



eQ Commercial Properties Fund

Interim Report 1.1. – 30.6.2022

Key events during the reporting period

The fund's gross asset value was EUR 1 253.6 million at the end of the reporting period (EUR 1 158.0 million at the end of December 2021). Net asset value was EUR 784.1 million at the end of the reporting period (EUR 744.9 million at the end of December 2021).

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

During the reporting period the fund acquired several new properties and the construction of a major development project is ongoing in the Kivistö district in Vantaa.

The fund generated a return of 5.0 % in the H1 and 9.8 % for the last 12 month period, which was a very strong performance. Since inception, the fund has generated a return of 8.6 % p.a. to its unitholders.

Property portfolio

At the end of the reporting period, the fund owned 48 real estate companies, including two partly-owned properties and one company under construction, with a total leasable area of approximately 442,000 m² (436,000 m² at the end of H2/2021). The property portfolio has a high occupancy rate of 93 %.

Net rental income for the reporting period was EUR 26.9 million¹⁾ (EUR 24 million for the H2 2021). Annualized net rental income based on the end of the review period was EUR 75 million (EUR 68 million at the end of December 2021), 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 both in office and retail premises.

At the end of the reporting period, the fund had 621 individual rental agreements and 419 unique tenants. The five largest tenants accounted for 28 % of the rental income. The weighted average lease term of the portfolio at the end of the reporting period was 5.1 years (5.6 years at the end of December 2021).

The real estate investment market in Finland recovered to pre-pandemic levels in 2021 and the fund made actively acquisitions during H1/2022. The fund acquired through three separate transactions three properties during H1/2022. The fund purchased two office properties in Helsinki, and a local shopping centre located in Espoo Centre.

¹⁾ Figures as presented in the consolidated income statement

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

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 91 % of rental income.

Annualized rental income by asset location and type as of 30 June 2022

Rental income by asset location		Rental income by asset type	
Capital Region	73%	Office	31%
Greater Helsinki Area	2%	Retail	22%
Tampere Area	14%	Grocery	21%
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 March and end of June as well as a redemption day at the end of June (six months' notice period, in the end of December). Aggregate subscriptions during the reporting period amounted to EUR 54 million, while redemptions amounted to EUR 15 million.

The fund distributed EUR 37 million of its 2021 profits to unitholders in April 2022.

Debt financing

During the reporting period, the fund deployed EUR 50 million of new debt. Total interest-bearing debt at the end of the reporting period stood at EUR 536 million (EUR 486 million at the end of December 2021), of which EUR 130 million was in the form of bond financing and EUR 406 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 2022 the fund's LTV ratio was 40.85 % (40.4 % as of the end of December 2021). The fund's interest coverage ratio was 3.5x (5.4x) 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 H1/2022 in transaction market was very active in all property segments. The fund continues to see attractive opportunities to continue to grow line with its strategy.

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.

The effects of the corona pandemic are already small and despite the war in Ukraine, the real estate market has remained stable. As the war continues, real estate may also be affected through the general economic situation or the financial markets. During and after the reporting period there have been certain changes in the inflation and interest rate environments. These will probably have an effect on the real estate market through i.a. increased costs and rent indexations. So far, there is no comprehensive evidence on the net effects on the real estate market and the fund will continue to actively monitor the situation.



eQ Liikekiinteistöt

CONSOLIDATED INCOME STATEMENT

1.1.-
30.6.2022

Gross Rental Income	37 914 958,97
Property operating expenses and expenses from leasing operation	-10 975 773,01
Net Rental Income	26 939 185,96
Property sale gains	0,00
Unrealized profit (loss) for the period	35 686 805,25
Other operating gains	9 378 499,38
Fees to the management company and custodian	-9 858 004,48
Other operating expenses	-5 538 156,00
Operating Profit	56 608 330,11
Financial income	2 663 305,79
Interest to financial institutions	-5 856 731,95
Financial expenses	
Profit before taxes	53 414 903,95
Profit for the period	53 414 903,95

ICR for the preceeding 12 months	3,5:1
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eQ Liikekiinteistöt
CONSOLIDATED BALANCE SHEET

30.06.2022

ASSETS		
NON-CURRENT ASSETS		
Investment properties		1 253 580 000,00
Other intangible assets		17 884 099,82
CURRENT ASSETS		
Short-term receivables		
	Other receivables	77 800 524,02
	Prepayments and accrued income	
CASH AND CASH EQUIVALENTS		
		40 591 625,52
TOTAL ASSETS		1 389 856 249,36
EQUITY AND LIABILITIES		
FUND VALUE		
Fund assets		682 121 437,75
Distributions		-37 252 410,08
Profit for the previous periods		86 393 569,41
Profit for the period		53 414 903,95
TOTAL FUND VALUE		784 677 501,03
LIABILITIES		
Long-term liabilities		
	Loans from financial institutions	406 000 000,00
	Long-term liabilities	130 000 000,00
Short-term liabilities		
	Other liabilities	17 159 687,04
	Accruals and deferred income	52 019 061,29
TOTAL LIABILITIES		595 178 750,33
TOTAL EQUITY AND LIABILITIES		1 389 856 249,36

INTEREST-BEARING LIABILITIES	536 000 000,00
	1 312 055
FUND'S TOTAL ASSETS	725,34
FUND LOAN TO VALUE	40,85 %

Cash flows from operating activities		
Profit before taxes		53 414 903,95
Unrealized profit (loss) for the period		-35 686 805,25
	Finance income and costs	0,00
	Other adjustments	0,00
Change in working capital		
	Current non-interest bearing receivables, increase(-) / decrease(+)	-15 439 240,84
	Current non-interest bearing liabilities, increase(+) / decrease(-)	11 208 869,90
	Interest paid and other finance cost	0,00
	Interest received	0,00
	Taxes paid	0,00
	Net cash flows from operating activities	13 497 727,76
Cash flows from investing activities		
	Payments from tangible and intangible assets	-79 481 003,57
	Net cash flows from investing activities	-79 481 003,57
Cash flows from financing activities		
	Short-term interest bearing Liabilities, increase(+) / decrease(-)	0,00
	Long-term interest bearing Liabilities, increase(+) / decrease(-)	50 000 000,00
	Fund subscription	69 000 463,29
	Fund redemptions	-8 237 239,04
	Distributions	-37 252 410,08
	Other items	2 663 305,79
	Net cash flows from financing activities	76 174 119,96
	Change in cash and cash equivalents	10 190 844,15
	Cash and cash equivalents at the beginning of reporting period	30 400 781,37
	Cash and cash equivalents at the end of reporting period	40 591 625,52