



JULIUS TALLBERG KIINTEISTÖT

Interim Report, January 1 - September 30, 2006

The company's 19th year of operations.

Q3/2006

## REVIEW PERIOD IN BRIEF

		1.1–30.9.2006	1.1–30.9.2005
Net sales	EUR 1,000	7,661	7,309
Profit before taxes <sup>*)</sup>	EUR 1,000	6,355	3,486
		30.9.2006	30.9.2005
Market value of real estate stock	EUR million	116.4	102.4
Equity per share	EUR	14.65	12.90
Change	%	+14	
Equity-to-assets ratio, 30.9.	%	53	52
Interest rate hedging ratio, 30.9.	%	60	63
Occupancy rate, 30.9.	%	96	96

<sup>\*)</sup> The figures are not fully comparable because in 2005 the value of investment property was determined only for the situation on December 31, 2005.

As from 2006, the value of investment property has been determined every quarter.

The company adopted IFRS reporting as of December 31, 2005. All figures are IFRS-compliant.

The Interim Report does not fulfil all IAS 34 requirements.

## MARKET OUTLOOK

### INVESTMENT MARKET

Yield requirements have been in clear decline in the Finnish property market over the past year, mainly owing to the abundant demand by foreign investors. For office buildings outside the Helsinki city center, investors' net yield requirements have fallen to 6.5–8.5%, depending on site-specific characteristics. Investment volumes increased in the review period and, according to Catella Property Ltd, totaled approximately EUR 3 billion. Investment appetite and activity remain lively, with the focus now also on growth centers outside the Helsinki metropolitan area. Demand for good investment objects currently exceeds the supply, and most substantially in the Helsinki metropolitan area.

### PREMISES MARKET

According to Catella Property Ltd, the volume of vacant office space had increased slightly by August. Only 2-3% of commercial premises and logistics facilities are vacant, reflecting a still-continuing extended period of excessive demand for these types of premises.

## MAIN EVENTS DURING THE REVIEW PERIOD

Julius Tallberg Real Estate Corporation focused on implementing an extension project relating to the Kiinteistö Oy Liukumäentie 15 property and on the rental management and economic upkeep of the existing real estate stock. The Liukumäentie project was completed according to plan at the end of July and was handed over for the use of Schenker Cargo Oy. The company's investments during the review period totaled EUR 5.3 million.

In accordance with a preliminary sales agreement signed with Hartela Kiinteistömarkkinointi Oy on May 31, 2006, work began on proposing changes to the zoning plan for Kiinteistö Oy Arinatie 8, located in the Kartanonkoski district of the Aviapolis area in Vantaa, and an application for a change in the zoning plan was filed on August 31, 2006.

The occupancy rate of the Group's Real Estate Stock was high throughout the review period and currently stands at 96% (94% on December 31, 2005). The company's equity-to-assets ratio for September 30, 2006 remained at the target level, i.e. 53%.

The company continued to cooperate with Cargill Inc. from the USA in the Helsinki metropolitan area.

## PROFIT PERFORMANCE

Revenue from rental income during the review period was 5% higher than in the corresponding period of 2005 and totaled EUR 7.6 million. Profit before taxes was EUR 6.4 million, an increase of 82% on the previous year. Profit increased mainly due to a revaluation of investment property amounting to EUR 3.4 million.

To protect against interest rate rises, the company had valid interest rate hedges at September 30, 2006 totaling EUR 20 million and matur-

ing in the period 2006-2013. These hedges represent an interest hedging ratio of 60%, taking into consideration the company's EUR 5.4 million fixed-rate loan (interest risk hedges + fixed-rate loans / company's total loan portfolio).

The company's real estate assets were revalued for the situation at September 30, 2006. The revaluation was based on a statement made by Catella Property Ltd in accordance with IVS 2005, in which changes in the market situation, a change in the company's property-specific yield requirements and earlier material events during the review period were taken into account.

## THE CHANGE IN THE VALUE OF THE GROUP'S INVESTMENT ASSETS AND AVAILABLE-FOR-SALE ASSETS DURING JANUARY 1-SEPTEMBER 30, 2006 WAS AS FOLLOWS:

EUR mill.	30.9.2006	30.6.2006	31.3.2006	31.12.2005
Market value of investment assets	114.4	111.6	108.7	105.7
Market value of available-for-sale assets	2.0	2.2	2.0	2.2
Total real estate assets	116.4	113.8	110.7	107.9
Debt portion of available-for-sale assets	-1.0	-0.9	-0.9	-1.0
Total	115.4	112.9	109.8	106.9
Increase in investment assets	5.3	4.2	2.4	7.2
Change in fair value of investment assets	3.4	1.7	0.6	4.7
Total change	8.7	5.9	3.0	1.9

82,445 (2.3%) of the company's B shares were exchanged during January 1-September 30, 2006 at a total value of EUR 1,204,143. The share price was EUR 16.50 on September 30, 2006 (EUR 13.40 on December 31, 2005). Despite low share turnover, the share price increased by 23% during the review period.

## MAIN EVENTS AFTER THE REVIEW PERIOD

On October 9, 2006, the company signed a deed of sale with NCC Construction Ltd on the sale of the stock of Kiinteistö Oy Nahkahousutie 3 in Lauttasaari, Helsinki. The title and right of possession will transfer to the buyer on January 31, 2007. The share transaction will not materially affect the company's result or balance sheet.

## OUTLOOK FOR 2006 AND THE FUTURE

Despite their recent rising trend, interest rates will probably remain relatively low. Catella Property Ltd forecasts that the property investment volume on the Finnish market will reach a record level of EUR 5.1 billion in 2006.

The occupancy rate of Julius Tallberg Real Estate Corporation's real estate stock is expected to remain high as leases are based on long-term

partnerships with reliable corporate tenants. The value of the company's lease portfolio on September 30, 2006 remained at a high level of approx. EUR 38 million (approx. EUR 42 million on December 31, 2005) and the average duration was about 3.4 years (4.2 years on December 31, 2005). The company's financial situation and liquidity are forecast to remain good.

Revenue is expected to increase on the previous year's level.

The company's strategic goal is to increase the current value (EUR 116 million) of its real estate assets within the constraints of the equity-to-assets target through new acquisitions in line with the company's investment policy and by developing the company's building rights. The company's target to increase the real estate stock will promote the diversification of risk and improve cost-effectiveness.

The goal is to provide shareholders with a safe and stable investment alternative by steadily improving the ability to distribute dividends. The company has increased dividends for 10 consecutive years.

The information in this Interim Report is unaudited.

*Espoo, October 26, 2006*  
Board of Directors

**KEY FIGURES**

	IFRS 1.1.-30.9.2006	IFRS 1.1.-30.9.2005	IFRS 1.1.-31.12.2005
Occupancy rate, %	96	96	94
Revenue	7,662	7,309	9,773
Operating profit	7,473	4,486	10,599
Earnings/share, EUR	1.14	0.63	1.63
Equity/share, EUR	14.65	12.90	13.82
Return on investment (ROI), % p.a.	10.1	6.7	11.7
Return on equity (ROE), % p.a.	10.7	6.5	12.4
Equity-to-assets ratio, %	52.9	52.4	52.8
Gross investments in fixed assets, EUR million	5.3	5.9	7.2
Gross investments in fixed assets, % of revenue	68.7	80.7	79.5
Personnel	4	4	4

**CONSOLIDATED INCOME STATEMENT**

EUR 1,000	IFRS 1.1.-30.9.2006	IFRS 1.1.-30.9.2005	Change	IFRS 1.1.-31.12.2005
REVENUE	7,661	7,309	352	9,773
Other income from operations	-15	13	-28	13
Expenses				
Employee benefits	-288	-295	7	-582
Depreciation	-12	-17	5	-22
Change in the fair value of investment property	3,445	0	3,445	4,722
Property maintenance costs	-2,953	-2,182	-771	-2,814
Other operating expenses	-365	-342	-23	-491
OPERATING PROFIT	7,473	4,486	2,987	10,599
Financial income	104	21	83	27
Finance expenses	-1,222	-1,021	-201	-1,372
Profit before taxes	6,355	3,486	2,869	9,254
Income tax	-1,653	-907	-746	-2,529
PROFIT FOR THE REVIEW PERIOD	4,702	2,579	2,123	6,725
Earnings/share, EUR				
Diluted and undiluted	1.14	0.63		1.63

**CONSOLIDATED BALANCE SHEET**

	IFRS	IFRS	IFRS
EUR 1,000	30.9.2006	30.9.2005	31.12.2005
<b>ASSETS</b>			
Non-current assets			
Tangible fixed assets	36	44	41
Intangible assets	6	10	9
Investment property	114,400	99,213	105,700
Available-for-sale investments	589	1,636	878
Receivables	309	336	336
Deferred tax assets	113	240	180
Total	115,454	101,479	107,144
Current assets			
Trade and other receivables	264	205	886
Cash and cash equivalents	1	1	1
<b>TOTAL ASSETS</b>	<b>115,719</b>	<b>101,685</b>	<b>108,031</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to equity holders of parent company			
Share capital	21,027	21,027	21,027
Share premium account	6,109	6,109	6,109
Revaluation reserve	73	837	277
Hedge fund	29	-359	-190
Retained earnings	28,460	23,012	23,013
Profit for the period	4,702	2,579	6,725
Total equity	60,400	53,206	56,961
Non-current liabilities			
Interest-bearing liabilities	29,281	27,062	25,641
Deferred tax liabilities	10,797	8,248	9,790
Total non-current liabilities	40,078	35,310	35,431
Current liabilities			
Trade and other payables	1,033	1,859	2,031
Current interest-bearing liabilities	14,208	11,310	13,607
Total current liabilities	15,241	13,169	15,638
Total liabilities	55,319	48,479	51,069
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>115,719</b>	<b>101,685</b>	<b>108,031</b>
Interest-bearing liabilities	43,489	38,372	39,248

**CONSOLIDATED CASH FLOW STATEMENT**

	IFRS	IFRS	IFRS
EUR 1,000	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-31.12.2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period	<b>4,702</b>	2,579	6,725
Adjustments for:			
Non-cash transactions			
Proceeds from disposal of fixed assets	<b>15</b>	-13	-13
Depreciation	<b>12</b>	17	22
Changes in fair value of investment property	<b>-3,445</b>	0	-4,722
Financial items	<b>1,118</b>	1,001	1,345
Income tax expense	<b>1,207</b>	907	2,529
Changes in working capital			
Changes in trade and other receivables	<b>666</b>	208	-453
Changes in trade and other payables	<b>-507</b>	-565	458
Interests and financing expenses, paid	<b>-1,116</b>	-806	-1,641
Interests received	<b>7</b>	2	8
Tax paid	<b>-474</b>	-386	-623
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2,186</b>	2,943	3,635
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	<b>-5</b>	-2	-3
Investments in investment property	<b>-5,255</b>	-5,413	-7,182
Proceeds from sale of investment property	<b>27</b>	18	18
Dividends received	<b>84</b>	1	1
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-5,150</b>	-5,396	-7,163
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans raised	<b>6,981</b>	6,429	8,900
Loan repayments	<b>-2,740</b>	-2,740	-4,136
Dividends paid	<b>-1,278</b>	-1,237	-1,237
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>2,964</b>	2,453	3,527
Change in liquid assets	<b>0</b>	0	-1
Liquid assets at beginning of period	<b>1</b>	2	2
<b>LIQUID ASSETS AT END OF PERIOD</b>	<b>1</b>	2	1

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR 1,000	Share capital	Share premium account	Revaluation reserve	Hedge fund	Retained earnings	<b>Total</b>
Equity 1.1.2005	21,027	6,109	848	-249	24,249	<b>51,985</b>
Revaluation reserve, change recognized in equity			-13			<b>0</b> <b>-13</b>
Cash flow hedges, amount recognized in equity				-150		<b>0</b> <b>-150</b>
Deferred taxes			4	39		<b>43</b>
Dividends paid					-1,237	<b>-1,237</b>
Profit for the period					2,579	<b>2,579</b>
Equity 30.9.2005	21,027	6,109	839	-360	25,591	<b>53,206</b>
Equity 31.12.2005	21,027	6,109	277	-190	29,738	<b>56,961</b>
Equity 1.1.2006	21,027	6,109	277	-190	29,738	<b>56,961</b>
Revaluation reserve, change recognized in equity			-276			<b>-276</b>
Cash flow hedges, amount recognized in equity				296		<b>296</b>
Deferred taxes			72	-77		<b>-5</b>
Dividends paid					-1,278	<b>-1,278</b>
Profit for the period					4,702	<b>4,702</b>
Equity 30.9.2006	21,027	6,109	73	29	33,162	<b>60,400</b>

**MARKET VALUE OF INVESTMENT PROPERTY**

EUR 1,000	<b>IFRS</b> 1.1.-30.9.2006	IFRS 1.1.-30.9.2005	IFRS 1.1.-31.12.2005
Market value of investment property at start of period	<b>105,700</b>	93,800	93,800
Investments in investment property	<b>5,255</b>	0	1,765
Investment properties acquired	<b>0</b>	5,413	5,413
Change in fair value of investment property	<b>3,445</b>	0 <sup>)</sup>	4,722
Market value of investment property at end of period	<b>114,400</b>	99,213	105,700

<sup>)</sup> The figures are not fully comparable because in 2005 the value of investment property was determined only for the situation on December 31, 2005.

As from 2006, the value of investment property has been determined every quarter.

The 2006 amendments to the IFRS are included in the Interim Report

The IFRS changes have not caused such changes to the accounting policies that would have had an effect on the information presented in this Interim Report.

**DERIVATIVE CONTRACTS**

EUR 1,000	30.9.2006	30.9.2005	31.12.2005
Interest rate swaps			
Interest rate swaps, nominal value of capital	20,645	18,522	17,567

**PLEDGES, MORTGAGES AND LIABILITIES**

EUR 1,000	30.9.2006	30.9.2005	31.12.2005
Secured loans from financial institutions	43,489	38,372	38,514
Collateral pledged on own debt			
Mortgages	51,420	45,033	45,020