



# eQ Finnish Real Estate Fund

*Interim Report 1.7. – 31.12.2020*

## Key events during the reporting period

The fund's status stabilized during H2 2020 to the level, which reflects fund's long term return. The fund's gross asset value was EUR 985 million at the end of the reporting period (EUR 1069 million at the end of June 2020). Net asset value was EUR 660 million at the end of the reporting period (EUR 656 million at the end of June 2020).

In December the fund divested eight non-strategic properties. Due to the sales, the fund's share of properties located in the Helsinki Metropolitan area increased to 74 %. The fund will continue to focus on Helsinki and Tampere area.

The fund sold during Q4 2020, in two different sales processes, one retail property located in Järvenpää and seven retail properties located outside the fund's re-evaluated strategic locations. Total transaction value from these sales amounted to EUR 121 million. The latter transaction value was approximately EUR 100 million. The transaction was the first major portfolio sale of the fund and was in line with the fund's strategy.

Throughout the review period, the fund's incoming cash flows remained solid. The fund continued the construction of two major development projects and managed to make significant leases.

The fund generated a return of 3.2% in the H2 and 4.6 % for the whole financial year 2021, which was a strong performance compared to its peer group and under the prevailing 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 40 real estate companies, including two partly-owned properties with a total leasable area of approximately 370,000 m<sup>2</sup> (432,500 m<sup>2</sup> at the end of H1/2020). The property portfolio has a high occupancy rate of 93%.

Net rental income for the reporting period was EUR 27 million (EUR 56 million for the full year 2020). Annualized net rental income based on the end of the review period was EUR 61 million (EUR 59 million at the end of June 2020), which corresponds to an initial return of approximately 6.2%.

The fund negotiated some rent reductions at H2 2020 and deferred payment arrangements were also done with the tenants suffering from Covid-19 impacts. At the moment situation is stable and also the first payments of deferred payments negotiated in H1 2020 started at H2 2020 and only 2.7 % of the 2020 rental income remain impacted. Nevertheless, the challenging market situation, the fund succeeded exceptionally 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 471 individual rental agreements and 337 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 5.6 years (5.7 years at the end of June 2020).

In

H2 2020 the fund continued construction on two major development projects i.e. a parking facility in Helsinki Jätkäsaari for the Port of Helsinki and a local centre in Tampere Kaleva with anchor tenants Kesko and Isku Group.

During the reporting period, the fund divested eight non-strategic properties outside the Helsinki area.

Divestments were:

- In December, divestment of a retail property – Transaction value, approximately EUR 21 million
  - Koy Myllytie 1, Järvenpää
- In December, divestment of seven retail properties – Transaction value, approximately EUR 100 million
  - Koy Kaarinan Jännekatu 2-4, Koy Kangasalan Mäkirinteentie 4, Koy Nokian Nuijamiestentie 9, Koy Keravan Peltomäenkatu 2-4, Koy Seinäjoen Päivöläkatu 40, Koy Valkeakosken Hakalantie 1, Koy Nurmijärven Kiljavantie 5

The fund made no new acquisitions but in line with its strategy, it 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 97% of rental income.

*Annualized rental income by asset location and type as of 31 December 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	20%
Hämeenlinna	8%	Daily Services	11%
Kuopio	3%	Discount Retail	7%
Turku Area	2%	Hotel	5%
		Industrial	3%

## Fund subscriptions & redemptions

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 (three months notice period, in the end of September). Aggregate subscriptions during the reporting period amounted to EUR 14 million, while redemptions amounted to EUR 30 million. The fund's next joint subscription and redemption days will occur at the end of June (three months notice period, in the end of March).

The fund intends to distribute app. 5 percent 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 June 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 2020 the fund's LTV ratio was 39,7% (39% as of the end of June 2020). The fund's interest coverage ratio was 4.5x (5.7x) on a rolling 12-month basis.

## Outlook

The fund continues to see attractive opportunities to continue to growth in the current market in line with its strategy. The fund expects to invest EUR 100 million in new acquisitions and building projects during the next 6 months. Active letting and ongoing development projects also advocates a positive outlook for the beginning of 2021. The fund expects positive equity inflow during 2021. Furthermore, the fund will refinance a part of its financing in 2021.



eQ Liikekiinteistöt

**CONSOLIDATED INCOME STATEMENT**

1.1.-31.12.2020

<b>Gross Rental Income</b>	<b>72 380 424,28</b>
Property operating expenses and expenses from leasing operation	-29 956 824,59
<b>Net Rental Income</b>	<b>42 423 599,69</b>
Property sale gains	15 499 670,95
<b>Unrealized profit (loss) for the period</b>	<b>6 157 106,04</b>
Other operating gains	3 690 617,22
Fees to the management company and custodian	-13 370 905,51
Other operating expenses	-2 904 279,63
<b>Operating Profit</b>	<b>51 495 808,76</b>
Financial income	671 284,37
Interest to financial institutions	-7 984 583,32
Financial expenses	0,00
<b>Profit before taxes</b>	<b>44 182 509,81</b>
<b>Profit for the period</b>	<b>44 182 509,81</b>

<b>ICR for the preceeding 12 months</b>	<b>4,5:1</b>
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**eQ Liikekiinteistöt**  
**CONSOLIDATED BALANCE**  
**SHEET**

**31.12.2020**

<b>ASSETS</b>	
NON-CURRENT ASSETS	
Investment properties	985 058 869,00
Other intangible assets	20 003 173,09
CURRENT ASSETS	
Short-term receivables	
Other receivables	67 883 589,00
Prepayments and accrued income	
CASH AND CASH EQUIVALENTS	102 033 781,77
<b>TOTAL ASSETS</b>	<b>1 174 979 412,86</b>
<b>EQUITY AND LIABILITIES</b>	
FUND VALUE	
Fund assets	766 906 565,99
Distributions	-129 608 170,88
Profit for the previous periods	-8 338 746,77
Profit for the period	44 182 509,81
<b>TOTAL FUND VALUE</b>	<b>673 142 158,15</b>
LIABILITIES	
Long-term liabilities	
Loans from financial institutions	310 000 000,00
Long-term liabilities	130 000 000,00
Short-term liabilities	
Other liabilities	8 744 233,27
Accruals and deferred income	53 093 021,44
<b>TOTAL LIABILITIES</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 174 979 412,86</b>
INTEREST-BEARING LIABILITIES	440 000 000,00
	1 107 095
FUND'S TOTAL ASSETS	823,86
<b>FUND LOAN TO VALUE</b>	<b>39,74 %</b>

**eQ Liikekiinteistöt****Consolidated Statement of Cash Flows****1.1.-31.12.2020**

<b>Cash flows from operating activities</b>		
Profit before taxes		44 182 509,81
Unrealized profit (loss) for the period		-6 157 106,04
	Finance income and costs	0,00
	Other adjustments	0,00
Change in working capital		
	Current non-interest bearing receivables, increase(-) / decrease(+)	-5 498 529,69
	Current non-interest bearing liabilities, increase(+ ) / decrease(-)	12 550 609,19
Interest paid and other finance cost		0,00
Interest received		0,00
Taxes paid		0,00
<b>Net cash flows from operating activities</b>		<b>45 077 483,27</b>
<b>Cash flows from investing activities</b>		
Payments from tangible and intangible assets		-95 246 494,81
<b>Net cash flows from investing activities</b>		<b>-95 246 494,81</b>
<b>Cash flows from financing activities</b>		
	Short-term interest bearing Liabilities, increase(+ ) / decrease(-)	0,00
	Long-term interest bearing Liabilities, increase(+ ) / decrease(-)	0,00
	Fund subscription	77 470 871,92
	Fund redemptions	-78 580 397,34
	Distributions	-42 698 458,62
	Other items	-671 284,37
<b>Net cash flows from financing activities</b>		<b>-44 479 268,41</b>
<b>Change in cash and cash equivalents</b>		<b>94 648 279,95</b>
<b>Cash and cash equivalents at the beginning of reporting period</b>		<b>7 385 501,82</b>
<b>Cash and cash equivalents at the end of reporting period</b>		<b>102 033 781,77</b>