



eQ Commercial Properties Fund

Interim Report 1.7. – 31.12.2021

Key events during the reporting period

The fund's gross asset value was EUR 1 158 million at the end of the reporting period (EUR 1 037 million at the end of June 2021). Net asset value was EUR 744.9 million at the end of the reporting period (EUR 676 million at the end of June 2021).

Throughout the review period, the fund's incoming cash flows remained solid and the fund managed to make significant leases.

During the reporting period the fund acquired several new properties and made one divestment. Construction of a new major development project started in the Kivistö district in Vantaa.

The fund generated a return of 4.6 % in the H2 and 8.9 % for the last 12 month period, which was a very strong performance. Since inception, the fund has generated a return of 8.5 % p.a. to its unitholders.

In early July, the fund rearranged its financing by agreeing on an EUR 800 million loan platform of which the existing EUR 130 million senior secured bond is part of. The financiers are Nordea, Aktia, Danske Bank, LocalTapiola and Swedbank. Sustainability is a central aspect in the fund's operating model and hence the entire bank loan was engineered as green loan. The arrangement facilitates the fund to realize its growth and return potential for years to come.

Property portfolio

At the end of the reporting period, the fund owned 45 real estate companies, including two partly-owned properties and one company under construction, with a total leasable area of approximately 436,000 m² (394,000 m² at the end of H1/2021). The property portfolio has a high occupancy rate of 93 %.

Net rental income for the reporting period was EUR 24 million (EUR 48 million for the full year 2021)¹⁾. Annualized rental income for the full year based on the end of the review period was EUR 68 million (EUR 62 million at the end of June 2021), which corresponds to an initial return of approximately 5.9 %.

The fund negotiated some rent reductions in 2020 and 2021, with the tenants, mainly restaurants and cafeterias, suffering from Covid-19 restrictions. During year 2021 the situation was stable and also the payments of deferred payments negotiated earlier were running. During reporting period no notable new arrangements occurred.

During the reporting period the fund succeeded well in leasing activities by making new leases, notable lease renewals and extensions both in office and retail premises as well as in hotel premises. Recovery of the leasing market will continue despite of the new omicron restrictions.

¹⁾ Figures as presented in the consolidated income statement

At the end of the reporting period, the fund had 509 individual rental agreements and 350 unique tenants. The five largest tenants accounted for 30 % of the rental income. The weighted average lease term of the portfolio at the end of the reporting period was 5.6 years (5.4 years at the end of June 2021).

The real estate investment market in Finland recovered to pre-pandemic levels in 2021 and the fund made actively acquisitions during H2/2022. The fund acquired through five separate transactions six properties during H2/2021. The fund purchased two office properties in Tampere center, an office property in Tikkurila, Vantaa, a logistic property in Tuusula and the second construction phase of a retail park, of which the fund already owns the first construction phase built in 2018.

In addition a major development project, a local center in Kivistö Vantaa, was acquired. The local centre will offer versatile services when it opens in 2023. Anchor tenants are HOK-Elanto, Lidl and City of Vantaa.

In addition the Fund signed a purchase of a local shopping centre located in Espoo Centre and the transaction was closed in January 2022 after the reporting period.

In December the fund divested Parking property from Jätkäsaari, Helsinki. The fund had developed the property and it was completed beginning of 2021. The market situation was excellent for a profitable divestment.

The rental income generated by properties within the Capital Region and Greater Helsinki Area was 74 % of rental income, at the end of the reporting period. Rental income from within the Helsinki-Turku-Tampere growth triangle accounted for 98 % of rental income.

Annualized rental income by asset location and type as of 31 December 2021

Rental income by asset location		Rental income by asset type	
Capital Region	72%	Office	28%
Greater Helsinki Area	2%	Retail	23%
Tampere Area	14%	Grocery	22%
Hämeenlinna	7%	Daily Services	11%
Kuopio	2%	Discount Retail	6%
Turku Area	2%	Hotel	5%
		Industrial and logistics	4%

Fund subscriptions & redemptions

The fund's subscription dates occur quarterly at the end of March, June, September and December. The biannual redemption dates occur at the end of June and December with a six months' notice period.

During the reporting period the fund had two subscriptions days, at the end of September and end of December as well as a redemption day at the end of December (six months' notice period, in the end of June). Aggregate subscriptions during the reporting period amounted to EUR 45 million, while redemptions amounted to EUR 7 million.



The fund distributed EUR 33 million of its 2020 profits to unitholders in April 2021.

Debt financing

During the reporting period, the fund deployed EUR 36 million of new debt. Total interest-bearing debt at the end of the reporting period stood at EUR 486 million (EUR 440 million at the end of June 2020), of which EUR 130 million was in the form of bond financing and EUR 356 million of term loans. All current financings are secured by a single pool of property assets.

In addition, the fund has an, so far unexploited, unsecured EUR 15 million revolving credit facility usable on short notice for any general business purposes.

In accordance with the fund rules, the fund may raise long-term debt the up to half of the gross asset value of the fund.

As of the end of December 2021 the fund's LTV ratio was 40.4 % (39.6 % as of the end of June 2020). The fund's interest coverage ratio was 5.0x (5.6x) on a rolling 12-month basis.

Outlook

The real estate investment market in Finland has recovered to pre-pandemic levels and increased activity has been seen in the leasing markets. The fund continues to see attractive opportunities to continue to grow line with its strategy. The market outlook for the year 2022 is positive.

The fund expects to invest approximately EUR 100 million in new acquisitions and building projects during the next six months. The fund will continue to focus on Helsinki and Tampere area. Active letting, stable net rental income and planned transactions and development projects advocates a positive outlook for 2022, including positive equity inflow.



eQ Liikekiinteistöt
CONSOLIDATED INCOME STATEMENT

1.1.-31.12.2021

Gross Rental Income	68 750 077,98
Property operating expenses and expenses from leasing operation	-21 229 648,62
Net Rental Income	47 520 429,36
Property sale gains	13 627 861,85
Unrealized profit (loss) for the period	39 270 023,37
Other operating gains	1 715 446,78
Fees to the management company and custodian	-15 879 050,40
Other operating expenses	-7 768 098,66
Operating Profit	30 966 182,94
Financial income	0,00
Interest to financial institutions	-8 623 154,16
Financial expenses	
Profit before taxes	69 863 458,14
	0,00
Profit for the period	69 863 458,14

ICR for the preceeding 12 months	5,0:1
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eQ Liikekiinteistöt
CONSOLIDATED BALANCE
SHEET

31.12.2021

ASSETS	
NON-CURRENT ASSETS	
Investment properties	1 158 534 490,25
Other intangible assets	15 004 718,18
CURRENT ASSETS	
Short-term receivables	
Other receivables	56 877 138,31
Prepayments and accrued income	
CASH AND CASH EQUIVALENTS	30 400 781,37
TOTAL ASSETS	1 260 817 128,11
EQUITY AND LIABILITIES	
FUND VALUE	
Fund assets	690 191 383,66
Distributions	-32 989 407,12
Profit for the previous periods	-10 218 185,00
Profit for the period	69 863 458,14
TOTAL FUND VALUE	716 847 249,67
LIABILITIES	
Long-term liabilities	
Loans from financial institutions	356 000 000,00
Long-term liabilities	130 000 000,00
Short-term liabilities	
Other liabilities	15 414 797,70
Accruals and deferred income	42 555 080,73
TOTAL LIABILITIES	
TOTAL EQUITY AND LIABILITIES	1 260 817 128,10

INTEREST-BEARING LIABILITIES	486 000 000,00
	1 203 939
FUND'S TOTAL ASSETS	989,80
FUND LOAN TO VALUE	40,37 %



eQ Liikekiinteistöt
Consolidated Statement of Cash Flows

1.1.-31.12.2021

Cash flows from operating activities	
Profit before taxes	77 023 254,77
Unrealized profit (loss) for the period	-39 270 023,37
Finance income and costs	0,00
Other adjustments	0,00
Change in working capital	
Current non-interest bearing receivables, increase(-) / decrease(+)	3 846 654,06
Current non-interest bearing liabilities, increase(+) / decrease(-)	-3 867 376,28
Interest paid and other finance cost	0,00
Interest received	0,00
Taxes paid	0,00
Net cash flows from operating activities	37 732 509,18
Cash flows from investing activities	
Payments from tangible and intangible assets	-139 204 631,87
Net cash flows from investing activities	-139 204 631,87
Cash flows from financing activities	
Short-term interest bearing Liabilities, increase(+) / decrease(-)	0,00
Long-term interest bearing Liabilities, increase(+) / decrease(-)	46 000 000,00
Fund subscription	84 468 674,57
Fund redemptions	-67 419 449,06
Distributions	-32 989 407,12
Other items	-220 696,10
Net cash flows from financing activities	29 839 122,29
Change in cash and cash equivalents	-71 633 000,40
Cash and cash equivalents at the beginning of reporting period	102 033 781,77
Cash and cash equivalents at the end of reporting period	30 400 781,37