

Risk management is an important part of Julius Tallberg Real Estate Corporation's strategic and operational planning, decision-making process and internal control system. The company takes a conservative approach to risks, and risks are taken within the framework of its business strategy. The company aims to develop and balance the structure of its investment portfolio continuously from different perspectives (for example, by distributing the renting of properties for different purposes, avoiding tenants that are too large and focusing on the Helsinki Metropolitan Region).

The company has defined a strategic basis for its real estate investment operations, and it evaluates any new projects and sales primarily on the basis of their impact on the company's strategic objectives. Currently, the company considers its most important area of risk to be key person risk and the uncertainty of the global economy, which may indirectly affect the company. The other risk areas and related risk management tools identified by management are described below.

### Strategic risks

#### Uncertainty of the global economy

The uncertain situation of the global economy significantly affects the company's business operations.

Towards the end of 2009, this uncertainty manifested itself in investors' profit requirements. The uncertainty of the global economy may affect the business operations of Julius Tallberg Real Estate Corporation's customers renting its business premises and thereby the company's profits.

The company has attempted to manage the uncertain situation by realizing its real estate assets included in its long-term investment portfolio. In view of the uncertain situation, the company believes that it has obtained a good price for these assets.

#### Geographical location of real estate investments

When the company's real estate investments are located in a geographical area where the company has more limited influencing possibilities or market expertise, it may pose a risk. The company has focused its real estate investment activities in the Helsinki Metropolitan Region, where its expertise and general market predictability are at an acceptable level.

#### Real estate investments based on fractional ownership

In the view of the company, fractional ownership in real estate investments may entail a risk that the partners disagree concerning the development and improvement potential of the properties. The

company aims to manage this risk by only investing in properties and plots solely owned by the company itself.

#### Limited customer base

A limited customer base or focusing only on a particular industry may pose a risk. The company aims to distribute its operations by renting business premises to companies operating in different industries. Thus, for example, if the demand for property decreases in one industry due to economic stagnation, this will not significantly affect the company's profits in the short term.

#### Development of the Aviapolis area

The company is undertaking a significant development project, Econia Business Park, in the Aviapolis area at Äyritie 6, Vantaa. The project involves the strategic risk that the development or expected growth rate of the Aviapolis area slows down. The company aims to manage this risk by building the project in stages in accordance with confirmed leases.

#### Operational risks

**Key person risk** Due to the company's small number of personnel (6 people), its key person risk is high. The company aims to manage this risk through partly overlapping job descriptions.

#### Risks related to the purchase and sale of real estate

The company's real estate investments involve a risk if the company is unable to evaluate their future profit potential correctly. The company aims to manage the risks related to its major projects through a systematic process in which the projects (purchases/sales) are reviewed before they are presented to the Board of Directors. To monitor the achievement of goals, the company has created a set of measures, which can be used to simulate and monitor the impact of investments on key performance indicators.

#### External service providers

The maintenance of properties involves operational risks, which are related to the outsourcing partners' quality of work, for example. The company has increasingly reduced outsourcing in property management. **Information systems** Disruptions related to information systems and data communication, even when they are temporary, hinder the company's operations. Julius Tallberg Real Estate Corporation relies on the Tallberg Group's information management, and the Group has a continuity plan for information systems.

#### Financial risks

The potential financial risks affecting the company include risks related to liquidity, interest rates, price levels, and receivables and credit.

#### Liquidity

The management of liquidity risks is further described in the notes to the financial statements, in the section “(23) Financial risk management; Liquidity and refinancing risk”.

#### Interest rate and price risks

The market risks that impact the company mainly include interest rate and price risks. The management of interest rate and price risks is further described in the notes to the financial statements, in the section “(23) Financial risk management; Market risk”.

#### Receivables and credit risks

The Group’s policy defines the creditworthiness requirements for customers, investment transactions and derivative instruments, as well as the investment policy. The management of receivables and credit risks is further described in the notes to the financial statements, in the section “(23) Financial risk management; Credit risk”.

#### Damage and liability risks

The potential damage risks affecting the company include fire and premise safety risks, as well as management liability issues. Nearly without exception, the properties owned by the company are covered by a full value insurance policy and a loss of profits insurance policy to guarantee 12 months’ rental income. The Managing Director and the Board of Directors have a liability insurance policy.

The Board of Directors and the Managing Director of Julius Tallberg Real Estate Corporation monitor the business-related risks. The aim of risk management is to minimise the probability or risk of unpredictable losses. Risk management must cover both internal and external risks, measurable and non-measurable risks, as well as risks that are under and outside the company’s control.

The company has distributed its tenant risk by increasing its property base, thus increasing the number of leases. Julius Tallberg Real Estate Corporation reviews its risk management process annually by updating the company’s risk map and annual action plan, and presenting them to the Board of Directors in a separately arranged meeting held in the autumn.