resulted in no credit losses.

Management service benefits, EUR 1,000	<b>2005</b>	2004
Salaries and other short-term service benefits	<b>229</b>	148
Board members	<b>72</b>	21
No pension liabilities, contingent liabilities or collateral		
Managing Director's salary including fringe benefits	<b>157</b>	127
TEL pension insurance, annual, contribution-based	<b>35</b>	28
Voluntary pension insurance, contribution-based	<b>8</b>	8
No contingencies or collateral		

Notice of termination is four months for the Managing Director but 12 months if termination is initiated by the Company unless there is a substantial reason for dismissal, as referred to in the Employment Contracts Act.

### 30. Events after the balance sheet date

No major events have taken place after the balance sheet date.

### 31. Transition to IFRS reporting

As stated in the Notes, under Accounting Policies, these are Julius Tallberg Real Estate Corporation's first IFRS-compliant financial statements. Before the introduction of the IFRS, Julius Tallberg Real Estate Corporation's financial statements were prepared in accordance with Finnish accounting practice.

The transition to IFRS has changed the financial statements, their notes and accounting policies compared with previous financial statements. The accounting policies presented in the Notes have been applied in the preparation of the financial statements for the year that ended on December 31, 2005, the comparison figures for the year that ended on December 31, 2004 and the opening IFRS balance sheet on January 1, 2004 (the date of the Group's transition to IFRS reporting, excluding standards IAS 32 and IAS 39).

The following reconciliations and explanations indicate the differences between IFRS and the Finnish Accounting Standards (FAS) for the year 2004 and for the IFRS transition date, January 1, 2004.

In accordance with an exemption allowed by IAS 39 concerning the reporting of financial instruments under the scope of IAS 32 and IAS 39, the comparison information for 2004 is presented according to Finnish accounting practice. The adjustments between the balance sheet date of the comparison year, December 31, 2004 and the opening IFRS balance sheet are presented hereinafter in a separate reconciliation.

## RECONCILIATION OF EQUITY JANUARY 1, 2004 AND DECEMBER 31, 2004

	Note	FAS Dec. 31, 2003	Effect of IFRS adoption	IFRS Jan. 1, 2004	FAS Dec. 31, 2004	Effect of IFRS adoption	IFRS Dec. 31, 2004
<b>Assets</b>							
Non-current assets							
Intangible assets							
Other long-term expenses	b	116	-104	12	119	-105	14
Tangible fixed assets							
Land areas		18,403	-18,403	0	18,406	-18,406	0
Buildings		42,616	-42,616	0	44,917	-44,917	0
Machinery and equipment		82	-33	49	101	-55	46
Other tangible assets		209	-162	47	140	-132	8
Purchases not available for use		2,861	-2,861	0	81	-81	0
Investment properties	c	0	92,100	92,100	0	93,800	93,800
Shares and participations		6,716	-6,716	0	6,671	-6,671	0
Investments		0	555	555	0	510	510
Receivables		336	0	336	336	0	336
Deferred tax assets	g	126	0	126	118	0	118
Current assets							
Trade and other receivables		570	0	570	381	0	381
Prepaid expenses and accrued income		40	0	40	32	0	32
Cash and cash equivalents		1	0	1	2	0	2
<b>Assets, total</b>		<b>72,076</b>	<b>21,760</b>	<b>93,836</b>	<b>71,304</b>	<b>23,943</b>	<b>95,247</b>
<b>Equity and liabilities</b>							
Share capital		21,027	0	21,027	21,027	0	21,027
Share premium account		6,109	0	6,109	6,109	0	6,109
Retained earnings	d	6,115	14,853	20,968	7,397	17,029	24,426
<b>Equity, total</b>		<b>33,251</b>	<b>14,853</b>	<b>48,104</b>	<b>34,534</b>	<b>17,029</b>	<b>51,563</b>
Non-current liabilities							
Deferred tax liabilities	g	1,110	6,489	7,599	1,143	6,591	7,734
Interest-bearing liabilities	f,a	28,156	415	28,571	24,114	288	24,402
Current liabilities							
Interest-bearing current liabilities	f	8,161	3	8,164	10,281	0	10,281
Advances received		29	0	29	66	0	66
Trade and other payables	f	1,143	0	1,143	1,055	34	1,090
Current tax liabilities		226	0	226	111	0	111
<b>Liabilities, total</b>		<b>38,825</b>	<b>6,907</b>	<b>45,732</b>	<b>36,770</b>	<b>6,914</b>	<b>43,684</b>
<b>Equity and liabilities, total</b>		<b>72,076</b>	<b>21,760</b>	<b>93,836</b>	<b>71,304</b>	<b>23,943</b>	<b>95,247</b>

## RECONCILIATION OF PROFIT FOR YEAR JANUARY 1-DECEMBER 31, 2004

	Note	FAS Jan. 1- Dec. 31, 2004	Effect of transition to IFRS	IFRS Jan. 1- Dec. 31, 2004
REVENUE		9,879	0	9,879
Other income from operations		27	0	27
Personnel expenses	e	-403	0	-403
Depreciation	a,b,c,h	-2,463	2,425	-38
Revaluation of investment assets			725	725
Other expenses from operations	i	-2,507	-872	-3,379
OPERATING PROFIT		4,533	2,278	6,811
Financial expenses (net)	j	-1,317	0	-1,317
Profit before taxes		3,216	2,278	5,494
INCOME TAXES	g	-738	-102	-840
PROFIT FOR THE FINANCIAL YEAR		2,478	2,176	4,654
Earnings per share calculated on profit attributable to equity holders of the parent		0.60		1.13

## NOTES TO RECONCILIATION OF EQUITY ON 1 JANUARY 2004 AND 31 DECEMBER 2004

## AND OF PROFIT FOR THE FINANCIAL YEAR 1 JANUARY - 31 DECEMBER 2004

The effect of deferred taxes on the reconciliation items mentioned hereinafter are presented in section k.

**a Tangible fixed assets**

In complying with Finnish Accounting Standards (FAS), properties owned by the Group were treated as fixed assets. On adoption of IFRS, properties were classified as investment properties, and only machinery, equipment and vehicles owned by the parent company were classified as fixed assets. The Group does not have assets acquired by finance leases.

**b Other intangible assets**

In accordance with FAS, intangible assets included licenses for computer software used by the parent company and the capitalized energy and water user costs of real estate companies. On adoption of IFRS, real estate companies were classified as investment assets, and were measured at fair value. User connections are included in the value of investment property measured at market value, and have consequently been transferred away from intangible assets.

**c Investment properties**

Properties classified as investment properties have been transferred from tangible assets to a separate balance sheet item. In accordance with the consolidated financial statements accounting policies, investment properties are measured at fair value on the date of adoption of IFRS. In complying with FAS, investment properties were measured at acquisition cost less depreciation. The fair values on the transition date, 1 January, 2004, were also determined in accordance with the consolidated financial statements accounting policies by an independent, third-party, qualified valuer.

**d Equity**

The table, below, summarizes the effect that the adoption of IFRS has had on the Group's retained earnings.

	Jan. 1, 2004	Dec. 31, 2004
Retained earnings FAS	6,115	7,397
IFRS adjustments:		
IAS 12	Income taxes	-103
IAS 40	Investment properties	14,853
Retained earnings IFRS	20,968	24,427

**e Pension obligations and costs arising from employee benefits**

In complying with FAS, pension costs were recognised according to local regulations. Upon the transition to IFRS, all existing plans were found to be contribution-based; which means that there are no benefit-based plans as specified in IAS 19.

**f Interest-bearing liabilities and other liabilities**

The unpaid loan amount on KOy Data City shares on 31 December, 2004 was EUR 177,000, of which EUR 79,000 was short-term. The shareholdings in KOy DataCity account for EUR 145,000 of the company's net short-term liabilities.

**g Deferred tax assets and liabilities and income taxes**

Changes in accounting policies upon transition to IFRS increased (net) deferred tax liabilities on January 1, 2004 by EUR 6,488,539.12 and on December 31, 2004 by EUR 77,692.92. The change results from the change in the value of investment assets.

**h Depreciation**

Depreciation in accordance with FAS has been reversed for properties, and it adjusts the change recognised for the revaluation of investment properties.

**i Other expenses from operations**

The increase in Other expenses from operations is mainly due to the repairs on buildings and building equipment made in investment properties that, under FAS, had been capitalized but that are recognised as expenses in IFRS financial statements.

**j Financial income and expenses**

The reconciliation of January 1, 2005 on the effects of the adoption of IAS 32 and IAS 39. IAS 31 and IAS 39 were applied for the first time for the financial year that began January 1, 2005. This has caused changes compared with the FAS applied earlier e.g. in the measurement of investments and the accounting treatment of derivatives. Adjustments resulting from these changes to each balance sheet item and to the earnings per share have been presented in the table below and the following notes.

ASSETS	Note	Dec. 31, 2004	Effect of adoption IAS 32 and 39	Jan. 1, 2005
<b>Non-current assets</b>				
Tangible fixed assets		54	0	54
Other intangible assets		14	0	14
Investment properties		93,800	0	93,800
Available-for-sale financial assets	k	846	1,145	1,991
Deferred tax assets	o	118	150	268
<b>Current assets</b>				
Trade and other receivables		381	0	381
Advance payments		32	0	32
Cash and cash equivalents		2	0	2
Assets, total		<b>95,247</b>	<b>1,295</b>	<b>96,542</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		21,027	0	21,027
Share premium account		6,109	0	6,109
Revaluation fund	l	0	848	848
Hedge fund	m	0	-249	-249
Retained earnings	n	24,427	-178	24,249
Equity, total		<b>51,563</b>	<b>421</b>	<b>51,984</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	p	7,734	298	8,032
Interest-bearing liabilities		24,402	0	24,402
<b>Current liabilities</b>				
Trade and other payables		1 156	0	1,156
Hedge liabilities	o	0	576	576
Current tax liabilities		111	0	111
Current interest-bearing liabilities		10,281	0	10,281
Liabilities, total		<b>43,684</b>	<b>874</b>	<b>44,558</b>
Equity and liabilities, total		<b>95,247</b>	<b>1,295</b>	<b>96,542</b>

**k Available-for-sale financial assets**

Available-for-sale financial assets include shares that, upon the adoption of IAS 39, are measured at market value, a change of EUR 1,145,366.79, of which the deferred tax liability is EUR 297,795.36 and the revaluation fund contains EUR 847 571.43.

The non-current investments of the comparison year on 31.12.2004 include quoted Finnish shares at a total value of EUR 5,405.56 and other Finnish shares measured, in accordance with FAS, at their acquisition cost, EUR 335,758.78.

As from January 1, 2005, the shares are treated in accordance with IAS 39, and they have been classified as available-for-sale financial assets, measured at fair value.

**l Revaluation fund**

On January 1, 2005, the effect of adoption of IAS 39 on the value of available-for-sale investments, totaling EUR 1,145,366.79, less deferred tax liabilities of EUR 297,795.36, was entered in the revaluation fund.

**m Hedge fund**

On January 1, 2005, a negative market value of EUR 336,114.00 of interest rate swaps fulfilling the criteria of effective hedge accounting in accordance with IAS 39 less deferred tax assets of EUR 87,389.64 was entered in the hedge fund.

**n Retained earnings**

The market value of interest rate hedges outside hedge accounting recognized in fair value through profit or loss, totaling EUR 239,887.00 less deferred tax assets of EUR 62,370.62, has been recognized as a decrease in retained earnings.

**o Interest-bearing liabilities and other liabilities**

Six long-term loans from financial institutions have been hedged against interest rate risk with interest rate swaps, and derivatives have been recognized under IFRS in the balance sheet of January 1, 2005 at fair value, in compliance with IAS 39, which has increased non-interest bearing liabilities by EUR 576,001.00.

**p Deferred tax assets and liabilities**

The above changes increased both the deferred tax assets by EUR 149,760.26 and the deferred tax liabilities by EUR 297,795.36.

There are no material differences between the IFRS-compliant and FAS-compliant cash flow statements.

## KEY FIGURES

	2005	2004	2003	2002	2001
<b>FIVE-YEAR COMPARISONS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>FAS</b>	<b>FAS</b>	<b>FAS</b>
Revenue, EUR million	9.8	9.9	8.8	7.3	7.6
Operating profit, EUR 1,000	10.6	6.8	4.4	3.6	5.2
% in relation to revenue	108.5	68.9	50.4	49.7	68.1
Profit before taxes, EUR million	9.3	5.5	3.2	2.6	3.4
% in relation to revenue	94.7	55.6	36.3	35.6	44.4
Profit on ordinary operations, EUR million	6.7	4.7	2.2	1.8	2.5
% in relation to revenue	68.9	47.1	25.0	24.9	33.3
Return on equity (ROE), %	12.4	9.3	6.7	5.7	8.3
Return on investment (ROI), %	11.7	8.0	6.6	8.7	4.8
Equity-to-assets ratio, %	52.8	54.2	58.9	66.4	65.1
Gross capital expenditure, EUR million	7.2	1.0	16.4	1.2	0.3
% in relation to revenue	79.5	42.6	186.3	16.8	4.5
Lease portfolio, EUR million	41	35	34	25	25
Average personnel	4	4	4	4	4
Earnings per share, EUR	1.63	1.13	0.53	0.44	0.61
Equity per share, EUR	13.82	12.51	8.06	7.79	7.57
Dividends, EUR 1,000	1,278	1,237	1,196	1,072	907
Dividend per share, EUR <sup>*)</sup>	0.31	0.30	0.29	0.26	0.22
Dividend per profit, %	13.1	26.6	54.7	59.1	36.1
Effective dividend yield, %	2.6	3.4	4.9	5.0	4.4
P/E ratio	8	9	14	12	8
Highest price of share, EUR	14.07	10.10	7.60	5.70	5.45
Lowest price of share, EUR	9.44	7.10	4.95	4.85	4.24
Average price in year, EUR	11.77	8.85	5.97	5.36	4.61
Share price at Dec. 31	13.40	9.78	7.60	5.20	5.00
Market value of share portfolio					
B share, EUR 1,000	47,676	34,797	27,040	18,501	17,789
Share turnover, EUR 1,000	6,577	663	429	1,577	767
Share turnover, no.	622,305	74,955	71,859	293,958	166,341
Share turnover, %	17.5	2.1	2.0	8.3	4.7
Weighted average of share issue-adjusted number of shares in period (1000)	4,123	4,123	4,123	4,123	4,123
Share issue-adjusted number of shares at end of year (1,000)	4,123	4,123	4,123	4,123	4,123

<sup>\*)</sup> Board proposal for 2005

Differences in IFRS/FAS key figures are mainly due to the measurement of investment properties at fair value.

## CALCULATION OF KEY FIGURES

Return on equity (ROE), %	=	$\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Equity + minority interests + reserves (average over the year)}}$	x100
Return on investment (ROI), %	=	$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average over the year)}}$	x100
Equity-to-assets ratio, %	=	$\frac{\text{Equity + minority interests + reserves}}{\text{Balance sheet total - advances received}}$	x100
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, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	x100
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share issue adjusted share price (average price) at end of year}}$	x100
Price/Earnings ratio	=	$\frac{\text{Share issue adjusted share price (average price) at end of year}}{\text{Result/share}}$	

**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	37	10.19	3,337,085	80.94
Financial institutions and insurance companies	9	2.48	130,576	3.17
Households	315	86.78	621,639	15.08
Foreign	1	0.28	14,100	0.34
Public corporations	1	0.28	19,600	0.48
	363	100.00	4,123,000	100.00

**LARGEST SHAREHOLDERS ACCORDING TO THE SHARE REGISTER**

<b>(12 Largest)</b>				
Shareholder	Shares		Shares %	Votes %
	A shares	B shares		
Oy Julius Tallberg Ab	281,126	2,466,469	66.64	54.44
Oy Mogador Ab	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
Rosaco Oy Ab	0	72,335	1.75	0.49
Renlund Susanna	6,050	51,191	1.39	1.16
Tallberg Nina	440	49,166	1.20	0.39
Mutual Fund Aktia Secura	0	33,000	0.80	0.22
Helsinki Investment Trust Oy	0	30,000	0.73	0.20
Kiinteistö- ja kauppa Oy Ergy	24,200	0	0.59	3.26
Nordea Bank Plc	13,310	6,905	0.49	1.84
The Seamens' Pension Fund	0	19,600	0.48	0.13

**SHAREHOLDING BREAKDOWN**

Number of shares	Shareholders		Shares	
	Number	%	Number	%
1-100	146	40.22	6,996	0.17
101-1 000	158	43.53	57,380	1.39
1 001-10 000	42	11.57	129,105	3.13
10 001-100 000	13	3.58	399,374	9.69
100 001-1 000 000	3	0.83	782,550	18.98
1 000 001-99 999 999	1	0.27	2,747,595	66.64
Total	363	100.00	4,123,000	100.00

The company's Directors and Managing Director directly owned 215,810 A shares on December 31, 2005 and 209,846 B shares, representing 30.46% of the company's voting power and 10.32% of the ownership. Entities controlled by the company's Directors and Managing Director that hold the company's shares consist of: Oy Julius Tallberg Ab, Oy Mogador Ab, Oy Montall AB and Kiinteistö- ja kauppa Oy Ergy. These entities own a total of 305,326 A shares and 2,888,789 B shares that collectively carry 60.54% of the company's voting power and represent 77.47% ownership.

## PARENT COMPANY INCOME STATEMENT

EUR 1,000	note	Jan. 1-Dec. 31	Jan. 1-Dec. 31
		2005	2004
NET SALES	1	<b>9,773</b>	9,879
Other operating income	2	<b>13</b>	27
Salaries and wages	3	<b>-582</b>	-403
Depreciation and write-downs	4	<b>-22</b>	-38
Other operating expenses		<b>-7,547</b>	-7,297
OPERATING PROFIT		<b>1,635</b>	2,168
Financial income and expenses	5		
Income from other long-term investments		<b>0</b>	114
Other interest and financial income		<b>1,863</b>	1,782
Interest and other financial expenses		<b>-1,556</b>	-1,397
		<b>307</b>	499
INCOME BEFORE APPROPRIATIONS AND TAXES		<b>1,942</b>	2,667
Depreciation difference, increase (-) or decrease (+)		<b>0</b>	0
Income taxes	6	<b>-502</b>	-696
PROFIT FOR THE FINANCIAL YEAR		<b>1,440</b>	1,971

## PARENT COMPANY CASH FLOW STATEMENT

EUR 1,000	2005	2004
CASH FLOWS FROM OPERATIONS		
Profit for the financial year	<b>1,440</b>	1,971
Adjustments		
Business transactions that do not involve payments		
Other operating income	<b>-13</b>	-27
Depreciation	<b>22</b>	38
Financial items	<b>307</b>	499
Taxes	<b>502</b>	696
Changes in working capital		
Change in trade and other receivables	<b>-150</b>	-33
Change in accounts payable and other liabilities	<b>-325</b>	-978
Paid interest and financing expenses	<b>-1,595</b>	-1,413
Interest received	<b>1,832</b>	1,775
Paid taxes	<b>-626</b>	-778
CASH FLOWS FROM OPERATIONS	<b>1,394</b>	1,750
CASH FLOWS FROM INVESTMENTS		
Investments in intangible and tangible assts	<b>-3</b>	-20
Investments in other securities	<b>-5,099</b>	875
Sales income from investments	<b>18</b>	95
Dividends received	<b>1</b>	81
NET CASH FLOWS FROM INVESTMENTS	<b>-5,083</b>	1,031
CASH FLOW FROM FINANCING ACTIVITIES		
Loan withdrawals	<b>8,726</b>	2,031
Repayments on loans	<b>-3,800</b>	-3,616
Dividends paid	<b>-1,237</b>	-1,196
Cash flow from financing activities	<b>3,689</b>	-2,781
Change in cash flows	<b>0</b>	0
Liquid funds on January 1	<b>0</b>	2
Liquid funds on December 31	<b>0</b>	2



**PARENT COMPANY BALANCE SHEET**

EUR 1,000	note	Dec. 31, 2005	Dec. 31, 2004
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>INTANGIBLE ASSETS</b> 7			
Intangible rights		<b>9</b>	14
<b>TANGIBLE ASSETS</b> 8			
Machinery and equipment		<b>38</b>	46
Other tangible assets		<b>3</b>	8
		<b>41</b>	54
<b>INVESTMENTS</b> 9			
Interests in companies in the same Group		<b>15,516</b>	15,508
Receivables from companies in the same Group		<b>46,544</b>	41,454
Other shares and participations		<b>6,665</b>	6,670
Loan receivables		<b>336</b>	336
		<b>69,061</b>	63,968
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,111</b>	64,036
<b>CURRENT ASSETS</b>			
<b>Short-term receivables</b>			
Trade receivables		<b>26</b>	32
Other receivables		<b>420</b>	283
Prepaid expenses and accrued income		<b>33</b>	15
Cash and bank balances		<b>0</b>	0
<b>TOTAL CURRENT ASSETS</b>		<b>479</b>	330
<b>TOTAL ASSETS</b>		<b>69,591</b>	64,366

EUR 1,000	note	Dec. 31, 2005	Dec. 31, 2004
<b>LIABILITIES</b>			
<b>EQUITY</b> 10			
Share capital		<b>21,027</b>	21,027
Share premium account		<b>6,109</b>	6,109
Retained earnings		<b>2,798</b>	2,064
Net profit for the year		<b>1,440</b>	1,971
		<b>31,375</b>	31,172
<b>LIABILITIES</b> 11			
<b>Non-current liabilities</b>			
Loans from financial institutions		<b>24,201</b>	22,600
		<b>24,201</b>	22,600
<b>Current liabilities</b>			
Loans from financial institutions		<b>13,271</b>	9,945
Customer advances		<b>59</b>	66
Accounts payable		<b>45</b>	39
Payables to companies in the same Group 12		<b>251</b>	97
Accrued liabilities		<b>312</b>	406
Other current liabilities		<b>77</b>	41
		<b>14,015</b>	10,594
<b>TOTAL LIABILITIES</b>		<b>38,216</b>	33,194
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
		<b>69,591</b>	64,366

## NOTES TO THE FINANCIAL STATEMENTS

EUR 1,000	2005	2004
<b>1. Net revenue</b>		
Rental income	9,764	9,871
Other revenue	9	8
	9,773	9,879
<b>2. Other operating income</b>		
Sales profits	15	19
Other income	-2	8
	13	27
<b>3. Personnel costs</b>		
Salaries, fees and commissions	492	335
Pension costs	70	53
Other indirect personnel costs	20	15
	582	403
Number of personnel	4	4
Executive compensation		
Board of Directors, compensation	72	21
Pension commitments		
The personnel have a voluntary pension scheme with an annual cost of EUR 27,000. 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	5	19
Buildings	0	0
Machinery and equipment	17	19
	22	38
<b>5. Financial income and expenses</b>		
Dividend income from others	1	114
Interest income from long-term investments, from others	23	23
Other interest and financial income		
from companies in the same Group	1,841	1,756
from others	3	3
Interest and other financial expenses to others	-1,561	-1,397
Financing contribution <sup>1)</sup>	-86	-86
Total financial income and expenses	221	413
<sup>1)</sup> Included in rents and maintenance charges		
<b>6. Taxes</b>		
Tax on income from operations	502	696
Change in deferred tax liabilities	0	0
	502	696

## NOTES TO THE BALANCE SHEET

EUR 1,000	2005	2004
NON-CURRENT ASSETS		
<b>7. Intangible assets</b>		
Intangible rights		
Acquisition cost, Jan. 1	24	16
Increases, Jan 1.-Dec. 31	0	8
Acquisition cost, Dec. 31	24	24
Accumulated depreciation and write-downs, Jan. 1		
	-10	-4
Depreciation, Jan. 1-Dec. 31	-5	-6
Book value, Dec. 31	9	14
<b>8. Tangible assets</b>		
Machinery and equipment, acquisition costs, Jan. 1		
	74	102
Increases, Jan. 1-Dec. 31	3	41
Decreases, Jan. 1-Dec. 31	0	-69
Acquisition cost, Dec. 31	77	74
Accumulated depreciation and write-downs, Jan. 1		
	-27	-53
Depreciation recapture on retired assets	0	44
Depreciation, Jan. 1-Dec.31	-12	-18
Book value, Dec. 31	38	47
Other tangible assets		
Acquisition cost, Jan. 1	65	92
Increases, Jan. 1-Dec. 31	0	0
Decreases, Jan. 1-Dec. 31	0	-27
Acquisition cost, Dec. 31	65	65
Accumulated depreciation, Jan. 1		
	-57	-44
Depreciation, Jan. 1-Dec. 31	-5	-13
Book value, Dec. 31	3	8
<b>9. Investments</b>		
Equity in subsidiaries		
Acquisition cost, Jan. 1	15,508	15,502
Increases, Jan. 1-Dec. 31	8	6
Acquisition cost, Dec. 31	15,516	15,508
Other equity investments		
KOy Data-City	6,160	6,160
SK Property Oy	490	490
Other participations (Cargill)	15	15
Other shares	0	5
	6,665	6,670
Other equity investments		
Acquisition cost, Jan. 1	6,670	6,715
Increases, Jan. 1-Dec. 31	0	0
Decreases, Jan. 1-Dec. 31	-5	-45
Acquisition cost, Dec. 31	6,665	6,670
Real estate investment stock is entered in the parent company's balance sheet at the acquisition price, which, for two companies, exceeds the fair value entered in the consolidated balance sheet. The over-valuation is not considered as fulfilling the criteria of materiality and permanence.		

<b>Subsidiaries and Group holdings</b>			
		<b>Parent Company's ownership %</b>	<b>Book value EUR 1,000</b>
Subsidiaries			
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
KOy Espoon Suomalaistentie 7		100	8
			15,516
<b>10. Equity</b>			
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.			
		<b>2005</b>	<b>2004</b>
A stock			
(20 votes/share)	565,070 shares	<b>2,882</b>	2,882
B stock			
(1 vote/share)	3,557,930 shares	<b>18,145</b>	18,145
Total	4,123,000 shares	<b>21,027</b>	21,027
Share capital Jan. 1	4,123,000 shares	<b>21,027</b>	21,027
Share capital Dec. 31	4,123,000 shares	<b>21,027</b>	21,027
Share premium account, Jan. 1		<b>6,109</b>	6,109
Share premium account, Dec. 31		<b>6,109</b>	6,109
Accumulated earnings, Jan. 1		<b>4,036</b>	3,260
Dividends paid		<b>-1,237</b>	-1,196
Profit for the financial year		<b>1,440</b>	1,971
Accumulated earnings, Dec. 31		<b>4,238</b>	4,036
Total equity		<b>31,375</b>	31,172
Distributable funds		<b>4,238</b>	4,036


<b>11. Liabilities</b>			
	<b>2005</b>	<b>2004</b>	
<b>Liabilities with a 5 year + maturity</b>			
Loans from credit institutions	<b>3,822</b>	7,401	
<b>Current liabilities</b>			
Non-interest bearing current liabilities	<b>744</b>	649	
Interest-bearing current liabilities	<b>13,271</b>	9,945	
	<b>14,015</b>	10,594	
<b>Maturing of loans</b>			
Maturity year			
2006	<b>12,799</b>		
2007	<b>3,800</b>		
2008	<b>3,800</b>		
2009	<b>3,800</b>		
2010	<b>8,980</b>		
2011	<b>1,889</b>		
2012	<b>1,317</b>		
2013	<b>615</b>		
	<b>37,000</b>		
<b>12. Payables to companies in the same Group</b>			
Short-term payables to subsidiaries	<b>250</b>	96	
OTHER NOTES			
<b>13. Exposures from derivative contracts</b>			
	<b>2005</b>	<b>2004</b>	
Interest rate swaps			
Value of underlying instrument	<b>17,567</b>	29,708	
Market value	<b>-256</b>	-576	
<b>Maturing of derivative contracts</b>			
Interest rate swaps	<b>2006</b>	<b>2007</b>	<b>2008</b>
	2,877	2,877	2,877
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	4,189	1,672	1,230
		<b>2012</b>	<b>2013</b>
		1,230	615
<b>14. Corporate debt obligations</b>			
Unpaid debt from shares in real estate			
companies outside the Group on December 31	<b>2005</b>	<b>2004</b>	
	<b>1,255</b>	1,386	
<b>15. Pledged assets</b>			
Debt secured by liens on real estate			
Loans from credit institutions	<b>2005</b>	<b>2004</b>	
Loans	<b>37,000</b>	32,545	
Security			
-liens	<b>0</b>	0	
Total liens on real estate	<b>0</b>	0	
<b>16. Insurance values on December 31, 2005</b>			
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.			

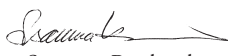
The consolidated distributable funds at December 31, 2005 are EUR 25,728,197.23. The parent company's retained earnings recorded in the December 31, 2005 balance sheet are EUR 4,238,195.66.

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

a dividend of EUR 0.31 per share be paid on 4,123,000 shares, for a total of	EUR 1,278,130.00
and that the remainder be left in retained earnings	EUR 2,960,065.66
	EUR 4,238,195.66

Espoo, February 6, 2006

  
Thomas Tallberg

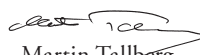
  
Susanna Renlund

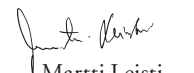
  
Magnus Bargum

  
Ernst Gylfe

  
Kaj Hedvall

  
Kari Jordan

  
Martin Tallberg

  
Martti Leisti  
Managing Director

### AUDITOR'S REPORT to the shareholders of Julius Tallberg -Kiinteistöt Oyj

We have audited the accounting records, the financial statements and the administration of Julius Tallberg -Kiinteistöt Oyj for the financial year 2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's 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 administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

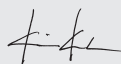
### Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

### Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The 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 distributable funds is in compliance with the Companies' Act.

Espoo, 6 February, 2006  
PricewaterhouseCoopers Oy  
Authorised Public Accountants

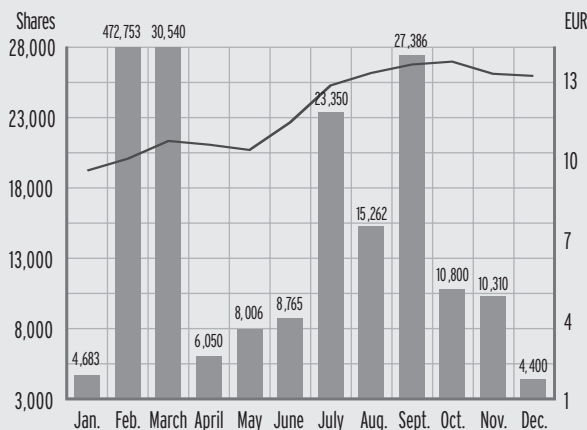


Kim Karhu  
Authorised Public Accountant

### Net Assets/Equity per Share and Prices



### Share Prices and Share Trading Volumes 2005



## CORPORATE GOVERNANCE

The Company complies 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.

The Annual General Meeting, Board of Directors and 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 (12) days before the meeting. The notice shall be delivered 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 5-8 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 of Directors currently has seven members, none of whom are full-time.

The Board of Directors elects a Chairman and Vice Chairman from its midst for a term of one year.

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.

According to the interpretation of the Company, four members of the Board of Directors elected at the Annual General Meeting of March

15, 2005 are independent: Magnus Bargum, Ernst Gylfe, Kaj Hedvall and Kari Jordan.

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 guidelines for managing financial risks. The Board's duty is to promote the interests of the Company and its shareholders. The Board members do not represent the interests of parties who proposed their election as Board members.

In addition to its duties by law and the Articles of Association, the Board of Directors approves the Company's operating plans and budget, and decides on major investments, corporate and real estate acquisitions, and other major strategic 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 2005 there were seven Board meetings, which were attended by 84% 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 15, 2005 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.

## 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.



## BOARD OF DIRECTORS

### Chairman

#### **Thomas Tallberg, Docent in Immunology**

Helsinki, born 1934, MD

- Chairman of the Board of Oy Julius Tallberg Ab
- Board member of several foundations
- Vice Chairman of the Board of Julius Tallberg Real Estate Corporation from 1987 and Chairman since 1998
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2005 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

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

Helsinki, born 1958, M.Sc. (Agr.)

- Vice Chairman of the Board and Administration Manager of Oy Julius Tallberg Ab
- Board member of several Finnish companies
- Julius Tallberg Real Estate Corporation, Board member since 1997 and Vice Chairman since 2005
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2005 were 6,050 A shares and 51,191 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.

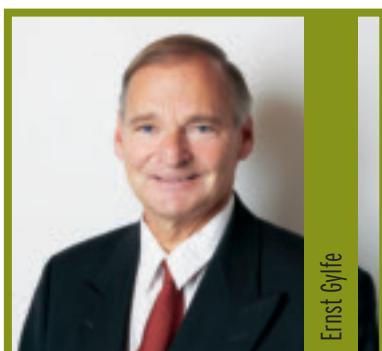


### Board members

#### **Magnus Bargum, Commercial Counselor**

Helsinki, born 1947, M.Sc. (Econ.)

- Managing Director of Algol Oy since 1985 and Board member since 1976
- Vice Chairman of Paulig Oy
- Julius Tallberg Real Estate Corporation, Board member since 2005
- No direct holdings in Julius Tallberg Real Estate Corporation
- Supervisory Board member of Finnish Fair Collective
- Board member of the Confederation of Finnish Industries EK since 2005
- Board member of several foundations and funds



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

Espoo, born 1944, M.Sc. (Eng.)

- Chairman of the Board of Helsingin Villakehäämö Oy
- Board member of several Finnish companies
- Julius Tallberg Real Estate Corporation, Board member since 1987 and Vice Chairman, 1998-2004
- No direct holdings in Julius Tallberg Real Estate Corporation
- Ernst Gylfe has served Helsingin Villakehäämö Oy as Managing Director (1974-2001) and as Chairman of the Board since 2001.



#### **Kaj Hedvall, Director**

Helsinki, born 1960, Doctor of Economics, Master of Sciences (Engineering)

- Senaatti-kiinteistöt Institution, Business Development Director
- Board member of Finnish investment trust and foundation
- Julius Tallberg Real Estate Corporation, Board member since 2005
- No direct holdings in Julius Tallberg Real Estate Corporation
- Kaj Hedvall worked in teaching and research at the Dept of Finance and Statistics, Swedish School of Econ. and Business Admin., Helsinki, 1984-1998. In 1998-2002 he worked in the Finnish Association of Building Owners and Construction Clients (RAKLI) as Director of Development. Since 2002, he has been Business Development Director and Executive Team member at Senate Properties.



#### **Kari Jordan, President and CEO**

Kauniainen, born 1956, M.Sc. (Econ.)

- President and CEO of Metsäliitto Group
- Board member of several Finnish companies
- Julius Tallberg Real Estate Corporation, Board member since 1998
- No direct holdings in Julius Tallberg Real Estate Corporation
- Kari Jordan served as member and deputy member of OKO Bank Board of Directors (1987-1994).
- Since 1994, he has held director 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 end of 2004).



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

Helsinki, born 1963, M.Sc. (Econ.)

- Managing Director of Oy Julius Tallberg Ab
- Board member of several Finnish companies
- Julius Tallberg Real Estate Corporation, Board member since 1991
- Direct holdings of Julius Tallberg Real Estate Corporation on December 31, 2005 were 58,080 A shares and 81,466 B shares
- Martin Tallberg worked in real estate for SKV in 1989-1990, after which he was Management Assistant at Oy Julius Tallberg Ab responsible for leasing and selling real estate, and administrative and business development.
- He has been Managing Director of Oy Julius Tallberg Ab since 1995.

#### **Managing Director of the Company:**

##### **Martti Leisti**

Born 1947

M.Sc. (Econ.)

- Managing Director of Julius Tallberg Real Estate Corporation since 1987
- Member of the Board of Directors of the Finnish Association of Building Owners and Construction Clients (RAKLI)
- Board member of several Finnish companies
- 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, 2005 were 6,365 B shares.
- No holdings and rights based on equity-based incentive schemes.

In 2005, the salaries and fees paid to the Managing Director totaled EUR 157,494. The pension insurance payments made in 2005 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 2005, Board members of Julius Tallberg Real Estate Corporation were paid approx. EUR 71,600. They are not rewarded with options or other incentive schemes.

## PERSONNEL INCENTIVE SYSTEMS

A personnel incentive system confirmed on February 6, 2004 supports the achievement of the Company's long-term and short-term objectives. The Board annually approves the performance bonus criteria and actual performance bonuses of the Managing Director and personnel. Options programs affecting the Managing Director and personnel have been discontinued. The Managing Director and personnel have a voluntary pension scheme whose annual cost for 2006 will not exceed EUR 27,000.

## AUDIT AND AUDITORS

### External audit

The Company has one auditor and one deputy auditor. If the Company's auditor is a firm of authorized public accountants, no deputy auditor is elected. The company's auditor must be an authorized public accountant or a firm of authorized public accountants. In the 2005 financial year, the auditors were paid fees amounting to EUR 56,918, of which approx. EUR 31,319 were paid for services not related to auditing.

### Auditors

Auditor: PricewaterhouseCoopers Oy, Authorized Public Accountants, represented by Kim Karhu, 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 3,620,271 shares on December 31, 2005, entitling them to 90.9% of the ownership rights and 87.8% of the voting power.

## CONTROL SYSTEMS

Julius Tallberg Real Estate Corporation's business is governed and controlled by means of the governance 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 Compa-

ny 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 (including appropriate customer relationship procedures) are followed, the Company's operations, information and property are kept safe and insurance practices are adhered to, and 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 daily operations conform with valid legislation and related regulations, and also with the Company's operating principles and Board decisions.

The auditors' reports to the Board and Managing Director each year include an administrative audit and the Company's internal audit where relevant.

## 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 both 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 leases.

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 have no redemption clauses.

## SHAREHOLDER AGREEMENTS

The Company knows of no 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

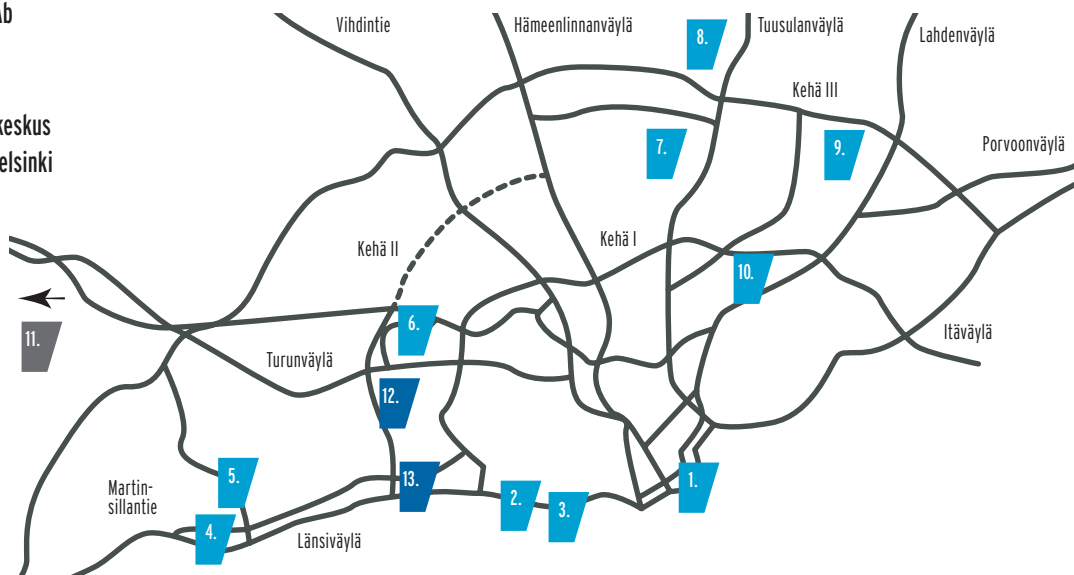


The objective of the Company's real estate investment operations is the effective management of the existing real estate stock and the development of tenancy relations.

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   | 11. KOy DataCity, Turku<br>(Company's ownership is 13%) |
| 2. KOy Gyldenintie 2             | Joint ownership with Cargill:                           |
| 3. KOy Nahkahousuntie 3          | 12. SK Property Oy (Espoo, Olarinluoma)                 |
| 4. KOy Kauppakeskus Martinsilta  | 13. SK Property Oy ( Espoo, Niittykumpu)                |
| 5. KOy Espoon Suomalaisentie 7   |   |
| 6. Oy Soffcon Kiinteistö Ab      |   |
| 7. KOy Arinatie 8                |   |
| 8. KOy Äyritie 4 Vantaa          |   |
| 9. KOy Suutarilan Huoltokeskus   |   |
| 10. KOy Liukumäentie 15 Helsinki |   |



**1. Helsinki/Katajanokka**  
Kanavaranta 7

Significant tenants:

- Good Mood Productions Oy
- International Marble & Granite Oy
- Mr.Goodliving Oy
- Oy Carat Finland Ab
- Royal Ravintolat Oy  
(Restaurant Sipuli and Restaurant Nokka)

**2. Helsinki/Lauttasaari**  
Gyldenintie 2

Significant tenants:

- Casarest Consulting Oy
- (Restaurant C.W. Gylden and Restaurant Piratti)
- Sairaala Laseri Oy

**3. Helsinki/Lauttasaari**  
Nahkahousuntie 3

Significant tenants:

- CC-Tukku Oy
- Vallilan Kopioteam Oy
- Vantaan Squash- ja Sulkapallokeskus Oy



**4. Espoo/Suomenoja**  
Martinsillantie 10

Significant tenants:

- Biltema
- Café Luna
- Joint Authority of Education in Espoo region (Omnia)
- Huonekaluliike Vepsäläinen Oy
- Jysk Oy
- Kymppi-Lattiat Oy
- Laattamaailma Oy
- Lidl Suomi Ky
- Maskun Kalustetalo Oy
- Rautakirja Oy
- Rengasmaailma Oy
- Suomen Teesi Oy
- Tarjousmaxi Oy (Tarjoustalo)
- Tasokaluste Oy
- Veikon Kone Oy



**5. Espoo/Suomenoja**  
Suomalaistentie 7

Significant tenants:

- Oy Agfa-Gevaert Ab
- Bayer Oy
- Förlagssystem Finland Ab
- Veikon Kone Oy



**7. Vantaa/Pakkala**  
Arinatie 8

Significant tenants:

- Nokian Renkaat Oyj
- Oy Meluton Ab
- Ramirent Oyj



**6. Espoo/Kilo**  
Karapellontie 11-13

Significant tenants:

- City of Espoo, property service center
- Joint Authority of Education in Espoo region (Omnia)
- Evolvit Oy
- HSG-Pakkaus Oy
- Oy Julius Tallberg Ab
- Oy Soffco Ab



**8. Vantaa/Aviapolis**  
Äyritie 4-6

Rented entirely to Philips Medical Systems MR Technologies Finland Oy.

9.



**9. Helsinki/Suutarila**  
Tapulikaupungintie 37

Rented entirely to Ramirent Plc.

12.



10.



13.



10.



**10. Helsinki/Oulunkylä**  
Liukumäentie 15

Rented entirely to Schenker Cargo 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:

**12. SK Property Oy, Espoo**  
Olarinluoma

Tenant:  
- Laattamaailma Oy

**13. SK Property Oy, Espoo**  
Niittykumpu

Significant tenants:  
- Espotel Oy  
- Futuremark Oy  
- Space Systems Oy

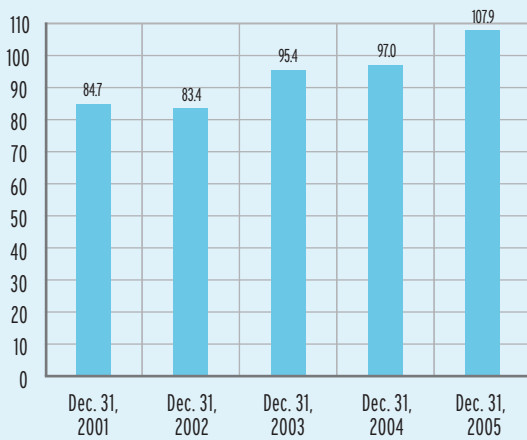
11.



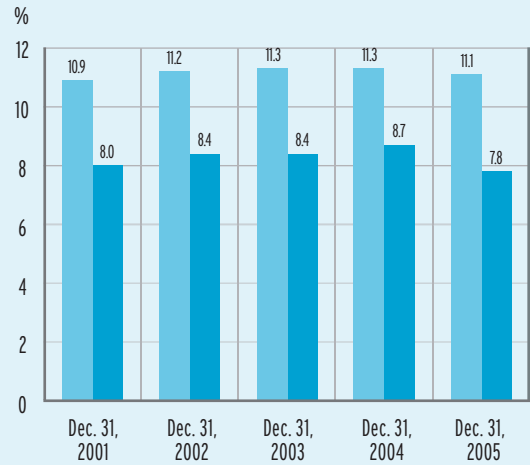
**11. Turku/Datacity**

Significant tenants:  
- Medivire Oy  
- University of Turku

### Market Value of Real Estate Assets, EUR million



### Net Rental Income %

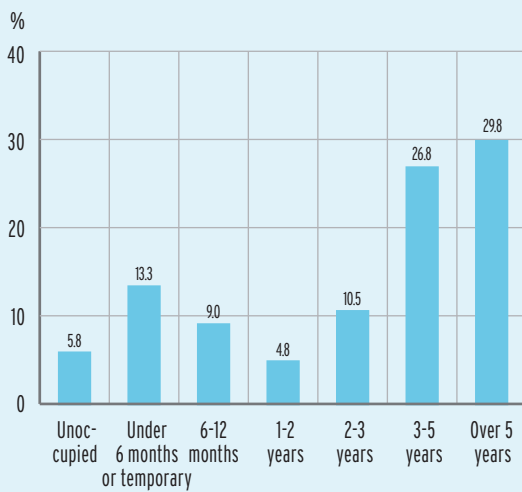


■ FAS Net Rental Income % =  $\frac{\text{Annual net rental income (=rental income - maintenance costs)}}{\text{Acquisition or FAS balance sheet value of completed real estate assets including capital transfer tax (average for year)}} \times 100$

■ IFRS Net Rental Income % =  $\frac{\text{Annual net rental income (=rental income - maintenance costs)}}{\text{Market value of completed investment property assets including capital transfer tax (average for year)}} \times 100$

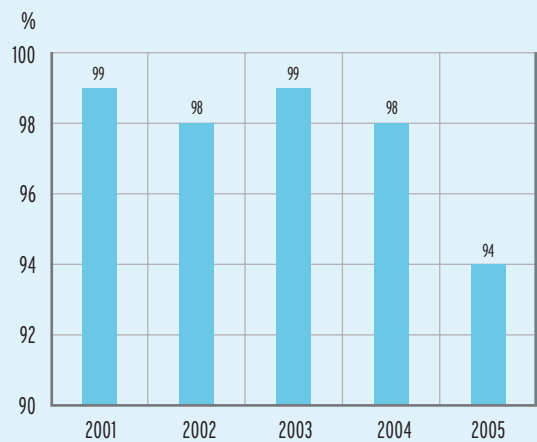
### Rental Income Analysis on December 31, 2005

Average length of rental agreements 4.2 years (2004: 3.8 years)

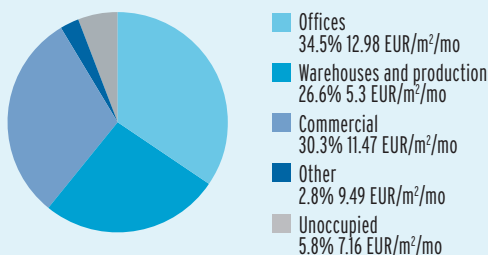


Tenancy agreement stock, total value (vat 0%) EUR 41.6 million (2004: EUR 35 million). As for agreements valid until further notice, rent for term of notice recognized.

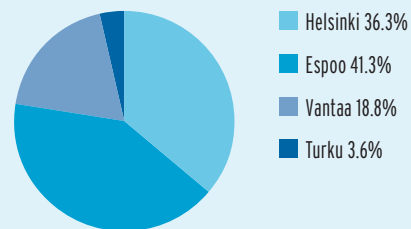
### Yield-Weighted Occupancy Rate 2001-2005



### 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, 2005

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	Other		
<b>HELSINKI</b>								
KOy Kanavaranta 7	100	6,906	3,085	3,821	0	0	0	2003
Katajanokka								
KOy Gyldenintie 2	100	3,507	710	2,322	405	70	0	1987
Lauttasaari								
KOy Nahkahousuntie 3	100	3,436	0	1,961	370	1,105	0	1988
Lauttasaari								
KOy Suutarilan Huoltokeskus	100	5,776	0	1,441	4,335	0	10,845	2000
Suutarila								
KOy Suutarilan Lamppupolku	100	0	0	0	0	0	8,838	2000
Suutarila								
KOy Liukumäentie 15 Helsinki	100 <sup>1)</sup>	14,143	0	0	14,143	0	9,600 <sup>2)</sup>	2000
Oulunkylä								
<b>Total</b>		<b>33,768</b>	<b>3,795</b>	<b>9,545</b>	<b>19,253</b>	<b>1,175</b>	<b>29,283</b>	
<b>ESPOO</b>								
Oy Soffcon Kiinteistö Ab	100	6,755	0	3,771	2,604	380	7,564	1988
Kilo								
KOy Kauppakeskus Martinsilta								
Suomenoja								
- old property	100	12,258	7,133	1,320	3,284	521	0	1997
- new construction	100	11,935	11,467	0	447	21	0	2000
KOy Espoon Suomalaistentie 7	100	11,679	207	5,396	5,884	192	970	2005
Suomenoja								
<b>Total</b>		<b>42,627</b>	<b>18,807</b>	<b>10,487</b>	<b>12,219</b>	<b>1,114</b>	<b>8,534</b>	
<b>VANTAA</b>								
KOy Arinatie 8	100	10,708	285	1,712	8,711	0	3,880	1991
Pakkala								
KOy Äyritie 4 Vantaa	100	8,744	0	2,267	5,899	578	4,068	1997
Veromies								
KOy Vantaan Äyri	100	0	0	0	0	0	24,144	1997
Veromies								
<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	13	4,394	216	3,744	92	342	0	1988/ 1990
Lemminkäisenkatu 14-18								
<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>100,241</b>	<b>23,103</b>	<b>27,755</b>	<b>46,174</b>	<b>3,209</b>	<b>69,909</b>	

<sup>1)</sup> The lot has been rented from the City of Helsinki. The rental agreement is valid until December 31, 2030.

<sup>2)</sup> Under construction, to be completed in summer 2006.

**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 (Share of ownership of both 18%)
  - Olarinluoma, Espoo
  - Kappelitie, Espoo
- Jert Properties Oy, Espoo (Share of ownership 5 %)

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



## CATELLA PROPERTY GROUP

Catella Property Ltd, Valuation Service, has, at the request of the Julius Tallberg Real Estate Corporation, valued the debt-free market value of properties and real estate shares owned by the Company on December 31, 2005. The market value is determined in accordance with section 5.2 of IVS 2005 as the cash sum by which the assets would change owners on the value date between a buyer and seller that are independent of each other and willing to do business, following appropriate marketing and with the parties acting competently, with discretion and without force. The subjective special interests of the purchasing parties in the assets are not considered in the valuation. Debt-free value means that no company debts, VAT debts etc. have been deducted.

We valued ten properties that were the same as in the previous valuation the year before on December 31, 2004, and three new properties. Five of these properties were in Helsinki at Nahkahousuntie 3, Gyldéninintie 2, Tapulikaupungintie 37 / Lamppupolku 3, Liukumäentie 15 and Kanavaranta 7; five were in Espoo at Martinsillantie 10 and Karapellontie 11-13 (two properties), Suomalaistentie 7, Luomannotko 3 (18%

holding) and Kappelitie 6 (18% holding); 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.

The valued investment properties are approximately 93.5% 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, Karapellontie 13, Äyritie 6 and Suomalaistentie 7 have ample unutilized building rights. The extension project of Liukumäentie 15 is under progress.

We value the December 31, 2005 debt-free market value of the aforementioned Julius Tallberg Real Estate Corporation properties and real estate shares at one hundred and seven million, nine hundred thousand euros (EUR 107,900,000). Of this sum, the market value of the investment assets totaled EUR 105,700,000 and the market value of available-for-sale investments totaled EUR 2,200,000.

Helsinki, January 9, 2006

CATELLA PROPERTY Ltd,  
Valuation Service

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

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



JULIUS TALLBERG REAL ESTATE CORPORATION  
Karapellontie 11, P.O. Box 16, FI-02611 Espoo  
Phone +358 207 420 720, fax +358 207 420 739  
[www.jtkoyj.com](http://www.jtkoyj.com)