



eQ Commercial Properties Fund

Interim Report 1.7. – 31.12.2022

Key events during the reporting period

The fund's gross asset value was EUR 1 301.6 million at the end of the reporting period (EUR 1 253.6 million at the end of June 2022). Net asset value was EUR 798.5 million at the end of the reporting period (EUR 784.1 million at the end of June 2022).

During the reporting period the fund acquired two new properties and divested two developed properties. Construction of a major development project was ongoing in the Kivistö district in Vantaa.

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

The fund generated a return of 2.5 % in the H2 and 7.6 % for the last 12 month period, which was a very strong performance in turbulent market conditions. Since inception, the fund has generated a return of 8.4 % p.a. to its unitholders.

Property portfolio

At the end of the reporting period, the fund owned 49 real estate companies, including two partly-owned properties and one company under construction, with a total leasable area of approximately 460,000 sqm (442,000 sqm at the end of H1/2022). The property portfolio has a high occupancy rate of 93 %.

Net rental income for the reporting period was EUR 32.0 million¹⁾ (EUR 58.9¹⁾ million for the full year 2022). Annualized net rental income based on the end of the review period was EUR 78 million (EUR 75 million at the end of June 2022), which corresponds to an initial return of approximately 6.0 %.

During the reporting period the fund succeeded well in leasing activities by making new leases, notable lease renewals and extensions.

At the end of the reporting period, the fund had 609 individual rental agreements and 416 unique tenants. The five largest tenants accounted for 27 % of the rental income. The weighted average lease term of the portfolio at the end of the reporting period was 5.2 years (5.1 years at the end of June 2022).

The real estate investment market in Finland was active in 2022 but slowed down towards the end of the year. The fund acquired two properties during H2/2022. An office property located in Leppävaara Espoo was acquired in September and a library space in December. The library space is leased to the City of Espoo with long lease agreement and the space is part of the local centre Entresse. Other part of the Entresse center was already owned by the Fund and now Fund is the sole owner of the center.

¹⁾ Figures as presented in the consolidated income statement



In addition, a major development project of a local center in Kivistö Vantaa, is under construction. The local centre Kivis will offer versatile services when it opens at the end of 2023. Anchor tenants are HOK-Elanto, Lidl and City of Vantaa.

In December, the fund divested two office properties located in Helsinki and Järvenpää, which were leased and developed for community property use.

The rental income generated by properties within the Capital Region and Greater Helsinki Area was 74 % of the rental income, at the end of the reporting period. Rental income from within the Helsinki-Turku-Tampere growth triangle accounted for 88 % of rental income.

Annualized rental income by asset location and type as of 31 December 2022

Rental income by asset location		Rental income by asset type	
Capital Region	74%	Office	27%
Greater Helsinki Area	1%	Retail	24%
Tampere Area	13%	Grocery	20%
Hämeenlinna	7%	Daily Services	13%
Kuopio	2%	Discount Retail	6%
Turku Area	2%	Hotel	4%
		Industrial and logistics	3%
		Other	2%

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 2022). Aggregate subscriptions during the reporting period amounted to EUR 15 million, while redemptions amounted to EUR 20 million.

Debt financing

During the reporting period, the fund deployed EUR 64 million of new debt. Total interest-bearing debt at the end of the reporting period stood at EUR 600 million (EUR 536 million at the end of June 2022), of which EUR 130 million was in the form of bond financing and EUR 470 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 2022 the fund's LTV ratio was 43.65 % (40.85 % as of the end of June 2022). The fund's interest coverage ratio was 3.4x (3.5x) on a rolling 12-month basis.

Outlook

The real estate investment market in Finland was very active in 2022. Total investment volume reached € 7.2 billion. It was up by 1 % compared to the previous year. There was a record high activity in the first half of the year. Markets slowed down towards the end of the year as a result of the growing market uncertainty caused by global inflationary pressures and rising interest rates. Prime yields decompressed due to increased financing costs and rising interest rates. So far, there is no comprehensive evidence on the net effects on the real estate market. Inflation protection in rental agreements balances the market values of real estate. Still the fund continues to see attractive opportunities to continue to grow in line with its strategy. The real estate investment market activity is expected to pick up in 2023 from the H2 2022.

The fund expects to invest approximately EUR 50 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 2023, including positive equity inflow.

**eQ Liikekiinteistöt****CONSOLIDATED INCOME STATEMENT****1.1.-31.12.2022**

Gross Rental Income	81 553 544,60
Property operating expenses and expenses from leasing operation	-22 626 848,69
Net Rental Income	58 926 695,91
Property sale gains	7 364 830,08
Unrealized profit (loss) for the period	37 512 221,63
Other operating gains	1 203 841,31
Fees to the management company and custodian	-15 896 335,83
Other operating expenses	-6 389 488,27
Operating Profit	82 721 764,83
Financial income	2 906 267,79
Interest to financial institutions	-13 154 275,78
Financial expenses	
Profit before taxes	72 473 756,84
Profit for the period	72 473 756,84

ICR for the preceeding 12 months	3,4:1
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**eQ Liikekiinteistöt****CONSOLIDATED BALANCE SHEET****31.12.2022**

ASSETS	
NON-CURRENT ASSETS	
Investment properties	1 301 580 000,00
Other intangible assets	22 813 727,64
CURRENT ASSETS	
Short-term receivables	
Other receivables	134 567 732,70
Prepayments and accrued income	
CASH AND CASH EQUIVALENTS	50 325 566,49
TOTAL ASSETS	1 509 287 026,83
EQUITY AND LIABILITIES	
FUND VALUE	
Fund assets	787 984 754,63
Distributions	-37 252 410,08
Profit for the previous periods	-15 187 051,77
Profit for the period	72 473 756,84
TOTAL FUND VALUE	808 019 049,62
LIABILITIES	
Long-term liabilities	
Loans from financial institutions	470 000 000,00
Long-term liabilities	130 000 000,00
Short-term liabilities	
Other liabilities	31 838 394,34
Accruals and deferred income	69 429 582,87
TOTAL LIABILITIES	699 267 977,21
TOTAL EQUITY AND LIABILITIES	1 509 287 026,83
INTEREST-BEARING LIABILITIES	600 000 000,00
FUND'S TOTAL ASSETS	1 374 719 294,13
FUND LOAN TO VALUE	43,65 %

**eQ Liikekiinteistöt****Consolidated Statement of Cash Flows****1.1.-31.12.2022**

Cash flows from operating activities		
Profit before taxes		72 473 756,84
Unrealized profit (loss) for the period		-37 512 221,63
	Finance income and costs	0,00
	Other adjustments	0,00
Change in working capital		
	Current non-interest bearing receivables, increase(-) / decrease(+)	-78 932 552,62
	Current non-interest bearing liabilities, increase(+) / decrease(-)	43 298 098,78
Interest paid and other finance cost		0,00
Interest received		0,00
Taxes paid		0,00
Net cash flows from operating activities		-672 918,63
Cash flows from investing activities		
Payments from tangible and intangible assets		-129 654 961,37
Net cash flows from investing activities		-129 654 961,37
Cash flows from financing activities		
	Short-term interest bearing Liabilities, increase(+) / decrease(-)	0,00
	Long-term interest bearing Liabilities, increase(+) / decrease(-)	114 000 000,00
	Fund subscription	97 282 072,45
	Fund redemptions	-26 144 567,49
	Distributions	-37 252 410,08
	Other items	2 367 570,24
Net cash flows from financing activities		150 252 665,12
Change in cash and cash equivalents		19 924 785,12
Cash and cash equivalents at the beginning of reporting period		30 400 781,37
Cash and cash equivalents at the end of reporting period		50 325 566,49