



eQ Finnish Real Estate Fund

Interim Report 1.1. – 30.6.2021

Key events during the reporting period

The fund's gross asset value was EUR 1037 million at the end of the reporting period (EUR 985 million at the end of December 2020). Net asset value was EUR 676 million at the end of the reporting period (EUR 660 million at the end of December 2020).

In February the fund purchased an office property located in, Kamppi area, Helsinki and due to active leasing the fund managed to sign a notable lease agreement with the city of Helsinki to the vacant premises of the property.

Throughout the review period, the fund's incoming cash flows remained solid and the fund managed to make significant leases. The two major development projects under construction both finished in this reporting period.

The fund generated a return of 4.2 % in the H1 and 7.5 % for the last 12 month period, which was a very strong performance. Since inception, the fund has generated a return of 8.4 % p.a. to its unitholders.

After the reporting period, 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 did not immediately affect the amount of outstanding debt, however, it 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 41 real estate companies, including two partly-owned properties with a total leasable area of approximately 394,000 m² (370,000 m² at the end of H2/2020). The property portfolio has a high occupancy rate of 93 %.

Net rental income for the reporting period was EUR 25 million (EUR 27 million for the H2 2020). The slight drop was due to the EUR ~120 million sales in the end of 2020. Annualized net rental income based on the end of the review period was EUR 62 million (EUR 61 million at the end of December 2020), which corresponds to an initial return of approximately 6.0 %.

The fund negotiated some rent reductions at in 2020 and H1 2021, with the tenants, mainly restaurants and cafeterias, suffering from Covid-19 restrictions. During H1 2021 the situation has been stable and also the payments of deferred payments negotiated in 2020 were running. Only app. 2.0 % of the 2020 rental income remains impacted.

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. The leasing market is expected to develop positively towards the end of the year, if the corona epidemic remains under control as planned and restrictions are further lifted.

At the end of the reporting period, the fund had 461 individual rental agreements and 333 unique tenants. The five largest tenants accounted for 33 % of rental income. The weighted average lease term of the portfolio at the end of the reporting period was 5.4 years (5.6 years at the end of December 2020).

During the reporting period the fund had two major development projects under construction i.e. a parking facility in Helsinki Jätkäsaari for the Port of Helsinki, which was completed in Q1/2021, and a local centre in Tampere Kaleva with anchor tenants Kesko and Isku Group, which was completed in Q2/2021.

During the reporting period, the fund had no divestments. In February the fund purchased an office property in Kamppi, Helsinki and the Fund signed a major lease agreement of approximately 2,900 sqm with the City of Helsinki for vacant premises of the building. The fund continues to search high-quality properties and development possibilities in Helsinki area and Tampere.

The rental income generated by properties within the Capital Region and Greater Helsinki Area was 75 % 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 30 June 2020

Rental income by asset location		Rental income by asset type	
Capital Region	74%	Office	27%
Greater Helsinki Area	1%	Retail	27%
Tampere Area	13%	Grocery	21%
Hämeenlinna	8%	Daily Services	11%
Kuopio	2%	Discount Retail	6%
Turku Area	2%	Hotel	4%
		Industrial	3%

Fund subscriptions & redemptions

During the reporting period the fund had two subscriptions days, at the end of March and end of June as well as a redemption day at the end of June (three months notice period, in the end of March). Aggregate subscriptions during the reporting period amounted to EUR 39 million, while redemptions amounted to EUR 18 million.

The redemption notice period was extended from three months to six months. The biannual redemption dates of the fund remain unchanged: 30 June and 31 December. The fund's next joint subscription and redemption days will occur at the end of December (six months notice period, in the end of June).

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

Debt financing

During the reporting period, the fund kept the amount of outstanding debt unchanged. Total interest-bearing debt at the end of the reporting period stood at EUR 440 million (EUR 440



million at the end of December 2020), of which EUR 130 million was in the form of bond financing and EUR 310 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 June 2021 the fund's LTV ratio was 39.6 % (39.7 % as of the end of December 2020). The fund's interest coverage ratio was 5,6x (4.5x) on a rolling 12-month basis.

Outlook

Increased activity has already been seen in the transaction and leasing markets and the fund continues to see attractive opportunities to continue to growth in the current market in line with its strategy. The market is expected to develop positively towards the end of the year presuming that the Covid-19 situation remains in control and restrictions can be gradually eased.

The fund expects to invest approximately EUR 280 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 the second half of 2021, including positive equity inflow.



eQ Liikekiinteistöt
CONSOLIDATED INCOME STATEMENT

1.1.-30.6.2021

Gross Rental Income	33 780 804,82
Property operating expenses and expenses from leasing operation	-10 529 164,15
Net Rental Income	23 251 640,67
Property sale gains	124 770,80
Unrealized profit (loss) for the period	23 878 853,78
Other operating gains	17 827 983,70
Fees to the management company and custodian	-7 252 566,78
Other operating expenses	-3 005 748,15
Operating Profit	54 824 934,02
Financial income	1 325 353,13
Interest to financial institutions	-4 037 694,44
Financial expenses	0,00
Profit before taxes	52 112 592,71
Profit for the period	52 112 592,71

ICR for the preceeding 12 months	5,6:1
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eQ Liikekiinteistöt
CONSOLIDATED BALANCE
SHEET

30.6.2021

ASSETS	
NON-CURRENT ASSETS	
Investment properties	1 037 000 000,00
Other intangible assets	20 035 584,06
CURRENT ASSETS	
Short-term receivables	
Other receivables	39 894 984,84
Prepayments and accrued income	
CASH AND CASH EQUIVALENTS	55 302 626,14
TOTAL ASSETS	1 152 233 195,04
EQUITY AND LIABILITIES	
FUND VALUE	
Fund assets	644 146 692,96
Distributions	-32 989 407,12
Profit for the previous periods	19 210 510,27
Profit for the period	52 112 592,71
TOTAL FUND VALUE	682 480 388,82
LIABILITIES	
Long-term liabilities	
Loans from financial institutions	310 000 000,00
Long-term liabilities	130 000 000,00
Short-term liabilities	
Other liabilities	9 489 840,15
Accruals and deferred income	20 262 966,07
TOTAL LIABILITIES	440 000 000,00
TOTAL EQUITY AND LIABILITIES	1 152 233 195,04

INTEREST-BEARING LIABILITIES	440 000 000,00
	1 112 338
FUND'S TOTAL ASSETS	210,20
FUND LOAN TO VALUE	39,56 %

Cash flows from operating activities		
Profit before taxes		52 112 592,71
Unrealized profit (loss) for the period		-23 878 853,78
	Finance income and costs	0,00
	Other adjustments	0,00
Change in working capital		
	Current non-interest bearing receivables, increase(-) / decrease(+)	27 988 604,16
	Current non-interest bearing liabilities, increase(+) / decrease(-)	-32 084 448,49
Interest paid and other finance cost		0,00
Interest received		0,00
Taxes paid		0,00
Net cash flows from operating activities		24 137 894,60
Cash flows from investing activities		
Payments from tangible and intangible assets		-43 402 587,83
Net cash flows from investing activities		-43 402 587,83
Cash flows from financing activities		
	Short-term interest bearing Liabilities, increase(+) / decrease(-)	0,00
	Long-term interest bearing Liabilities, increase(+) / decrease(-)	0,00
	Fund subscription	52 452 079,81
	Fund redemptions	-45 603 781,96
	Distributions	-32 989 407,12
	Other items	-1 325 353,13
Net cash flows from financing activities		-27 466 462,40
Change in cash and cash equivalents		-46 731 155,63
Cash and cash equivalents at the beginning of reporting period		102 033 781,77
Cash and cash equivalents at the end of reporting period		55 302 626,14