

ORAVA RESIDENTIAL REIT PLC
HALF YEAR FINANCIAL REPORT
1 JANUARY–30 JUNE 2017



ORAVA

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CEO'S COMMENTS

"Despite an improvement in the second quarter, the Orava Residential REIT's result remained modest. Rental operations developed well but there was no positive impact on the result from apartment value change and acquisitions.

The annual increase in the prices of old apartments in the whole country, which is crucial for the financial result of Orava Residential REIT, still remains at no more than approximately 1%. The poor price trends are mainly caused by the slow increase in the household disposable income, the rapid increase in the supply of new housing, and the demand for apartments mainly focussing on new housing production.

The main indicators show positive trends for rental operations: the economic occupancy rate increased to 94.1 per cent, gross rental yield to 7.0



per cent and net rental yield to 4.3 per cent. All of the above indicators showed an improvement compared to both the previous year and the previous quarter. The proportion of investment property maintenance and repair costs of the portfolio value decreased, largely due to seasonal fluctuation (mainly lower heating costs), from 3.1 per cent in the previous quarter to 2.8 per cent. In the second quarter, apartment sales remained at EUR 1.6 million, as the demand on apartments to be sold did not remain on as good level as last winter.

We have investigated the possibility to buy the company's own shares in order to profit from the current low share valuation level. The purpose is to sell apartments at their balance sheet values and then acquire shares in the company at a significantly lower price than their net asset value per share is. The investigations are still ongoing, but based on the current estimate, the company's Board of Directors will apply for authorisation for acquiring shares from an extraordinary General Meeting to be held in the autumn.

The company estimates that its result for 2017 will be in the range of 0 to +3 million euros."

1 April–30 June 2017

- Revenue: EUR 2.9 million (1 April–30 June 2016: EUR 2.9 million)
- Result: EUR 34,000 (EUR -0.4 million)*
- Earnings per share: EUR 0.00 (EUR -0.04)
- Comprehensive profit: EUR 34,000 (EUR -0.4 million)
- Economic occupancy rate: 94,1% (90.1%)
- Gross rental yield: 7.0% (6.9%)
- Net rental yield: 4.3% (4.0%)
- Profit from assignments and changes in fair value: EUR -0.5 million (EUR -0.2 million)
- Total dividends distributed during the period under review: EUR 0.03 per share (EUR 0.27 per share)

* Income statement item Profit/loss for the period.

1 January–30 June 2017

- Revenue: EUR 5.3 million (1 January–30 June 2016: EUR 7.7 million)
- Result: EUR -0.9 million (EUR 1.5 million)*
- Earnings per share: EUR -0.10 (EUR 0.18)
- Comprehensive profit: EUR -0.9 million (EUR 1.4 million)
- Economic occupancy rate: 94,0% (90.0%)
- Gross rental yield: 6.9% (6.8%)
- Net rental yield: 3.9% (3.8%)
- Profit from assignments and changes in fair value: EUR -1.4 million (EUR 1.7 million)
- Total dividends distributed during the period under review: EUR 0.06 per share (EUR 0.54 per share)

* Income statement item Profit/loss for the period.

Adjusted net assets per share of Orava Residential REIT plc amounted to EUR 9.95 on 30 June 2017 while they were EUR 10.11 at the beginning of 2017. The value of the company's investment properties amounted to EUR 205.4 million at the end of the period under review (31 December 2016: EUR 210.9 million).



OPERATING ENVIRONMENT

National economy

Finnish GDP growth is expected to be between +1.4% and +2.6% this year and stay between +1.3% and +1.9% next year. The growth of private consumption, very important for the housing market, is expected to be between +1.0% and +1.8% this year, while it is expected to remain between +0.9% and +1.5% next year. The market interest rates in the euro area are still low, and short-term market rates are also expected to remain below one percent for the next three to four years.

The estimate is based on the most recent economic forecasts by 15 parties drawing up forecasts on the Finnish economy, compiled by the Federation of Finnish Financial Services, and the market interest rate expectations calculated on the basis of the euro interest rate curve published by the European Central Bank.

We expect the slow strengthening of the housing market in Finland to continue.

Demand in the housing market

During April–June, households drew down EUR 4.9 billion in new mortgages, or 6% less than a year previously according to statistics from the Bank of Finland. The euro-denominated mortgage base totalled EUR 95.0 billion at the end of December, and the annual growth in the mortgage base slowed down to 2.1 per cent. According to OP Financial Group, housing companies' mortgages increased by 13 percent between 1 January 2016 and 1 January 2017.

According to the January–June statistics of the Central Federation of Finnish Real Estate Agencies, the change in the number of transactions regarding old apartments was -0.6 per cent compared to the corresponding period in the previous year. According to the Federation, the first quarter of 2017 saw an increase in the number of transactions in old apartments, but the second quarter sunk into the red. In June, there was a decrease in the year-over-year number of transactions in old apartments.

The average marketing period for old apartments in the country overall increased from 66 days in April to 81 days in July according to the Finnish Etuovi.

com marketing service, while it was 74 days in July in the previous year.

The increase in the demand on old apartments in the country overall came to a halt in the second quarter.

Supply in the housing market

According to Statistics Finland, building permits for apartment blocks were granted for 3,910 apartments in May, which was 48% more than a year previously. Correspondingly, in January–May, building permits for apartment blocks were granted for a total of 14,217 apartments, or 2% less than a year previously. The annual change in the sliding annual sum of building permits granted for apartment blocks rose to +27%.

The three-month change in the housing construction volume index, which describes the value of on-going new construction, was +6% in May, and the change year-on-year was +15%.

According to the July confidence indicator survey of the Confederation of Finnish Industries, the balance figure for construction production for the past three

months was +34 points in the second quarter of the year, while it was +23 points in the previous quarter and +32 points a year before. The balance figure for the three-month production expectation was +20 points, compared to +34 points in the previous quarter and +23 points a year before. The number of unsold residential apartments compared to normal fell from -18 in the first quarter to -23 in the second quarter; a year ago, the balance figure was -50 points.

The supply in the housing market has continued growing during the second quarter.

Prices and rents in the housing market

According to Statistics Finland, In the second quarter of 2017, the rents of non-subsidised apartments increased by 2.4% year-on-year and by 0,6% from the first quarter.

The change in housing prices in the second quarter according to the housing price index from Statistics Finland was 1.2% year-on-year. The change in the housing price index from the previous quarter calculated by Statistics Finland was +1.5%, which

we estimate to correspond to a change of approximately +0.7% when seasonally adjusted. The twelve-month change, based on the average square metre prices reported by Statistics Finland, was +2.0% and the change from the previous quarter was +1.1%.

Correspondingly, based on the monthly data from Statistics Finland, the change from March to June in the housing price index was +0.7%, and the change in the average square metre prices during the same period was +0.1%.

The Orava 20 index, which describes the price trend for apartment block apartments in 20 major towns in Finland based on the average prices per square metre in advertisements on Oikotie.fi, increased between 30 June 2016 and 30 June 2017 by 1.4% and decreased between 31 March 2017 and 30 June 2017 by 1.7%. The twelve-month change in square metre prices, based on the average asking prices for all types housing in the country overall calculated by Etuovi.com, was -4.1% in July and -2.2% between March and June.

The ratio of housing prices to rents is slightly below the long-term average; the ratio calculated

from the square metre prices of apartment block apartments in the fourth quarter and the rents of non-subsidised apartments was 15.2. The 43-year average for the ratio of square metre prices to annual rents in Finland is 16.9.

We still expect housing prices in the country as a whole to increase by 1 to 3 per cent during the next 12 months, and the growth rate in rents for non-subsidised apartments to remain approximately the same if the market's interest rate expectations and economic forecasts are correct with regard to their essential components affecting the housing market.

Rental operations

The economic occupancy rate of rental operations in the second quarter was 94.1 per cent, which is higher than in the previous quarter (93.8 per cent). The gross rental yield in the second quarter was 7.0 per cent.

In the six-month period, the economic occupancy rate was 94.0 per cent (1 January–30 June 2016: 90.0 per cent) and the gross rental yield was 6.9 per cent (1 January–30 June .2016: 6.8 per cent).



	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016
Gross rental yield, %	6.9	6.8
Net rental yield, %	3.9	3.8
Economic occupancy rate, %	94.0	90.0
Operational occupancy rate, %	94.2	91.4
Tenant turnover/month, %	3.2	2.7

Age and regional distributions of the investment portfolio	30 June 2017	30 June 2016
Newer (1990 onwards)	69%	69%
Older (up to 1989)	31%	31%
Helsinki Region	38%	38%
Major cities	30%	31%
Medium-sized cities	32%	31%

At the end of the period, there were a total of 1,657 residential apartments and business premises (Q2 2016: 1,733), 1,456 tenancy agreements (Q2 2016: 1,425) and 92 apartments were for sale (Q2 2016: 105). Approximately 99 per cent of the entire tenancy agreement base for residential apartments is in agreements valid until further notice. A total of 155 agreements were terminated in the second quarter (Q2 2016: 144).

Acquisitions

No acquisitions of apartments were made during the first half of 2017.

Apartment sales

Despite the decrease in apartment sales from the first quarter to the second quarter, the total apartment

sales during the first half of the year was better than in the first half of last year. In the second quarter, the company sold a total of 14 apartments from eight different housing companies. The debt-free selling prices of the apartments totalled EUR 1.6 million, while the sales commissions were EUR 51,000.

In the six month period, Orava Residential REIT sold 38 apartments (2016: 42 apartments) at a total debt-free price of EUR 5.0 million (1 January–30 June 2016: EUR 4.8 million).

Investment properties on 30 June 2017

The fair value of investment properties at the end of the period totalled EUR 205.4 million (31 December 2016: EUR 210.9 million). On 30 June 2017, Orava Residential REIT had a total of 1,657 apartments (31 December 2016: 1,696), with a total floor area

of about 106,000 m² (31 December 2016: 109,000 m²). The apartments were located in 128 different housing companies, where the company's holding is 100% in 13 of the cases. More detailed information on the investment properties is presented in the tables section.

The values of the apartments owned by the REIT are measured at fair value at least on a monthly basis and are published at least on a quarterly basis, and always when a change in the REIT's economic situation requires it or when changes in the condition of the real estate have a material impact on the value of the holdings of the REIT. A more detailed account of the apartment price measurement model is presented in the 2016 financial statements.





Consolidated profit for the period

The Group's revenue for the second quarter totalled EUR 2.9 million (Q2 2016: EUR 2.9 million). The revenue was divided into income from ordinary operations of EUR 3.4 million (Q2 2016: EUR 3.1 million) and capital gains of EUR -0.5 million (Q2 2016: EUR -0.2 million). The returns on rental operations include rental income and compensation for use. Gains consist of the changes in the fair value of the apartments and the profit from sales of apartments less sales commissions for sold apartments.

Operating expenses for the first quarter totalled EUR 2.1 million (Q1 2016: EUR 2.3 million), of which maintenance costs and annual repairs amounted to EUR 1.4 million (Q2 2016: EUR 1.5 million) and the performance-based management fee totalled 0.0 million (Q2 2016: EUR 0.0 million).

Operating profit for the second quarter amounted to EUR 742,000 (Q1 2016: EUR 0.6 million).

Financial income and expenses for the second quarter totalled EUR -0.7 million (Q2 2016: EUR -0.9 million), and taxes totalled EUR 14,000 (Q2 2016: EUR 18,000).

Profit for the second quarter was EUR 34,000 (Q2 2016: EUR -0.4 million). Comprehensive income items amounted to EUR 0 (Q2 2016: EUR -28,000), and comprehensive profit totalled EUR 34,000 (Q2 2016: EUR -0.4 million).

The Group's revenue for the six-month period totalled EUR 5.3 million (1 January–30 June 2016: EUR 7.7 million). The revenue was divided between income from rental operations of EUR 6.7 million (1 January–30 June 2016: EUR 6.0 million) and capital gains of EUR -1.4 million (1 January–30 June 2016: EUR 1.7 million).

Operating expenses for the six-month period totalled EUR 4.6 million (1 January–30 June 2016: EUR 4.7 million), of which maintenance costs and annual repairs amounted to EUR 3.1 million (1 January–30 June 2016: EUR 3.1 million) and the performance-based management fee totalled EUR 0 (1 January–30 June 2016: EUR 0).

The revenue for the six-month period amounted to EUR 662,000 (1 January–30 June 2016: EUR 3.1 million).

Financial income and expenses for the six-month period totalled EUR -1.6 million (1 January–30 June 2016: EUR -1.5 million), and taxes totalled EUR 52,000 (1 January–30 June 2016: EUR 25,000).

Profit for the six-month period stood at EUR -0.9 million (1 January–30 June 2016: EUR 1.5 million). Comprehensive income items amounted to EUR 60,000 (1 January–30 June 2016: EUR -81,000), and comprehensive profit for the period totalled EUR -0.9 million (1 January–30 June 2016: EUR 1.4 million).

Financing

Financial expenses (net) totalled EUR 1.6 million during the period 1 January–30 June 2017 (Q2 2016: EUR 1.5 million).

Optional statement on cash flows

Cash flows from operations including income from sales	1 January-30 June 2017	1 January-30 June 2016
Cash flow from operations before financial items	1,720	1,281
Income from sales of investment properties at debt-free prices	5,027	4,754
Taxes paid, as well as interest and other financial expenses, net	-2,107	-1,654
Cash flows from operations	4,640	4,381
Cash and cash equivalents, opening balance	4,141	2,790
Cash and cash equivalents, closing balance	2,251	4,453

The company's strategic target is a debt financing rate of approximately 50 percent, which means that the intention is to refinance the company loan proportions of sold apartments and other loan repayments by taking out new loans. The company has not taken out new loans during the reporting period.

Cash flows from investments and financing	1 January-30 June 2017	1 January-30 June 2016
Acquisition of investment properties less acquired cash and cash equivalents	-1,827	-11,363
Cash flows from investments	-1,827	-11,363
Cash flows from financing, including the company loan proportions of sold apartments		
Drawdowns of and increases in loans	0	20,274
Payments received from share issues	0	4,811
Loan repayments including the company loan proportions of sold apartments	-3,664	-11,977
Dividends paid	-1,039	-4,463
Cash flows from financing activities	-4,703	8,645

On 30 June 2016, the interest-bearing liabilities of Orava Residential REIT amounted to EUR 37.5 million. The interest-bearing loans of Orava Residential REIT and the company loans allocated to the shares in housing companies totalled EUR 111.1 million on 30 June 2016 (31 December 2016: EUR 114.5 million).

In addition to the loans, the long-term liabilities in the statement of the financial position also include EUR 796,000 in rental deposits paid by tenants (31 December 2016: EUR 794,000).

During the period 1 January–30 June 2017, the cash flow from operations totalled EUR -387,000 (1 January–30 June 2016: EUR -373,000). The full-year interest of EUR 850,000 on a bond was paid on 1 April 2017.

The company's management is monitoring the development of sales of investment properties on a monthly basis as part of cash flow from operations. During the period 1 January–30 June 2017, the cash flow from operations including the debt-fee sales prices of investment properties totalled EUR 4,640,000 (1 January–30 June 2016: EUR 4,381,000). The company has used the cash flow from opera-

tions and its cash for acquisitions, loan repayments and dividends. The company has not taken out new loans.

Shares and shareholders of Orava Residential REIT

The company can allocate shares to itself in charge-free share issues and use them to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds.

The company did not conclude any new convertible bond agreements during the six-month period, nor does the company have any outstanding convertible bond agreements. On 30 June 2017, the shareholders' equity was EUR 95.5 million (31 December 2016: EUR 97.0 million). More detailed information on shareholders' equity is presented in the tables section, in paragraph 5.3.

The trading code for the company's shares is OREIT. During the six-month period, the average daily turnover of shares was approximately EUR 152,000.

At the end of June 2017, the company had over 6,800 shareholders. Of the total number of shares, 2.7 per cent were nominee registered. Each share is entitled to one vote

Distribution of shareholding by owner category on 30 June 2017

	Shares	%
Private companies	2,074,539	21.6%
Financial institutions and insurance companies	568,300	5.9%
Public sector entities	91,236	1.0%
Non-profit organisations	171,654	1.8%
Households	6,413,242	66.8%
Foreign shareholders	18,687	0.2%
Nominee registered	261,252	2.7%
Orava Residential REIT plc	0	0.0%
TOTAL	9,598,910	100.0%



List of owners on 30 June 2017, the 10 largest

Shareholder	Osakkeiden lukumäärä	%
Royal House Oy	438,257	4.6
Maakunnan Asunnot Oy*	435,664	4.5
OP Life Assurance Company Ltd	254,645	2.7
Ollikainen Pekka	152,000	1.6
Orava Rahastot plc***	134,991	1.4
Osuusasunnot Oy	127,100	1.3
Ålands Ömsesidiga Försäkringsbolag	100,000	1.0
Godoinvest Oy**	79,360	0.8
Ström Leif	64,838	0.7
Fennia Life Insurance Company Ltd.	0,717	0.6
Total	1,847,472	19.2

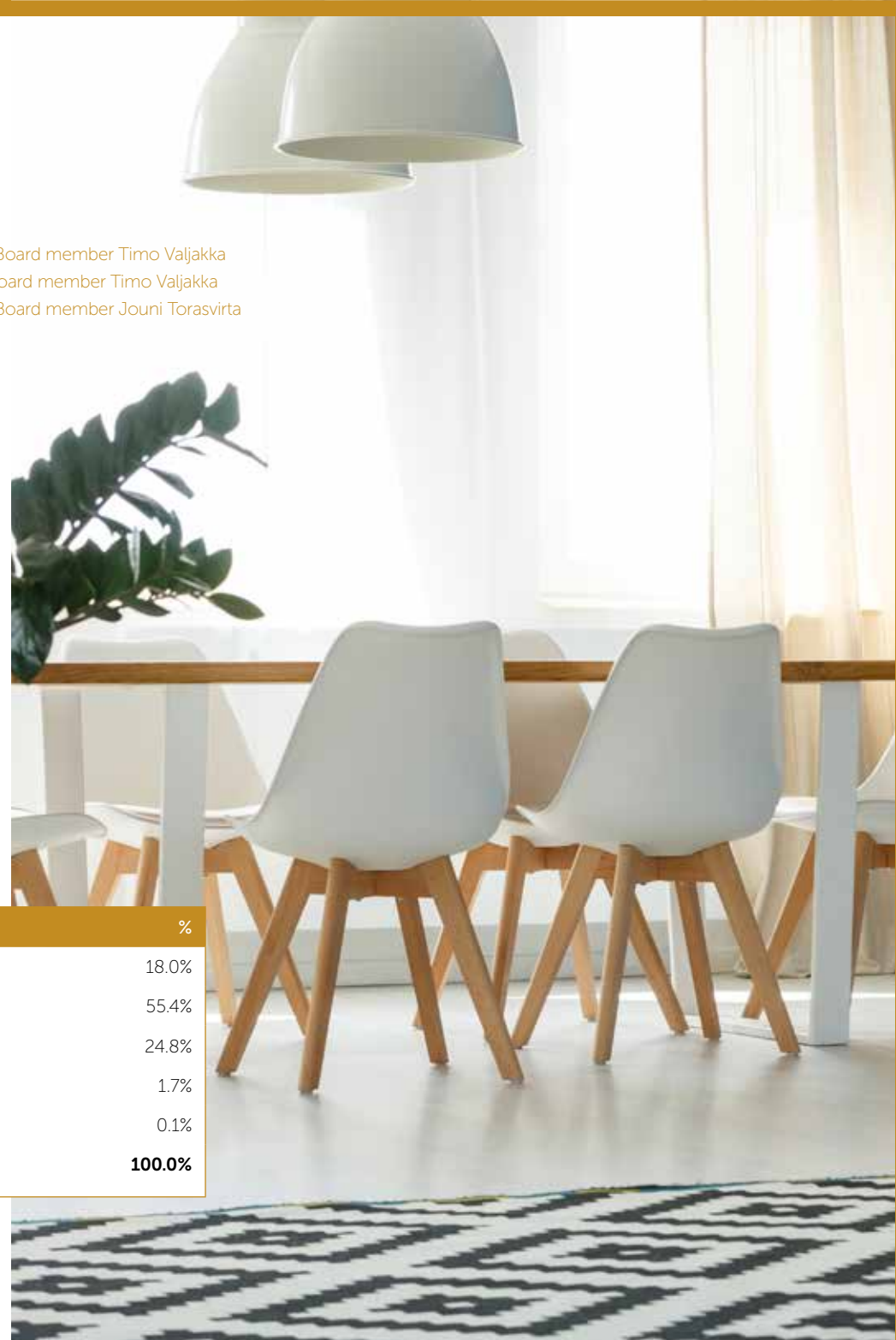
* Company under the influence of Board member Timo Valjakka

** Company under the control of Board member Timo Valjakka

*** Company under the control of Board member Jouni Torasvirta

Distribution of shareholding by order of magnitude on 30 June 2017

Number of shares	Shares	%	Holdings	%
1 - 100	53,872	0.6%	1,236	18.0%
101 - 1 000	1,328,910	13.8%	3,797	55.4%
1 001 - 10 000	3,943,212	41.1%	1,695	24.8%
10 001 - 100 000	2,629,359	27.4%	113	1.7%
100 001 -	1,643,557	17.1%	7	0.1%
9 598 910	9,598,910	100.0%	6,848	100.0%





Management of the Residential REIT

Orava Residential REIT was established on the initiative of Orava Funds plc. Orava Funds is responsible for the organisation, management and development of the operations and administration of the Residential REIT. The Residential REIT has no personnel of its own.

As compensation for management services, Orava Residential REIT pays the management company 0.6% of the fair value of the assets of the REIT as an annual fixed management fee and 20% of the annual return on the REIT exceeding the hurdle rate of 7% as a performance-based management fee. The stock exchange price is used in the calculation of the performance-based management fee, if it is lower than net assets per share. The performance-based management fee is only paid if the closing stock exchange price for the financial period is higher than the highest closing stock exchange price for the previous financial periods, adjusted for dividends, issues and splits.

The fixed management fee is calculated on a quarterly basis, and the value is considered to be the latest fair value of the assets according to IFRS in the previous quarter. The fixed management fees during the period under review 1 January–30 June 2017 amounted to EUR 641,000 (1 January–30 June 2016: EUR 618,000).

On the basis of the company's net assets per share, share price and dividend distribution realised in 2017, no performance-based management fee has been booked (1 January–30 June 2016: EUR 0,000).

During the six-month period, Newsec Asset Management Oy and Ovenia Oy were paid a total of EUR 411,000 for financial administration and other support activities and for apartment rental operations and administrative services, including value-added tax.



Personnel

The personnel of Orava Residential REIT are part of the business organisation of the management company. The management company is responsible for the personnel expenses incurred from the operational activities of the Residential REIT.

Board of Directors and auditors

The Board of Directors of Orava Residential REIT is composed of six members: Patrik Hertsberg, Mikko Larvala, Veli Matti Salmenkylä, Petra Thorén, Jouni Torasvirta and Timo Valjakka. The Chairman of the Board is Jouni Torasvirta and the Vice Chairman is Patrik Hertsberg. The Board of Directors convened a total of 6 times during the period under review. The Board members' rate of attendance at Board meetings was 94%.

Orava Residential REIT's auditor is the auditing company PricewaterhouseCoopers Oy, with Tuomas Honkamäki, APA, as the chief auditor. The auditor is paid a fee in accordance with the invoice approved by the company.

Authorisations of the Board of Directors

The Annual General Meeting decided on 22 March 2017 to authorise the Board of Directors to decide on share issues and the issue of option and other special rights giving entitlement to shares so that the Board of Directors may decide to issue no more than 5,000,000 shares in the company's possession or new shares which do not give entitlement to dividends in 2017. The authorisation is valid until 31 March 2018. No shares had been issued by 30 June 2017 on the basis of the authorisation.

Management

Pekka Peiponen is the CEO of Orava Residential REIT. The management of Orava Residential REIT is part of the business organisation of the management company Orava Funds plc. The management company is responsible for the costs of personnel and management incurred from the REIT's operational activities.

Regulation

The current rules for real estate investment operations are available on the company's website www.oravaasuntorahasto.fi and they are included as an appendix.

Near-term risks and uncertainties

Orava Residential REIT estimates that the key risks and uncertainties for the company in the near future will be related to changes in the value of apartments, the acquisition of investment properties and repair costs. In the company's opinion, the most significant of these is the changes in the value of apartments.

The fluctuations on the value of apartments in the housing market affect the value of the company's apartments and, thereby, its financial result. Changes in the housing market are beyond the company's control.

It may be challenging and difficult for the company to acquire investments that meet the company's goals. In addition, it may be difficult for the company to secure equity and debt financing for investments under competitive terms and conditions.

Major unexpected repairs and repair costs would have a negative impact on occupancy rate, rental income and profitability.



MAJOR EVENTS

1 JANUARY–30 JUNE 2017

There was a change in the market guarantee of the shares of Orava Residential REIT (trading code OREIT) when the market guarantee functions of Nordea Bank Finland Plc were transferred to Nordea Bank Ab as the companies merged on 2 January 2017. Following the merger, Nordea Bank Ab is responsible for all existing and possible future rights and obligations of Nordea Bank Finland plc. The change took effect on Monday, 2 January 2017.

The company annulled 58,657 treasury shares held by the company (ISIN code FI4000068614, trading code OREIT). When the annulment of shares was recorded in the Trade Register on 24 January 2017, the number of the company's shares decreased by 58,657 from 9,657,567 to 9,598,910.

On 22 March 2017, the Annual General Meeting decided to authorise the Board of Directors to decide on the distribution of dividends of a maximum of EUR 0.12 per share. A maximum of EUR 1,151,869.20 may be paid in dividends. The maximum dividend payable quarterly is EUR 0.03 per share. The dividend payment dates are 31 March 2017, 30 June 2017, 29 September 2017 and 29 December 2017. The Board of Directors

was authorised to decide on the amount of dividends and their payment by quarter within the aforementioned restrictions, provided that the company's solvency is not jeopardised as a result of the dividend payments. The Board of Directors was authorised to decide on the record dates of dividend payments.

The AGM decided to grant a share issue authorisation to the Board of Directors so that, on the basis of the authorisation, the Board may decide to issue no more than 5,000,000 new shares in the company, which do not provide any entitlement to dividends during 2017. The authorisation is valid until 31 March 2018, and it superseded the previous authorisation given on 22 March 2016.

At the meeting held after the actual AGM, the Board of Directors of Orava Residential REIT elected Jouni Torasvirta as the Chairman from among the members and Patrik Hertsberg as the Vice Chairman. According to the authorisation received from the AGM, the Board of Directors decided that the dividends to be paid on the share of Orava Residential REIT (trading code OREIT, ISIN code FI4000068614) on 31 March 2017 shall be EUR 0.03, the dividend detachment date 23 March 2017 and the record date 24 March 2017. The total amount of dividends was EUR 287,967.30.

Orava Residential REIT applied to the Large Taxpayers' Office for a preliminary ruling which would enable the acquisition of the company's own stock. On 7 April, the company received a negative decision from the Large Taxpayers' Office to the application. The company has appealed the ruling to the Administrative Court of Helsinki.

A party that subscribed shares in the share issue in 2013 did not pay up the shares. The company and the main issue organiser, United Bankers Securities Ltd, have demanded that the subscriber compensate for the non-payment as defined in chapter 2, section 7 of the Finnish Limited Liability Companies Act. On 11 May 2017, the District Court of Helsinki ruled that the non-paying party shall pay liabilities amounting to approximately EUR 1.2 million to Orava Residential REIT. The ruling is not yet final. The expects that the sum cannot be obtained from the convicted party who has been declared bankrupt.

On 30 June 2016 the company has signed an agreement with JLL (Jones Lang LaSalle Finland Oy). According to the agreement JLL will develop a quantitative model to value the investment portfolio of Orava Residential REIT. Goals of the cooperation are to use the values of the apartments received from



the model as a reference to validate the fair values calculated using the Orava Residential REIT's own valuation model and to develop Orava Residential REIT's modelling. Additionally the company pursues more frequent and cost effective external valuations. At the same time, in order to cut costs, the company has not ordered external valuations of the apartments calculated using the traditional appraisal methods for the second quarter.

Events after the financial period

After the reporting period, apartments of Orava Residential REIT have been sold during the period 1 July–11 August 2017 at debt-free prices totalling EUR 1.0 million. The total sales of apartments this year was EUR 6.0 million by 11 August.

Dividends per share paid during the period under review:

FI4000068614	
31 March 2017, 1st dividend	EUR 0.03
30 June 2017, 2nd dividend	EUR 0.03
Total	EUR 0.06

Dividend

Year 2017

The Annual General Meeting of 22 March 2017 decided to distribute dividends of no more than EUR 0.03 per share from the profit for 2016 in each quarter of 2017, i.e. in total at most EUR 0.12 per share in 2017.

FUTURE OUTLOOK (CHANGED)

Orava Residential REIT estimates that its result for 2017 would be positive and in the range of EUR 0 to +3 million. (Previously from EUR +1 million to EUR +4 million). The guidance has been changed due to the modest result of the second quarter.

The change in the value of current apartments in the investment portfolio is expected to be slightly positive during the second half of the year. The gross and net rental yield is expected to remain approximately at their present levels, and the volume of acquisitions is expected to be modest in the second half of the year. The ratio of maintenance and repair costs to the value of investment properties is expected to close to the figures for the first half of the year. Due to the low predictability of the change in the value of current apartments, the company's guidance has significant uncertainty.

Helsinki, 16 August 2017

Orava Residential REIT plc
Board of Directors



Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1 Apr-30 Jun 2017	1 Apr-30 Jun 2016	1 Jan-30 Jun 2017	1 Jan-30 Jun 2016
Revenue					
Income from rental operations	2	3,357	3,097	6,654	6,021
Gains from disposals and changes in the fair value of apartments	2	-470	-187	-1,363	1,726
Total revenue		2,887	2,910	5,291	7,747
Maintenance expenses	3	-1,395	-1,469	-3,122	-3,062
Expenses from rental operations	3	-176	-230	-283	-329
Administrative expenses	3	-568	-639	-1,214	-1,287
Other operating income and expenses	3	-7	1	-11	3
Total expenses		-2,146	-2,337	-4,630	-4,675
Operating Profit		742	573	662	3,071
Finance income		3	2	5	4
Finance expenses		-697	-919	-1,561	-1,550
Finance income and expenses total	5.1	-694	-917	-1,556	-1,546
Profit before taxes		48	-344	-894	1,525
Direct taxes	3	-14	-18	-52	-25
Profit/loss for the period		34	-362	-946	1,500
Profit/loss for the period attributable to					
the owners of the parent company		34	-362	-946	1,500
Earnings per share calculated from the profit attributable to the owners of the parent company					
Earnings per share, undiluted, EUR	5.8	0.00	-0.04	-0.10	0.18
Other comprehensive income items					
Items that may in the future be reclassified to profit or loss					
Derivatives - interest rate swaps	5.7	0	-28	60	-81
Items that are not reclassified to profit or loss					
		0	0	0	0
Comprehensive profit/loss for the period		34	-390	-886	1,419
Comprehensive profit/loss for the period attributable to					
the owners of the parent company		34	-390	-886	1,419
non-controlling interests		0	0	0	0



Consolidated statement of financial position

Consolidated statement of financial position	EUR 1,000	Note	30 Jun 2017	31 Dec 2016
ASSETS				
Non-current assets				
Investment properties in rental use		4	194,724	197,768
Investment properties available for sale		4	10,648	13,133
Fair value of investment properties		4	205,372	210,901
Current assets				
Rental and other receivables		2, 5.2	1,541	1,059
Cash and cash equivalents		5.2	2,251	4,141
			3,792	5,200
TOTAL ASSETS			209,164	216,101
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent company				
Share capital		5.8	72,131	72,131
Share issue			0	0
Reserve for invested unrestricted equity		5.8	23,309	23,309
Hedge reserve		5.7	0	-60
Retained earnings			989	99
Profit for the period			-946	1,527
Total equity			95,484	97,007
Liabilities				
Non-current liabilities				
Interest-bearing liabilities		5.3	105,080	106,407
Other non-current liabilities		5.3	796	794
Total non-current liabilities			105,876	107,201
Current liabilities				
Interest-bearing liabilities, borrowings		5.3	2,090	2,936
Trade payables and other current liabilities		3, 5.3	1,787	3,772
Derivatives		5.7	0	60
Total current liabilities			3,877	6,768
Liabilities allocated to investment properties available for sale			3,926	5,123
Total liabilities			113,680	119,093
TOTAL EQUITY AND LIABILITIES			209,164	216,101



Consolidated statement of cash flows

Consolidated statement of cash flows	1 Jan-30 Jun 2017	1 Jan-30 Jun 2016	1 Jan-31 Dec 2016
EUR 1,000			
Cash flows from operational activities			
Payments received from rental operations	6,302	6,107	12,646
Payments for operating expenses	-4,582	-4,826	-9,043
Cash flows from operational activities before financial items	1,720	1,281	3,603
Interest paid and other finance expenses, net	-2,106	-1,668	-3,453
Taxes paid	-1	14	-195
Net cash flows from operational activities	-387	-373	-45
Cash flows from investment activities			
Acquisition of subsidiaries less acquired cash and cash equivalents	-1,827	-11,363	-14,512
Income from divestures of investment properties	2,748	2,871	6,613
Net cash flows used in investments	921	-8,492	-7,899
Cash flows from financing activities			
Drawdowns of and increases in loans	0	20,274	32,507
Payments received from the issue of a convertible bond	0	4,811	9,133
Loan repayments	-1,385	-10,094	-23,405
Dividends paid	-1,039	-4,463	-8,939
Net cash flows used in financing activities	-2,424	10,528	9,296
Net decrease (-) / increase (+) in cash and cash equivalents	-1,890	1,663	1,351
Cash and cash equivalents at the beginning of the period	4,141	2,790	2,790
Cash and cash equivalents at the end of the period	2,251	4,453	4,141



Statement of changes in equity

EUR 1,000	1	2	3	4	5	6
Equity on 31 Dec 2014	57,863	2,260	-493	10,230	69,860	69,860
Proceeds from shares issued 11 Feb 2015	396	24			420	420
Proceeds from shares issued 26 Feb 2015	50	8			58	58
Proceeds from shares issued 31 Mar 2015	2,442	361			2,803	2,803
Conversion of convertible bond 19 Mar 2015	2,024	490			2,514	2,514
Proceeds from shares issued 29 May 2015	505	80			585	585
Conversion of convertible bond 17 Jun 2015	3,776	725			4,501	4,501
Proceeds from shares issued 29 Jun 2015	4,377	493			4,871	4,871
Conversion of convertible bond 29 Jun 2015		500			500	500
Proceeds from shares issued 31 Jul 2015	697	65			762	762
Conversion of convertible bond 29 Sep 2015		4,500			4,500	4,500
Proceeds from shares issued 18 Dec 2015		1,455			1,455	1,455
Conversion of convertible bond 31 Dec 2015		2,750			2,750	2,750
Cost to gain equity		-705			-705	-705
Distribution of dividends 31 Mar 2015				-1,795	-1,795	-1,795
Distribution of dividends 30 Jun 2015				-1,927	-1,927	-1,927
Distribution of dividends 30 Sep 2015				-2,080	-2,080	-2,080
Distribution of dividends 30 Dec 2015				-2,150	-2,150	-2,150
Profit from the period				6,931	6,931	6,931
Comprehensive income items			-3		-3	-3
Maturing of hedging instrument			493		493	493

The company's equity consists of share capital, the reserve for invested unrestricted equity and retained earnings. Fees paid to outsiders related to an increase in the share capital are deducted from equity. The company may only distribute its assets as dividends. In accordance with the Tax Exemption Act, the acquisition of treasury shares is prohibited.

1 Share capital and share issue

2 Reserve for invested unrestricted equity

3 Hedge reserve

4 Retained earnings

5 Total equity attributable to the owners of the parent company

6 Total equity



Statement of changes in equity (continues)

Equity on 31 Dec 2015	72,131	13,008	-3	9,209	94,346	94,346
Conversion of convertible bond 31 Mar 2016		2,750			2,750	2,750
Distribution of dividends Q1 2016				-2,248	-2,248	-2,248
Distribution of dividends Q2 2016				-2,248	-2,248	-2,248
Distribution of dividends Q3 2016				-2,248	-2,248	-2,248
Distribution of dividends Q4 2016				-2,248	-2,248	-2,248
Cost to gain equity		-368			-368	-368
Conversion of convertible bond 30 Jun 2016		2,061			2,061	2,061
Conversion of convertible bond 30 Sep 2016		2,189			2,189	2,189
Conversion of convertible bond 30 Dec 2016		2,500			2,500	2,500
Proceeds from shares issued 18 July 2016		1,170			1,170	1,170
Reversals of provisions				-117	-117	-117
Profit from the period				1,527	1,527	1,527
Comprehensive income items			-57		-57	-57
Equity on 31 Dec 2016	72,131	23,309	-60	1,626	97,007	97,007
Distribution of dividends Q1 2017				-288	-288	-288
Distribution of dividends Q2 2017				-288	-288	-288
Profit from the period				-946	-946	-946
Reversals of provisions				-61	-61	-61
Comprehensive income items			60		60	60
Equity on 30 Jun 2017	72,131	23,309	0	43	95,484	95,484



NOTES

1 Consolidation

Under the Consolidation heading, we have compiled basic information on Orava Residential REIT plc, the main provisions of the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"), as well as the principles related to the consolidation of the Group and the related notes.

To increase the understanding of the calculation principles, Orava Residential REIT describes the accounting policies in connection with the note in question as part of the note.

1.1 Basic details of the Group

Orava Residential REIT plc (business ID 2382127-4, address Fabianinkatu 14 B, 00100 HELSINKI, Finland) was established on 30 December 2010 as a real estate fund as referred to in the Real Estate Funds Act. The up-to-date rules for real estate investment operations are included as an appendix to the financial statements.

The purpose of the company as a real estate fund under the Real Estate Funds Act (1173/1997) is to let apartments and real estate which it owns or possesses due to its shareholding, to engage in ordinary housing management and maintenance focusing on its own property, to exercise construction contracting on the company's own behalf and to finance all these operations. The operations of the company aim to take advantage of the Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (299/2009) ("the Tax Exemption Act"). The company has been granted an exemption from the payment of income tax as of 30 December 2010.

Orava Residential REIT was listed to NASDAQ Helsinki ("Helsingin Pörssi") at October 2013.

Orava Residential REIT's Board of Directors approved these financial statements for publication at its meeting on 16 August 2017.

1.2 Act on the Tax Exemption of Certain Limited Liability Companies Engaging in Apartment Rental Operations (288/2009) ("the Tax Exemption Act")

In Finland, a limited company generally liable for tax and engaged in the rental of residential apartments is exempted from paying income tax in the manner prescribed in the Tax Exemption Act.

The main prerequisites for granting exemption from tax are as follows:

- The company may not be engaged in any other business than that of renting residential apartments
- At least 80% of the company's assets shown on the balance sheet is invested in apartments or real estate primarily intended for residential use
- The other assets of the company besides the residential assets are compliant with the Real Estate Funds Act



- The company's liabilities do not exceed 80%
- No individual shareholder holds more than 10 % of the company's share capital
- The Real Estate Funds Act is applicable to the company

In addition to the above, the requirements for maintaining the exemption from tax are broadly as follows:

- At least 90% of the result must be distributed as dividends every year (excluding any non-materialised change in value)
- The company's shares are listed on the stock exchange on the third year at the latest
- The company does not distribute its funds in any other manner than as dividends

The company becomes partially liable for tax

- to the extent that its rental income is less than 80% of its total income (excluding disposal prices)
- for capital gains from apartments it has owned for less than five years

In the initial stage of company operations, residential apartments owned for less than five years have been disposed of, so a liability to pay tax may arise from such disposals.

It is not possible to set off disposal gains and losses in capital gains taxation. Income tax is only recognised if it is known that the company will become partially liable to pay tax. For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains.

1.3 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applying the IAS and IFRS standards and SIC and IFRIC interpretations endorsed for use in the EU and in force on 30 June 2017. The statements have been prepared in compliance with IAS34. The term "International Financial

Reporting Standards" refers to the standards and their interpretations in the Finnish Accounting Act and provisions based on this approved for application in the EU in accordance with the procedure established in EU Regulation No 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA), as applicable. EPRA Performance Measures are calculated according to the EPRA Best Practices Recommendations of December 2014.

The consolidated financial statements have been prepared in euros. The figures have been rounded to the nearest thousand euros, so the sum total of the individual figures may differ from the total amount presented.

The consolidated financial statements are based on the acquisition cost method apart from investment properties, which are recognised at fair value.



The preparation of IFRS-compliant financial statements requires discretion from the management. Discretion influences the selection and application of accounting principles, the amount of reported assets, liabilities, income and expenses, as well as the notes presented. When exercising discretion, the management uses estimates and assumptions based on previous experience and its best view on the closing date concerning the latest development of the real estate market, in particular. The final outcome may differ from the estimates made. Any changes in estimates and assumptions are recognised in accounting in the financial period during which the estimates or assumptions are adjusted.

The most material estimated items are the measurement at fair value and classification of acquisitions into corporate restructuring or acquisition of real estate properties. The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment proper-

ties corresponding to the holding of the Group has been consolidated.

The information shown in the consolidated financial statements has not been audited.

1.4 Consolidation principles

Orava Residential REIT consolidates the wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated. Accordingly, no minority interests are created in the Group consolidation process.

1.5 Asset items available for sale

In accordance with the company's investment strategy, the aim is to annually sell apartments for

5 to 10 per cent of the value of the investment properties on the company's opening statement of financial position. The sales of apartments are implemented by selling apartments released from rental use individually. The sales of apartments may be supplemented by sales of plots. Apartment sales totalled EUR 1,628,000 in the second quarter. Asset items classified as available for sale are measured at fair value.

The book values of assets items available for sale on 30 June 2017 were EUR 1,648,000 (31 December 2016: EUR 13,133,000).



2 SEGMENTS AND INCOME

In the note on operating income we have collected notes on financial result and the statement of financial position related to revenue and other income, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

The Group's chief operational decision-maker is the Board of Directors. Segment information is based on the monthly reports which the Board of Directors uses for allocating resources and for assessing financial performance.

Orava Residential REIT lets apartments and real estate which it owns or possesses due to its shareholding and engages in ordinary housing management and maintenance focusing on its own property.

The form of segment reporting used by the company is in accordance with the intended use of the investment properties. According to the Tax Exemption Act, at least 80% of the assets shown on the company's balance sheet must be invested in apartments or real estate primarily intended for residential use and rental income from these must

account for at least 80% of its income, excluding the disposal prices of investment properties. The assets shown on the balance sheet and the income of Orava Residential REIT have consisted of apartments and real estate primarily intended for residential use, so no segment division has been performed.

The revenue of Orava Residential REIT is presented in compliance with the accounting principles, divided into income from rental operations and capital gains from disposals and changes in fair value. Income from rental operations is divided into gross rental yield, i.e. income from rental of apartments and other facilities, and compensation for use and resident services. Income from ordinary operations is recognised in the income statement in equal instalments on a monthly basis over the lease period.

The capital gains and losses from apartments are arrived at by deducting the previous quarter's closing balance value from the debt-free selling price. Capital gains also include transaction fees from sales, i.e. estate agents' sales commissions,

changes in the fair value of apartments in the period under review and the share of the apartments of the asset transfer tax, activated repairs and apartment repair expenses that have not been activated yet.

During the period 1 January - 30 June 2017, a total of 38 apartments were sold (2016: 42 apartments).

Orava Residential REIT measures investment properties at fair value according to section 18 in the Real Estate Funds Act. (Kiinteistörahastolaki) and IFRS 13. Changes in fair values are presented in profit and loss in the reporting period they occur.

Changes in fair values are presented in profit and loss. Investment properties are initially recognized at acquisition cost, later carried at fair value. Fair value is the amount of money for which the assets could be exchanged between informed parties willing to enter into the transaction and independent of each other.

The geographical distribution of the value of investment properties and their breakdown by age is also regularly reported to the Board of Directors.





The Helsinki Region includes Helsinki, Espoo, Kauniainen, Vantaa and the surrounding municipalities, while large urban centres of Tampere, Turku, Oulu, Jyväskylä and Lahti are classified as major cities. Medium-sized towns are cities with more than approximately 20,000 inhabitants.

Rental receivables are recognised on the balance sheet at their initial invoiced value. Rental receivables are regularly reviewed. Reminder and collection letters are sent at two-week intervals. An external

Revenue	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Income from rental operations		
Gross rental income	6,408	5,826
Compensation for use and service income	246	195
Gains from disposals and changes in the fair value of apartments	-168	-133
Disposal prices of apartments less the fair value in the previous quarter's closing balance	-158	-164
Brokerage fees for apartments disposed of	-1,037	2,022
Net gains and losses from changes in the fair value of investment properties		
Total	5,291	7,747



collection agency manages the collection of rental receivables. A summons is sent to a district court approximately two months after the first due date.

At the end of every reported period, it is estimated whether there is proof of impairment of the value of receivables. Impairment of rental receivables is recognised under other operating expenses during the period it is incurred. Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations.

On the balance sheet date, the major credit risks faced by the Group were due to rental receivables. The Group does not have any significant concentrations of receivable or credit risks. On 30 June 2017, rental receivables totalled EUR 263 000 (31 December 2016: EUR 223 000).

Distribution of investment property values by their location, %	30 Jun 2017	30 Jun 2016
Helsinki Region	38	38
Major cities	30	31
Medium-size towns	32	31
Total	100	100

Distribution of investment property values by age group, %	30 Jun 2017	30 Jun 2016
Built in 1989 or earlier	31	31
Built in 1990 or later	69	69
Total	100	100

Prepayments	30 Jun 2017	31 Dec 2016
Prepayments	754	505
Rental and trade receivables	263	223
Total	1,017	728



3. Operating expenses

In the note on operating expenses we have collected the notes on financial result and the statement of financial position related to operating expenses, so that their impact on the financial result and statement of financial position of Orava Residential REIT would be better perceived.

The expenses include the management, maintenance and annual repair expenses of investment properties, expenses for rental operations and the administrative expenses of the Residential REIT. Administrative expenses include the remuneration of the Board of Directors, the fixed fee of the management company and other administrative expenses such as administration costs of property managers, Stock Exchange, Central Securities Depository and auditing fees as well as external appraisal costs of investment properties. Other operating expenses include any performance-based fee of the management company and credit losses. Operating expenses are presented on an accrual basis.

Land leases of subsidiaries are treated as other leases, and the rents paid on their basis are recog-

Expenses by type	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Property maintenance expenses	-3,122	-3,062
Expenses from rental operations	-283	-329
Board of Directors' fees	-62	-67
Management fee Orava Funds plc	-641	-618
Other administrative expenses	-511	-602
Other operating expenses	-11	3
Total	-4,630	-4,675

Property maintenance expenses	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Property maintenance expenses less compensation for use	-2,876	-2,867
Property maintenance expenses less compensation for use as percentage of market value, p.a.	2.8 %	2.8 %
Average market value of investment properties during the period, EUR 1,000	207,767	205,154

Property maintenance expenses also include maintenance expenses for residential apartments in the sales portfolio.

Board of Directors' fees	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Jouni Torasvirta	-16	-18
Patrik Hertsberg	-9	-10
Mikko Larvala	-9	-10
Tapani Rautiainen	-4	-10
Petra Thorén	-5	0
Veli Matti Salmenkylä	-9	-10
Timo Valjakka	-9	-10
Total	-62	-67

The fees of the Board of Directors consist of monthly and meeting fees. The Board's attendance at meetings during the period was 94%. The Board held 6 meetings (2016: 10 meetings) during the period. Orava Residential REIT is externally managed. It has no personnel.



Auditor's fees	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Audit, parent company	-64	-37
Audit, subsidiaries	-8	-8
Total	-72	-45

Other operating expenses	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Credit losses	-4	3
Performance-based fee paid to the management company	0	0
Total	-4	3

Trade payables related to expenses	30 Jun 2017	31 Dec 2016
Trade payables	183	162

nised in the income statement under maintenance expenses in equal instalments over the lease period.

The auditor's fees of Parent Company are included in other administrative expenses. The auditor is paid a fee in accordance with the invoice accepted by the company.

Other operating expenses include credit losses from rental operations and the performance-based fee of the management company.

As a performance-based management fee, the REIT pays the management company 20% of

the company's annual return exceeding 7%. The performance-based management fee is only paid if the closing stock exchange price for the financial period, or the net assets per share if they are lower than the stock exchange price, is higher than the highest closing stock exchange price for the previous financial periods or the net assets per share, adjusted for dividends, issues and splits. No maximum amount has been specified for the fee to be paid to the management company.

Any other operating income and expenses include income and expenses which cannot be considered to be directly related to the real estate investment operations of Orava Residential REIT.

Accounts payable are initially recognised at the fair value and subsequently measured at amortised cost. The majority of the Group's trade payables are related to acquisitions made by the subsidiaries.





Income Taxes

The Large Taxpayers' Office granted the company an exemption from the payment of income tax on 20 January 2012. According to the decision, the tax exemption started from the beginning of the first tax year on 30 December 2010.

However, pursuant to the Tax Exemption Act, the company has to pay tax for capital gains from apartments it has owned for less than five years. Capital losses from apartments may not be deducted from capital gains.

For taxation purposes, a capital gain is created when the disposal price exceeds the sum total of the original acquisition price, the asset transfer tax paid, the estate agent's fee and the apartment repair expenses and capitalised repairs.

The subsidiaries pay the relevant taxes on their financial result and capital gains.

	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Tasex of the Group for the period	-52	-25

4 INVESTMENT PROPERTIES

In the investment properties group, we have collected notes particularly related to investment properties and their valuation. More detailed information on the measurement of the fair value of investment properties is available in the Consolidated Financial Statements of Orava Residential REIT plc of 31 December 2016.

In accordance with the Tax Exemption Act, Orava Residential REIT does not engage in any operations other than letting premises which it owns or possesses due to its shareholding, ordinary housing management and maintenance focusing on such premises, construction contracting on the company's own behalf and financing required for these.

Under the Tax Exemption Act, at least 80% of the company's assets shown on the balance sheet at the end of the tax year shall be made up of real properties, housing company shares or shares conferring the right to possess a residential apartment in another mutual real estate company which only engages in the ownership and management of the buildings on its real estate which are primarily intended for permanent residential use. Orava Residential REIT

possesses such assets to obtain rental income or increase in the value of its assets or both.

The management exercises discretion in every investment property acquisition determining whether it is an acquisition of business operations or is it consolidated using the proportionate method. Only the amount of investment properties corresponding to the holding of the Group has been consolidated. In the valuation of its investment properties, Orava Residential REIT applies section 18 of the Real Estate Funds Act and the fair value model according to IFRS 13, Fair Value Measurement. Any profit or loss from changes in fair value is recognised through profit or loss for the period during which it arises.

Changes in fair value are recognised under revenue. Investment properties are initially valued at acquisition cost. Fair value is used in the measurement and valuation after the original recognition. Fair value is the amount of money for which the assets could be exchanged between informed parties willing to enter into the transaction and independent of each other.

Orava Residential REIT possesses investment properties under construction to obtain rental income or increase in the value of its assets or both in the future. On the closing date, long-term development and construction projects where a new building or new apartments are built are measured at fair value. Use of fair value requires that the percentage of completion of the project can be reliably estimated. Investment properties under construction also include apartments for which Orava Residential REIT has signed a construction-stage deed of purchase for a residential apartment.

The value of Orava Residential REIT's investment properties is the sum of the market values of individual apartments calculated using a measurement model. Investment properties are disclosed on the statement of financial position at their gross value, in which case the share of debt related to ownership allocated to the property is presented in Orava Residential REIT's consolidated statement of financial position as a liability.

Individual apartments are derecognised when they are disposed of. Capital gains and losses from apartments are presented in the income statement under revenue.



An external expert annually audits the fair value measurement process and determination method used by Orava Residential REIT. In addition to the audit, an external expert has issued a calculation of value on the values of all Orava Residential REIT's investment properties twice a year. The company has

started a cooperation with an external appraiser (JLL) to develop a quantitative model. In order to cut costs, the company has not ordered external valuations of the apartments calculated using the traditional appraisal methods for the second quarter.

Investment properties, fair value		
	30 Jun 2017	31 Dec 2016
Acquisition cost on 1 Jan	210,901	195,851
Increases	861	24,558
Transfer of cash and cash equivalents away from the fair value of investment properties	0	0
Decreases	-5,027	-11,554
Change in fair value in the period taking the impact of asset transfer tax into account	-1,363	2,046
Fair value	205,372	210,901

The decreases are disposals of residential apartments. A total of 38 apartments were sold during the period 1 Jan - 30 Jun 2017. The change in the value of investment properties that had been in the portfolio during the period 1 April - 30 June 2017 was 0% (1 April - 30 June 2016: -0,5%) i.e. EUR 10,000 (1 April - 30 June 2016: EUR -1,000,000).



Investment properties on 30 Jun 2017	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Espoon Albert	Helsinki Region	Espoo	Kilonportti 5	6 %	2014	2	144
As Oy Espoon Revontuli	Helsinki Region	Espoo	Revontulentie 1	5 %	2015	2	115
As Oy Espoon Suulperi	Helsinki Region	Espoo	Niittytaival 9	7 %	2014	3	226
As Oy Espoon Tiilentekijä	Helsinki Region	Espoo	Tegelhagen 2	9 %	2015	2	235
As Oy Espoon Tähystäjä	Helsinki Region	Espoo	Ulappakatu 1	3 %	2013	1	81
As Oy Sininärhentie 5	Helsinki Region	Espoo	Sininärhentie 5	2 %	2013	1	84
As Oy Helsingin Apteekkarit	Helsinki Region	Helsinki	Apteekarinkatu 5	21 %	2014	4	344
As Oy Helsingin Hjalmar	Helsinki Region	Helsinki	Teollisuuskatu 18 A	10 %	2014	2	202
As Oy Helsingin Koirasaarentie 1	Helsinki Region	Helsinki	Koirasaarentie 1	65 %	2000	16	940
As Oy Helsingin Limnologi	Helsinki Region	Helsinki	Agronominkatu 18	14 %	2015	5	427
As Oy Helsingin Rafael	Helsinki Region	Helsinki	Teollisuuskatu 18 B	13 %	2014	2	222
As Oy Helsingin Umbra	Helsinki Region	Helsinki	Taidemaalarikatu 3	4 %	2016	2	166
As Oy Hyvinkään Rukki	Helsinki Region	Hyvinkää	Ranssunkaari 10	3 %	2013	1	92
As Oy Hyvinkään Ryijy	Helsinki Region	Hyvinkää	Ranssunkaari 8	4 %	2016	1	107
As Oy Hyvinkään Ukko-Pekka	Helsinki Region	Hyvinkää	Tienhaarankatu 7a	34 %	2014	5	505
As Oy Järvenpään Terho	Helsinki Region	Järvenpää	Piennartie 16	5 %	2012	1	95
As Oy Järvenpään Tuohi	Helsinki Region	Järvenpää	Vakka 5	82 %	2013	14	1,116
As Oy Järvenpään Saundi	Helsinki Region	Järvenpää	Huvilakatu 7	13 %	2013	6	517
As Oy Kauniaisten Kvartetti	Helsinki Region	Kauniainen	Laaksotie 10	4 %	2014	2	142
As Oy Kauniaisten Venevalkamantie 3	Helsinki Region	Kauniainen	Venevalkamantie 3	10 %	2012	3	182
As Oy Keravan Nissilänpiha 9-11	Helsinki Region	Kerava	Nissilänpiha 9-11	85 %	1974	24	2,109
As Oy Keravan Ritariperho	Helsinki Region	Kerava	Palosenkatu 7	100 %	2011	19	2,071
As Oy Kirkkonummen Kummikallio	Helsinki Region	Kirkkonummi	Kummikallio	100 %	1973	84	5,241
As Oy Kirkkonummen Pomada	Helsinki Region	Kirkkonummi	Rajakalliontie 3	33 %	2012	6	650
As Oy Kirkkonummen Pronssi	Helsinki Region	Kirkkonummi	Vernerinkuja 6	6 %	2014	1	86
As Oy Kirkkonummen Tammi	Helsinki Region	Kirkkonummi	Ervastintie 1	28 %	2013	13	993



Investment properties on 30 Jun 2017	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Nurmijärven Puurata 15-17	Helsinki Region	Nurmijärvi	Puurata 15-17	38 %	1974-75	18	1,153
As Oy Nurmijärven Soittaja	Helsinki Region	Nurmijärvi	Pikkutiekankuja 4	59 %	2013	15	1,326
As Oy Lindheerst, Sipoo	Helsinki Region	Sipoo	Kirkkoniityntie 28	56 %	1982	12	984
As Oy Sipoon rannan Saalinki	Helsinki Region	Sipoo	Sipoonranta 10	7 %	2011	3	253
As Oy Tuusulan Pihta	Helsinki Region	Tuusula	Paijalannummentie 16	31 %	2014	7	695
As Oy Vantaan Kaakkoisväylä 4	Helsinki Region	Vantaa	Kaakkoisväylä 4	69 %	1979	37	2,697
As Oy Vantaan Kruununmasto	Helsinki Region	Vantaa	Kolmikallionkuja 3	5 %	2016	2	119
As Oy Vantaan Paddington	Helsinki Region	Vantaa	Ratakuja 4	6 %	2015	2	180
As Oy Vantaan Piletti	Helsinki Region	Vantaa	Ratatie 16	2 %	2015	2	173
As Oy Vantaan Popliini	Helsinki Region	Vantaa	Horsmakuja 6	12 %	2015	5	396
As Oy Vantaan Rasinrinne 13	Helsinki Region	Vantaa	Rasinrinne 13	55 %	1975	21	1,086
As Oy Vantaan Rusakko	Helsinki Region	Vantaa	Kylmäojantie 15	55 %	1992	5	282
As Oy Vantaan Maaunintie 14	Helsinki Region	Vantaa	Maaunintie 14	99 %	1975	74	5,027
As Oy Jyväskylän Kruunutorni (liiketilat)	Large urban centres	Jyväskylä	Hoitajantie 4	36 %	2010	5	1,232
As Oy Jyväskylän Ahjotar	Large urban centres	Jyväskylä	Seppäläntie 4A	20 %	2014	6	286
As Oy Jyväskylän Kyläseppä	Large urban centres	Jyväskylä	Seppäläntie 4C	16 %	2014	3	207
As Oy Jyväskylän Maailmanpylväs	Large urban centres	Jyväskylä	Äijälänrannantie 34	6 %	2014	2	218
As Oy Jyväskylän Runous	Large urban centres	Jyväskylä	Vapaudenkatu 35a	4 %	2015	1	84
As Oy Jyväskylän Tukkipoika	Large urban centres	Jyväskylä	Schaumanin puistotie 22	12 %	2013	3	228
As Oy Jyväskylän Valssikuja 6	Large urban centres	Jyväskylä	Valssikuja 6	81 %	1995	20	1,572
As Oy Kaarinan Lampaankääpä	Large urban centres	Kaarina	Hoviherrankatu 5	100 %	1974	36	2,254
As Oy Lahden Aleksanteri	Large urban centres	Lahti	Aleksanterinkatu 11, Mariankatu 12	23 %	2014	9	728
As Oy Lahden Helkalanhovi	Large urban centres	Lahti	Pihtikatu 5	73 %	1975	31	1,862
As Oy Lahden Jukolan Tuomas	Large urban centres	Lahti	Pollarikatu 7	100 %	2010	22	1,306
As Oy Lahden Jukolan Aapo	Large urban centres	Lahti	Pollarikatu 5	100 %	2010	22	1,306
As Oy Lahden Leinikki	Large urban centres	Lahti	Huvikatu 8	9 %	2013	2	160
As Oy Malskin Kruunu, Lahti	Large urban centres	Lahti	Päijänteenkatu 7	5 %	2015	2	170



Investment properties on 30 Jun 2017	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m ²
As Oy Lahden Poikkikatu 4	Large urban centres	Lahti	Poikkikatu 4	53 %	1971	21	1,174
As Oy Lahden Pormestari	Large urban centres	Lahti	Rullakatu 4	8 %	2012	2	121
As Oy Lahden Vuoksenkatu 4	Large urban centres	Lahti	Vuoksenkatu 4	44 %	1970	10	428
As Oy Lempäälän Tikanhovi	Large urban centres	Lempäälä	Kotipellonkatu 5	46 %	2014	15	918
As Oy Naantalin Vesperi	Large urban centres	Naantali	Luostarinkatu 20	23 %	2015	10	594
As Oy Alppilan Iiris	Large urban centres	Oulu	Betonimiehentie 9	15 %	2014	6	428
As Oy Oulun Eveliina	Large urban centres	Oulu	Pesätie 22	14 %	2011	2	161
As Oy Oulun Jatulinmäki	Large urban centres	Oulu	Jatulikivenkatu 1	8 %	2013	2	160
As Oy Merijalinväylä	Large urban centres	Oulu	Koskitie 14	5 %	2012	2	138
As Oy Oulun Seilitie 1	Large urban centres	Oulu	Seilitie 1	46 %	2009	9	506
As Oy Oulun Resiina	Large urban centres	Oulu	Rautatienkatu 33	8 %	2015	6	446
As Oy Oulun Viskaali	Large urban centres	Oulu	Rautatienkatu 31	11 %	2015	5	378
As Oy Oulunsalon Poutapilvi	Large urban centres	Oulu	Pappilantie 5	4 %	2010	1	93
As Oy Raision Kertunpuisto	Large urban centres	Raisio	Murroskuja 4	19 %	2014	3	245
As Oy Raision Lumme	Large urban centres	Raisio	Särkilahdenkatu 2	25 %	2015	8	486
As Oy Raision Vaisaaren Kunnaankatu 7	Large urban centres	Raisio	Kunnaankatu 7	100 %	1978	51	2,807
As Oy Raision Valonsäde	Large urban centres	Raisio	Solinkuonkatu 24	37 %	2014	10	672
As Oy Härmälänrannan Nalle	Large urban centres	Tampere	Lentovarikonkatu 8 ja 14	5 %	2013	2	166
As Oy Tampereen Professori	Large urban centres	Tampere	Tutkijankatu 2	12 %	2013	3	257
As Oy Tampereen Ruuti	Large urban centres	Tampere	Autilankatu 2	21 %	2014	7	335
As Oy Tampereen Solaris	Large urban centres	Tampere	Tieteenkatu 6	22 %	2014	11	881
As Oy Tampereen Vuoreksen Emilia	Large urban centres	Tampere	Pirttisuonkuja 2	14 %	2014	5	427
As Oy Turun Androksenranta	Large urban centres	Turku	Unioninkatu 20	16 %	2014	5	390
As Oy Turun Aurajoen Helmi	Large urban centres	Turku	Koulukatu 2	8 %	2014	3	212
As Oy Turun Michailowinlinna	Large urban centres	Turku	Michailowinkatu 4	9 %	2015	5	285
As Oy Turun Michailowinportti	Large urban centres	Turku	Michailowinkatu 2	9 %	2013	2	154
As Oy Turun Sataman Tähti	Large urban centres	Turku	Eerik Pommerilaisen Ranta 16	16 %	2015	5	300



Investment properties on 30 Jun 2017	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Forssan Hellaanpuisto	Medium-sized towns	Forssa	Rautatienkatu 9	10 %	2014	3	186
As Oy Haminan Kaivopuisto	Medium-sized towns	Hamina	Kaivokatu 8	10 %	2014	4	236
As Oy Haminan Tervaniemi	Medium-sized towns	Hamina	Lavatie 6	96 %	1999	16	1,040
As Oy Heinolan Tamppilahdenkulma	Medium-sized towns	Heinola	Keskuskatu 30	87 %	1977	17	1,011
As Oy Heinolan Torihovi	Medium-sized towns	Heinola	Virtakatu 5	12 %	2015	5	224
As Oy Hämeenlinnan Asemapäällikkö	Medium-sized towns	Hämeenlinna	Keinukatu 10	4 %	2014	1	76
As Oy Hämeenlinnan Aulangontie 39	Medium-sized towns	Hämeenlinna	Aulangontie 39	51 %	1974	11	527
As Oy Hämeenlinnan Salmiakki	Medium-sized towns	Hämeenlinna	Tervapadankatu 1	100 %	2016	52	2,557
As Oy Kokkolan Luotsi	Medium-sized towns	Kokkola	Merikotkantie 9-17	23 %	2012	4	321
As Oy Kokkolan Omenapiha	Medium-sized towns	Kokkola	Ouluntie 53	26 %	2012	3	261
As Oy Kotkan Alahovintie 7	Medium-sized towns	Kotka	Alahovintie 7	98 %	1974	35	2,107
As Oy Kotkan Alahovintorni	Medium-sized towns	Kotka	Alahovintie 1	91 %	1973	26	1,449
As Oy Kotkan Matruusi	Medium-sized towns	Kotka	Kirkkokatu 2	13 %	2013	4	265
As Oy Kotkan Vuorenrinne 19	Medium-sized towns	Kotka	Vuorenrinne 19	95 %	1973-75	70	3,824
As Oy Mällinkatu 6	Medium-sized towns	Kotka	Mällinmutka 2	100 %	1958 ja 74	54	2,875
As Oy Kouvolan Kuusama	Medium-sized towns	Kouvola	Kalevankatu 29	2 %	2015	1	40
As Oy Kuopion Rantahelmi	Medium-sized towns	Kuopio	Järvihelmenkatu 9	3 %	2014	1	100
As Oy Lohjan Koulukuja 14	Medium-sized towns	Lohja	Lähdehaankuja 2	83 %	1976	44	2,505
As Oy Lohjan Pinus	Medium-sized towns	Lohja	Metsätähtikuja 8	47 %	2012	9	868
As Oy Mikkelin Neptun	Medium-sized towns	Mikkeli	Mannerheimintie 38	41 %	2013	11	719
As Oy Paimion Jokilaivuri	Medium-sized towns	Paimio	Sahurintie 1	6 %	2013	2	72
As Oy Porin Huvitus	Medium-sized towns	Pori	Teljänkuja 2	33 %	2014	9	673
As Oy Porin Kommodori	Medium-sized towns	Pori	Presidentinpuistokatu 1	9 %	2013	4	372
As Oy Porin Pihlavankangas	Medium-sized towns	Pori	Katkojantie 1	89 %	1974 ja 76	47	2,581
Koy Liikepuisto (sis. liiketiloja)	Medium-sized towns	Porvoo	Kaivokatu 29	100 %	1960	10	607
As Oy Kaivopolku (sis. liiketiloja)	Medium-sized towns	Porvoo	Kaivokatu 29	100 %	1993	32	2,055



Investment properties on 30 Jun 2017	Area	City	Address	Holding, %	Built in, year	Apartments	Floor area, m2
As Oy Porvoon Laamanninpiha	Medium-sized towns	Porvoo	Laamanninkatu 1	9 %	2013	2	181
As Oy Riihimäen Laidunaho	Medium-sized towns	Riihimäki	Haratie 1	9 %	2013	2	157
As Oy Riihimäen Lovisa	Medium-sized towns	Riihimäki	Peltokuja 2	12 %	2013	2	177
As Oy Riihimäen Vuorelanmäki I	Medium-sized towns	Riihimäki	Huhtimonkatu 1	100 %	1956	16	773
As Oy Rovaniemen Koivula	Medium-sized towns	Rovaniemi	Maakuntakatu 2	7 %	2014	2	172
As Oy Rovaniemen Laura	Medium-sized towns	Rovaniemi	Kansankatu 13	3 %	2014	2	104
As Oy Rovaniemen Rekimatka 16-18	Medium-sized towns	Rovaniemi	Rekimatka 16-18	83 %	1991	20	1,209
As Oy Rovaniemen Rekimatka 29	Medium-sized towns	Rovaniemi	Rekimatka 29	91 %	1989	50	2,863
As Oy Rovaniemen Suvihenä	Medium-sized towns	Rovaniemi	Heinämiehentie 10	7 %	2014	2	119
As Oy Rovaniemen Uitto	Medium-sized towns	Rovaniemi	Uittomiehentie 6-10	21 %	2015	9	576
As Oy Salon Ristinkedonkatu 33	Medium-sized towns	Salo	Ristinkedonkatu 33	88 %	1975	63	3,956
As Oy Savonlinnan Kotiranta	Medium-sized towns	Savonlinna	Heikinpohjantie 38b	49 %	2014	9	521
As Oy Savonlinnan Postityttö	Medium-sized towns	Savonlinna	Olavinkatu 61	25 %	2015	8	459
As Oy Savonlinnan Välimäentie 5-7	Medium-sized towns	Savonlinna	Välimäentie 5-7	100 %	1977	51	2,723
As Oy Tornion Aarnintie 7	Medium-sized towns	Tornio	Aarnintie 7	39 %	1974	19	1,138
As Oy Tornion Kuparimarkka	Medium-sized towns	Tornio	Aarnintie 13	85 %	1975	43	2,480
As Oy Vaasan Aleksander	Medium-sized towns	Vaasa	Myllykatu 11 B	11 %	2015	3	131
As Oy Vaasan Asemankatu 9	Medium-sized towns	Vaasa	Asemankatu 9	21 %	2014	5	363
As Oy Vaasan Leipurinkulma	Medium-sized towns	Vaasa	Myllykatu 11 A	9 %	2015	4	119
As Oy Varkauden Ahlströminkatu 12	Medium-sized towns	Varkaus	Ahlströminkatu 12	95 %	1954	31	1,979
As Oy Varkauden Onnela	Medium-sized towns	Varkaus	Kosulankatu 6	100 %	1920	9	864
As Oy Varkauden Parsius	Medium-sized towns	Varkaus	Parsiuskatu 6	80 %	1973	30	1,648



Investment properties on 30 June 2017						
Region	No of properties	Apartments and business facilities	Floor area, m ²	Fair value, EUR 1000	% of investment portfolio	EUR / m ²
Vantaa	8	148	9,960	17,263	8.4 %	1,733
Kirkkonummi	4	104	6,970	14,330	7.0 %	2,056
Helsinki	6	31	2,301	10,698	5.2 %	4,650
Kerava	2	43	4,180	10,001	4.9 %	2,393
Järvenpää	3	21	1,728	6,112	3.0 %	3,537
Helsinki Region, others	16	78	6,321	20,104	9.8 %	3,181
Helsinki Region	39	425	31,458	78,508	38.2 %	2,496
Lahti	9	121	7,254	16,868	8.2 %	2,326
Tampere	5	28	2,065	7,565	3.7 %	3,664
Oulu	8	33	2,308	7,420	3.6 %	3,215
Raisio	4	72	4,210	7,364	3.6 %	1,749
Jyväskylä	7	40	3,826	7,227	3.5 %	1,889
Large urban centres, others	8	81	5,105	15,222	7.4 %	2,982
Major cities	41	375	24,766	61,667	30.0 %	2,490
Hämeenlinna	3	64	3,160	8,980	4.4 %	2,842
Kotka	5	189	10,520	7,905	3.8 %	751
Rovaniemi	6	85	5,043	6,964	3.4 %	1,381
Porvoo	3	44	2,843	6,502	3.2 %	2,287
Savonlinna	3	68	3,702	5,493	2.7 %	1,484
Medium-size towns, others	28	407	24,989	29,352	14.3 %	1,175
Medium-size towns	48	857	50,256	65,196	31.7 %	1,297
Total	128	1,657	106,480	205,372	100.0 %	1,929

The sales portfolio contained 30 June 2017 92 apartments in 42 properties. The sales portfolio's floor area was in total 6,210 m² and the fair value was EUR 10,648,000.

The investment properties contain 24 business facilities ca. 3080 square meters.

	City	Business facilities	Floor area, m ²
As Oy Jyväskylän Kruunutori (liiketilat)	Jyväskylä	5	1,232
As Oy Salon Ristinkedonkatu 33	Salo	2	335
Kiinteistö Oy Liikepuisto	Porvoo	4	318
Asunto Oy Kaivopolku	Porvoo	7	495
As Oy Vantaan Maaunintie 14	Vantaa	1	292
As Oy Varkauden Ahlströminkatu 12	Varkaus	5	410



Hierarchy of fair values

The following table shows assets measured at fair value broken down by the valuation method in thousands of euros. The levels used are defined as follows:

Level 1 Prices of totally identical assets quoted on active markets

Level 2 Input information, other than the quoted prices included in Level 1, that is observable for the asset item concerned

Level 3 Input information regarding the asset item which is not based on any observable market information. Values of business premises and parking spaces measured by an external appraiser.

	Level 1	Level 2	Level 3
Assets			
Investment properties on 30 Jun 2017	-	-	205,372
Investment properties on 31 Dec 2016	-	-	210,901



5 CAPITAL STRUCTURE AND FINANCIAL EXPENSES

In the capital structure and financial expenses group, we have collected notes on financial assets and liabilities and shareholders' equity related to financial result and the statement of financial position, so that the overall picture of the financial position of the Group could be better perceived. The note on earnings per share is part of the information on equity. Interest income and expenses are recognised on a timeproportion basis using the effective interest method.

5.1 Finance income and expenses

Finance income and expenses	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Interest expenses and fees for loans and interest rate hedges	-1,386	-1,441
Other finance expenses	-175	-109
Total finance expenses	-1,561	-1,550
Finance income	5	4
Total	-1,556	-1,546

5.2 Financial assets

Cash in hand and at banks includes cash, bank accounts and liquid investments whose investment period is no more than three months at the time they are made.

Cash and cash equivalents	30 Jun 2017	31 Dec 2016
Cash and cash equivalents held in accounts	2,251	4,141
Total	2,251	4,141

Purchases and sales of financial assets are initially recognised at fair value on the basis of the transaction date, and the transaction costs are expensed in the income statement. Loans and other receivables are later valued at amortised cost. Rental receivables EUR 263 thousand are presented in section 2, Segments and income.

Current financial assets	30 Jun 2017	31 Dec 2016
Other receivables	127	6
Prepaid expenses and accrued income	397	325
Total	524	331

At the end of each period under review it is estimated whether there are grounds for the impairment of the value of an item included in financial assets. Significant risks are not related to receivables.



5.3 Financial liabilities

Non-current liabilities

Non-current interest-bearing loans are recognised at fair value less transaction costs at the time of acquisition. Loan arrangement fees are expensed in the income statement over the loan period. A loan is classified as a non-current interest-bearing liability insofar as the amortisation of the loan takes place after more than a year from the closing date. The available overdraft facilities of bank accounts are included in non-current interest-bearing liabilities.

Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

April 2020, and it has a fixed coupon of 4.25%. The bond was listed on the regulated market of the Helsinki Stock Exchange on 2 April 2015.

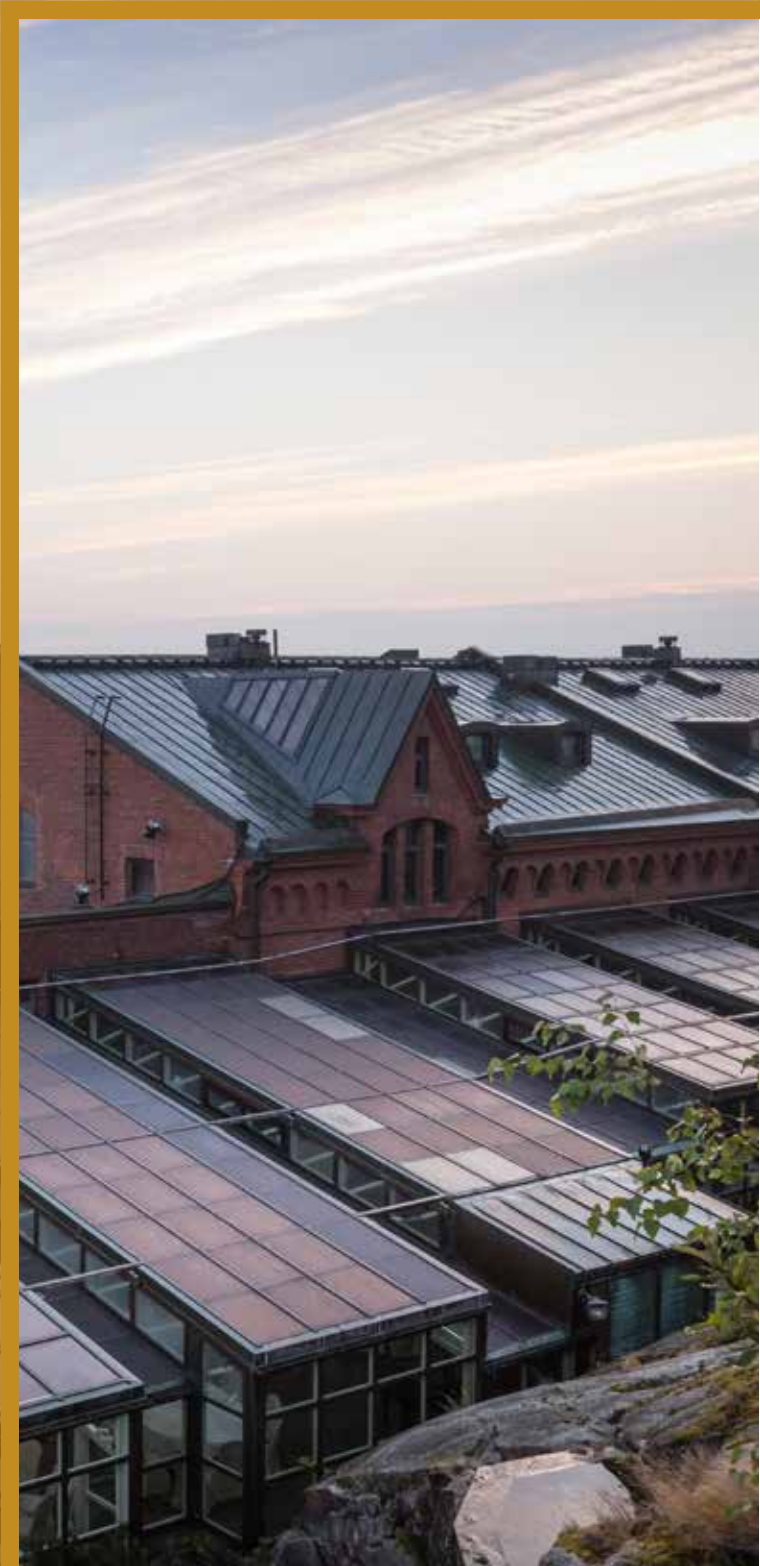
Non-current liabilities	30 Jun 2017	31 Dec 2016
Bond	19,596	19,382
The group's loans from financial institutions	89,410	92,148
Long-term security deposits received	796	794
Total non-current liabilities	109,802	112,324

The main covenants of the bond and the parent company's financial institution loans are tied to the ratio of debt to the value of the housing company shares, the equity/assets ratio and the loan servicing margin.

Costs of liabilities which arise from the acquisition, construction and manufacture of investment properties the completion of which requires a considerably long period are added to the acquisition cost of the acquisition in question. Capitalisation is continued until the asset items are ready to be rented or sold.

Other costs of liabilities are expensed during the period they are incurred.





Current interest-bearing liabilities

Loans are financial assets not included in derivative assets, the payments related to which are fixed or determinable and which are not quoted on active markets. They are included in current assets, except if they fall due after more than 12 months from the closing date. Investment properties are recognised on the statement of financial position at fair value as a gross value, in which case the share of company loans allocated to the shares related to the ownership of the shares is presented as a liability on the statement of financial position.

Current liabilities	30 Jun 2017	30 Jun 2016
The Group's loans from financial institutions	2,090	2,936
Total of current liabilities	2,090	2,936
Liabilities allocated to investment properties available for sale	3,926	5,123

Convertible bond agreements

The company has allocated and will allocate shares to itself in charge-free share issues, which it may use to strengthen its capital structure, develop its business and widen its ownership base through both acquisition of investment properties and the issue of convertible bonds.

During the period 1 January - 30 June 2017, the company has not concluded convertible bond agreements nor exchanged convertible bonds for shares in the company.

The company's shareholders' equity is EUR 95,483,523 (31 December 2016: EUR 97,006,523). At the end of the period, the company had no shares in its possession that it had allocated to itself.

The ownership of shareholders owning shares at the beginning of 2017 was not diluted as a result of shares converted through bond agreements in 2017.



Other current liabilities

Other current loans include, among other things, advance payments received and accrued liabilities and deferred income. If trade payables fall due within over a year, they are recognised under noncurrent liabilities

Other current liabilities	30 Jun 2017	31 Dec 2016
Advance payments received	188	168
Other liabilities	207	621
Accrued expenses and deferred income	1,209	2,821
Fair value of interest rate hedges	0	60
Total current liabilities	1,604	3,670

Other liabilities mainly consist of tax debt (EUR 158,000). Accrued liabilities and deferred income consist of accrued expenses and deferred income in housing companies (EUR 338,000) and interest accruals (EUR 282,000).

5.4 Contingent liabilities

	30 Jun 2017	31 Dec 2016
General pledge as collateral, real estate mortgages given to custody as collateral for the debt		
Total real estate mortgages	34,523	34,523
Loans for which shares have been pledged		
Loans and a bond	37,524	37,382
Fair value of the pledged shares	96,382	109,230

The future aggregate minimum rentals payable under non-cancellable operating leases (land leases of housing companies) are as follows.

Land leases	30 Jun 2017	31 Dec 2016
No later than 1 year	434	434
Later than 1 year and no later than 5	1,738	1,738
Later than 5 years	28,631	28,848
Total	30,803	31,020

5.5 Management of financing risks

Management of financing risks

The objective of Orava Residential REIT's risk management is to minimise the negative effects of changes in the financial markets on the company's cash flow, financial result and equity. The Board of Directors of Orava Residential REIT decides on the objectives of risk management, determines the risk management policy and is responsible for monitoring risk management activities. The operational policy observed in financial operations is to avoid risks.

Interest rate risk

Orava Residential REIT uses variable-rate loans from financial institutions to finance its acquisitions. The loans will be hedged with interest rate swaps. On 30 June 2017, the hedging degree of variable-rate loans was 0% (31 December 2016: 33,3%). The company loans allocated to the shares of the housing companies in total EUR 73,572,000 were uncovered.



Liquidity risk

The Group seeks to constantly assess and monitor the amount of financing required for business operations in order to ensure that the Group has sufficient liquid funds to finance its operations. The risk regarding the availability of financing has been mitigated through regular negotiations with several providers of financing. The company expects to be able to renew the loans maturing in the coming years. The parent company had drawn down bank loans of about EUR 16 million on 31 December 2016. The loan arrangement will fall due on spring 2020 and 2021.

Credit risk

Credit risk arises from the possibility that the counterparty to an agreement fails to meet its contractual obligations. On the balance sheet date, the major credit risks faced by the Group were due to rental receivables. The Group does not have any significant concentrations of receivable or credit risks. On 30 June 2017, rental receivables totalled EUR 263,000 (31 December 2016: EUR 223,000).

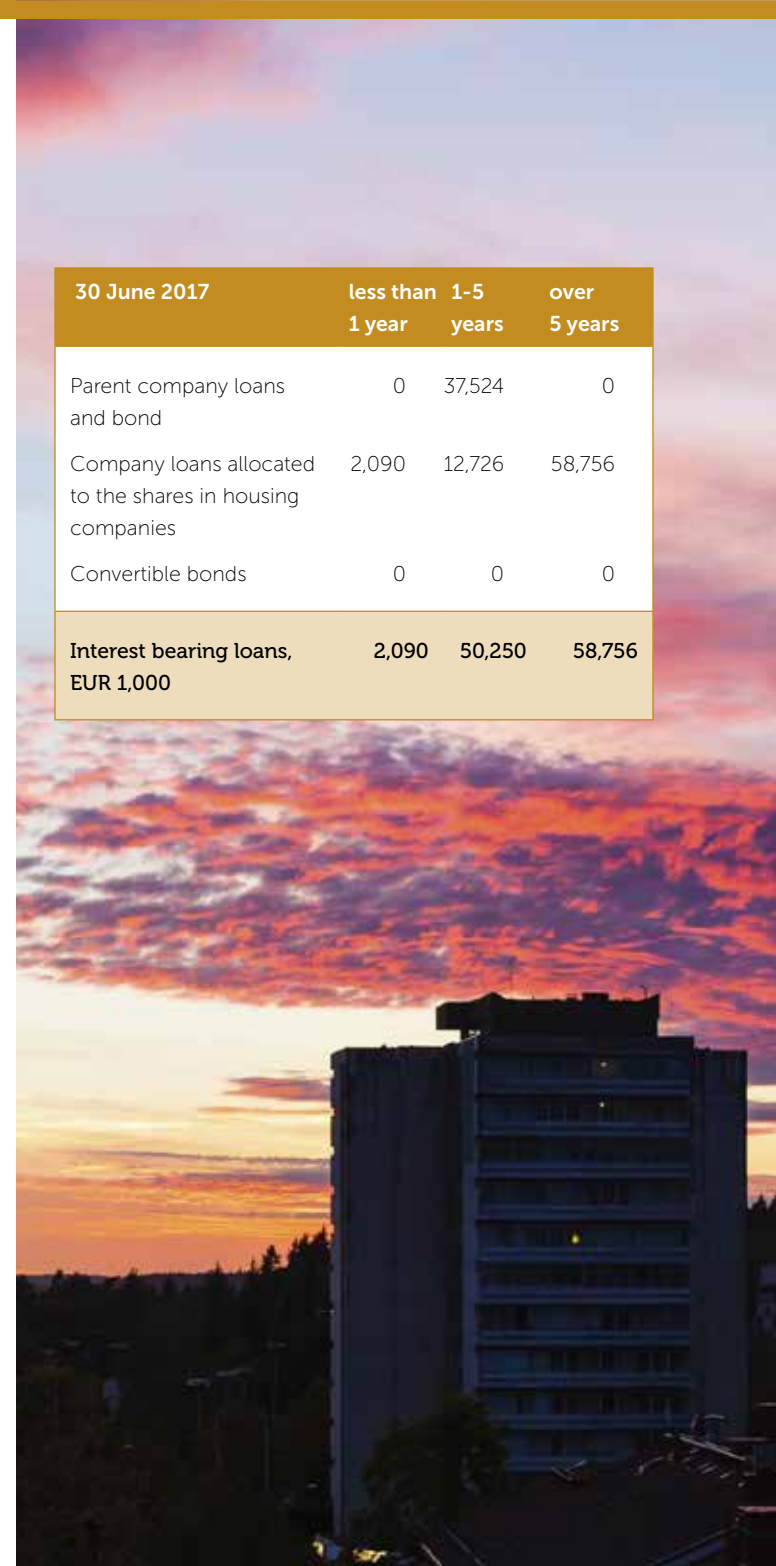
Capital management

The objective of capital management is to secure the Group's capability for continuous operations so that it can produce income for its owners and benefits for its other stakeholders. Another objective is to maintain an optimal capital structure, for example when interest rates change.

In order to maintain or change its capital structure, the Group may, within the constraints of the Limited Liability Companies Act and the Tax Exemption Act, change the amount of dividends payable to its shareholders, issue new shares or sell apartments it owns in order to reduce its debts. On 30 June 2017, the equity-to-assets ratio was 45,7% (31 December 2016: 44,9%).

The Group's bank loans not included in derivative liabilities and other interest-bearing liabilities were as follows at the end of the period under review, shown by contractual periods of maturity. The amounts disclosed are non-discounted cash flows of loan repayments based on loan agreements.

30 June 2017	less than 1 year	1-5 years	over 5 years
Parent company loans and bond	0	37,524	0
Company loans allocated to the shares in housing companies	2,090	12,726	58,756
Convertible bonds	0	0	0
Interest bearing loans, EUR 1,000	2,090	50,250	58,756



5.6 Classification of liabilities

Fair value hierarchy

The following table shows liabilities measured at fair value broken down by the valuation method in thousands of euros. The levels used are defined as follows:

Level 1 Prices of totally identical liabilities quoted on active markets

Level 2 Input information, other than the quoted prices included in Level 1, that is observable for the asset item concerned

Level 3 Input information regarding the liability which is not based on any observable market information. Values of business premises and parking spaces measured by an external appraiser.

Liabilities	Level 1	Level 2	Level 3
Interest rate hedging contracts on 30 Jun 2017	-	0	-
Interest rate hedging contracts on 31 Dec 2016	-	-60	-

5.7 Derivatives

In accordance with its risk management policy, Orava Residential REIT uses interest rate derivatives to reduce the interest rate risk of its variable-rate loans. Orava Residential REIT may only use derivatives for hedging the interest rate risk within the limits allowed by the Tax Exemption Act. Through interest rate swaps, variable-rate loans are changed into fixed-rate loans. The effectiveness of hedging is tested on a quarterly basis.

Fair value of interest rate hedges, EUR 1,000	30 Jun 2017	31 Dec 2016
At the end of the period, the fair value of interest rate swaps was	0	-60
Change in fair value during the period	60	-57

The counterparty of the interest rate swaps was Danske Bank Plc. The bank's charges for the derivative contracts are expensed during the period they are incurred.

5.8 Equity

Up to 30 June 2015, EUR 10.00 per share has been recognised in the share capital for directed issues and the conversions of convertible bond agreements, and the excess has been recognised in the reserve for invested unrestricted equity. Since the summer of 2015, increases in equity have been recognised in the reserve for invested unrestricted equity. The costs of the acquisition of equity and the changes in the fair value of interest rate hedges have been deducted directly from equity.

Share capital and share premium account	30 Jun 2017	31 Dec 2016
Share capital on the beginning of the period	72,131	72,131
Share capital at the end of period	72,131	72,131
Share premium account on the beginning of the period	23,309	13,008
Change in share premium account	0	10,301
Share premium account at the end of period	23,309	23,309
Total share capital and share premium account	95,440	95,440

The number of shares on 31 December 2016 was 9,657,567, of which the company possessed 58,657 shares. The number of shares on 30 June 2017 was 9,598,910, of which the company possessed 0 shares.



Earnings per share

Earnings per share are calculated by dividing the result for the period attributable to the owners of the parent company by the weighted average number of shares outstanding.

	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
(a) Undiluted		
Undiluted earnings per share are calculated by dividing earnings before comprehensive income items attributable to the company's shareholders by the weighted average number of shares outstanding during the period.		
Profit attributable to the company's shareholders, EUR 1000	-946	1,500
Weighted average number of outstanding shares, 1,000 shares	9,599	8,405
Undiluted earnings per share, EUR	-0.10	0.18
(b) Adjusted for dilution effect		
	-0.10	0.17
During the period there were an average about 0,000 potentially diluting shares outstanding.		

Dividend distribution obligation

Under the Tax Exemption Act, at least 90% of the profit for the period shall be distributed annually in dividends, excluding any unrealised change in the fair value of investment properties. On the other hand, the Tax Exemption Act restricts the distribution of funds for the distribution of profit only. The dividends that the Board of Directors proposes to be distributed are not recognised before the General Meeting approves them. Dividend distribution is recorded on the consolidated statement of financial position for the period during which the dividend is approved at the General Meeting. If the General Meeting authorises the Board of Directors to decide on the distribution of dividends, the distribution of dividends is recognised on the consolidated statement of financial position for the period during which the dividends are approved at a Board meeting.





6. ADDITIONAL INFORMATION

6.1 Related parties

According to IAS 24, a party is a related party of a corporation when he or she owns a share in the corporation that gives him or her significant influence or he or she is a member of the key management personnel of the corporation or its parent company. Key persons' family members, corporations under the person's control and corporations where the person has significant influence are also included in related parties.

The fixed management fees to management company Orava Funds plc during the period 1 Jan - 30 Jun 2017 amounted to EUR 641,000 (1 Jan - 30 Jun 2016: EUR 618,000). A performance-based management fee of EUR 0 has been booked during 1 Jan - 30 Jun 2017 (2016: EUR 0).

6.2 New IFRS standards and interpretation

Orava Residential REIT used the same accounting principles as in the 2016 financial statements, except for the application of new or revised standards and interpretations.

The amendment to IAS 1 influenced the presentation of other comprehensive income items so that items are categorised into those that may be reclassified subsequently to profit or loss and those that are not so reclassified.

The amendment to IAS 12, Income Taxes, is related to the recognition of a deferred tax liability related to an investment property measured at fair value according to IAS 40, Investment Property. The amendment has no material impact on the consolidated financial statements, as the investment properties of Orava Residential REIT can mainly be disposed of in a tax-free manner after the five-year ownership period entitling to tax exemption.

IFRS standards, interpretations and amendments which have been published but which will enter into force later than on 30 June 2017 and which may have an impact on the company's interim reports and consolidated financial statements, include the following:

IFRS 9 Financial instruments. The classification and measurement models in accordance with IAS 39 Financial Instruments: Recognition and Measurement will be replaced in IFRS 9 with a single model. The group does not expect the new guidance to



have a significant impact on the classification and measurement of its financial assets. IFRS 9 will enter into force on 1 January 2018.

IFRS 15 Revenue from contracts with customers standard has no effect to companies revenue recognition, financial position nor to result. IFRS 15 will enter into force 1 January 2018.

IFRS 16 leases - will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The accounting by the group will change do to long land lease agreements made by the daughter companies. The group will later assess the possible impact that application of IFRS 16 will have on its financial statement. IFRS 16 will enter into force on 1 January 2019.

IAS34 – it will be specified what 'the information presented elsewhere in the interim report' referred to in the standard means.

6.3 Accounting principles requiring management discretion

The management of Orava Residential REIT exercises discretion when it makes decisions on the choice of accounting principles and their

application. This concerns cases where the IFRS norms include alternative recognition, valuation or disclosure methods, in particular. Any estimates and assumptions are based on earlier experience and the best view on the closing date. Estimates are always associated with uncertainty factors, and the final outcome may differ from the estimates made. The discretion and estimates by the management of Orava Residential REIT are mainly related to the measurement of investment properties at fair value.

The fair value of the apartment portfolio of Orava Residential REIT is monthly determined with a comparable sales multi-variable regression method using asking price material obtained from the Oikotie.fi service. The bargaining range – i.e. the difference between asking prices and transaction prices – is estimated using the material of Statistics Finland as a baseline. The measurement model is continuously developed. The uncertainty in the appraisal of the fair value of investment properties has been reduced by obtaining an appraisal by an external valuer every six months and by selling apartments.

In the company management's view, every acquisition of an investment property must be

processed, and it must be separately assessed whether the terms and conditions for the definition of business operations are met or whether the company only presents the part it manages as an investment property in its consolidated financial statements.

As a rule, Orava Residential REIT consolidates its wholly-owned housing companies in compliance with IFRS 10. Partially owned housing companies are consolidated using the proportionate method in compliance with IAS 11, in which case only the amount of each income statement and balance sheet item of the subsidiaries corresponding to the holding of the Group is consolidated.



FINANCIAL INDICATORS FOR THE GROUP

	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016
Revenue, EUR 1,000	5,291	7,747
Operating profit, EUR 1,000	662	3,071
Financial result for the period, EUR 1,000	-946	1,500
Comprehensive profit for the period, EUR 1,000	-886	1,419
Earnings per share, EUR	-0.10	0.18
Maximum dividends per share for the year, EUR	0.12	1.08
Dividends paid during the period under review per share, EUR *	0.06	0.54
Return on equity, % p.a. (ROE)	-2.0 %	3.2 %
Adjusted total return per share, % p.a.	-2.0 %	-3.6 %
Weighted average number of shares	9,598,910	8,405,701

	30 Jun 2017	31 Dec 2016
Balance sheet total, EUR 1,000	209,164	216,101
Equity/assets ratio, %	45.7 %	44.9 %
Loan to value ratio, %	53.1 %	53.0 %
Net asset value per share, EUR	9.95	10.11
Adjusted net asset value per share, EUR	9.95	10.11
Net gearing, %	114.0 %	113.7 %
Number of shares	9,598,910	9,657,567
Adjusted number of shares	9,598,910	9,598,910
Market capitalisation, EUR 1,000	40,027	48,867



FINANCIAL INDICATORS FOR THE GROUP (CONTINUED)

	1 Jan - 30 Jun 2017	1 Jan - 31 Jun 2016
Economic occupancy rate, %, (EUR)	94.1 %	90.0 %
Operational occupancy rate, %, (m2)	94.2 %	91.4 %
Tenant turnover / month	3.2 %	2.7 %
Gross rental yield, % of fair value	6.9 %	6.8 %
Net rental yield, % of fair value	3.9 %	3.8 %
EPRA Earnings, EUR 1,000	469	-200
EPRA Earnings per share, EUR	0.05	-0.02
EPRA Vacancy Rate	5.9 %	8.7 %

	30 Jun 2017	31 Dec 2016
EPRA NAV, EUR 1000	95,484	97,067
EPRA NAV per share, EUR	9,95	10,11
EPRA Net Initial Yield (NIY), %	4.1 %	4.0 %

Orava Residential REIT has adopted the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures which were effective from July 3, 2016. Orava uses alternative performance measures because of real estate regulations and recommendations, on the other hand to reflect the underlying business performance and to improve comparability between financial periods.

One of these Alternative Performance Measures is:

- Operating profit, which is operating profit before taxes, finance expenses and finance income.

The Real Estate Funds Act sets minimum requirements to Real Estate Funds to publish industry specific financial indicators. In addition, Orava Residential REIT complies with the recommendations of the European Public Real Estate Association (EPRA). EPRA Performance Measures are calculated according to EPRA Best Practices Recommendations from December 2014.

These alternative performance measures should, however, not be considered as a substitute for measures of performance in accordance with the IFRS.



FORMULAS FOR FINANCIAL INDICATORS (1/3)

$$\text{Earnings per share, EUR} = \frac{\text{Financial result for the period attributable to the shareholders of the parent company}}{\text{Weighted average number of shares during the reported period}}$$

$$\text{Return on equity, \% (ROE)} = \frac{\text{Profit/loss for the period} \times 100}{\text{Equity (average during the reported period)}}$$

$$\text{Total return per share, \% per year} = \left\{ \frac{\text{Net assets per share at the end of the year} + \text{dividends paid per share}}{\text{Net assets per share at the beginning of the year}} - 1 \right\} \times 100$$

$$\text{Equity/assets ratio, \%} = \frac{\text{Equity} \times 100}{\text{Balance sheet total less advance payments received}}$$

$$\text{Loan to value ratio, \%} = \frac{\text{The Group's share of outstanding capital of interest-bearing loans}}{\text{Debt-free value of housing company shares and other assets}}$$

$$\text{Net asset value per share, EUR (NAV)} = \frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares at the end of the reported period}}$$

$$\text{Adjusted net asset value per share, EUR (Adjusted NAV)} = \frac{\text{Equity attributable to the shareholders of the parent company including equity in relation to diluting shares}}{\text{Number of shares at the end of the reported period including diluting shares}}$$



FORMULAS FOR FINANCIAL INDICATORS (2/3)

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities} - \text{liquid assets} \times 100}{\text{Equity}}$$

$$\text{Economic occupancy rate, \% (EUR)} = \frac{\text{Gross rental income for the reported period per the number of months}}{\text{Potential gross rental income of rent portfolio for the reported period per the number of months}}$$

$$\text{Operational occupancy rate, \% (m}^2\text{)} = \frac{\text{Square metres let on the last day of the month during the reported period per the number of months}}{\text{Square metres available for letting on the last day of the month during the reported period per the number of months}}$$

$$\text{Tenant turnover} = \frac{\text{Expired agreements per month}}{\text{Number of apartments available for letting on the last day of the month}}$$

$$\text{Gross rental yield, \%} = \frac{\text{Gross rental income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures

$$\text{Net rental yield, \%} = \frac{\text{Gross rental income less expenses} = \text{net income} \times 100}{\text{Market value of the rent portfolio at the end of the previous reported period}}$$

Calculated on a monthly basis; the figure for the reported period is the average of the monthly figures



FORMULAS FOR FINANCIAL INDICATORS (3/3)

$$\begin{array}{l} \text{EPRA Earnings} \\ \text{(Operational result)} \end{array} = \begin{array}{l} \text{Profit/loss for the period} \\ \text{+/- gains from disposals and changes in the fair value of apartments} \\ \text{+ direct taxes} \end{array}$$

$$\begin{array}{l} \text{EPRA Earnings per share} \\ \text{(Operational result per share)} \end{array} = \frac{\text{EPRA Earnings}}{\text{Weighted average number of shares during the reported period}}$$

$$\begin{array}{l} \text{EPRA Net Asset Value} \\ \text{(Net assets)} \end{array} = \begin{array}{l} \text{Equity attributable to the shareholders of the parent company} \\ \text{– any other equity reserve} \end{array}$$

$$\begin{array}{l} \text{EPRA Net Asset Value per share} \\ \text{(Net assets per share)} \end{array} = \frac{\text{EPRA Net Asset Value}}{\text{Undiluted number of shares at the end of the reported period}}$$

$$\begin{array}{l} \text{EPRA Net Initial Yield (NIY), \%} \\ \text{(Initial yield)} \end{array} = \frac{\begin{array}{l} \text{Annualised rental income including indexation adjustments on 1 Jan} \\ \text{year } x + 1 \end{array}}{\begin{array}{l} \text{Investment properties less properties under development on 31 Dec} \\ \text{year } x \end{array}}$$

$$\text{EPRA Vacancy Rate} = \frac{\text{Potential rent from vacant apartments}}{\text{Potential rent from apartments available for letting}}$$



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