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JULIUS TALLBERG KIINTEISTÖT

ANNUAL REPORT 2006

Julius Tallberg Real Estate Corporation

(Julius Tallberg-Kiinteistöt Oyj)

Annual Report 2006

2006 marked the nineteenth 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 at 4:30 PM on 7 March 2007 at Kansallissali, Aleksanterinkatu 44, 00100 Helsinki, Finland.

The meeting agenda will consist of the following items:

- 1) Matters to be submitted to the Annual General Meeting pursuant to §12 of the company's Articles of Association.
- 2) Proposal of the Board of Directors:
 - for the combination of current share series
 - for a directed issue of shares, free of charge
 - for amending the company's Articles of Association
 - concerning authorization for later share issues

Right to attend

Those shareholders who are registered as shareholders in the company's shareholder register kept by the Finnish Central Securities Depository Ltd by 23 February, 2007 shall have the right to attend the Annual General Meeting.

Notice of attendance

Shareholders wishing to attend the Annual General Meeting will be required to deliver notice of their attendance to the company's administrative offices no later than 4 PM on Friday, 2 March 2007 either

- by telephone to Ritva Savaspuro-Olli/+358 20 742 0705,
- by letter addressed to Julius Tallberg Real Estate Corporation, Box 16, Karapelontie 11, 02610 Espoo, Finland,
- by e-mail addressed to ritva.savaspuro@tallberg.fi or
- through the company's website at www.jtkoyj.com

In English => Contact us.

In addition to their name, shareholders are also requested to provide their social security number or business ID.

Possible proxies on the basis of which designated representatives wish to exercise the voting rights of shareholders at the meeting are re-

quested to be declared in connection with notices of attendance, and such proxies are requested to be left at, or otherwise delivered to, the company's administrative offices at the above address prior to the indicated attendance notification deadline.

Address changes

Shareholders are requested to report any address, name or ownership changes to the book-entry account operator administering their book-entry securities account.

Dividend payment

The Board of Directors will propose to the Annual General Meeting the payment of a dividend in the amount of EUR 0.34 per share for the 2006 fiscal year. Dividends will be payable to shareholders of record on the ex-dividend date of 12 March 2007, as indicated in the register of shareholders maintained by the Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the commencement date for payment of dividends is 19 March 2007.

Julius Tallberg Real Estate Corporation's financial information in 2007

Julius Tallberg Real Estate Corporation will release its 2006 financial statements on Tuesday, 6 February 2007.

The company will publish three interim reports during 2007:

- Wednesday, 9 May 2007 for the first quarter,
- Thursday, 9 August 2007 for the second quarter, and
- Tuesday, 30 October 2007 for the third quarter

The company's annual report will be mailed to its registered shareholders. Reports can also be ordered by mail from Julius Tallberg Real Estate Corporation, Box 16, 02611 Espoo, Finland, by telephone from +358 20 742 0705, by e-mail from ritva.savaspuro@tallberg.fi or through the company's website. Quarterly reports will be published only online at www.jtkoyj.com. They can also be ordered by mail in the manner described above.

GROUP IN FIGURES (IFRS)

	Dec. 31, 2006	Dec. 31, 2005
Market value of real estate assets, EUR million	129.7	107.9
- Change %	+20.2	+11.2
Consolidated equity, EUR million	73.1	58.8
- Change %	+24.3	+13.9
Equity per share, EUR	17.72	14.25
Equity to assets %	57.7	54.4

	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
Revenue, EUR million	10.4	9.8
- Change %	+6.9	-1.0
Profit before taxes, EUR million	20.7	9.3
- Change %	+123.4	+68.4
Dividend/share, EUR	0.34 ⁽¹⁾	0.31

⁽¹⁾ Proposal by the Board of Directors

2 Managing Director's Review

The dynamic and active pace of 2006 made it the best year in the history of Julius Tallberg Real Estate Corporation.

A third-party appraisal valued the company's real estate assets at about EUR 130 million at the end of the year, which represents a 20% increase from the previous year. The company's equity per share rose to nearly EUR 18, or by roughly 24%. Its net revenue climbed by 7% to EUR 10.4 million. Earnings before taxes totalled EUR 20.7 million, compared to EUR 9.3 million in 2005, which translates to an increase of 123%. This improvement in financial performance was in part due to a EUR 16.5 million increase in the value of the company's real estate assets, roughly one-third of which was realised on 15 January 2007 upon the disposal of Koy Helsingin Kanavaranta 7.

The company's capital expenditures consisted of a EUR 5.3 million expansion of Koy Liukumäentie 15. In January 2007, the company invested some EUR 10 million in the purchase of a majority ownership stake in its long-term partner CarVal Investors (formerly Cargill, Inc.) in SK Property Oy. The operating performance of SK Property Oy will be materially improved in the course of 2007 through efficiency measures relating to its administration and marketing and a realignment of its capital structure.

The B shares of Julius Tallberg Real Estate were priced at EUR 18.70 on 31 December 2006 on the Helsinki Stock Exchange (EUR 13.40 on 31 Dec 2005), i.e. 40% higher. Its P/E ratio was 5.

The past year can be considered excellent in terms of the company's earnings and development of equity per share. Return on capital employed was 21.2% (11.6 % in 2005) and return on equity 23.2% (12.2% in 2005), while equity to assets stood at 58% (54% in 2005).

When dealing with real estate, it is appropriate to evaluate developments and performance over the long term instead of quarter by quarter. Viewed in this manner, the company's growth has been well balanced and has not involved any major risks.

The company has grown significantly over the past ten years (1997-2006). The value of its real estate assets has risen from EUR 45.8 million to EUR 129.7 million, or nearly tripled. Its net assets after deferred taxes have gone from EUR 34.6 million to EUR 73.1 million, or more than doubled. The company has also distributed growing dividends over all these years. Net rental yield, as computed under Finnish Accounting Standards, has meanwhile increased to 11%, or nearly doubled. Occupancy rates at the company's properties have also remained high. The company has consistently maintained its targeted capital structure despite significant capital spending.

OUTLOOK FOR 2007

Property disposals effected under favourable market conditions in 2006 will temporarily reduce the value of the company's real estate assets in 2007, but the acquisition of SK Property Oy in January 2007 and property-specific development plans for 2007 will probably keep this decline in assets short-lived. The company is expected to post good near-term rental earnings despite property disposals. Unless there are significant market disturbances, the company's financial performance will also support a moderate dividend increase for the current year. However, the type of strong growth in property values seen in 2006 is not likely to be repeated in 2007.

The company's occupancy rates and net rental income are expected to remain at their current high levels. The company's lease portfolio was valued at EUR 36 million on 31 December 2006, and its average maturity was approximately 3.4 years. The company's interest rate exposure is minor due to hedging arrangements.

The company is proposing a dividend of EUR 0.34 per share, which means that dividend distributions have now been growing for eleven years in a row.

The company seeks to continue increasing its real estate assets in a balanced and profitable manner within the bounds of its financial leverage targets.

I would like to thank all of our customers and partners for their contribution to our successful and enduring collaboration. My heartfelt thanks also go to our personnel for their valuable and effective efforts, without which the company's excellent financial performance would not have been possible. We will all continue to do our collective best to provide even better future service to our customers.

Espoo, 6 February 2007



Martti Leisti



Board of Directors' Report for the Financial Year, January 1 - December 31, 2006

OVERVIEW

The year 2006 marked the nineteenth full year of operation for Julius Tallberg Real Estate Corporation.

The Group's result for the 2006 financial year was the best ever. The IFRS profit before taxes was EUR 20.7 million (EUR 9.3 million in 2005), up by 123%. The increase in the value of real estate assets was EUR 16.5 million (3.9) due to the Koy Helsingin Kanavaranta 7 share sales transaction. The agreement was signed on December 15, 2006 and the rights of proprietorship and possession transferred on January 15, 2007 had a particularly substantial effect on the value increase. The Group's revenue was EUR 10.4 million, up by 7% on the preceding year. The occupancy rate of the Group's real estate stock was 93% (94%).

The debt-free value of the Group's investment property based on a third-party appraisal determined in accordance with the IVS (International Valuation Standard) 2005 5.2 was EUR 129.7 million at the end of the financial year (EUR 107.9 million on December 31, 2005). The increase compared with the previous year, including new investments, was 20%. The Group's equity per share rose to EUR 17.72 (14.25), an increase of 24%.

The Group's capital spending totaled EUR 5.3 million during the year, compared with

EUR 7.2 million in 2005. Investments consisted of the completion of the Liukumäentie extension project in Helsinki.

After the end of the financial year, on January 29, 2007, the company acquired a majority holding in SK Property Oy from the U.S. company CFSC Capital Corp. of CarVal Investors at a price of approx. EUR 10 million. Julius Tallberg Real Estate Corporation had a minority stake in SK Property Oy already prior to the transaction. The proprietary rights were transferred in the transaction, but the rights of possession were transferred retroactively as of January 1, 2007.

The Group's property sales during the financial year:

1. The company made a preliminary agreement on May 31, 2006 with Hartela Kiinteistömarkkinointi Oy concerning the sale of Kiinteistö Oy Arinatie 8, located at Kartanonkoski in the Aviapolis area of the City of Vantaa. Completion of the sale is pending approval of a land use zoning amendment applied for on August 31, 2006, and expected to occur in 2008.

2. The company signed an agreement on October 9, 2006 with NCC Construction Ltd concerning the sale of the entire stock of Kiinteistö Oy Nahkahousuntie 3, located in the

Lauttasaari district of Helsinki. The rights of proprietorship and possession were transferred to the buyer on January 31, 2007.

3. The company signed a sales contract on December 15, 2006 with Crownstone European Properties Ltd concerning the sale of the entire stock of Koy Helsingin Kanavaranta 7. The total transaction value was approximately EUR 22.3 million. The rights of proprietorship and possession were transferred to the buyer on January 15, 2007.

The company's equity-to-assets ratio remained on target at 58% (54%). The return on investment was 21.2% (11.6%), and the return on equity was 23.2% (12.2%).

THE REAL ESTATE MARKET

Property investment market

The investment volume of the business premises market in the greater Helsinki region increased substantially from the previous years. Based on preliminary information from Catella Property Oy, the said investment volume was approximately EUR 5.6 billion, of which foreign investors accounted for about 54%. The transactions concerned individual properties and portfolios. Investment appetite and activity on the market were at a high level and also focused on growth centers outside the greater Helsinki region.

The value of the Group's investment assets and available-for-sale investments changed

EUR million	2006	2005
Market value of investment assets	96.3	105.7
Market value of available-for-sale investments	33.4	2.2
Total	129.7	107.9
Debt proportion of available-for-sale investments	- 1.1	- 1.0
Total non-current assets in investment property	128.6	106.9
Increase in investment property	5.3	7.2
Change in fair value of investment property	16.5	3.9
Total change	21.8	11.1

The Group's shareholders' equity changed as follows

	2006	2005	Change
Equity on December 31, EUR million	73.1	58.8 *	14.3
Equity on December 31 / share, EUR	17.72	14.25 *	3.47

* The deferred taxes relating to investment property have been restated in the 2006 financial statements. As a result, the equity recognized in the opening balance on 1 January, 2005 increased by EUR 1,688 thousand, and the profit for 2005 increased by EUR 121 thousand.

The Group's equity per share rose to EUR 17.72, up by 24%, which can be considered excellent.

Rental markets

Based on an estimate prepared by Catella Property Oy, the amount of vacant commercial real estate in the greater Helsinki region's business premises market – which is the Group's key market – in the fall of 2006, or some 5%, which is the same level as one year before.

The highest vacancy rate was for office space, at around 0.7 million m², or around 8.5%, in the fall of 2006 (8.9%). There are major differences between areas, as in Ruoholahti the vacancy rate was just 4.8%, while in Keilaniemi it stood at about 14%. The office premises market is increasingly divided into two types. There are the modern and flexible properties, but then there are the conventional properties that are increasingly difficult to lease out. Unless these older premises be refurbished and modernized, the risk of their vacancy rates climbing high will increase in the future.

The supply of business premises has been scant already for years. The vacancy rate for commercial real estate was about 1.6%.

There was also some shortage of production/warehousing facilities, with the vacancy rate being 2.3%. Rent levels remained roughly unchanged during the year.

REVENUE AND INCOME

Consolidated rental income increased by 7% and was EUR 10.4 million (9.8). Income before taxes was EUR 20.7 million (9.3), an increase of 123%. The increase in the value of investment property was EUR 16.5 million (3.9). The Koy Helsingin Kanavanranta 7 share transaction, the rights of proprietorship and possession of which were transferred on January 15, 2007, had a particularly substantial effect on the value increase.

Employee expenses and other operating expenses remained at the previous year's level, but property maintenance costs increased by 32%, mainly due to the repair and renovation costs incurred. Interest expenses increased by

about 19 %, due to the funding required for investments during the financial year.

The Group's profit before taxes of EUR 20.7 million, the highest of all time, can be considered excellent.

Consolidated earnings per share increased to EUR 3.72 (1.66), an increase of 124%.

Return on investment was 21.2% (11.6%) and return on equity was 23.2% (12.2%). The P/E ratio was 5 at December 31, 2006 (8).

CHANGES IN PROPERTY VALUES AND NET ASSETS PER SHARE

The value of the Group's investment property and available-for-sale investments on December 31, 2006, based on an estimate determined by a third party (Catella Property Oy) in accordance with IVS 2005 5.2 was EUR 129.7 million (107.9). This represents a change of 20% on 2005. The value of the Group's investment property was EUR 93.3 million (105.7). The available-for-sale investments were valued at EUR 33.4 million (2.2).

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 57.7%. The company has prepared for rising interest rates by making interest rate hedges for the 2007-2013 period, as specified in the Notes. Their combined value on December 31, 2006 was EUR 19.7 million, representing a hedging ratio of 63% as targeted, and taking into account the Company's fixed interest rate loan of EUR 5.4 million. The hedging ratio thus exceeds the minimum target of 60%, as per the company's risk management policy.

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 Group risk assessment, 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, financing 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 equity-to-assets ratio, currently above 50% at the minimum, is a basic prerequisite for operational stability.

The Group's strategic goal is to continue to increase its current investment property portfolio within the constraints of its equity-to-assets target in keeping with the company's investment policies and by developing unused building rights. The company's goal is to utilize the favorable market situation by realizing

part or parts of its investment property. Funds freed up in this way are intended to be invested in property complying with the company's investment policies.

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

Property investment market

Helsinki is the sixth most popular city among European property investors according to a survey made by PwC and ULI in 2007. According to Catella Property Oy, merely 5% of foreign investors are willing to realize their property holdings in Helsinki. Strong demand for good investment properties is expected to continue in 2007. Net yield requirements for retail and office space will probably hold steady but may continue to come down in the prime areas if investment demand grows further. The share of foreign investors in property transactions is expected to increase and remain significant.

Rental markets

The Ministry of Finance forecasts that the Finnish GDP will grow by about 3% in 2007. Growth is likely to be stronger in the greater Helsinki region than in the rest of Finland, as is likely to be the case with population growth, for which reason the demand for retail and warehouse space will probably remain unchanged. The purchasing power of people is likely to grow also in 2007, which probably will maintain the rental demand for retail space.

Demand for office space will probably settle at its long-term norm, and rental rates are forecast to remain largely flat.

Near-term outlook

The sales carried out in a favorable market situation in 2006 resulted in a temporary decrease in the value of investment property, but this drop is likely to be short-term, due to the acquisition of SK Property Oy made at the beginning of 2007 and the development projects planned for 2007.

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 36 million on December 31, 2006 (41.5) and the average remaining lease term was 3.4 years (4.2). 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 despite the property sales carried out. A goal for 2007 is to actively increase marketing this year and, in this way, to improve the result of rental operations. This facilitates increased dividends for the current year as well.

It is difficult to forecast value changes for investment property, 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. However, an increase in property values to the extent experienced in the company's 2006 financial year is not expected for 2007.

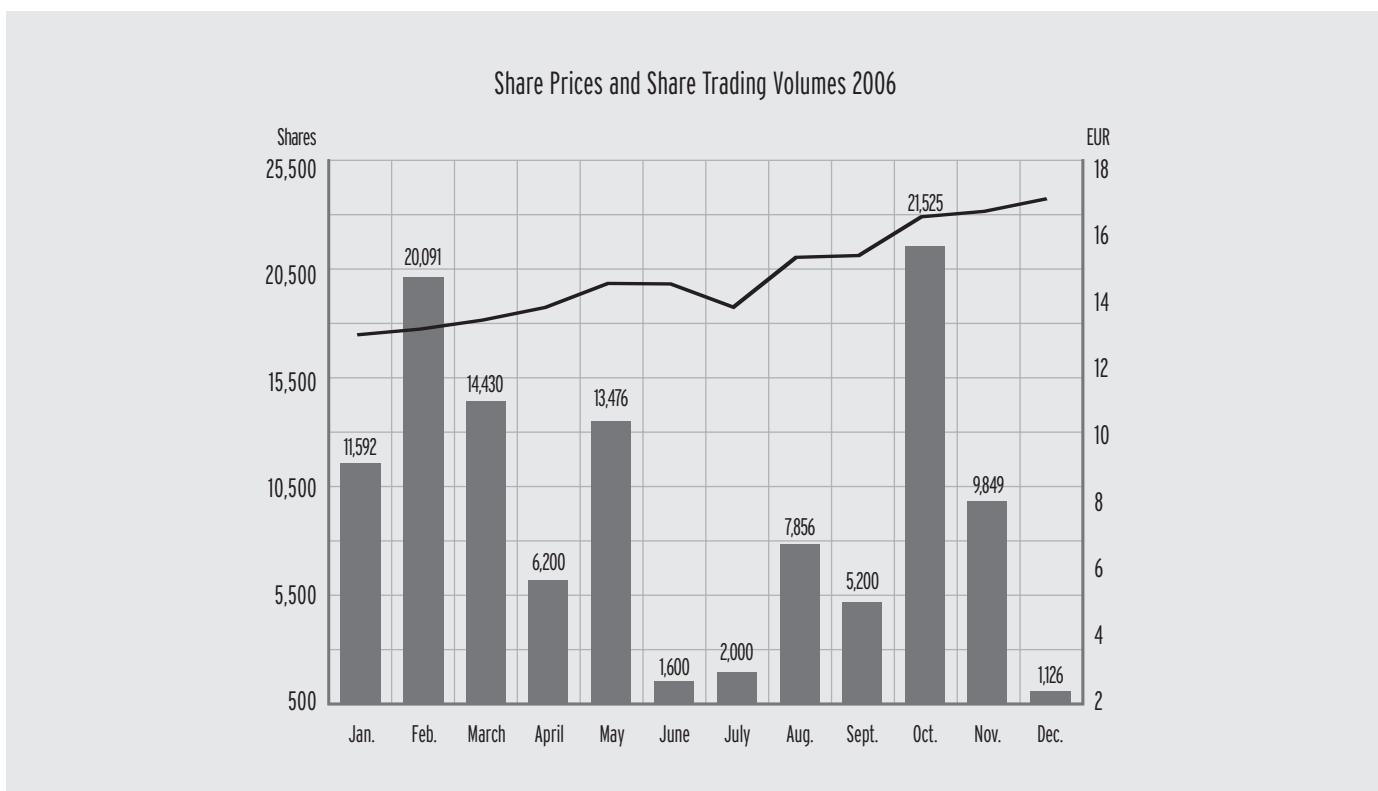
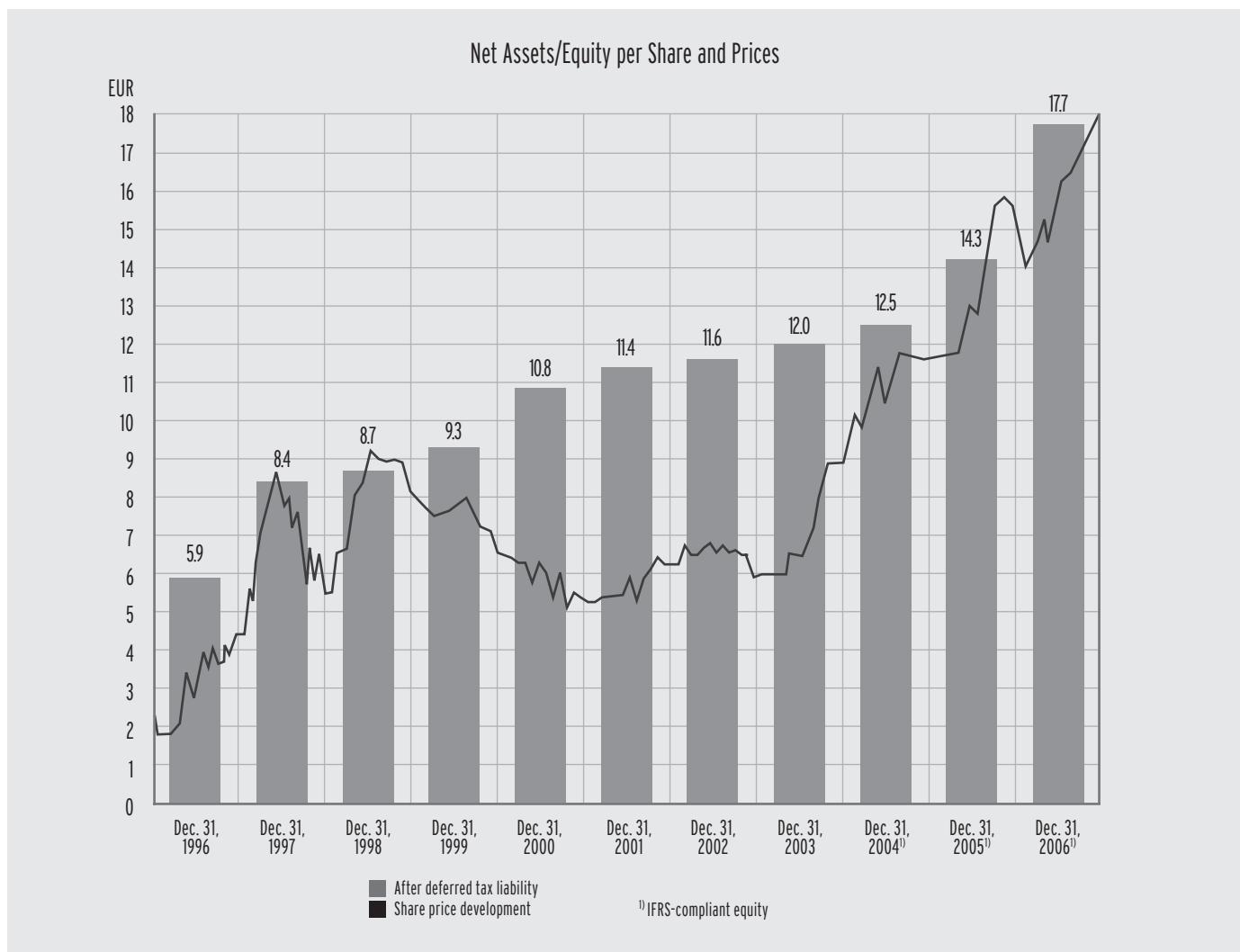
POST BALANCE SHEET EVENTS

In a transaction made on January 29, 2007, Julius Tallberg Real Estate Corporation acquired an 82% holding in SK Property Oy from the U.S. company CFSC Capital Corp. The total transaction value is approximately EUR 10 million. Julius Tallberg Real Estate Corporati-

on already previously held 18% of the acquired company's stock.

SK Property Oy's stock ensures ownership and possession of an office building of approx. 9,300 m² located at the address Kappelitie 6 along the Länsiväylä highway in the Niittykumpu district of Espoo, and of an office and warehouse building of approx. 5,200 m² located at the address Luomannortko 3 along Ring Road II in the Oilarinluoma district of Espoo. The Kappelitie 6 building was completed in 1987 and the Luomannortko 3 building in 1982. The selling party, CFSC Capital Corp. is a company in the CarVal Investors group and a long-term strategic partner of Julius Tallberg Real Estate Corporation. The companies' collaboration, which has been successful and has run smoothly, ends upon this transaction.

The proprietary rights were transferred in conjunction with the transaction, but the rights of possession were transferred retroactively as of January 1, 2007. The transaction complies with the company's strategic goals and increases the value of the company's property portfolio in a profitable way. Earnings improvement can be achieved with respect to the properties by increasing the efficiency of rental marketing, streamlining the administration and reducing the financing expenses.



CONSOLIDATED INCOME STATEMENT

		Jan. 1-Dec. 31	Jan. 1-Dec. 31
EUR 1,000	Note	2006	2005
REVENUE	1	10,447	9,773
Other income from operations	2	0	13
Employee expenses	3	-586	-582
Depreciation	4	-16	-22
Changes in fair value of invest. properties	12	16,525	4,722
Property maintenance costs	5	-3,701	-2,814
Other operating expenses	6	-502	-491
OPERATING PROFIT		22,167	10,599
Financial income	7	128	27
Finance expenses	7	-1,621	-1,372
PROFIT BEFORE TAXES		20,674	9,254
Income tax	8	-5,351	-2,408
PROFIT FOR THE YEAR	9	15,323	6,846
Earnings per share			
Diluted		3.72	1.66
Undiluted		3.72	1.66

CASH FLOW STATEMENT

		Jan. 1-Dec. 31	Jan. 1-Dec. 31
EUR 1,000		2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		15,323	6,725
Adjustments for:			
Non-cash transactions			
Proceeds from disposal of fixed assets		0	-13
Depreciation		16	22
Changes in fair value of invest. property		-16,524	-4,722
Financial items		1,493	1,345
Taxes		5,351	2,529
Changes in working capital			
Change in trade and other receivables		413	-453
Change in trade and other payables		-590	458
Interests paid and financial expenses		-1,593	-1,641
Interests received		30	8
Taxes paid		-442	-623
NET CASH FROM OPERATING ACTIVITIES		3,477	3,635
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets		-5	-3
Advances received for sale of fixed assets		1,525	0
Investments in investment properties		-5,261	-7,182
Proceeds from sale of investment property		27	18
Dividends received		98	1
NET CASH USED IN INVESTING ACTIVITIES		-3,616	-7,163
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans withdrawn		6,469	8,900
Repayments on loans		-5,052	-4,136
Dividends paid		-1,278	-1,237
NET CASH FROM FINANCING ACTIVITIES		139	3,527
Change in cash and cash equivalents		0	-1
Cash and cash equivalents at start of year		1	2
CASH AND CASH EQUIVALENTS AT END OF YEAR		1	1

8 IFRS Consolidated Financial Statements 2006

CONSOLIDATED BALANCE SHEET

		Dec. 31, 2006	Dec. 31, 2005
EUR 1,000	note		
ASSETS			
Non-current assets			
Tangible fixed assets	10	33	41
Intangible assets	11	6	9
Investment property	12	96,300	105,700
Available-for-sale investments	13	748	878
Receivables	14	309	336
Deferred tax assets	15	113	180
		97,509	107,144
Current assets			
Trade and other receivables	16	931	886
Cash and cash equivalents	17	1	1
		932	887
Non-current assets held for sale	18	31,200	0
TOTAL ASSETS		129,641	108,031

		Dec. 31, 2006	Dec. 31, 2005
EUR 1,000	note		
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent			
Share capital	19	21,027	21,027
Share premium fund	19	6,109	6,109
Revaluation reserve	20	191	277
Hedge fund	21	150	-190
Retained earnings	22	45,593	31,547
TOTAL EQUITY		73,070	58,770
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	12,911	7,981
Interest-bearing liabilities	23	26,484	25,641
Other liabilities	23	1,400	0
		40,795	33,622
CURRENT LIABILITIES			
Trade payables and other liabilities	24	3,015	2,031
Current interest-bearing liabilities	23	12,761	13,607
		15,776	15,638
TOTAL LIABILITIES		56,571	49,260
TOTAL EQUITY AND LIABILITIES		129,641	108,031

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Share premium fund	Revaluation fund	Hedge fund	Retained earnings	Total
Equity Dec. 31, 2004	21,027	6,109			26,114	53,251
Effect of adopting IAS 32 and 39			848	-249	-177	422
Adjusted equity Jan. 1, 2005	21,027	6,109	848	-249	25,937	53,673
Interest rate hedges						
Losses recognised in equity				80		80
Deferred tax liabilities				-21		-21
Available-for-sale investments						
Gains/losses from 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					6,847	6,847
Income and expenses recognized for the year, total	0	0	-571	59	6,847	60,007
Dividends					-1,237	-1,237
Equity Dec. 31, 2005	21,027	6,109	277	-190	31,547	58,770
Interest rate hedges						
Gains recognised in equity				459		459
Deferred tax liabilities				-119		-119
Available-for-sale investments						
Gains/losses from changes in fair value			-116			-116
Taxes on items recognized in equity or transferred from equity			30			30
Net revenue recognised directly in equity			-86	340		254
Profit for the financial year					15,323	15,323
Income and expenses recognized for the year, total	0	0	-86	340	15,323	74,347
Dividends					-1,278	-1,278
Equity Dec. 31, 2006	21,027	6,109	191	150	45,593	73,070

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 2007.

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, 2006.

The Group adopted the IFRS during 2005 and applied IFRS 1: First-time Adoption of International Financial Reporting Standards. The transition date was January 1, 2004, except in the case of IAS 32 and 39, where the transition date was January 1, 2005.

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

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 applied over the useful life of an asset. The estimated useful lives are as follows:

- Machinery, equipment and motor vehicles: 3-10 years.
- Renovations made in leased premises are recorded in the balance sheet at cost and are recognised as an expense over 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 through profit or loss as 'Other operating income' and 'Other operating expenses'.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale, if their carrying amount will be recovered principally through sales transactions rather than from continuing use. For this to be the case, the sale must be highly probable, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, the management must be committed to sell the asset, and the sale should be expected to occur within one year of the date of classification.

Immediately before classification, assets held for sale are measured in accordance with the applicable IFRSs. From the moment of their classification, assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified, depreciation on such assets ceases.

Investment properties classified as non-current assets held for sale are measured at fair value in accordance with IAS 40.

BORROWING COSTS

Borrowing costs are recognised as an expense for the period in which they are 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 disclosed on the face of the income statement under Changes in fair value of investment property.

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 through their useful life (5 years).

RESEARCH AND DEVELOPMENT EXPENSES

The Group has no research and development expenses.

LEASES

Julius Tallberg Real Estate Corporation is the lessor in all leases relating to the premises of mutual real estate companies included in investment properties, 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 leases from the City of Helsinki an industrial warehouse site at Liukumäentie 15, Helsinki, on which the investment property owned by the Group is located. 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 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. 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 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.

Individual acquisitions of investment properties are treated as acquisitions of assets under IAS 40, rather than as acquisitions of business under IFRS 3.

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

A deferred tax asset is recognised if 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 useful life.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Assets

The Group has applied IAS 39: Financial instruments: recognition and measurement since 1 January 2005. Since that date, 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 assets that are designated as available-for-sale and are not classified in 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.

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.

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.

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 standards, interpretations and revisions came into force in 2006, but did not have any effect on the Group's operations

- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 8 Scope of IFRIC 2
- IAS 21 (Amendment) The effects of changes in foreign exchange rates - net investment in a foreign operation

- IFRIC 7 Applying the restatement approach under IAS 29: Financial reporting in hyperinflationary economics
- IFRIC 6 Liabilities arising from participating in a specific market - waste electrical and electronic equipment
- IAS 39 (Amendment) Financial instruments: recognition and measurement, and IFRS 4 (Amendment), Insurance contracts - Financial guarantee contracts
- IFRS 1 (Amendment) First-time adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and evaluation of mineral resources
- IAS 39 (Amendment) The fair value option
- IAS 39 (Amendment) Financial instruments: recognition and measurement (Cash flow hedge accounting of forecast intragroup transactions)
- IAS 19 (Amendment) Employee benefits: Actuarial gains and losses, Group plans and disclosures
- IFRS 6 Exploration for and evaluation of mineral resources
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds.

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.

- IFRS 8 Operating Segments
- IFRIC 12 Service Concession Arrangements
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRS 7 Financial instruments: Disclosures
- IAS 1 (Amendment) Presentation of financial statements - Capital disclosures

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: Actuarial gains and losses, Group plans and disclosures
- IFRIC 4 Determining whether an arrangement contains a lease

In the judgement of management, adoption of the following standard will mostly affect the Notes to the Financial Statements.

- IFRS 7 Financial instruments: Disclosures

In the judgement of management, adoption of the following standard will mostly affect the Notes to the Financial Statements.

- IAS 1 (Amendment) Presentation of financial statements - Capital disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR 1,000	2006	2005
1. Revenue		
Rental income	10,440	9,764
Other revenue	7	9
	10,447	9,773
2. Other income from operations		
Gains and losses from sale of shares	0	13
	0	13
3. Employee expenses		
Salaries, fees and commissions	447	492
Pension costs, defined contribution plans	120	70
Other indirect employee expenses	19	20
Total	586	582
Average number of Group personnel during the year	4 persons	4 persons
4. Depreciation		
Accumulated depreciation		
Parent's depreciation by asset group		
Intangible assets		
ADP software	3	5
	3	5
Tangible fixed assets		
Machinery and equipment	5	6
Motor vehicles	5	6
Basic improvement of rental apartments	3	5
	13	17
5. Property maintenance costs		
Direct maintenance costs		
On investment properties that have accumulated rental income during the period	3,521	2,704
On investment properties that have not accumulated rental income during the period	180	110
	3,701	2,814
6. Other operating expenses		
Overhead costs of parent	502	491

EUR 1,000	2006	2005
7. Financial income and expenses		
Interest income	30	27
Dividend income	98	1
	128	27
Interest expenses	-1,491	-1,109
Hedging expenses	-108	-239
Other financial expenses	-22	-25
	-1,621	-1,372
8. Income tax		
Current taxes	444	503
Tax from prior periods	0	0
Deferred taxes		
Deferred tax expense or income on the creation or cancellation of temporary differences	4,907	1,905
Total	5,351	2,408
Reconciliation of tax expense in the income statement and taxes assessed for the Group:		
Profit before taxes	20,674	9,254
Taxes at 26% tax rate	5,375	2,406
Change in deferred taxes of investment properties	0	2
Tax-exempt dividends	-25	0
Others	1	0
Taxes in the income statement	5,351	2,408
Effective tax rate %	25.9	26.0
9. Earnings per share		
Profit for year attributable to equity holders of parent	15,323,063.90	6,846,624.75
Number of parent company's shares in the financial year	4,123,000	4,123,000
Undiluted earnings per share	3.72	1.66

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

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

	Machinery and equipment	Motor vehicles	Other tangible assets	Total
10. Tangible fixed assets				
Acquisition cost Jan. 1, 2006	43	34	65	142
Increases	5	0	0	5
Decreases	0	0	0	0
Acquisition cost Dec. 31, 2006	48	34	65	147
Accumulated depreciation Jan. 1, 2006	-23	-16	-62	-101
Depreciation	-5	-5	-3	-13
Reversal of depreciation	0	0	0	0
Accumulated depreciation Dec. 31, 2006	-28	-21	-65	-114
Carrying amount Jan. 1, 2006	20	18	3	41
Carrying amount Dec. 31, 2006	20	13	0	33
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
Decreases	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

	Computer software	Total
11. Intangible assets		
Acquisition cost, Jan. 1, 2006	24	24
Increases	0	0
Decreases	0	0
Acquisition cost Dec. 31, 2006	24	24
Accumulated depreciation Jan. 1, 2006	-15	-15
Depreciation	-3	-3
Decreases	0	0
Accumulated depreciation Dec. 31, 2006	-18	-18
Carrying amount Jan. 1, 2006	9	9
Carrying amount Dec. 31, 2006	6	6

	Computer software	Total
Note 11. continued		
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

EUR 1,000	2006	2005
12. Investment property		
At beginning of period	105,700	93,800
Increases	5,261	7,178
Change in fair value	16,539	4,722
Transfer to investments for sale	-31,200	0
At end of period	96,300	105,700

The extension of Koy Liukumäentie 15, owned by the Group, was completed on 31.7.2006. The total investment was EUR 7,028,808.81 of which EUR 5,260,960.20 was allocated to the 2006 financial year.

EUR 1,000	2006	2005
Recognized through profit/loss		
Rental income from investment properties	10,440	9,764
Direct maintenance costs that have generated rental income during the financial year	-3,521	-2,704
Direct maintenance costs that have not generated rental income during the financial year	-180	-110

The figures of properties transferred to investments for sale are included in rental income from the above investment properties:

EUR 1,000	2006	2005
Rental income	2,453	0
Direct maintenance costs from premises that have generated rental income	-869	0

Insurance values on 31 December, 2006

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 29.7 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 investments

Available-for-sale investments comprise the shares of SK Property Oy, jointly owned by the U.S. company, Cargill, and of which the Group owns 18%. Jert Properties Oy is being liquidated.

EUR 1,000	2006	2005
Jert Properties Oy	1	96
SK Property Oy	747	782
	748	878

14. Receivables

Loan receivables		
Jert Properties Oy	0	27
SK Property Oy	309	309
Total	309	336
Effective interest rate	6.75	6.64

Loan receivables are loans with an indefinite loan period. Receivables do not include major credit concentrations.

15. Deferred tax assets and liabilities

Changes in deferred taxes during 2006:	Dec. 31, 2005	Recognised in income statement	Recognised in equity	Dec. 31, 2006
Deferred tax assets				
Elimination of intra-Group sales gains	113			113
Derivatives at fair value	66		-66	0
	180		-66	113

Deferred tax liabilities

Available-for-sale financial assets at fair value	97		-30	67
Investment properties at fair value	7,884	4,907		12,791
Derivatives at fair value			53	53
	7,981	4,907	23	12,911

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Changes in deferred taxes during 2005;		Recognised in	Recognised	
Deferred tax assets	Dec. 31, 2004	income statement	in equity	Dec. 31, 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 2005			-21	-21
	118	-67	129	180

Deferred tax liabilities				
Accumulated depreciation	1,143	266		1,409
Available-for-sale financial assets at fair value			97	97
Investment properties at fair value	4,903	1,572		6,475
	6,046	1,838	97	7,981

Deferred tax liabilities related to investment properties

The treatment of the deferred tax liability related to investment properties has been revised in the 2006 financial statements.

As a result, the equity in the opening balance sheet, Jan. 1, 2005, increased by EUR 1,688 thousand and the profit for 2005 increased by EUR 121 thousand.

Effects of change in accounting treatment	Jan. 1, 2005		Dec. 31, 2005	
	Revised	Previous	Revised	Previous
Equity	53,673	51,985	58,770	56,961
Deferred tax liability	6,046	7,734	7,981	9,790
Result			6,846	6,725
Earnings per share			1.66	1.63

EUR 1,000	2006	2005
16. Trade and other receivables		
Trade receivables	144	93
Other receivables	788	793
Total	932	886

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	2006	2005
17. Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
Cash in hand and at bank according		
to the balance sheet	1	1
	1	1

EUR 1,000	2006	2005
18. Non-current assets held for sale		
Non-current assets held for sale comprise three investment properties held for sale: Koy Helsingin Kanavaranta 7, Koy Arinatie 8 and Koy Nahkahousuntie 3		
Non-current assets held for sale, total	31,200	0
	31,200	0

19. Notes on equity

	Number of shares	Share capital, TEUR	Share premium fund, TEUR	Total, TEUR
Jan. 1, 2005	4,123,000	21,027	6,109	27,136
Dec. 31, 2005	4,123,000	21,027	6,109	27,136
Dec. 31, 2006	4,123,000	21,027	6,109	27,136
Share category	A shares, number	B shares, number	Total, number	
Jan. 1, 2005	565,070	3,557,930	4,123,000	
Dec. 31, 2005	565,070	3,557,930	4,123,000	
Dec. 31, 2006	565,070	3,557,930	4,123,000	

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	2006	2005
20. Revaluation reserve		
The revaluation reserve includes changes in the fair value of available-for-sale investments		
191	277	
21. Hedge fund		
The hedge fund includes the measurement at fair value of derivative instruments used as a cash flow hedge		
150	-190	
22. Dividends		
Dividends distributed, EUR	1,278,130	1,237,000
Dividend per share, EUR	0.31	0.30
After the balance sheet date, the Board proposed the distribution of a dividend of EUR 0.34 per share.		
23. Interest-bearing liabilities		
Non-current		
Bank loans	26,484	25,640
Current		
Bank loans	8,000	9,000
Bank overdraft used (Note 17)	540	471
Repayments on long-term loans	4,221	4,136
	12,761	13,607

In 2006, the average loan interest rate was 4.31% and the average maturity was 2.0 years. The effective interest rate of the cheque account was 5.76 %, including the overdraft interest. The fair values of loans, Note 25.

EUR 1,000	2006	2005
Note 23. continued		
Non-current liabilities mature as follows:		
2007		4,136
2008		4,136
2009		4,136
2010		9,390
2011		6,889
Later		1,933
Total	26,484	25,640

The EUR 5.4 million loan maturing in 2010 has a fixed interest rate. Other loans have floating interest rates, and 51.2% of them have been converted to fixed interest rate loans with interest rate swaps. In other words, 63% 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

	2006	2005
24. Trade and other payables		
Current		
Trade payables	168	686
Accrued liabilities	483	416
Liabilities based on derivative contracts	8	297
Advances received	1,525	0
Other liabilities	831	632
Total	3,015	2,031

	2006	2005
25. 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, 2006.

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, 2006, the Group had undrawn bank overdrafts amounting to EUR 2,000,000.

Currency risk

As all of the Company's assets and liabilities are euro-denominated, the Group is not subject to currency risks.

26. Fair values of financial assets and liabilities

	Note	Carrying amount	2006	2006	2005	2005
			Fair value	Carrying amount	Fair value	
Financial assets						
Trade and other receivables	16	931	931	886	886	
Cash and cash equivalents	17	1	1	1	1	
Financial liabilities						
Bank loans	22	-38,705	-38,705	-38,776	-38,776	
Bank overdraft	22	-540	-540	-471	-471	
Trade and other payables	23	-4,407	-4,407	-1,775	-1,775	
Interest rate swaps	26	-8	-8	-256	-256	
of which determined as hedging instruments		-8	-8	-256	-256	

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.

27. Derivative contracts

2006		
EUR 1,000	Positive fair value	Par value
Interest rate swaps		
7	198	19,690

This information is based on market value reports issued quarterly by the bank.

Note 27. continued

Interest rate swaps mature as follows, EUR 1,000	2006	2005
Maturing in less than 1 year	2,877	2,877
Maturing in 1-5 years	14,968	11,615
Maturing in 5-10 years	1,845	3,075
Total	19,690	17,567

Interest rate swaps and loans have been treated in accordance with the cash flow hedging principles determined in IAS 39.

28. Operating leases

Group as lessor

The minimum rental income based on non-cancellable leases, EUR 1,000

	2006	2005
Not later than one year	7,085	9,862
Later than one year and not later than five years	22,813	18,601
Later than five years	6,112	13,149
Total	36,010	41,612

The share of three properties, transferred to assets held for sale, of minimum rents obtainable on the basis of non-cancellable operating leases, EUR 1,000

	2006	2005
Not later than one year	1,020	0
Later than one year and not later than five years	858	0
Later than five years	654	0
Total	2,532	0

The Group leases out properties in its ownership as office, production, sales, and warehousing premises. The properties have been classified as investment properties.

Group as lessee

Rent payable on the basis of non-cancellable leases, EUR 1,000

	2006	2005
Not later than one year	74	74
Later than one year and not later than five years	295	294
Later than five years	1,406	1,480
	1,775	1,848

29. Contingent liabilities

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

	2006	2005
Bank loans	39,002	38,514
Advances received	1,400	0
	40,402	38,514
Mortgages	49,120	45,020
Property mortgages, total	68,137	68,137

30. 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)

Susanna Renlund, Chairman of the Board, JTREC and member of the Board, JT

Thomas Tallberg, member of the Board, JTREC and Chairman 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, JTREC

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 Suomalaisentie 7	Espoo	100 %	100 %
KOy Gyldenintie 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 other companies:

Oy Soffco Ab

Tallberg Roboma Oy Ab

The Institute for Bio-Immunotherapy Helsinki Ltd

Oy Neurofood Ab

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The following business transactions involving company insiders were carried out:

2006	Purchases	Sales	Receivables	Liabilities
Oy Julius Tallberg Ab	23	32		
The Institute for Bio-Immunotherapy Helsinki Ltd		25		
Oy Soffco Ab		60		
Total	23	117		
2005				
Oy Julius Tallberg Ab	20	32		3
The Institute for Bio-Immunotherapy Helsinki Ltd		25		
Oy Soffco Ab		72		
Tallberg Toimitilajohto Oy (until June 30, 2005)	53			
Total	73	129		3

Business transactions involving company insiders resulted in no credit losses.

Management service benefits, EUR 1,000	2006	2005
Salaries and other short-term service benefits	229	229
Board members	74	72
No pension liabilities, contingent liabilities or collateral		
Managing Director's salary including fringe benefits	163	157
TEL pension insurance, annual, contribution-based	36	35
Voluntary pension insurance, contribution-based	8	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.

31. Events after the balance sheet date

Julius Tallberg Real Estate Corporation acquired an 82% holding in SK Property Oy by a transaction made with an U.S company, CFSC Capital Corp., on January 29, 2007. The transaction's total value is approx. EUR 10 million. Julius Tallberg Real Estate Corporation earlier held 18% of the company. The acquisitions of Koy Helsingin Kanavaranta 7 and Koy Nahkahuusuntie 3 signed in 2006 were closed in January 2007.

KEY FIGURES

	2006 IFRS	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS
FIVE-YEAR COMPARISONS					
Revenue, EUR million	10.4	9.8	9.9	8.8	7.3
Operating profit, EUR 1,000	22.2	10.6	6.8	4.4	3.6
% in relation to revenue	212.2	108.5	68.9	50.4	49.7
Profit before taxes, EUR million	20.7	9.3	5.5	3.2	2.6
% in relation to revenue	197.9	94.7	55.6	36.3	35.6
Profit on ordinary operations, EUR million	15.3	6.8	4.7	2.2	1.8
% in relation to revenue	146.7	70.0	47.1	25.0	24.9
Return on equity (ROE), %	23.2	12.2	11.0	6.7	5.7
Return on investment (ROI), %	21.2	11.6	8.9	7.3	6.6
Equity-to-assets ratio, %	57.7	54.4	54.2	58.9	66.4
Gross capital expenditure, EUR million	5.3	7.2	1.0	16.4	1.2
% in relation to revenue	50.4	79.5	42.6	186.3	16.8
Lease portfolio, EUR million	36	41	35	34	25
Average personnel	4	4	4	4	4
Earnings per share, EUR	3.72	1.66	1.13	0.53	0.44
Equity per share, EUR	17.72	14.25	12.51	8.06	7.79
Dividends, EUR 1,000 ^{*)1}	1,402	1,278	1,237	1,196	1,072
Dividend per share, EUR ^{*)1}	0.34	0.31	0.30	0.29	0.26
Dividend per profit, %	9.1	13.1	26.6	54.7	59.1
Effective dividend yield, %	1.8	2.3	3.1	3.8	5.0
P/E ratio	5	8	9	14	12
Highest price of B share, EUR	19.68	14.07	10.10	7.60	5.70
Lowest price of B share, EUR	13.01	9.44	7.10	4.95	4.85
Average price in year, EUR	15.34	11.77	8.85	5.97	5.36
Share price at Dec. 31	18.70	13.40	9.78	7.60	5.20
Market value of share portfolio					
B share, EUR 1,000	66,533	47,676	34,797	27,040	18,501
B share turnover, EUR 1,000	1,771	6,577	663	429	1,577
B share turnover, no.	114,945	622,305	74,955	71,859	293,958
B share turnover, %	3.2	17.5	2.1	2.0	8.3
Weighted average of share					
issue-adjusted number of shares in period (1,000)	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

^{*)1} Board proposal for 2006

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), %	=	Profit before extraordinary items - taxes for the financial year Equity + minority interests + reserves (average over the year)	x100
Return on investment (ROI), %	=	Profit before extraordinary items + interest and other financial expenses Balance sheet total - non-interest bearing liabilities (average over the year)	x100
Equity-to-assets ratio, %	=	Equity + minority interests + reserves Balance sheet total - advances received	x100
Earnings/share, EUR	=	Profit before extraordinary items - minority interests - taxes Weighted annual number of share issue adjusted shares	
Equity/share (book value), EUR	=	Balance sheet equity + reserves + accumulated difference between recorded and planned depreciations Share issue adjusted number of shares at end of year	
Dividend/share, EUR	=	Dividend paid for the financial year Share issue adjusted number of shares at end of year	
Dividend payout ratio, %	=	Dividend per share Earnings per share	x100
Effective dividend yield, %	=	Dividend/share Share issue adjusted share price (average price) at end of year	x100
Price/Earnings ratio	=	Share issue adjusted share price (average price) at end of year 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 31 DECEMBER, 2006

Sector	Number	Shareholders	Number	Shares	%
Private companies	32	9.28	3,307,640	80.22	
Financial institutions and insurance companies	6	1.74	145,280	3.52	
Households	304	88.12	636,379	15.43	
Foreign	1	0.29	14,100	0.34	
Public corporations	1	0.29	19,600	0.48	
Non-profit corporations	1	0.29	1	0.00	
	345	100.00	4,123,000	100.00	

LARGEST SHAREHOLDERS ACCORDING TO THE SHARE REGISTER 31 DECEMBER, 2006

(12 Largest)	Shareholder	Shares A shares	Shares B shares	Shares %	Votes %
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	163,780	70,824	5.69	22.52	
Tallberg Martin	64,735	81,466	3.55	9.26	
Nordea Bank Plc (nominee-registered)	0	72,687	1.76	0.49	
Rosaco Oy Ab	0	72,335	1.75	0.49	
Renlund Susanna	18,150	51,191	1.68	2.79	
Tallberg Nina	7,095	49,166	1.36	1.29	
Helsinki Investment Trust Oy	0	30,000	0.73	0.20	
Mutual Fund Aktia Secura	0	20,000	0.49	0.13	
The Seamens' Pension Fund	0	19,600	0.48	0.13	
Mutual Fund Celeres Reit Kiinteistö	0	18,600	0.45	0.12	

SHAREHOLDING BREAKDOWN 31 DECEMBER, 2006

Number of shares	Number	Shareholders	Number	Shares	%
1-100	138	40.00	6,532	0.16	
101-1,000	155	44.93	52,068	1.26	
1,001-10,000	37	10.72	113,247	2.75	
10,001-100,000	11	3.19	402,253	9.75	
100,001-1,000,000	3	0.87	801,305	19.44	
1,000,001-99,999,999	1	0.29	2,747,595	66.64	
Total	345	100.00	4,123,000	100.00	

On 31 December 2006, the members of the board and the managing director directly held a total of 246,665 A shares and 209,846 B shares, carrying 34.6% of the votes and 11.1% of the shareholding in the company. Entities under the control of the members of the board and the managing director which held company shares were: Oy Julius Tallberg Ab, Oy Mogador Ab, and Oy Montall Ab. These entities held a total of 281,126 A shares and 2,888,789 B shares, carrying 57.3% of the votes and 76.9% of the shareholding in the company.

PARENT COMPANY INCOME STATEMENT

		Jan. 1-Dec. 31	Jan. 1-Dec. 31
EUR 1,000	note	2006	2005
REVENUE	1	10,447	9,773
Other operating income	2	0	13
Salaries and wages	3	-586	-582
Depreciation and impairment	4	-30	-22
Other operating expenses		-8,506	-7,547
OPERATING PROFIT		1,325	1,635
Financial income and expenses	5		
Income from other non-current investments		119	0
Other interest and financial income		1,891	1,863
Interest and other financial expenses		-1,537	-1,556
		473	307
INCOME BEFORE APPROPRIATIONS AND TAXES		1,798	1,942
Depreciation difference, increase (-) or decrease (+)		0	0
Income taxes	6	-443	-502
PROFIT FOR THE FINANCIAL YEAR		1,355	1,440

PARENT COMPANY CASH FLOW STATEMENT

EUR 1,000	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,355	1,440
Adjustments for		
Non-cash transactions		
Other operating income	0	-13
Depreciation	16	22
Financial items	-473	307
Taxes	443	502
Changes in working capital		
Change in trade and other receivables	-135	-150
Change in trade and other payables	395	-325
Interests paid and financial expenses	-1,452	-1,595
Interests received	1,810	1,832
Taxes paid	-437	-626
NET CASH FROM OPERATING ACTIVITIES	1,522	1,394
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-5	-3
Investments in other investments	-3,662	-5,099
Advances received for sale of fixed assets	1,525	0
Sales income from investments	46	18
Dividends received	98	1
NET CASH USED IN INVESTING ACTIVITIES	-1,998	-5,083
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans withdrawn	6,469	8,726
Repayments on loans	-4,715	-3,800
Dividends paid	-1,278	-1,237
Net cash from financing activities	476	3,689
Change in cash and cash equivalents	0	0
Cash and cash equivalents on 1 January	0	0
Cash and cash equivalents on 31 December	0	0

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PARENT COMPANY BALANCE SHEET

		Dec. 31, 2006	Dec. 31, 2005
EUR 1,000	note		
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS 7			
Intangible rights		6	9
TANGIBLE ASSETS 8			
Machinery and equipment		33	38
Other tangible assets		0	3
		33	41
INVESTMENTS 9			
Interests in Group companies		16,900	15,516
Receivables from Group companies		48,818	46,544
Other shares and participations		6,650	6,665
Loan receivables		309	336
		72,677	69,061
TOTAL NON-CURRENT ASSETS		72,716	69,111
CURRENT ASSETS			
Current assets			
Current receivables		70	26
Trade receivables		448	420
Other receivables		97	33
Prepaid expenses and accrued income		0	0
CASH AND BANK BALANCES		615	479
TOTAL ASSETS		73,331	69,591

		Dec. 31, 2006	Dec. 31, 2005
EUR 1,000	note		
LIABILITIES			
EQUITY 10			
Share capital		21,027	21,027
Share premium fund		6,109	6,109
Retained earnings		2,960	2,798
Net profit for the year		1,355	1,440
		31,452	31,375
LIABILITIES 11			
Non-current liabilities			
Loans from financial institutions		25,401	24,201
Advance payments		1,400	0
		26,801	24,201
Current liabilities			
Loans from financial institutions		12,424	13,271
Advances received		1,616	59
Accounts payable		71	45
Payables to Group companies	12	546	251
Accrued liabilities		338	312
Other current liabilities		83	77
		15,078	14,015
TOTAL LIABILITIES		41,879	38,216
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
		73,331	69,591

NOTES TO THE INCOME STATEMENT

EUR 1,000	2006	2005
1. Revenue		
Rental income	10,440	9,764
Other revenue	7	9
	10,447	9,773
2. Other operating income		
Sales profits/-losses	0	15
Other expenses	0	-2
	0	13
3. Employee expenses		
Salaries, fees and commissions	448	492
Pension contributions	120	70
Other indirect employee expenses	18	20
	586	582
Number of personnel	4	4
Executive compensation		
Board of Directors, compensation	73	72
Pension commitments		
The personnel have a voluntary pension plan with an annual cost of EUR 27,000. Apart from the statutory pension insurance under the Employees' Pension Act (TEL), management and personnel have no other pension plans.		
4. Depreciation		
Other capitalized expenditure	6	5
Buildings	0	0
Machinery and equipment	10	17
Impairment	14	0
	30	22
5. Financial income and expenses		
Dividends from others	98	1
Interest on non-current investments, from others	21	23
Other interest and financial income		
from Group companies	1,876	1,841
from others	9	3
Interest and other financial expenses to others	-1,531	-1,561
Financing contribution ¹⁾	-86	-86
Total financial income and expenses	387	221
¹⁾ Included in rents and maintenance charges		
6. Taxes		
Tax on income from operations	443	502
Change in deferred tax liabilities	0	0
	443	502

NOTES TO THE BALANCE SHEET

EUR 1,000	2006	2005
NON-CURRENT ASSETS		
7. Intangible assets		
Intangible rights		
Acquisition cost, Jan. 1	24	24
Acquisition cost, Dec. 31	24	24
Accumulated depreciation and impairment, Jan. 1	-15	-10
Depreciation, Jan. 1-Dec.31	-3	-5
Book value, Dec. 31	6	9
8. Tangible assets		
Machinery and equipment, acquisition cost, Jan. 1	77	74
Increases, Jan. 1-Dec. 31	5	3
Acquisition cost, Dec. 31	82	77
Accumulated depreciation and impairment, Jan. 1	-39	-27
Depreciation, Jan. 1-Dec.31	-10	-12
Book value, Dec. 31	33	38
Other tangible assets		
Acquisition cost, Jan. 1	65	65
Acquisition cost, Dec. 31	65	65
Accumulated depreciation, Jan. 1	-62	-57
Depreciation, Jan. 1-Dec. 31	-3	-5
Book value, Dec. 31	0	3
9. Investments		
Equity in subsidiaries		
Acquisition cost, Jan. 1	15,516	15,508
Increases, Jan. 1-Dec. 31	1,384	8
Acquisition cost, Dec. 31	16,900	15,516
Other equity investments		
Koy Data-City	6,160	6,160
SK Property Oy	490	490
Other participations (Cargill)	15	15
Decrease in other participations, Cargill	-14	0
	6,651	6,665
Other equity investments		
Acquisition cost, Jan. 1	6,665	6,670
Decreases, Jan. 1-Dec. 31	-14	-5
Acquisition cost, Dec. 31	6,651	6,665
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.		

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Subsidiaries and Group holdings			
Subsidiaries	Parent Company's ownership %	Book value EUR 1,000	
KOy Gyldénintie 2	100	5,574	
KOy Nahkahousuntie 3	100	2,156	
Oy Softcon 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	1,392	
KOy Espoon Suomalaistentie 7	100	8	
		16,900	

10. Equity

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

During the financial 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.

	2006	2005
A shares		
(20 votes/share)	565,070 shares	2,882
B shares		
(1 vote/share)	3,557,930 shares	18,145
Total	4,123,000 shares	21,027
Share capital Jan. 1	4,123,000 shares	21,027
Share capital Dec. 31	4,123,000 shares	21,027
Share premium fund, Jan. 1	6,109	6,109
Share premium fund, Dec. 31	6,109	6,109
Accumulated earnings, Jan. 1	4,238	4,036
Dividends paid	-1,278	-1,237
Profit for the financial year	1,355	1,440
Accumulated earnings, Dec. 31	4,315	4,238
Total equity	31,452	31,375
Distributable funds	4,315	4,238

11. Liabilities		
Loans with a 5 year + maturity	2006	2005
Loans from credit institutions	1,932	3,822
Current liabilities		
Non-interest bearing current liabilities	2,654	744
Interest-bearing current liabilities	12,424	13,271
	15,078	14,015
Maturing of loans		
Maturity year		
2007	11,884	
2008	3,800	
2009	3,800	
2010	8,980	
2011	6,889	
2012	1,317	
2013	615	
	37,285	

12. Payables to Group companies		
Short-term payables to subsidiaries	546	250

OTHER NOTES			
13. Exposures from derivative contracts	2006	2005	
Interest rate swaps			
Value of underlying instrument	19,690	17,567	
Market value	198	-256	
Maturing of derivative contracts			
Interest rate swaps	2007	2008	2009
	2,877	2,877	4,189
	2010	2011	2012
	1,672	6,230	1,230
			615

14. Corporate debt obligations		
Unpaid debt from shares in real estate companies outside the Group on December 31	2006	2005
	1,322	1,255

15. Pledged assets		
Debt secured by liens on real estate	2006	2005
Loans from credit institutions		
Loans	37,825	37,000
Other liabilities		
Advance payments	1,400	0
Collateral		
-liens	0	0
Total liens on real estate	0	0

16. Insurance payments on December 31, 2006		
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 parent company's retained earnings total EUR 4,315,083.04 according to the December 31, 2006 balance sheet.

The Board of Directors' proposes to the general meeting of shareholders that:

a dividend of EUR 0.34 per share be distributed on 4,123,000 shares, for a total of	EUR 1,401,820.00
<u>and that the remainder be left in retained earnings</u>	<u>EUR 2,913,263.04</u>

Espoo, February 6, 2007

Susanna Renlund

Thomas Tallberg

Magnus Bargum

Ernst Gylfe

Kaj Hedvall

Kari Jordan

Martin Tallberg

Martti Leisti
Managing Director

AUDITORS' REPORT To the shareholders of Julius Tallberg -Kiinteistöt Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Julius Tallberg-Kiinteistöt Oyj for the period Jan. 1 - Dec. 31, 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether 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, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Espoo, 6 February 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants



Kim Karhu
Authorised Public Accountant

Corporate governance and control system overview

The company complies with the Insider Rules of the Helsinki Stock Exchange and the joint Corporate Governance Recommendation for Listed Companies of the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers, which entered into force on 1 July 2004.

The operations of Julius Tallberg Real Estate Corporation are governed by the company's Annual General Meeting, Board of Directors and Managing Director.

ANNUAL GENERAL MEETING

The highest decision-making body of Julius Tallberg Real Estate Corporation is its Annual General Meeting, through which the company's shareholders participate in the governance and control of the corporation. The Annual General Meeting is held by the end of June each year. An Extraordinary General Meeting is convened as required. Shareholders can exercise their right to speak and vote at these general meetings. General meetings must be attended by the company's Managing Director, Chairman of the Board and a sufficient number of board members. New nominees to the Board of Directors are required to attend the general meeting deciding on their election, unless they can show a valid reason for their absence.

Annual General Meetings decide such matters as the adoption of the company's annual report and the disposition of its earnings, and elect the company's Board of Directors and its auditors.

Section 11 of the company's Articles of Association requires notices of General Meetings to be delivered no more than eight (8) weeks and no less than twelve (12) days prior to the meeting date. Notice of meetings is provided either by publication in two newspapers appearing regularly at the company's registered domicile or by registered mail sent to the address recorded for each shareholder in the company's shareholder register.

The Board of Directors may require shareholders to sign up for a general meeting by a date indicated on the meeting notice, which cannot precede the meeting by more than five days, in order to be able to attend the meeting.

BOARD OF DIRECTORS

The company's Board of Directors consists of 5 to 8 members.

The presence of more than one-half of the members constitutes a quorum.

The size and composition of the Board of Directors are decided by the company's Annual General Meeting.

Each member is required to supply the Board of Directors with sufficient information for the evaluation of his or her qualifications and independence, and to also report any changes in such information.

Board members are elected for terms of service ending at the following Annual General Meeting. The current Board of Directors consists of seven members, none of whom is a full-time director.

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

All persons elected to the Board of Directors must possess ap-

propriate qualifications and be able to devote sufficient time to their directorial duties. The majority of the Board of Directors must be independent of the company. At least two of these majority members must also be independent of the company's major shareholders.

The Board of Directors considers four its members elected by the Annual General Meeting held on 21 March 2006, namely Magnus Bargum, Ernst Gylfe, Kaj Hedvall and Kari Jordan, to be independent of the company.

The Managing Director, who is not a member of the Board of Directors, regularly attends board meetings as a representative of company's operating management. The Managing Director serves as the secretary of the Board of Directors.

The Board of Directors is responsible for the general management of the company and the appropriate organisation of its operations. The Board of Directors oversees and directs the company's operating management, appoints and discharges the Managing Director, approves the company's strategic objectives and risk management principles, and ensures the appropriateness of the company's management system. The Board of Directors also approves guidelines for the management of financial risks. The Board of Directors is charged with advancing the best interest of the company and all of its shareholders. Members do not represent the parties who nominated them for the Board of Directors.

In addition to the duties prescribed by law and the Articles of Association, the Board of Directors also approves the company's operating plan and budget and decides all major investments, business and real estate acquisitions and divestitures, and other strategically important undertakings.

The company is expected to supply the Board of Directors with all required information on its activities. Such information includes the company's organisational structure, business operations and markets. Each new member of the Board of Directors must be familiarised with the operations of the company.

The work of the Board of Directors is based on written procedural guidelines.

The Board of Directors met seven times in 2006 with an average attendance rate of 84%.

The Board of Directors conducts an annual self-evaluation of its performance.

BOARD COMMITTEES

The Board of Directors established a Planning and Finance Committee at its 21 March 2006 organisational meeting, consisting of Martin Tallberg (Chairman), Susanna Renlund, Thomas Tallberg and Ernst Gylfe. However, the Committee did not meet, as the Board of Directors and the Managing Director handled the business designated for the Committee. No further committees were formed as the Board of Directors meets frequently enough to address all other corporate governance matters at its regular meetings. The company's auditor has been invited to two meetings of the Board of Directors each year.

BOARD OF DIRECTORS



Susanna Renlund

Chairman

Susanna Renlund, Administrative Manager, Helsinki, Finland

Born 1958, M.Sc. (Agric.)

- Administration Manager of the Institute for Bio-Immunotherapy Helsinki Ltd
- Vice Chairman of Oy Julius Tallberg Ab.
- Board member of Ramirent Plc.
- Board memberships in several Finnish companies.
- On Julius Tallberg Real Estate Corporation's Board of Directors since 1997, Vice Chairman 2005-2006, Chairman from 2006.
- Direct ownership interest in Julius Tallberg Real Estate Corporation on 31 December 2006: 18,150 A shares and 51,191 B shares.
- Susanna Renlund's key duties have consisted of the general management of a number of real estate properties and the financial management of the Institute for Bio-Immunotherapy Helsinki Ltd since 1994.



Thomas Tallberg

Vice Chairman

Thomas Tallberg, Docent, Helsinki, Finland

Born 1934, MD

- Chairman of the Board of Oy Julius Tallberg Ab.
- Board memberships in several foundations.
- Vice Chairman of Julius Tallberg Real Estate Corporation from 1987 to 1997, Chairman from 1998 to 2005, and Vice Chairman from 2006.
- Direct ownership interest in Julius Tallberg Real Estate Corporation on 31 December 2006: 163,780 A shares and 70,824 B shares.
- Thomas Tallberg has worked at Helsinki University Hospital as Docent of Immunology since 1967 and as Specialist in Immunology from 1971 to 1997, and has been directing the Institute for Bio-Immunotherapy Helsinki Ltd since 1994.

MEMBERS



Magnus Bargum

Magnus Bargum, Commercial Counsellor (Hon.), Helsinki, Finland

Born 1947, M.Sc. (Econ.)

- Managing Director of Algol Oy since 1985 and member of its Board of Directors since 1976.
- Vice Chairman of Paulig Ltd.
- Board member of Julius Tallberg Real Estate Corporation since 2005.
- No direct ownership of any Julius Tallberg Real Estate Corporation shares.
- Member of the Supervisory Board of Finnish Fair Corporation.
- Board member of the Confederation of Finnish Industries since 2005.
- Federation of Finnish Commerce, Deputy Chairman since 2005.
- Board memberships in several foundations and trusts.



Ernst Gylfe

Ernst Gylfe, Chairman of the Board, Espoo, Finland

Born 1944, M.Sc. (Eng.)

- Chairman of Helsingin Villakehämö Oy (Novita).
- Board memberships in several Finnish companies.
- Board member of Julius Tallberg Real Estate Corporation since 1987 and Vice Chairman from 1998 to 2004.
- No direct ownership of any Julius Tallberg Real Estate Corporation shares.
- Ernst Gylfe has served as the Managing Director of Helsingin Villakehämö Oy from 1974 to 2001, and as Chairman of the Board since 2001.

30 Corporate Governance



Kaj Hedvall

Kaj Hedvall, Director, Helsinki, Finland

Born 1960, PhD (Econ.), M.Sc. (Eng.)

- Business Development Director, Senate Properties.
- Board member of Finnish investment trust and foundation.
- Board member of Julius Tallberg Real Estate Corporation since 2005.
- No direct ownership of any Julius Tallberg Real Estate Corporation shares.
- From 1984 to 1998 Kaj Hedvall held teaching and research positions at the Department of Finance and Statistics of the Swedish School of Economics and Business Administration in Helsinki. From 1998 to 2002 he served as Development Director for the Finnish Association of Building Owners and Construction Clients. Since 2002 Kaj Hedvall has been a Director and member of the executive group of Senate Properties in charge of business development.



Kari Jordan

Kari Jordan, President and CEO, Kauniainen, Finland

Born 1956, M.Sc. (Econ.)

- President and CEO of Metsäliitto Group.
- Board memberships in several Finnish companies.
- Board member of Julius Tallberg Real Estate Corporation since 1998.
- No direct ownership of any Julius Tallberg Real Estate Corporation shares.
- From 1987 to 1994 Kari Jordan served on the Board of Directors of OKO Bank, first as an alternate and then as a regular member.
- Between 1994 and 2004 he held various executive positions at KOP, Merita and Merita Nordbanken, most recently as Group Vice President at Nordea AB and a member of the company's executive committee.



Martin Tallberg

Martin Tallberg, Managing Director, Helsinki, Finland

Born 1963, M.Sc. (Econ.)

- Managing Director of Oy Julius Tallberg Ab.
- Board memberships in several Finnish companies.
- Board member of Julius Tallberg Real Estate Corporation since 1991.
- Direct ownership interest in Julius Tallberg Real Estate Corporation on 31 December 2006: 64,735 A shares and 81,466 B shares.
- Martin Tallberg worked briefly at SKV as Real Estate Specialist in 1989 and 1990, after which he served as Management Assistant at Oy Julius Tallberg Ab, where his responsibilities included the leasing and sale of properties as well as general administrative and business development duties.
- Since 1995 he has been the Managing Director of Oy Julius Tallberg Ab.

Managing Director

The Managing Director is appointed by the Board of Directors, who also determine the terms of his or her service. The Managing Director's terms of service are specified in a written service contract approved by the Board of Directors.

The Managing Director is responsible for the performance and financial position of the company.

The Managing Director is in charge of the daily management of the company in accordance with the Companies Act, the company's Articles of Association, and the instructions and directions of the Board of Directors. The Managing Director may not undertake any actions that fall outside the ordinary course or scope of the company's business without the specific authorisation of the Board of Directors. The Managing Director is required to ensure the legal propriety of the company's accounting practices and the reliable management of its finances.

Managing Director:

Martti Leisti, Born 1947, M.Sc. (Econ.)

- Managing Director of Julius Tallberg Real Estate Corporation since 1987.
- Board member of the Finnish Association of Building

Owners and Construction Clients.

- Board memberships in several Finnish companies.
- Prior to 1987 Martti Leisti worked at YIT Corporation for 10 years, 6½ of which in export management positions dealing with the Middle East and Spain.
- Direct ownership interest in Julius Tallberg Real Estate Corporation on 31 December 2006: 6,365 B shares.
- No share ownership or rights based on any equity incentive arrangements.

The Managing Director's 2006 salary and other cash compensation totalled EUR 162,743. Voluntary retirement insurance premiums paid in 2006 totalled EUR 8,500. The Managing Director's service contract is terminable upon 4 months notice. If the service contract is terminated by the company, the Managing Director will be entitled to severance pay in the amount of 12 months' salary, unless terminated for "grievous cause" within the meaning of the Employment Contracts Act. Under the Managing Director's Service Contract, the Managing Director's retirement age and pension are determined in compliance with the Employment Contracts Act, and the amount of the voluntary pension in accordance with the annual insurance premiums of EUR 8,500.

OTHER EXECUTIVE MANAGEMENT

Julius Tallberg Real Estate Corporation has no other executive management.

COMPENSATION ARRANGEMENTS

Compensation payable to the members of the Board of Directors is decided by the company's Annual General Meeting at the start of each year. The salary and other benefits of the Managing Director are set by the Board of Directors.

The Board of Directors of Julius Tallberg Real Estate Corporation was paid approximately EUR 74,150 in 2006. Board members are not compensated through options or other incentive arrangements.

PERSONNEL INCENTIVE SYSTEMS

The company operates a personnel incentive system established on 6 February 2006, which supports the attainments of the company's long-term and near-term objectives. The basis of the Managing Director's and employees' incentive compensation and the magnitude of bonus payments are fixed annually by the Board of Directors. Both the Managing Director's and employees' option arrangements have been discontinued. The Managing Director and company personnel are covered by a voluntary retirement plan costing EUR 27,000 in 2006.

FINANCIAL AUDITS AND AUDITORS

Financial audits

The company is required to have one primary and one alternate auditor. If the company's primary auditor is a duly authorised public accounting firm, the appointment of an alternate auditor is not necessary. The company's accounts must be audited by an authorised public accountant or accounting firm. Auditors' fees paid in 2006 totalled EUR 43,352, approximately EUR 11,832 of which was paid for non-audit services.

Auditors

Primary auditor: PricewaterhouseCoopers Oy, Authorised Public Accountants, with Kim Karhu, APA, as principal auditor.

INSIDER ADMINISTRATION

The company complies with insider administration guidelines endorsed by the Helsinki Stock Exchange. The statutory insiders of Julius Tallberg Real Estate Corporation consist of the company's Board of Directors, Managing Director and auditors. Persons holding certain other positions, as determined by the Managing Director from time to time, are also deemed permanent insiders. The company makes use of the insider register service of the Finnish Central Securities Depository Ltd, which tracks the current share holdings of insiders.

All insiders have been provided with written rules. They are also notified in writing of any times when they are not permitted to trade in the company's shares.

According to insider register information, the Board of Directors, directly or through entities controlled by them, and the personnel of Julius Tallberg Real Estate Corporation held 3,627,426 shares on 31 December 2006, which represented 91.9 % of the shares and 87.9% of the votes outstanding.

CONTROL SYSTEMS

The business operations of Julius Tallberg Real Estate Corporation are managed and controlled by means of the governance and control systems described above. The company employs appropriate and reliable accounting and other information systems to track its business operations and to control the management of its assets.

The company's accounting system facilitates the tracking of actual and forecast figures and the preparation of budget variance analyses for periods of one, three and twelve months. The system also serves as a long-term planning and budgeting tool.

INTERNAL AUDIT AND CONTROL SYSTEM

The internal control system of Julius Tallberg Real Estate Corporation covers both financial and other controls. Internal control is carried out by the company's Board of Directors, Managing Director and all company personnel. The objectives of internal control are:

- Attainment of approved operating plan and budget targets and objectives.
- Financially efficient and effective use of the company's resources.
- Management of operational risks.
- Reliability and accuracy of financial and other management information.
- Compliance with external regulations and internal procedures, including appropriate customer relationship management practices.
- Securing the company's operations, information assets and physical assets, and compliance with insurance guidelines.
- Appropriate information systems and work processes in support of corporate operations.

The organisation and maintenance of sufficient and well-functioning internal controls is the responsibility of the Board of Directors. The Managing Director is in charge of the practical implementation of internal control measures.

The Managing Director is responsible for ensuring compliance with the objectives, procedures and strategic plans established by the Board of Directors. The Managing Director is required to maintain an organisational structure that delineates the responsibilities, authority and reporting relationships of personnel clearly, comprehensively and in writing.

The Managing Director is responsible for ensuring that the company's daily operations conform to applicable law and related regulations, and to the company's operating principles and the decisions of the Board of Directors.

Auditors' reports prepared for the Board of Directors and the Managing Director in the course of the year also cover administrative reviews and, to the extent appropriate, internal audit procedures.

RISK MANAGEMENT

Operational risks are tracked by the Board of Directors and Managing Director of Julius Tallberg Real Estate Corporation. The purpose of risk management is to reduce the likelihood or threat of an unexpected loss. Risk management needs to cover all internal as well as external risks, whether quantifiable or unquantifiable and whether within or outside the control of the company.

Tenant-specific risk has been diversified by growing the company's real estate base and thereby increasing the number of lease contracts.

Julius Tallberg Real Estate Corporation carries out an annual risk management process resulting in an updated risk map and action plan that are presented to the Board of Directors in the autumn of each year.

FLAGGING NOTICES FOR THE PAST 12 MONTHS

No ownership change flagging notices were issued during the past 12 months.

REDEMPTION CLAUSES

The company's Articles of Association include no share redemption provisions.

SHAREHOLDERS' AGREEMENTS

The company is not aware of any shareholders' agreements.

INFORMATION DISCLOSURES

The following information is provided on the company's website:

- Corporate governance and control system.
- Information on General Meetings.
- Shares, share capital and major shareholders.
- Annual Report.
- Other recommended disclosures.

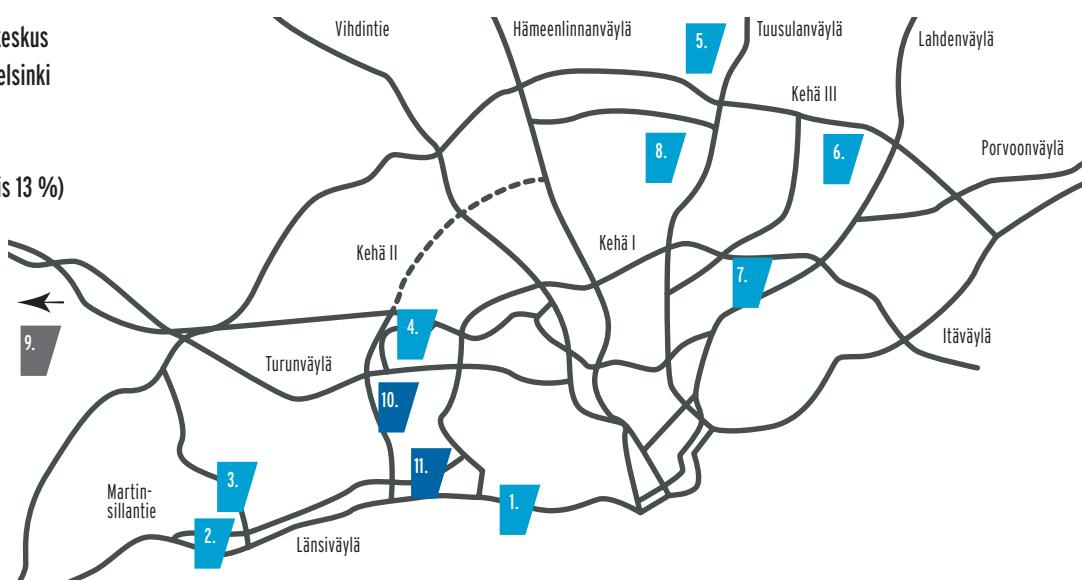
32 Real Estate Investment and Development

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

Real Estate locations in Helsinki

1. K0y Gyldénintie 2
2. K0y Kauppakeskus Martinsilta
3. K0y Espoon Suomalaistentie 7
4. Oy Soffcon Kiinteistö Ab
5. K0y Äyritie 4 Vantaa
6. K0y Suutarilan Huoltokeskus
7. K0y Liukumäentie 15 Helsinki
8. K0y Arinatie 8
9. K0y DataCity, Turku
(Company's ownership is 13 %)

10. CarVal Investors - joint holdings:
- SK Property Oy (Espoo, Olarinluoma)
- SK Property Oy (Espoo, Niittykumpu)



Real Estate Investment



1. Helsinki / Lauttasaari Gyldeintie 2

Significant tenants:

- Casaret Consulting Oy
(Restaurant C.W. Gyldén and
Restaurant Piratti)
- Sairaala Laseri Oy



2. Espoo / Suomenoja Martinsillantie 10

Significant tenants:

- Biltema
- Café Luna
- Joint Authority
of Education
in Espoo region (Omnia)
- Huonekaluliike
Vepsäläinen Oy
- Jysk Oy



3. Espoo / Suomenoja Suomalaistentie 7

Significant tenants:

- Bayer Oy
- Förlagssystem Finland Ab
- Jo-He Oy
- Oy Agfa-Gevaert Ab
- Oy Norstar Ab
- Rustholli Remontit Oy
- Suomen Polkupyörätukku Oy



4.



5.



6.



7.



8.



9.



10.



11.

4. Espoo / Kilo
Karapellontie 11-13

Significant tenants:

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

5. Vantaa/Aviapolis
Äyratie 4

Rented entirely to Philips Medical Systems MR Technologies Finland Oy

6. Helsinki/Suutarila
Tapulikaupungintie 37

Rented entirely to Ramirent Plc

7. Helsinki/Oulunkylä
Liukumäentie 15

Rented entirely to Schenker Cargo Oy

8. Vantaa / Pakkala
Arinatie 8

Significant tenants:

- Oy Meluton Ab
- Naps Systems Oy
- Ramirent Plc
- Schiedel Savuhormistot Oy

9. Turku/ Datacity

Significant tenants:

- Kinnarps Oy
- Medivire Oy

CarVal Investors (former Cargill)

The major joint holdings:

10. Sk Property Oy, Espoo, Olarinluoma

Significant tenants:

- Laattamaailma Oy
- Lassila & Tikanoja Oyj

11. Sk Property Oy, Espoo, Niittykumpu

Significant tenants:

- Espotel Oy
- Futuremark Oy
- Space Systems Oy

On 29 January 2007, the company acquired an 82% holding from CarVal Investors of SK Property Oy. The company already had an 18% holding.

Real Estate Development



The Company's most significant real estate development project is in the Aviapolis area of the City of Vantaa (address Äyritie 6) where an office building of approx. 24,000 floor m² will be constructed. The location is excellent. The Jumbo Shopping Center and the Jumbo Entertainment Park, currently being built, are located just south of the adjacent Ring Road III, with a connecting underpass. To the west of the site is the expanding Airport Plaza (see photo).

The Company is cooperating with Aviapolis, the City of Vantaa, Finnavia and about 10 other land owners and contractors in the area.

The Company will initiate further project development measures in 2007. The project will be carried out in several stages. The implementation schedule will be clarified as marketing progresses.

Vantaa/Aviapolis
Äyritie 6

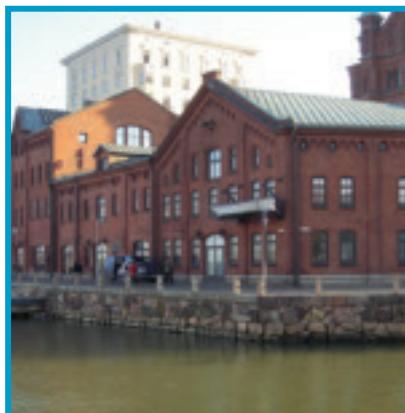
Properties Held for Sale



Vantaa / Pakkala
Arinatie 8

On 31 May, 2006, the company signed a preliminary agreement with Hartela Kiinteistömarkkinointi Oy on the sale of Kiinteistö Oy Arinatie 8 located at Kartanonkoski in the Aviapolis area of the City of Vantaa. The sale requires the approval of a land use zoning amendment applied for on 31 August 2006, which is expected to occur in 2008.

Sold Properties



Helsinki/Katajanokka
Kanavaranta 7

The share capital of the Real Estate Company was sold by a contract signed on 15 December 2006 to Crownstone European Properties Ltd. The rights of proprietorship and possession were passed to the purchaser on 15 January 2007.



Helsinki/Lauttasaari
Nahkahousuntie 3

The share capital of the Real Estate Company was sold by a contract signed on 9 October 2006 to NCC Rakennus Oy. The rights of proprietorship and possession were passed to the purchaser on 31 January 2007.

Market Value of Real Estate Assets, EUR million



Net Rental Income %

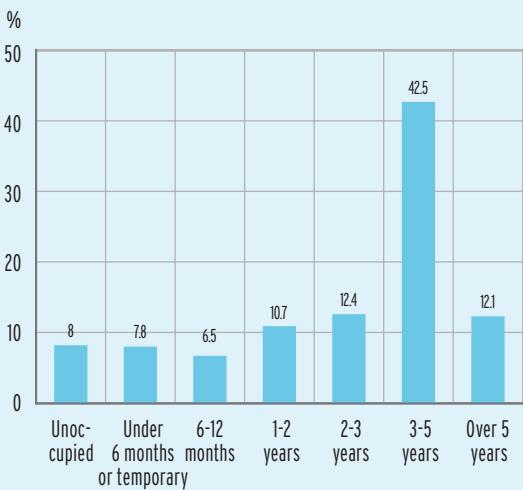


FAS Net Rental Income % = $\frac{\text{Annual net rental income} (\text{=} \text{rental income} - \text{maintenance costs})}{\text{Acquisition or FAS balance sheet value of completed real estate assets including capital transfer tax (average for year)}} \times 100$

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

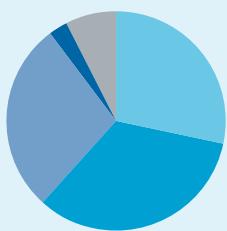
Rental Income Analysis on December 31, 2006

Average length of rental agreements 3.5 years (2005: 4.2 years)



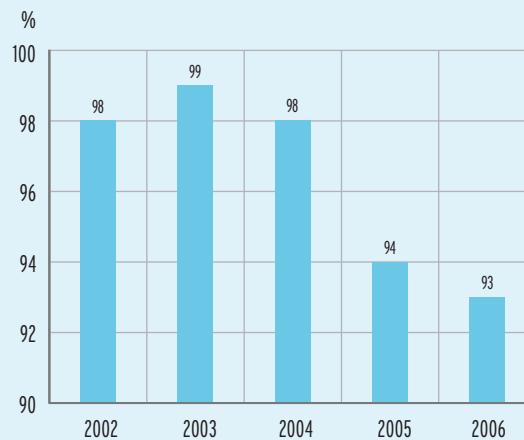
Tenancy agreement stock, total value (vat 0%) EUR 31.6 million (2005: EUR 41.6 million). As for agreements valid until further notice, rent for term of notice recognized.

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

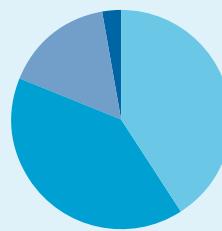


Offices
 28.4% 13.46 EUR/m²/mo
Warehouses and production
 33.5% 5.97 EUR/m²/mo
Commercial
 28.0% 11.54 EUR/m²/mo
Other
 2.6% 10.67 EUR/m²/mo
Unoccupied
 7.5% 7.89 EUR/m²/mo

Yield-Weighted Occupancy Rate 2002-2006



Geographical Distribution of Real Estate Ownings by Market Value



Helsinki 40.9%
Espoo 40.3%
Vantaa 16.1%
Turku 2.7%

36 Real Estate Summary

REAL ESTATE SUMMARY DECEMBER 31, 2006

Real estate	Holding %	Rentalable floorspace, m ²					Unused building floor m ² rights,	Year of acquisition
		Total	Commercial	Office	Storage/production	Other		
HELSINKI								
KOy Helsingin Kanavaranta 7	100	6,906	3,085	3,821	0	0	0	2003
Katajanokka								
KOy Gyldenintie 2	100	3,507	630	2,401	406	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 ¹⁾	23,634	0	0	23,634	0	0	2000
Oulunkylä								
Total		43,259	3,715	9,624	28,745	1,175	19,683	
ESPOO								
Oy Soffcon Kiinteistö Ab	100	6,874	0	3,777	2,717	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 Suomalaisentie 7	100	11,438	207	5,195	5,844	192	970	2005
Suomenoja								
Total		42,505	18,807	10,292	12,292	1,114	8,534	
VANTAA								
KOy Arinatie 8	100	10,063	285	1,712	8,066	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								
Total		18,807	285	3,979	13,965	578	32,092	
TURKU								
KOy DataCity	13	4,394	216	3,744	92	342	0	1988/
Lemminkäisenkatu 14-18								
Total		4,394	216	3,744	92	342	0	
GRAND TOTAL								
		108,965	23,023	27,639	55,094	3,209	60,309	

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

THE COMPANY'S REAL ESTATE ASSETS ALSO INCLUDE THE FOLLOWING MINORITY HOLDINGS:
18 % minority holding of SK Property Oy, owned by CarVal Investors. SK Property owns the following properties:

- Olarinluoma, Espoo
- Kappelitie, Espoo

Valuation Report

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, 2006. 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 in an arm's length transaction between a willing buyer and seller, 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 thirteen properties that were the same as in the previous valuation the year before on December 31, 2005. Five of these properties were in Helsinki at Nahkahousuntie 3, Gyldénintie 2, Tapulikau-pungintie 37 / Lamppupolku 3, Liukumäentie 15 and Kanavaranta 7; five were in Espoo at Martinsillantie 10, Karapellontie 11-13, Suoma-laistentie 7, Luomannotto 3 (18% holding) and Kappelitie 6 (18% holding); two were in Vantaa at Arinatie 8 and Äyritie 4-6; and 4,394 m² of premises in Turku in a property owned by Kiinteistö Oy DataCity at Lemminkäisenkatu 14-18.

The valued investment properties are approximately 93% 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 and Äyritie 6 have ample unutilized building rights. An extension project at Liukumäentie 15 was completed. With respect to two properties (Nahkahousuntie 3 ja Kanavaranta 7), the market value (total EUR 24.9 million) is included in the market value of the real estate stock presented hereinafter, based on the net sales prices calculated by the owner on the basis of deeds of sale signed in 2006.

We value the December 31, 2006 debt-free market value of the aforementioned Julius Tallberg Real Estate Corporation properties and real estate shares at one hundred and twenty nine million, seven hundred thousand euros (EUR 129,700,000). Of this sum, the market value of the investment assets totaled EUR 96,300,000 and the market value of available-for-sale investments totaled EUR 33,400,000.

Helsinki, January 19, 2007

CATELLA PROPERTY LTD,
Valuation Service

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

Arja Lehtonen
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