

Julius Tallberg Real Estate Corporation

Annual Report 2019



2019 Annual Report of Julius Tallberg Real Estate Corporation

Thirty-second operating year of the company

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GENERAL MEETING

Julius Tallberg Real Estate Corporation holds its general meeting on 7 April 2020 at 10 am at Julius Tallberg Real Estate Corporation's premises at Suomalaistentie 7, 02270, Espoo, Finland. The official invitation has been published on the company website at <https://tallberg.fi>.

Meeting agenda:

1. Matters addressed in the general meeting according to section 10 of the articles of association.
2. Board proposal to authorise the Board of Directors to decide on repurchasing the Company's own shares.

Right of participation

Shareholders that are marked in Euroclear Finland Oy's list of company shareholders by 26 March 2020 at the latest are entitled to participate in the general meeting.

Registration

Registration instructions are available on the company website at <https://tallberg.fi>
> For investors

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the general meeting dividends of EUR 0.12 per share for the 2019 financial year.

Shareholders marked in Euroclear Finland Oy's list of company shareholders by 9 April 2020, the record date, are entitled to dividends. The Board of Directors proposes to the general meeting that the dividends be paid after the reconciliation period, from 20 April 2020.

FINANCIAL INFORMATION FOR JULIUS TALLBERG REAL ESTATE CORPORATION IN 2020

The annual report and interim accounts will be published on the company website at <https://tallberg.fi>. These documents can also be requested by telephone (+358 207 420 706) or email (heini.ristikankare@tallberg.fi).

THE GROUP IN BRIEF

	31 Dec 2019	31 Dec 2018
Equity per share, EUR	3.06	2.80
Consolidated net equity EUR million	72.7	66.4
-change %	9.4	-0.2
Adjusted equity ratio of market value %	63	52
Adjusted net asset value/share, EUR	4.60	4.45
Market value of real estate assets, EUR million	170.2	199.3
-change %	-14.6	3.4
Total value of lease portfolio, EUR million	41.2	70.8
Average duration of lease portfolio, years	2.4	3.8

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue, EUR million	19.0	18.1
-change %	5.1	-6.2
Profit before taxes, EUR million	12.2	3.4
Profit/share, EUR	0.38	0.12
Operating net cash flow/share, EUR	0.34	0.38
Return on capital employed, % p.a.	10.0	3.4
Return on equity, % p.a.	13.1	4.1
Dividend/share, EUR	0.12 ¹	0.12

¹Board proposal

CEO's review

BUSINESS IN 2019

The company's revenue in 2019 was EUR 19 million, an increase of 5.1% on the previous year (EUR 18.1 million). Our net rental income rose from EUR 12.2 million to 12.7 million. The company sold the properties at Suomalaistentie 5 and Juvan teollisuuskatu 15 in Espoo, as well as the Louhostie 2 property in Tuusula at the end of 2019. The profit for the financial year, before taxes, was EUR 12.2 million (EUR 3.4 million). In the 2019 financial year, we recorded a EUR 9.1 million capital gain on real estate sales (2018: EUR 0.73 million capital loss). The sale of the properties is related to property portfolio development and customisation within the company's strategy. The group's profit per share in the financial year was EUR 0.38 (EUR 0.12).

We made a total of EUR 2.7 million in investments in the financial year (EUR 14.4 million). Of these investments, roughly EUR 1.5 million was aimed at expanding the office spaces at the Huhtimontie 16 property in Kerava. Other investments were in alteration work at other rental properties.

The company's lease portfolio was valued at EUR 41.2 million (EUR 70.8 million) at the end of the year, with an average of 2.4 years duration of contract (3.8 y). The economic occupancy rate at our existing properties was 94% (91%). The group's financial position was good during the financial year. At the end of the financial year, our adjusted equity ratio at accounting values was 56% (43%), and at market values, 63% (52%).

Julius Tallberg Real Estate Corporation's success in the 2019 KTI Customer Satisfaction Survey continued to be good. The survey examined tenant satisfaction with their landlord, spaces and services. Based on the survey, the company's customer satisfaction score was the best among 20 companies, measured in overall satisfaction, as well as all the surveyed types of property. We are very happy with this result and would like to thank our customers for their cooperation and trust.

The group's property assets were audited on 31 December 2019. This audit is based on Catella Property Oy's IVS 2007-conformant statement, which considers changes in both the market and property-specific required rate of return, as well as material events during the financial year. The market value fell by EUR -1.1 million (-5.3 million) compared to 31 December 2018. The total market value of the full property portfolio on 31 December 2019 was EUR 170.2 million (31 Dec 2018: EUR 199.33 million). In the valuation statement cash flows, this means a required

rate of return of 8.3% (the required rate of return on 31 Dec 2018 was 8.3%). Market values will next be audited by an external reviewer on 31 December 2020. The adjusted net asset value per share at market value was EUR 4.60/share on 31 December 2019 (31 Dec 2018: EUR 4.45/share).

The Finnish real estate market continued to be favourable in 2019. However, real estate sales volumes fell compared to the peaks of the two previous years. KTI's transaction tracking shows that real estate sales volumes in 2019 were EUR 6.3 billion, which was 34% lower than the previous year. The number of real estate sales remained high. There were roughly 300 sales of more than one million euros, which is in line with the high numbers of previous years.

KTI statistics show that office properties were again the most actively traded property type, at a 37% share of the total volume (EUR 2.3 billion). The trading volume for housing was 25%, retail properties 17%, and care facilities 10% of the total volume. The rest of the volume was focused on industrial and warehousing properties and other types of property investment. International investor demand remains strongly focused on Finland's real estate market.

OUTLOOKS FOR 2020 AND BEYOND

According to the Ministry of Finance, Finland's GDP grew by roughly 1.6% in 2019, which was slightly lower than the previous year. Finland's economic growth is anticipated to develop more slowly than current figures suggest, and the growth estimate for 2020 is only roughly 1.0%. Growth in the global economy slowed down slightly during 2019, remaining a conservative 2.9%. OP Bank estimates that the global economy will grow at a low level of 2.8% in 2020.

The rental market is polarising, and office space demand will focus even more on the best developing areas at traffic intersections. These areas include Espoo's Otaniemi-Keilaniemi area and Leppävaara. In Helsinki, in addition to the city centre, Central Pasila and Kalasatama are attractive new areas. The rental situation for spaces outdated in both appearance and function is challenging, and rental development has been weak. Services in the area are also seen as more important than before.

Demand for industrial, warehouse and logistics spaces generally focuses on modern spaces by national routes 3 and 4, as well as major town exit roads. Changes in retail and the growth in e-commerce are expected to increase the demand for

warehouse and logistics facilities.

In 2020, the key objective of the company's operations is to grow our business in a controlled and profitable manner. Our objective is to improve our operations measured against all the key figures. Our objective is both to realise our properties that meet sales criteria and invest in new properties that meet our investment criteria.

We are working to increase our current property portfolio's occupancy rate with active rental operations that try to make use of the opportunities of the rental market.

We renewed our operation and redirected our business in 2019 in accordance with our new strategy. Our objective remains to strengthen our position in the Helsinki Region's growing commercial real estate market, especially in office and industrial sites. In retail properties, we are monitoring the changes in retail and exploring opportunities to invest in speciality stores.

In our own operations, we will focus on cooperation to solve our customers' changing needs for business premises, with the aim of maintaining the best customer satisfaction in the industry. Our objective is to promote customers' business operations through spatial solutions. We operate responsibly and always in the best interest of the customer. We produce added value for the operating environment and create the preconditions for the customer's success.

In our business, we also focus on re-developing our existing properties through rezoning and property development. The company aims to achieve annual growth figures in the region of 5–10%, measured in revenue and its properties' market value. Our objective is to retain a strong adjusted equity ratio of 55%, measured by market value. The company's extensive experience of the Helsinki Region's commercial real estate market is seen as a strength that future growth can be built on with customers.

Our vision is to be *"The most interesting success factor – the customer's best partner."*

I wish to extend my warmest thanks to our customers for their cooperation and trust. Thank you to our partners, personnel, Board of Directors, and owners too for their good, and active cooperation.

Espoo, 2 March 2020

Timo Valtonen
CEO

Board of Directors' annual report

ANNUAL REPORT FOR FINANCIAL YEAR 1 JANUARY 2019 – 31 DECEMBER 2019

REAL ESTATE INVESTMENT AND PREMISES MARKETS

The Finnish real estate market continued to be favourable in 2019. Real estate sales volumes, however, fell compared to the peaks of the two previous years. KTI's transaction tracking shows that real estate sales volumes in 2019 were EUR 6.3 billion, which was 34% lower compared to the previous year. The number of real estate sales remained high. There were roughly 300 sales of over one million euros, which is in line with the high numbers of previous years.

KTI statistics show that office properties were, once again, the most actively traded property type at a 37% share of the total volume (EUR 2.3 billion). The trading volume for housing was 25%, retail properties were at 17%, and care facilities were at 10% of the total volume. Rest of the volume was focused on industrial and warehousing properties and other types of property investment. Foreign investor shares in real estate trading fell compared to the previous two years, remaining still high at 45%. Of Finnish investors, real estate funds were the most active buyers, with a 29% share of the total volume.

According to the Ministry of Finance, Finland's GDP grew by roughly 1.6% in 2019, which was slightly lower than the previous year. Finland's economic growth is anticipated to develop slower than current figures suggest, and the growth estimate for 2020 is only at roughly 1.0%. Growth in the global economy slowed down slightly during 2019, remaining at a conservative 2.9%. OP Bank estimates that the global economy will grow at a low 2.8% level in 2020. Weak growth in global and European economies is based on a number of uncertain political issues that influence the development of the financing market. Interest rates shifted downwards after the autumn of 2019. The low level of long-term interest shows that the market is expecting economic growth and inflation in the Eurozone to remain slow in the long term as well.

According to Catella's market survey, the vacancy rate for office premises in the Helsinki Region at the end of 2019 was 12.3%. The vacancy rate of business premises in the Helsinki Region was 2.9%, and 4.6% for industrial and logistics premises. The state of the rental market in the Helsinki Region is very divided. Rents have risen only in the premises in the best locations. The rental market is polarising, and office space demand will focus even more on the best developing areas at traffic inter-

sections. These areas include Espoo's Otaniemi-Keilaniemi area and Leppävaara, among others. In Helsinki, along the city centre, Central Pasila and Kalasatama are new, attractive areas. The situation for renting outdated spaces, both in appearance and function, is challenging and rent development has been weak. Services in the area are also seen as more important than before.

Demand for industrial, warehouse and logistics spaces generally focuses on modern spaces next to national routes 3 and 4, as well as major town exit roads. Retail changes and growth in the online space are expected to increase the demand of warehouse and logistics facilities. Investor interest in such properties is also expected to increase.

According to Catella, the required rate of return for prime office space in Helsinki continued to fall in 2019, and by the end of the year, it had fallen to 3.3%. The required rate of return for Helsinki is currently similar to that of Stockholm. Among European cities, Helsinki has significantly strengthened its position among investors, and the price levels in investment properties have gone up. Due to significant investor demand, the required rate of return for prime logistics in the Helsinki Region fell to a historically low level of 5.7% at the end of 2019. According to Catella, the prime required rate of return for commercial real estate in Helsinki was 4.4%. Prime required rates of return in 2020 are expected to stay at the current historically low level.

KEY EVENTS OF THE FINANCIAL YEAR

We made a total of EUR 2.7 million in investments during the financial year (EUR 14.4 million). Of these investments, roughly EUR 1.5 million was targeted

at expanding the office spaces at the Huhtimontie 16 property at Kerava. Other investments were into alteration work at other rental properties.

In a transaction closed on 3 December 2019, the company sold the entire share capital of housing company Kiinteistö Oy Espoon Suomalaistentie 5, located in Suomenoja, Espoo, to another investor. It is a retail property completed in 2015, with a leasable area of 8,000 m². The property's occupancy rate is 100%.

In a transaction closed on 20 December 2019, the company sold the entire share capital of housing companies Kiinteistö Oy Juvan Teollisuuskatu 15 and Tuusulan Louhostie 2 to another investor. Juvan Teollisuuskatu 15, in Espoo's Juvanmalmi area, is a production property with six tenants and a leasable area of approximately 5,000 m². Tuusulan Louhostie 2 is a production and logistics building leased to one user. The building was built in 1997 and has been expanded in several parts in 2001, 2006 and 2012. A separate warehouse building at the location was completed in 2006. The leasable area is approximately 6,000 m².

The sales of the properties are related to the property portfolio development and customisation in accordance with Julius Tallberg Real Estate Corporation's strategy.

REVENUE AND PROFITS

Revenue in this financial period, at EUR 19 million, was 5.1% above that of the previous year (EUR 18.1 million), and our net rental income increased from EUR 12.2 million to 12.7 million. The company sold the properties at Suomalaistentie 5 and Juvan teollisuuskatu 15 in Espoo, as well as the Louhostie 2 property in Tuusula at the end of 2019.

These trades had a positive effect on our

KEY FIGURES

Financial year	2019	2018	2017
Occupancy rate, %	94	91	92
Revenue, EUR thousand	19,035	18,115	19,305
Operating profit, EUR thousand	13,560	5,009	5,743
Operating profit (%)	71.2	27.7	29.7
Profit/share, EUR	0.38	0.12	0.14
Equity/share, EUR	3.06	2.80	2.80
Return on capital employed, % p.a.	10.0	3.4	3.9
Return on equity, % p.a.	13.1	4.1	4.9
Adjusted equity ratio of market value %	63	52	54

Board of Directors' annual report

profits in 2019. The profit for the financial year, before taxes, was EUR 12.2 million (EUR 3.4 million). In financial year 2019, we recorded a EUR 9.1 million capital gain on real estate sales (2018: EUR 0.728 million loss on realisation).

Our lease portfolio was valued at EUR 41.2 million (EUR 70.8 million) on 31 December 2019, with an average of 2.4 years duration of contract (3.8 y).

The economic occupancy rate at our existing properties improved to 94% (91%).

The group's profit per share in the financial year was EUR 0.38 (EUR 0.12).

FINANCIAL POSITION AND CASH FLOWS

The group's financial position was good during the financial year. At the end of the financial year, our adjusted equity ratio at accounting values was 56% (43%) and at market values, 63% (52%). Operating cash flows in the financial year were EUR 8.0 million (9.1 million). Investments according to the cash flow statement were EUR 3.6 million (13.6 million). The effect of the divestments carried out at the end of the financial year was EUR 30.7 million (2.6 million).

The cash flow from financing in the financial year was EUR -34.9 million (2.1 million). The company made loan repayments worth EUR 52.0 million (5.0 million) in the financial year. The company took out new loans worth EUR 20 million (10 million). Share repurchases accounted for EUR 14,000 (44,000), and EUR 2.8 million (2.8 million) worth of dividends were paid out.

The group's interest-bearing liabilities on 31 December 2019 amounted to EUR 50.0 million (82.0 million). Short-term debts include a EUR 5 million debt that matures in the autumn.

The company has an interest rate hedging contract to protect against rising rates in 2020–2032. The nominal capital value of the company's contracts was EUR 38.0 million (42.0 million), i.e. our interest rate hedging ratio was 76% (51%).

CHANGE IN NOMINAL PROPERTY VALUE AND SHARE ASSET VALUE

The group's property assets were audited on 31 December 2019. This audit is based on Catella Property Oy's IVS 2007-conformant statement, which considers changes in both the market and property-specific required rate of return as well as essential events during the financial year. The market values fell by EUR -1.1 million (-5.3 million) compared to 31 December 2018. The total market value of the full property portfolio on 31 December 2019 EUR 170.2 million (31 Dec 2018: EUR 199.33 million). This, in the valuation statement cash flows, means a required rate of return of 8.3 % (required rate of return on 31 Dec 2018 was 8.3 %).

Market values will be next audited by an external reviewer on 31 December 2020.

Our share's adjusted net asset value at market value was EUR 4.60/share on 31 December 2019 (31 Dec 2018: EUR 4.45/share).

SHARES

The Board of Directors exercised the authorisation provided by the general meeting to repurchase the Company's own shares between 29 April and 17 May 2019. The shares were purchased at EUR 4.33/share, and a total of 3,017 shares were bought. (9,756 pcs). These shares have been annulled.

On 31 December 2019, 23,737,167 shares were outstanding.

CLOSE CIRCLE TRANSACTIONS

There have been no unusual business transactions with the close circle. Management benefits are at the level of the comparison period.

DECISIONS OF THE GENERAL MEETING

At Julius Tallberg Real Estate Corporation's general meeting on 11 April 2019, the company's financial statement for 2018 was verified, and the Board of Directors and CEO were discharged. According to the Board's proposal, the general meeting decided to pay out a EUR 0.12/share dividend.

Kaj-Gustaf Bergh, Kaj Hedvall, Jukka Lehtola, Susanna Renlund, Wilhelm Rosenlew and Martin Tallberg were chosen as members of the Board of Directors. The Board of Directors chose Kaj-Gustaf Bergh as its chairman and Susanna Renlund as its vice chairman.

The general meeting authorised the Board of Directors to decide on the repurchase of no more than 2,300,000 company shares. The shares will be with the company's free capital, and once purchased, they will be annulled. This authorisation remains valid until the next general meeting. The Board of Directors made use of this authorisation between 29 April 2019 and 17 May 2019. The shares were purchased at EUR 4.33/share, with a total of 3,017 shares bought.

KEY EVENTS AFTER THE FINANCIAL YEAR

In a transaction closed on 3 January 2020, the company sold the entire share capital of housing company Kiinteistö Oy Huhtimontie 16, located in Kerava, to another investor. Completed in 2009, it is an industrial property that was expanded in 2016 and 2019. The leasable area is almost 10,000 m², and the property has been leased in entirety with a long-term lease to Europress Group Oy, a leading manu-

KEY PERSONNEL FIGURES

Financial year	2019	2018	2017
Average number of personnel	6	6	6
Personnel expenses, EUR thousand	1,093	915	796

ADJUSTED NET ASSET VALUE PER SHARE AT MARKET VALUE

EUR 1,000	31 Dec 2019	31 Dec 2018
Equity FAS	72,660	66,433
Valuation of investment properties	44,138	47,500
Deferred tax assets and debt	-7,537	-8,381
Adjusted net asset value of the capital stock	109,260	105,553
Number of shares	23,737,167	23,740,184
Adjusted net asset value per share at market value	4.60	4.45

Board of Directors' annual report

facturer of waste-processing machinery in Northern Europe.

This trade had a positive effect on our profits in 2020. The sale of the property is related to the property portfolio development and customisation in accordance with the company's strategy.

OUTLOOKS FOR 2020 AND BEYOND

In 2020, the key objective of the company's operations is to grow our business in a controlled and profitable manner. Our objective is to improve our operations measured against all the key figures. Our objective is to both realise our properties that meet sales criteria as well as invest in new properties that meet our investment criteria.

We are working to increase our current property portfolio's occupancy rate with active rental operations that try to make use of the opportunities of the rental market.

We renewed our operation and redirected our business in 2019 in accordance with our new strategy. Our objective remains to strengthen our position in the Helsinki Region's growing commercial real estate market, especially in office and industrial sites. In retail properties, we are monitoring the changes in retail and looking at opportunities for investing into specialty stores.

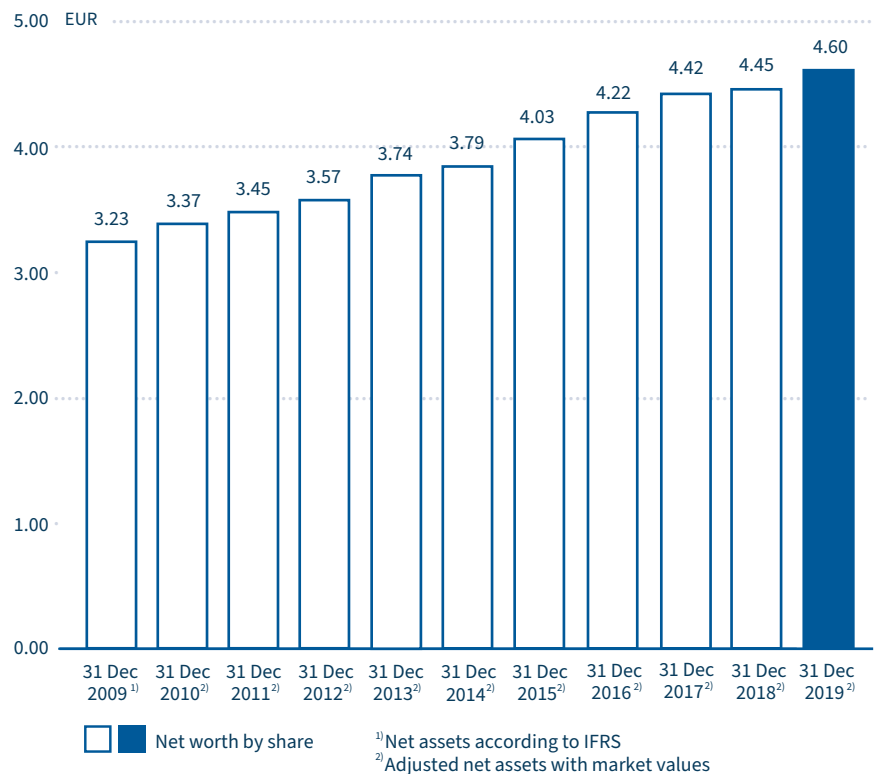
In our own operation, we will focus on cooperation to solve our customers' changing needs for business premises, with the aim of maintaining the best customer satisfaction in the industry. Our objective is to promote the business operations of customers through spatial solutions. We operate responsibly and al-

ways in the best interest of the customer. We produce added value for the operating environment and create the preconditions for the customer's success.

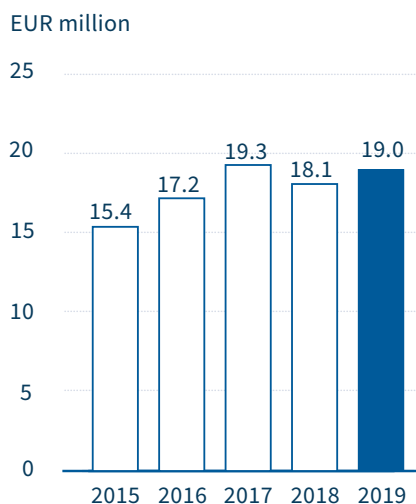
In our business, we will also focus on redeveloping our existing properties through rezoning and property development. The company aims to reach annual growth figures in the 5–10% area, measured in revenue and its properties' market

value. Our objective is to retain a strong adjusted equity ratio of 55%, measure with market values. The company's extensive experience of the Helsinki Region's commercial real estate market is seen as a strength that future growth can be built upon with the customers. Our vision is to be *"The most interesting success factor – the customer's best partner."*

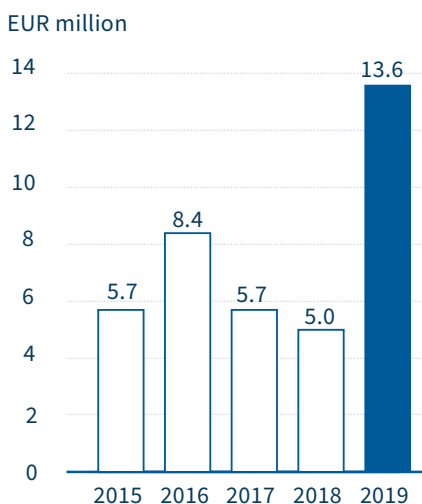
DEVELOPMENT OF OUR NET ASSET VALUE/EQUITY PER SHARE



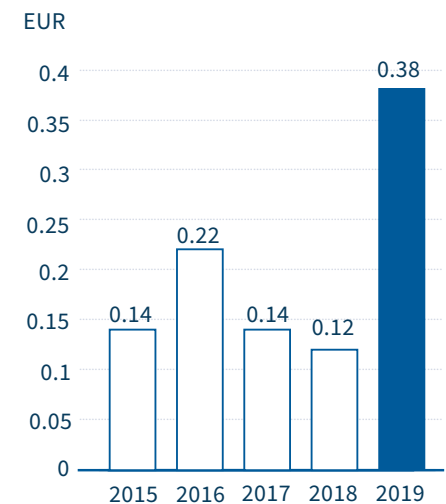
REVENUE 2015–2019



OPERATING PROFIT 2015–2019



EARNINGS/SHARE, EUR 2015–2019



Consolidated financial statement 2019

INCOME STATEMENT

1,000 EUR	note	Group		Parent company	
		1 Jan–31 Dec 2019	1 Jan–31 Dec 2018	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Revenue	1	19,035	18,115	19,025	18,105
Other operating income		9,136	3	11,273	3
Personnel expenses	2	-1,093	-915	-1,093	-915
Depreciations and impairments	3	-5,688	-4,853	-39	-2,753
Other operating expenses	4	-7,831	-7,341	-14,531	-13,760
Operating profit		13,560	5,009	14,635	680
Finance income and expenses	5				
Interest and finance income		20	18	1,756	1,597
Interest expense and other finance expenses		-1,409	-1,625	-1,455	-1,668
		-1,389	-1,606	300	-71
Profit before financial statement transfers and taxes		12,171	3,403	14,936	608
Income tax	6	-3,082	-645	-2,986	-462
Profit for the year		9,089	2,757	11,949	146

BALANCE SHEET

1,000 EUR	note	Group		Parent company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets					
Fixed assets					
Tangible assets	7	126,127	152,000	116	158
Investments	8	1	1	120,433	144,478
Total fixed assets		126,128	152,001	120,549	144,636
Current assets					
Short-term receivables					
Trade receivables		143	591	142	477
Other receivables		657	825	651	426
Accrued assets	9	931	406	1,948	1,494
Cash and bank balances		2,995	2,747	2,994	2,478
Total current assets		4,724	4,569	5,735	4,876
Total assets		130,853	156,570	126,284	149,511

Consolidated financial statement 2019

BALANCE SHEET

1,000 EUR	note	Group 31 Dec 2019	31 Dec 2018	Parent company 31 Dec 2019	31 Dec 2018
Equity and liabilities					
Equity					
	10				
Share capital		21,027	21,027	21,027	21,027
Invested unrestricted equity fund		1,855	1,869	1,855	1,869
Retained earnings		40,689	40,780	31,317	34,020
Profit for the year		9,089	2,757	11,949	146
		72,660	66,433	66,149	57,062
Liabilities					
Non-current liabilities					
	11				
Deferred tax liabilities		2,980	3,489	0	0
Loans from financial institutions		45,000	49,000	45,000	49,000
		47,980	52,489	45,000	49,000
Current liabilities					
	12				
Loans from financial institutions		5,000	33,000	5,000	33,000
Deferred income		156	45	156	45
Trade payables		559	1,483	152	254
Liabilities to Group companies		0	0	6,298	8,729
Other current liabilities		1,500	1,581	655	634
Accruals		2,998	1,538	2,873	788
		10,213	37,647	15,135	43,450
Total liabilities		58,193	90,137	60,135	92,450
Total equity and liabilities		130,853	156,570	126,284	149,511

Consolidated financial statement 2019

CASH FLOW STATEMENT

1,000 EUR	note	Group		Parent company	
		1 Jan–31 Dec 2019	1 Jan–31 Dec 2018	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Operating cash flow					
Profit for the year		9,089	2,757	11,949	146
Adjustments					
Non-cash transactions					
Other operating income/expenses		-7,931	1,324	-10,675	1,398
Depreciations and impairments		5,688	4,853	39	2,753
Financial items		1,389	1,606	-300	71
Taxes		2,476	645	2,986	462
Other					
Changes to working capital					
Change in trade and other receivables		-260	-343	-1,208	-682
Change in trade payables and other debt		-564	705	-64	330
Paid interest and finance expenses		-1,504	-1,643	-1,550	-1,686
Received interest and finance income		20	18	1,756	1,597
Paid taxes		-396	-820	-396	-820
Operating cash flow		8,007	9,103	2,537	3,569
Investment cash flows					
Investments in tangible and intangible assets		-3,625	-13,610	-16	-12,412
Investments in other investments		0	0	2,129	4,432
Proceeds from the sale of investing activities		30,729	2,561	30,729	2,197
Net investment cash flow		27,104	-11,049	32,842	-5,783
Financing cash flows					
Loan withdrawals		20,000	10,000	20,000	10,000
Loan repayments		-52,000	-5,000	-52,000	-5,000
Repurchase of own shares		-14	-44	-14	-44
Paid dividends		-2,849	-2,850	-2,849	-2,850
Financing cash flow		-34,863	2,106	-34,863	2,106
Change in cash equivalents		248	160	516	-109
Cash equivalents at the beginning of the financial year, 1 Jan		2,747	2,587	2,748	2,587
Cash equivalents at the end of the financial year, 31 Dec		2,995	2,747	2,994	2,478

Consolidated financial statement 2019

NOTES TO THE FINANCIAL STATEMENT

ACCOUNTING POLICY

BASIC INFORMATION

Julius Tallberg Real Estate Corporation is a property investment group that engages in real estate investment and development operations in the Helsinki Region, as well as in Finland's other developing financial centres.

Julius Tallberg Real Estate Corporation is the group's parent company. Julius Tallberg Real Estate Corporation is a Finnish public limited liability company, with its registered head office at Suomalaisentie 7, 02270 Espoo, Finland.

Julius Tallberg Real Estate Corporation is part of a group, the parent company of which is Julius Tallberg Corporation. The parent company's registered head office is at Suomalaisentie 7, 02270 Espoo, Finland.

BASIS FOR PREPARATION

This financial statement has been prepared in accordance with FAS accounting standards.

CONSOLIDATION POLICY

In addition to the parent company, Julius Tallberg Real Estate Corporation, the group's financial statement includes all the group's subsidiaries. Intercompany receivables and debts, profits and expenses, and other key business events have been eliminated.

The group's financial statement has been prepared using the capital cost method. In the group's balance sheet, the undepreciated capital cost of the purchase value and purchase time of subsidiary shares has been allocated to buildings and land areas. Deferred tax debt is not considered, because it is group strategy to

sell the real estate company's share capital on realisation. Group assets allocated into buildings is depreciated in accordance with the building depreciation plan.

DEPRECIATIONS

Planned depreciations have been counted as straight line depreciations, based on the economic working life of intangible and tangible assets.

Annual depreciation rates and economic working lives are:

Office buildings.....	2%
Retail, industrial and warehouse buildings.....	3%
Machines and equipment.....	25%
Other long-term expenses.....	10–20%

Renewal costs that are charged to tenants in accordance with their leases, as well as key tenant repair costs, are depreciated during the lease period.

VALUATION OF FINANCIAL INSTRUMENTS

Financial instruments are valued at the capital cost or their lower probable selling price. Section 14 of the notes describes separate valuation and accounting policies for interest rate swapping and hedge accounting.

REVENUE RECOGNITION

The profits of Julius Tallberg Real Estate Group are mainly derived from property rental profits. Rental profits are entered on a monthly basis in accordance with current rental contract terms. Julius Tallberg Real Estate Corporation has signed all rental contracts on mutual real estate company premises in investment properties as the landlord, because it controls the rented properties as a shareholder of the mutual real estate companies.

MAINTENANCE EXPENSES

Maintenance expenses regular and continuous maintenance, repair and annual repair costs for the properties, and are entered in the financial statement immediately.

NET RENTAL INCOME

The group defines net rental income as the net amount formed when maintenance expenses are deducted from the revenue.

OPERATING PROFIT

The group defines operating profit as the net sum that results when personnel expenses, depreciations and other operating expenses are deducted from, and other business profits are added to, the net rental income.

PERIODISATION OF PENSION EXPENSES

Pension arrangements are handled through a pension insurance company. Pension expenses are entered in the year of accrual.

DEFERRED TAX ASSETS AND LIABILITIES

The depreciation difference in the consolidated account has been split into tax debt and equity.

Deferred tax assets or liabilities for the difference between taxation and financial statement are calculated with the coming years' tax rate, which is confirmed at the date of the financial statement. The deferred tax liabilities have been included in the balance sheet in its entirety, excluding deferred tax liabilities from purchases and deferred tax assets in the amount of the estimated probable receivable.

Consolidated financial statement 2019

NOTES ON THE INCOME STATEMENT

1,000 EUR	Group 2019	2018	Parent company 2019	2018
1. Revenue				
Rental profits	19,020	18,101	19,009	18,091
Other sales	15	14	15	14
	19,035	18,115	19,025	18,105
2. Personnel expenses				
Salaries and compensation	883	736	883	736
Pension fees	145	108	145	108
Other social security costs	65	71	65	71
	1,093	915	1,093	915
Average number of personnel during financial year	6	6	6	6
Compensation for management				
Salaries and compensation for the Board of Directors and CEO	300	317	300	317
Pension commitments				
A voluntary payment-based pension arrangement is available for personnel, decided by the Board of Directors annually. This arrangement carries an annual cost of EUR 50,400.00 (EUR 56,913.47), which is included in other social security costs. The retirement age is set at 62, and the arrangement covers all the personnel.				
3. Depreciations and impairments				
Buildings and installations	5,387	4,536	0	0
Machines and equipment	115	129	39	53
Other tangible assets	186	188	0	0
Impaired investments	0	0	0	2,700
	5,688	4,853	39	2,753
4. Other operating expenses				
Maintenance expenses	6,293	5,929	13,023	12,287
Property development	419	0	419	0
Loss on realisation	10	728	10	800
Sales and marketing expenses	443	77	443	77
External services	167	173	167	173
IT expenses	41	43	41	43
Other administrative expenses	457	391	427	380
	7,831	7,341	14,531	13,760
Net rental income	12,743	12,186		
Auditor fees and services:				
Auditing services	39	39	39	39
Assignments	39	4	39	4
	78	43	78	43

Consolidated financial statement 2019

NOTES ON THE INCOME STATEMENT

1,000 EUR	Group 2019	2018	Parent company 2019	2018
5. Financing profits and expenses				
Other interest and finance income				
From Group companies	0	0	1,736	1,578
From other companies	20	18	20	18
Other interest and finance income, total	20	18	1,756	1,597
Interest expenses and other financing expenses				
To Group companies	-3	0	-50	-44
To other companies	-1,406	-1,625	-1,405	-1,624
Interest expenses and other financing expenses, total	-1,409	-1,625	-1,455	-1,668
Financing profits and expenses, total	-1,389	-1,606	300	-71
6. Income tax				
Income tax on ordinary activities	2,986	462	2,986	462
Change to deferred taxes	96	183	0	0
	3,082	645	2,986	462

NOTES ON ASSETS IN THE BALANCE SHEET

1,000 EUR	Group 2019	2018	Parent company 2019	2018
7. Tangible and intangible assets				
Tangible assets				
Land and water areas 1 Jan	33,781	34,685		
Additions 1 Jan–31 Dec	52	1,564		
Reductions 1 Jan–31 Dec	-2,613	-2,467		
Book value 31 Dec	31,220	33,781		

Consolidated financial statement 2019

NOTES ON ASSETS IN THE BALANCE SHEET

1,000 EUR	Group 2019	2018	Parent company 2019	2018
Building acquisition expense 1 Jan	150,670	151,091		
Additions 1 Jan–31 Dec	14,127	1,367		
Reductions 1 Jan–31 Dec	-24,701	-1,787		
Acquisition expense 31 Dec	140,097	150,670		
Accumulated depreciations and impairments 1 Jan	-45,984	-41,826		
Accumulated depreciations from reduction	4,411	378		
Depreciations 1 Jan – 31 Dec	-5,387	-4,536		
Book value 31 Dec	93,137	104,686		
Machines, equipment, and other tangible assets, acquisition expense 1 Jan	3,269	3,337	260	318
Additions 1 Jan–31 Dec	121	248	48	173
Reductions 1 Jan–31 Dec	-360	-316	-82	-230
Acquisition expense 31 Dec	3,030	3,269	226	260
Accumulated depreciations and impairments 1 Jan	-1,665	-1,615	-102	-236
Accumulated depreciations from reduction	284	266	31	186
Depreciations 1 Jan – 31 Dec	-301	-317	-39	-53
Book value 31 Dec	1,348	1,604	116	158
Unfinished purchases 1 Jan	11,929	630		
Additions 1 Jan–31 Dec	0	11,688		
Reductions 1 Jan–31 Dec	-11,507	-389		
Book value 31 Dec	422	11 929		
Tangible assets, total	126,127	152,000	116	158
8. Investments				
Shares in subsidiaries				
Acquisition expense 1 Dec			57,838	63,197
Additions 1 Jan–31 Dec			20	312
Reductions 1 Jan–31 Dec			-5,423	-5,671
Acquisition expense 31 Dec			52,435	57,838
Other shares				
Acquisition expense 1 Dec	1	1	0	0
Acquisition expense 31 Dec	1	1	0	0
Receivables from Group companies				
Loan receivables (Group account)			67,998	86,639
Total investments	1	1	120,433	144,478

The book value of subsidiary shares is EUR 52.4 million. The difference between market value and book value is EUR 55.6 million. For eighteen companies, the market value exceeds the book value by EUR 59.4 million, and for six housing companies, the book value exceeds the market value by EUR 3.7 million. It has been assessed that this overvaluation for said six housing companies is neither permanent nor integral.

Consolidated financial statement 2019

Julius Tallberg Real Estate Corporation consists of the following parent and subsidiary company relationships:

Company	Group ownership	Parent company ownership
Julius Tallberg Real Estate Corporation, Espoo		
Koy Espoon Suomalaistentie 7, Espoo	100%	100%
Koy Gyldenintie 2, Helsinki	100%	100%
Koy Tiilitie 8, Vantaa	100%	100%
Koy Tiilitie 10, Vantaa	100%	100%
Koy Vantaan Tiilitie 11, Vantaa	100%	100%
Koy Petikon Palvelutalo, Vantaa	100%	100%
Koy Sirrikujan Teollisuustalo, Helsinki	100%	100%
Koy Kivensilmänkuja 2, Helsinki	100%	100%
Koy Helsingin Rälssintie 10, Helsinki	100%	100%
Koy MotorCenter Konala, Helsinki	100%	100%
Koy Keravan Huhtimontie 16, Kerava	100%	100%
Koy GCC Kerca II, Kerava	100%	100%
Koy Luomannotko 3, Espoo	100%	100%
Koy Kappelitie 6, Espoo	100%	100%
Oy Soffcon Kiinteistö Ab, Espoo	100%	100%
Koy Liukumäentie 15, Helsinki	100%	100%
Koy Suutarilan Huoltokeskus, Helsinki	100%	100%
Koy Muijala, Lohja	100%	100%
Koy Kielotie 1-3 Vantaa, Vantaa	100%	100%
Koy Sinimäentie 6, Espoo	100%	100%
Koy Sinikalliontie 7, Espoo	100%	100%
Koy Pressi Smart Premises C, Vantaa	100%	100%
Koy Äyritie 4 Vantaa, Vantaa	100%	100%
Koy Vantaan Äyri, Vantaa	100%	100%

Julius Tallberg Real Estate Corporation is part of Julius Tallberg Corporation.

1,000 EUR	Group 2019	2018	Parent company 2019	2018
9. Accrued assets				
Key items in accrued assets:				
Property trades	834	0	834	0
Periodised tenant changes	0	0	1,096	1,173
Tax assets	0	318	0	318
Other receivables	97	89	18	3
	931	406	1,948	1,494

Consolidated financial statement 2019

NOTES ON EQUITY AND LIABILITIES IN THE BALANCE SHEET

1,000 EUR	No. of shares	Book value
10. Equity		
2010		
Total shares 1 Jan 2010	26,407,030	21,027
Own shares 1 Jan 2010	182,509	
Own share rebuys	1,096,501	
Own share annulment	-1,279,010	
Own shares total 31 Dec 2010	25,128,020	21,027
2011		
Own share repurchases and annulments	-9,185	
Total shares 31 Dec 2011	25,118,835	21,027
2012		
Own share rebuys and annulments	-1,830	
Total shares 31 Dec 2012	25,117,005	21,027
2013		
Own share rebuys and annulments	-12,675	
Total shares 31 Dec 2013	25,104,330	21,027
2014		
Own share rebuys and annulments	-120	
Total shares 31 Dec 2014	25,104,210	21,027
2015		
Own share rebuys and annulments	-1,333,158	
Total shares 31 Dec 2015	23,771,052	21,027
2016		
Own share rebuys and annulments	-4,732	
Total shares 31 Dec 2016	23,766,320	21,027
2017		
Own share rebuys and annulments	-16,380	
Total shares 31 Dec 2017	23,749,940	21,027
2018		
Own share rebuys and annulments	-9,756	
Total shares 31 Dec 2018	23,740,184	21,027
2019		
Own share rebuys and annulments	-3,017	
Total shares 31 Dec 2019	23,737,167	21,027

1,000 EUR	Group	Parent company		2018
	2019	2018	2019	
Share capital 1 Jan	21,027	21,027	21,027	21,027
Share capital 31 Dec	21,027	21,027	21,027	21,027
Invested unrestricted equity fund 1 Jan	1,869	1,913	1,869	1,913
Share repurchases and other equity items	-14	-44	-14	-44
Invested unrestricted equity fund 31 Dec	1,855	1,869	1,855	1,869
Accumulated retained earnings 1 Jan	43,537	43,630	34,166	36,870
Dividend distribution	-2,849	-2,850	-2,849	-2,850
Profit for the year	9,089	2,757	11,949	146
Accumulated retained earnings 31 Dec	49,777	43,537	43,266	34,166

Consolidated financial statement 2019

NOTES ON EQUITY AND LIABILITIES IN THE BALANCE SHEET

1,000 EUR	Group	Parent company		2018
	2019	2018	2019	
Total equity	72,660	66,433	66,149	57,062
Distributable funds			45,121	36,034
11. Long-term debts				
Deferred tax debt				
From balance sheet transfers	2,980	3,489	0	0
12. Short-term debt				
Debts to Group companies				
Debts to subsidiaries	0	0	6,298	8,729
	0	0	6,298	8,729
Key items in prepayments				
Accrued interest	166	231	166	231
Security liabilities (swap)	67	97	67	97
Personnel expenses	227	175	227	175
Tax accruals	2,276	0	2,276	0
Property purchases	0	920	0	253
Property trades	89	0	89	0
Other	175	115	49	31
	2,998	1,538	2,873	788
13. Liabilities from derivative contracts				
Interest rate swapping				
Nominal value of interest rate swapping debt	38 000	42 000	38 000	42 000
Market value of interest-rate swapping deb	-4 921	-1 908	-4 921	-1 908

Interest securities matured on 31 December 2019 as follows (EUR):

Interest securities validity < 1 yr	5,000,000
Interest securities validity 1-3 yr	
Interest securities validity 3 yr >	33,000,000
	38,000,000

Interest rate swapping agreements are tied to the three-month Euribor. Of the EUR 50 million end-of-year loan portfolio, 10 million is tied to the three-month Euribor, 5 million to the twelve-month Euribor, and 35 million to the six-month Euribor. Additionally, the Group has access to EUR 14 million limits.

The company's objective is to grow its business in a controlled and profitable manner. It will therefore continue to renew maturing loans, as well as to take new loans. Interest swapping agreements are used to protect against interest rate changes in the company's floating rate loans. Interest swapping agreements are signed with a security mindset in accordance with the company's risk management policy. According to the risk management policies determined by the Board of Directors, this security rate should be at least 50%, but may temporarily be lower. Interest swapping agreements are entered as payments for the duration of the agreement.

Consolidated financial statement 2019

NOTES ON AND EQUITY LIABILITIES IN THE BALANCE SHEET

1,000 EUR	Group 2019	2018	Parent company 2019	2018
14. Collateral and liabilities				
Debts with property mortgage as collateral				
Loans from financial institutions				
Loans	50,000	82,000	50,000	82,000
Collateral				
-shares in housing companies	16,247	16,232	16,247	16,232
-property mortgages	34,976	61,530		
Total collateral	51,223	77,762	16,247	16,232
Other liabilities				
Lease liability on relinquished properties	1,000	0	1,000	0
Own rent and leasing liabilities	382	382	0	0
Other financial liabilities				
VAT review liability for real estate investments	2,843	3,855		

According to section 11 of the Value Added Tax Act, the Group's housing companies are required to review the VAT deductions made on their real estate investments and activated renovation costs if their property's tax-liable use diminishes during the review period.

15. Insurance values 31 December 2019

The company has a loss of profits insurance policy on rental income (12 months), and the Group's property portfolio is insured for its full value. Since 1 January 2004, the company's insurance policies have been with Fennia and Mutual Pension Insurance Company Elo (formely Eläke-Fennia).

16. Close circle

The Group's close circle includes its parent company, Julius Tallberg Corporation, the members of the Group's Board of Directors and its CEO. All business transactions between the Group and its close circle are carried out on market terms. There have been no transactions with the members of the close circle.

Consolidated financial statement 2019

SHARE CAPITAL STRUCTURE 31 DEC 2019

	no.	%	Votes	%
Shares	23,737,167	100	23,737,167	100

DISTRIBUTION OF SHARES ACCORDING TO STOCK REGISTER ON 31 DEC 2019 (Ten largest)

Shareholder	Shares and votes		Of shares and votes	
		kpl		%
Oy Julius Tallberg Ab	16,654,242		70.16	
Oy Mogador Ab	2,704,000		11.39	
Tallberg Thomas estate	1,496,652		6.31	
Tallberg Martin	916,044		3.86	
Rosaco Oy Ab	592,010		2.49	
Renlund Susanna	426,936		1.80	
Tallberg Nina	341,820		1.44	
Nieminen Jorma	150,000		0.63	
Tallberg Marja	88,104		0.37	
Gripenberg Jarl	42,000		0.18	
Others	325,359		1.37	
Total outstanding shares	23,737,167		100.00	

Members of the Board of Directors and the CEO, on 31 December 2019, owned a total of 1,345,980 shares directly, which translates into a 5.7% ownership and voting share in the company. The communities under the Board of Directors and CEO's control that own company shares are: Julius Tallberg Corporation and Oy Montall Ab. These communities own a total of 16,665,162 shares, which translates into a 70.21% ownership and voting share in the company.

Parent company profit distribution proposal

The parent company had EUR 45,121,281.01 of distributable funds, of which the profit for the year was EUR 11,949,479.64.

The Board of Directors proposes to the general meeting that:

- a dividend of EUR 0.12/share be paid to 23,737,167 shares, i.e. a total of EUR 2,848,460.04
- and that EUR 42,272,820.97 be left in equity

According to the Board of Directors' opinion, this proposed distribution of profits does not jeopardise the company's solvency.

SIGNATURES OF THE ANNUAL REPORT AND FINANCIAL STATEMENT

In Espoo, 28 February 2020

Kaj-Gustaf Bergh

Susanna Renlund

Martin Tallberg

Kaj Hedvall

Jukka Lehtola

Wilhelm Rosenlew

Timo Valtonen
CEO

A report has been provided for the financial audit carried out on this date.

Helsinki, 28 February 2020

PricewaterhouseCoopers Oy
Audit firm
Janne Rajalahti, KHT

AUDITOR'S REPORT FOR JULIUS TALLBERG REAL ESTATE CORPORATION'S GENERAL MEETING

AUDIT OF THE FINANCIAL STATEMENT

REPORT

We report that this financial statement provides a correct and sufficient image of the Group and the parent company's operational profit and financial position in accordance with the regulations on preparing a financial statement in Finland, and that it meets legal requirements.

Target of the audit

We have audited the financial statement of Julius Tallberg Real Estate Corporation (Business ID FI06918525) for the 1 January –31 December 2019 financial year. The financial statement includes the consolidated balance sheet, income statement, financing account and notes of the Group and its parent company.

RATIONALE OF THE REPORT

We have carried out this audit in accordance with sound auditing practices valid

in Finland. Our duties in line with sound auditing practices are described in detail in the *Auditor's duties in the financial statement audit* section.

We have acquired the required amount of appropriate accounting evidence to support our report.

Independence

We are independent of the parent company and Group companies in accordance with Finnish ethical principles that apply to our audits, and have fulfilled our other ethical duties in accordance with these requirements.

DUTIES OF THE BOARD OF DIRECTORS AND CEO REGARDING THE FINANCIAL STATEMENT

The Board of Directors and CEO are responsible for preparing the financial statement in a manner that provides a correct and sufficient picture in accordance with Finnish regulations on preparing a financial statement, and that it meets legal requirements. The Board of

Directors and CEO are also responsible for the type of internal monitoring they deem necessary to prepare the financial statement without an essential inaccuracy caused by negligence or error.

In preparing the financial statement, the Board of Directors and CEO are required to review the parent company and Group's ability to continue operations and in applicable cases, present continuity-related facts, as well as to prove that the financial statement has been prepared on an operational continuity basis. The financial statement is prepared with an operational continuity basis, except where the parent company or Group is facing insolvency or its operations are to be halted, or if there is no other realistic option than to do so.

Auditor's Report

AUDITOR'S DUTIES IN A FINANCIAL STATEMENT AUDIT

Our objective is to attain a reasonable assurance of whether there is an essential inaccuracy in the financial statement due to negligence or error, and to provide an Auditor's Report with our statement. A reasonable assurance is a high level of confidence, but it is not a guarantee that no essential inaccuracy will be found in an audit that is carried out in accordance with sound auditing practices. Inaccuracies may be caused by negligence or error, and they are considered essential if they alone or together may be reasonably expected to influence financial decisions that users make based on the financial statement.

An audit that is carried out in accordance with sound auditing principles includes our use of professional discretion and maintaining of professional scepticism throughout the audit. In addition:

- We identify and assess the risks of an essential inaccuracy that is the cause of a negligence or error, plan and carry out matching audit operations, and acquire the necessary amount of appropriate auditing evidence to support our statement. The risk that an inaccuracy caused by negligence is not found is greater than the risk that an inaccuracy caused by an error is not found, because negligence may involve co-operation, forgery, deliberate non-disclosure or the presenting of erroneous information, or the bypassing of internal checks.
- We form an opinion of internal checks relevant to the audit to plan the appropriate auditing operations for the conditions, but not with the aim of providing a report of the effectiveness of the parent company or Group's internal checks.
- We review the appropriateness of the accounting policy used, as well as that of the management's accounting reviews and the information provided about them.

- We draw a conclusion on whether it has been appropriate for the Board of Directors and CEO to prepare the financial statement, based on an assumption of operational continuity, and based on acquired accounting evidence, we draw a conclusion on whether there has been the kind of essential uncertainty regarding events or conditions that might justify any suspicion concerning the parent company's or Group's ability to continue its operation. If our conclusion is that such an essential uncertainty is present, we must draw the reader's attention in the audit report to the uncertain information presented in the financial statement or adapt our report if the information regarding such an uncertainty is insufficient. Our conclusions are based on the accounting evidence we have acquired by the date of the audit report. However, adverse events or conditions may lead to the parent company or Group being unable to continue its operation.
- We audit the financial statement, all the information it presents, its general presentation, structure and content, and whether the financial statement reflects the business operations and events on which it is based in a manner that provides an accurate and sufficient picture.
- We acquire the required amount of appropriate accounting evidence on the financial information of the communities and businesses that are part of the Group to provide a report on the consolidated accounts. We are responsible for steering, monitoring and carrying out the Group audit. We are solely responsible for the audit report.

We communicate with administrative bodies on the planned scope and timing of the audit, as well as significant audit findings, including possible deficiencies in internal checks found during the audit, among other things.

OTHER REPORTING OBLIGATIONS

OTHER INFORMATION

The Board of Directors and CEO are responsible for any other information. The other information that has been provided to us before creating this audit report is the annual report.

Our report on the financial statement does not cover other information.

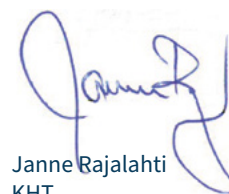
It is our responsibility to read the other information during the audit and in doing so, assess whether this other information conflicts essentially with the financial statement or the knowledge gained in carrying out the audit, or if it otherwise appears essentially inaccurate. Regarding the annual report, our obligation is to assess whether it has been prepared in accordance with the applicable regulations.

We report that the information presented in the annual report and the financial statement are congruent, and that the annual report has been prepared in accordance with the applicable regulations.

If, based on the work done regarding the other information before the release date of the audit report, we find that there is an essential inaccuracy in the other information, we are required to report this. We have nothing to report regarding this matter.

Helsinki, 28 February 2020

PricewaterhouseCoopers Oy
Audit firm



Janne Rajalahti
KHT

Real estate investment and development operations

SITUATION ON 31 DECEMBER 2019

The goal of the company's real estate investment operations is to effectively manage its current property portfolio and develop its tenancies.

Through effective planning and implementation, the goal of its real estate development operations is to provide high-quality retail, office, and industrial properties for realisation and its own long-term investment portfolio.

- 1 Koy Espoon Suomalaistentie 7
- 2 Oy Soffcon Kiinteistö Ab
- 3 Koy Luomannotko 3
- 4 Koy Kappelitie 6
- 5 Koy Gyldénintie 2
- 6 Koy Liukumäentie 15 Helsinki
- 7 Koy Helsingin Rälssintie 10
- 8 Koy Kivensilmänkuja 2
- 9 Koy Sirrikujan Teollisuustalo
- 10 Koy Petikon Palvelutalo
- 11 Koy Tiilitie 8
- 12 Koy Tiilitie 10
- 13 Koy Suutarilan Huoltokeskus
- 14 Koy Äyritie 4
- 15 Koy Vantaan Äyri
- 16 Koy MotorCenter Konala



- 17 Koy Keravan Huhtimontie 16
- 18 Koy Muijala
- 19 Koy Kielotie 1-3 Vantaa
- 20 Koy Vantaan Tiilitie 11
- 21 Koy GCC Kerca II
- 22 Koy Sinikalliontie 7
- 23 Koy Sinimäentie 6
- 24 Koy Pressi Smart Premises C

1 Espoo/Suomenoja, Suomalaistentie 7

Office property
5,808 m²

Tenants:

- Carpentum Oy
- Suomen Urheiluhierontakeskus Oy
- fischer Finland Oy
- Oy Julius Tallberg Ab
- Oy Orthex Finland Ab
- Oy Senseware Ltd
- Elixia Base
- Prime House Oy LKV

2 Espoo/Kilo, Karapellontie 11-13

Office property
3,774 m²

Tenants:

- EKK:n Kannatusyhdistys ry

3 Espoo/Olarinluoma, Luomannotko 3

Office and warehouse property
4,699 m²

Tenants:

- Lassila & Tikanoja Oyj
- Ahlsell Oy

4 Espoo/Niittykumpu, Kappelitie 6

Office property
8,372 m²

Tenants:

- Etteplan Oyj
- Office Innovations Finland Oy
- Space Systems Finland Oy
- Komppi Oy
- Coronaria Contextia

5 Helsinki/Lauttasaari, Gyldénintie 2

Office and retail property
3,579 m²

- No tenants

6 Helsinki/Oulunkylä, Liukumäentie 15

Warehouse property
23,646 m²

Tenants:

- Schenker Oy
- Victor Ek Muutot Oy
- Suomen Messut Oy

- 7 Helsinki/Pukinmäki, Rälssintie 10**
Office property
2,449 m²
Tenants:
– NHK Rakennus Oy
– Oy Sandman-Nupnau Ab
– Putkikierre Oy
- 8 Helsinki/Myllypuro, Kivensilmänkuja 2**
Office property
3,069 m²
Tenants:
– Lääkäriasema Klinikka 1
– Axxel Utbildning Ab
- 9 Helsinki/Kontula, Sirrikuja 1**
Office and warehouse property
4,038 m²
Tenants:
– Cemet Oy
– Posti Oy
- 10 Vantaa/Petikko, Petikontie 6**
Retail property
5,685 m²
Tenants:
– Heidelberg Baltic Finland Oü
– BLC Turva Oy
– Polarwell Services Oy
– Punamusta Oy
- 11 Vantaa/Petikko, Tiilitie 8**
Office and warehouse property
2,021 m²
Tenants:
– Viria Security Oy
– Cervius Oy
- 12 Vantaa/Petikko, Tiilitie 10**
Office and warehouse property
1,760 m²
Tenants:
– Signal Partners Oy
- 13 Helsinki/Suutarila, Tapulikaupungintie 37 and Lamppupolku 5–7**
Office, production and warehouse property
6,080 m²
– Fully rented to Ramirent Finland Oy
- 14 Vantaa/Aviapolis, Äyritie 4**
Office and production property
9,057 m²
Tenants:
– Philips Oy
– Profound Medical Oy
– Limitless Oy
– MTAB Suomi Oy
- 15 Vantaa/Aviapolis, Äyritie 6**
– approx. 24,000 m² total unused office floor area
- 16 Helsinki/Konala, Ristipellontie 21**
Retail property
2,420 m²
Tenants:
– K1 Katsastajat Oy
– Kärkikiinnike Oy
– Päivän Peili Oy
– Tuulilasivarikko Oy
– Malmberg-Elektro Oy
– Ramirent Finland Oy
- 17 Kerava/Yli-Kerava, Huhtimontie 16**
Office and production property
9,251 m²
– Fully rented to Europress Group Oy
- 18 Lohja/Muijala, Sauvonrinne 12**
Retail and warehouse property
3,675 m²
– Fully rented to Constructor Finland Oy
- 19 Vantaa/Tikkurila, Kielotie 1–3**
Sport and wellbeing centre
3,373 m²
– Fully rented to SATS Finland Oy
- 20 Vantaa/Petikko, Tiilitie 9–11**
Industrial property
4,358 m²
– Fully rented to Lantmännen Unibake Ab Finland
- 21 Kerava/Äli-Kerava, Alikervantie 83**
Industrial property
4,314 m²
Tenants:
– SRV Infra Oy
– TIP Trailer Services Finland AB
- 22 Espoo/Sinimäki, Sinikalliontie 7**
Office property
5,094 m²
Tenants:
– B Solutions Oy
– Tunturi-Hellberg Oy
- 23 Espoo/Sinimäki, Sinimäentie 6**
Retail property
20,973 m²
Tenants:
– Infinera Oy
– Garden Living Oy
– Eläinklinikka Livet Oy
– Celltech Oy
- 24 Vantaa/Vantaankoski, Uutistie 3, Pressi C-talo**
Office, production and warehouse property
5,848 m²
Tenants:
– Otis Oy
– Anticimex Oy
– HUS Kuntayhtymä
– Carrier Oy

Real estate investment and development operations



REAL ESTATE DEVELOPMENT

At Julius Tallberg Real Estate Corporation, real estate development refers to operations that are initiated to grow a property's value. A new endeavour may be a change to an already owned property's intended use or business idea, the extension of its building rights, making use of unused building rights or a combination thereof. An endeavour may also refer to the purchase of an all-new property and building a property to meet the needs of its future users. Real estate development endeavours are carried out with the active cooperation of the authorities, future users, designers and other stakeholders of the endeavour. Active development helps us ensure

the high quality and usage rate of our properties.

In 2019, the company was undergoing several endeavours that required zoning changes, because the existing purpose was to be converted to housing. All in all, active endeavours are currently underway to develop roughly 75,000 square metres of floorspace in housing blocks in rapidly developing areas with access to railways at Kera in Espoo, Tikkurila and Aviapolis in Vantaa, and Lauttasaari in Helsinki.

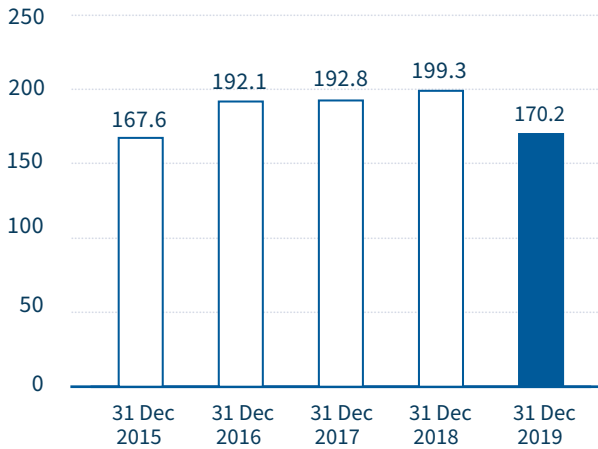
Zoning changes regarding the property at Gyldenintie 2 in Lauttasaari are expected to be completed by the autumn of 2020. Once completed, the zoning changes will make it possible to build a housing block of roughly 4,400 square

metres on the property. Parking for these apartments will be located under a concrete deck by the park. The property is immediately next to the Metro Station entrance, and the Lauttis Shopping Centre completed in 2016, as well as the seashore with its outdoor recreational opportunities, are within walking distance. The endeavour's architectural planning has been tasked to SARC Architects.

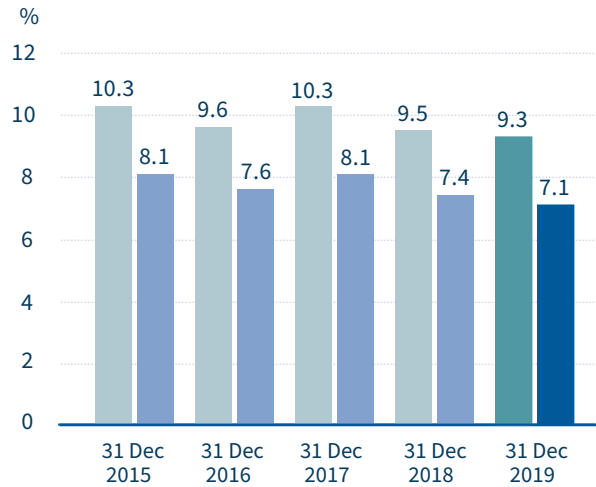


Real estate asset analyses

MARKET VALUE OF REAL ESTATE ASSETS, EUR MILLION



NET RENTAL INCOME %

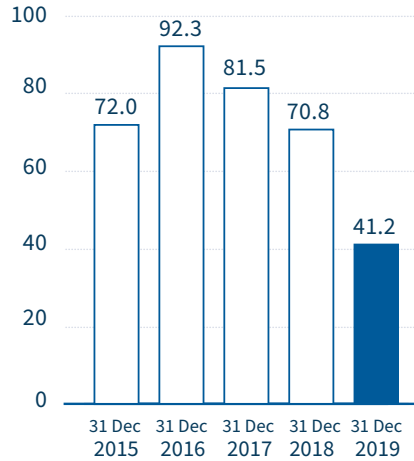


FAS net rental income -% = $\frac{\text{Annual net rental income (= rental income - maintenance expenses)}}{\text{Purchase or FAS balance value of a complete real estate asset, including fund transfer tax}} \times 100$

IFRS net rental income -% = $\frac{\text{Annual net rental income (= rental income - maintenance expenses)}}{\text{Value of complete real estate investment asset}} \times 100$

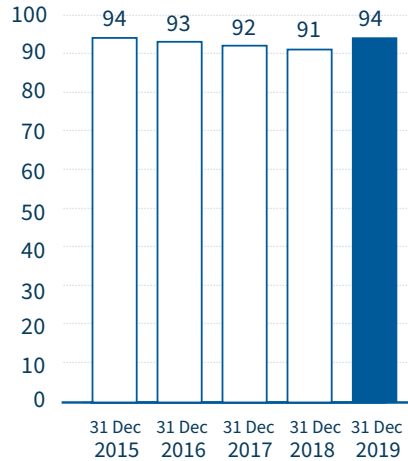
TOTAL VALUE OF LEASE PORTFOLIO 2015-2019

EUR million, VAT 0%



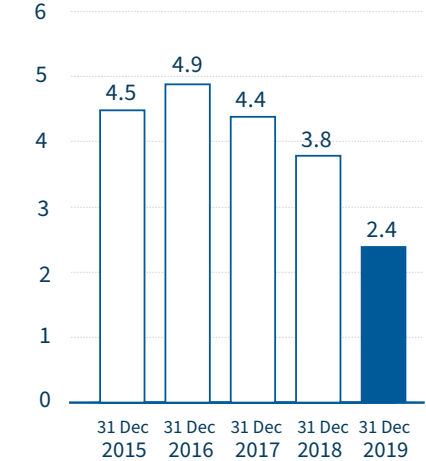
PROFIT-WEIGHTED OCCUPANCY RATE 2015-2019

%

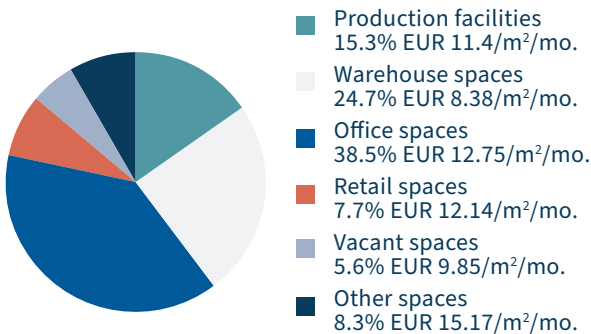


AVERAGE DURATION OF LEASE PORTFOLIO 2015-2019

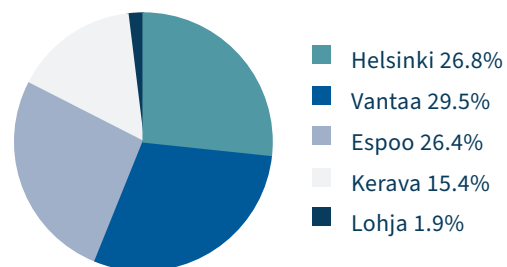
Years



RENTAL PROFIT BY PREMISE TYPE AND RENT EUR/M²/MO. (VAT 0%)



REGIONAL DIVISION OF REAL ESTATE ASSETS BY MARKET VALUE



Real estate summary

REAL ESTATE SUMMARY 31 DECEMBER 2019

Property name	Ownership %	Total	Leasable area, m ²			Unused construction		Purchase year
			Retail	Office	Warehouse/ production	Other	permit m ² /fl	
HELSINKI								
Koy Gyldenintie 2	100	3,579	630	2,403	406	141	0	1987
Koy Suutarilan Huoltokeskus	100	6,080	0	1,441	3,782	857	18,285	2000
Koy Liukumäentie 15 Helsinki	100 ¹⁾	23,646	0	0	23,646	0	0	2000
Koy Sirrikujan Teollisuustalo	100 ²⁾	4,038	0	1,518	2,520	0	0	2007
Koy Kivensilmänkuja 2	100 ³⁾	3,069	0	2,616	453	0	1,000	2007
Koy Helsingin Rälssintie 10	100	2,449	0	1,611	838	0	0	2008
Koy MotorCenter Konala	100	2,420	2,325	0	64	31	0	2011
Total		45,281	2,955	9,589	31,709	1,029	19,285	
ESPOO								
Oy Soffcon Kiinteistö Ab	100	3,774	0	3,341	0	433	7,564	1988
Koy Espoon Suomalaistentie 7	100	5,808	207	3,041	1,040	1,520	0	2005
Koy Kappelitie 6	100	8,372	0	7,005	425	942	0	2007
Koy Luomannotko 3	100	4,699	1,885	1,838	659	317	2,299	2007
Koy Sinimäentie 6	100	20,973	602	8,559	11,322	490	19,406	2016
Koy Sinikalliontie 7	100	5,094	0	4,495	159	440	0	2016
Total		48,719	2,694	28,279	13,605	4,142	29,269	
VANTAA								
Koy Äyritie 4 Vantaa	100	9,057	0	3,465	4,940	652	4,012	1997
Koy Vantaan Äyri	100	0	0	0	0	0	24,197	1997
Koy Petikon Palvelutalo	100	5,685	623	1,547	3,435	80	130	2007
Koy Tiilitie 8	100	2,021	0	791	1,230	0	0	2007
Koy Tiilitie 10	100	1,760	100	760	770	130	484	2007
Koy Kielotie 1-3 Vantaa	100	3,373	0	0	0	3,373	0	2011
Koy Vantaan Tiilitie 11	100	4,358	0	329	3,627	402	0	2012
Koy Pressi Smart Premises	100	5,848	0	4,370	982	497	83	2018
Total		32,102	723	11,262	14,984	5,134	28,906	
LOHJA								
Koy Muijala	100	3,675	0	2,705	970	0	6,876	2011
KERAVA								
Koy Keravan Huhtimontie 16	100	9,251	0	1,404	7,847	0	13,535	2010
Koy Keravan Huhtimontie 20	100			0				2017
Koy GCC Kerca II	100	4,314	0	475	3,839	0	260	2014
Total		13,565	0	1,879	11,686	0	13,795	
FULL TOTAL		143,342	6,372	53,713	72,953	10,304	98,131	

¹⁾ Plot rented from the City of Helsinki. Lease valid until 31 December 2030.

²⁾ Plot rented from the City of Helsinki. Lease valid until 31 December 2047.

³⁾ Plot rented from the City of Helsinki. Lease valid until 31 December 2030.

The logo for Catella, consisting of the word "CATELLA" in white capital letters inside a red square with a white border.

ASSESSMENT REPORT OF JULIUS TALLBERG REAL ESTATE CORPORATION'S PROPERTY PORTFOLIO

At the request of Julius Tallberg Real Estate Corporation, Catella Property Oy's valuation and consultancy service has reviewed the company's property portfolio for its debt-free market value on 31 December 2019. The market value is defined as the monetary value, assessed in accordance with international valuation standard IVS 2017, that would be sufficient for the asset to change ownership on the valuation date between willing and independent seller and buyer, after appropriate marketing, with both parties operating with professional care and under no duress. The parties' subjective special interests regarding the target are not considered in such a review. Debt-free value means that possible corporate loans, VAT debt and similar liabilities have not been deducted.

The review focused on 24 properties, all of which were also examined in the previous review on 31 December 2018. The property at Huhtimontie 16, Kerava was sold on 3 January 2020, and this review uses its trade price as the market value. Seven of the properties are in Helsinki at the following addresses: Gyldenintie 2; Kivensilmänkuja 2; Liukumäentie 15; Ristipellontie 21; Rälssintie 10; Sirrikuja 1; and Tapulikaupungintie 37. Six of the properties are in Espoo, at the following addresses: Kappelitie 6; Karapellontie 11; Luomannotko 3; Sinikalliontie 7; Sinimäentie 6; and Suomalaistentie 7. Seven of the properties are in Vantaa,

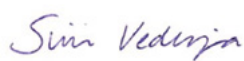
at the following addresses: Kielotie 1-3; Petikontie 6; Tiilitie 8; Tiilitie 9; Tiilitie 10; Äyritie 4-6; and Uutistie 3C. Additionally, two properties are in Kerava at Alikervantie 83 and Huhtimontie 16, one property is in Lohja at Sauvonrinne 12, and the final property is in Tuusula at Louhostie 2. Of the properties in the previous review, Suomalaistentie 5 and Juvan teollisuuskatu 1 in Espoo, and Louhostie 2 in Tuusula, were sold during 2019.

The reviewed investment properties are rented at 94.4% of the potential rental profit. This figure is achieved by calculating the potential rental income of free spaces based on the owner's unit rents. Over the year, the average duration of the rental contract portfolio has fallen by roughly 37%, and its value has fallen by roughly 42%. Rents for new contracts generally match the current market level fairly well. On a general level, the rental situation of the properties is good, excluding developing properties at Gyldenintie 2, Kivensilmänkuja 2 and Sinikalliontie 7. The largest amounts of unused building rights are at the Tapulikaupungintie 3, Karapellontie 13, Sinimäentie 6 and Äyritie 6 properties.

We value Julius Tallberg Real Estate Corporation's owned properties at a debt-free market value of one hundred and seventy million and one hundred and fifty thousand (170,150,000) euros on 31 December 2019. The company's property portfolio consists wholly of investment assets.

Helsinki, 29 January 2020

Catella Property Oy
Valuation and consultancy service

Handwritten signature of Sini Vedenoja in purple ink.

Sini Vedenoja
Property valuer
MSc (Eng)
Authorised Property Valuer
General authorisation
Chamber of Commerce-approved
Property Valuer (KHK)

Handwritten signature of Arja Lehtonen in blue ink.

Arja Lehtonen
Director, Valuation and consultancy service
MSc (Eng)
Authorised Property Valuer
General authorisation
Chamber of Commerce-approved
Property Valuer (KHK)



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Julius Tallberg Real Estate Corporation
Suomalaistentie 7, 02270 Espoo, Finland/ +358 20 742 0700 / www.tallberg.fi